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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from _____ to _____

Commission file number 1-7182

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

Delaware	**13-2740599**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4 World Financial Center, New York, New York	**10080**
(Address of Principal Executive Offices)	(Zip Code)

(212) 449-1000
Registrant's Telephone Number, Including Area Code:

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 filing requirements for the past 90 days.

YES X NO _

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer X Accelerated Filer _ Non-Accelerated Filer _

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES _ NO X

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

921,309,679 shares of Common Stock and 2,694,196 Exchangeable Shares as of the close of business on April 28, 2006. The Exchangeable Shares, which were issued by Merrill Lynch & Co., Canada Ltd. in connection with the merger with Midland Walwyn Inc., are exchangeable at any time into Common Stock on a one-for-one basis and entitle holders to dividend, voting, and other rights equivalent to Common Stock.

MERRILL LYNCH & CO., INC. QUARTERLY REPORT ON FORM 10-Q
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Available Information

Merrill Lynch & Co., Inc. ("ML & Co." or "Merrill Lynch") files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). You may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Merrill Lynch) file electronically with the SEC. The SEC's internet site is www.sec.gov.

ML & Co.'s internet address is www.ml.com, and the investor relations section of our website can be accessed directly at www.ir.ml.com. ML & Co. makes available, free of charge, our proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are available through our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Also posted on our website are corporate governance materials including Merrill Lynch's Guidelines for Business Conduct, Code of Ethics for Financial Professionals, Director Independence Standards, Corporate Governance Guidelines and charters for the committees of our Board of Directors. In addition, our website includes information on purchases and sales of our equity securities by our executive officers and directors, as well as disclosures relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast or by similar means from time to time.

We will post on our website amendments to our Guidelines for Business Conduct and Code of Ethics and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange. The information on Merrill Lynch's website is not incorporated by reference into this Report. Shareholders may obtain printed copies of these documents, free of charge, upon written request to Judith A. Witterschein, Corporate Secretary, Merrill Lynch & Co., Inc., 222 Broadway, 17th Floor, New York, NY 10038 or by email at corporate_secretary@ml.com.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Earnings (Unaudited)

(in millions, except per share amounts)	For the Three Months Ended Mar. 31, 2006	Apr. 1, 2005	Percent Inc. (Dec.)
Net Revenues			
Asset management and portfolio service fees	$ 1,679	$ 1,435	17.0%
Commissions	1,602	1,341	19.5
Principal transactions	1,993	945	110.9
Investment banking	965	813	18.7
Revenues from consolidated investments	104	127	(18.1)
Other	554	370	49.7
Subtotal	6,897	5,031	37.1
Interest and dividend revenues	8,664	5,531	56.6
Less interest expense	7,599	4,330	75.5
Net interest profit	1,065	1,201	(11.3)
Total Net Revenues	7,962	6,232	27.8
Non-Interest Expenses			
Compensation and benefits	5,750	3,096	85.7
Communications and technology	453	396	14.4
Brokerage, clearing, and exchange fees	248	219	13.2
Occupancy and related depreciation	241	233	3.4
Professional fees	200	178	12.4
Advertising and market development	144	126	14.3
Office supplies and postage	57	52	9.6
Expenses of consolidated investments	47	85	(44.7)
Other	229	178	28.7
Total Non-Interest Expenses	7,369	4,563	61.5
Earnings Before Income Taxes	593	1,669	(64.5)
Income tax expense	118	457	(74.2)
Net Earnings	$ 475	$ 1,212	(60.8)
Preferred Stock Dividends	43	7	514.3
Net Earnings Applicable to Common Stockholders	$ 432	$ 1,205	(64.1)
Earnings Per Common Share			
Basic	$ 0.49	$ 1.33	
Diluted	$ 0.44	$ 1.21	
Dividend Paid Per Common Share	$ 0.25	$ 0.16	
Average Shares Used in Computing Earnings Per Common Share			
Basic	883.7	907.8	
Diluted	981.1	993.3	

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions)	Mar. 31, 2006	Dec. 30, 2005
ASSETS		
Cash and cash equivalents	$ 18,756	$ 14,586
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	15,747	11,949
Securities financing transactions		
Receivables under resale agreements	177,881	163,021
Receivables under securities borrowed transactions	104,024	92,484
	281,905	255,505
Trading assets, at fair value (includes securities pledged as collateral that can be sold or repledged of $42,621 in 2006 and $38,678 in 2005)		
Equities and convertible debentures	33,449	32,933
Mortgages, mortgage-backed, and asset-backed	30,722	29,233
Corporate debt and preferred stock	28,343	27,436
Contractual agreements	24,839	26,216
Non-U.S. governments and agencies	18,170	15,157
U.S. Government and agencies	12,808	8,936
Municipals and money markets	5,995	5,694
Commodities and related contracts	2,474	3,105
	156,800	148,710
Investment securities	69,050	69,273
Securities received as collateral	17,851	16,808
Other receivables		
Customers (net of allowance for doubtful accounts of $47 in 2006 and $46 in 2005)	42,110	40,451
Brokers and dealers	16,697	12,127
Interest and other	17,244	15,619
	76,051	68,197
Loans, notes, and mortgages (net of allowances for loan losses of $423 in 2006 and $406 in 2005)	65,617	66,041
Separate accounts assets	16,508	16,185
Equipment and facilities (net of accumulated depreciation and amortization of $4,977 in 2006 and $4,865 in 2005)	2,443	2,313
Goodwill and other intangible assets	6,676	6,035
Other assets	4,836	5,413
Total Assets	$ 732,240	$ 681,015

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions, except per share amount)	Mar. 31, 2006	Dec. 30, 2005
LIABILITIES		
Securities financing transactions		
Payables under repurchase agreements	$ 225,185	$ 198,152
Payables under securities loaned transactions	21,002	19,335
	246,187	217,487
Commercial paper and other short-term borrowings	9,444	3,902
Deposits	81,119	80,016
Trading liabilities, at fair value		
Contractual agreements	29,989	28,755
Equities and convertible debentures	19,593	19,119
Non-U.S. governments and agencies	18,866	19,217
U.S. Government and agencies	11,119	12,478
Corporate debt and preferred stock	7,510	6,203
Commodities and related contracts	1,714	2,029
Municipals, money markets and other	1,257	1,132
	90,048	88,933
Obligation to return securities received as collateral	17,851	16,808
Other payables		
Customers	41,100	35,619
Brokers and dealers	21,823	19,528
Interest and other	29,629	28,501
	92,552	83,648
Liabilities of insurance subsidiaries	2,902	2,935
Separate accounts liabilities	16,508	16,185
Long-term borrowings	134,712	132,409
Long-term debt issued to TOPrS℠ partnerships	3,092	3,092
Total Liabilities	694,415	645,415
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity (liquidation preference of $30,000 per share;		
issued: 2006 - 105,000 shares; 2005 - 93,000 shares)	3,147	2,773
Less: Treasury stock, at cost (2006 - 1,188 shares; 2005 - 3,315 shares)	35	100
Total Preferred Stockholders' Equity	3,112	2,673
Common Stockholders' Equity		
Shares exchangeable into common stock	40	41
Common stock (par value $1.33 1/3 per share; authorized: 3,000,000,000 shares; issued: 2006 - 1,185,599,722 shares; 2005 - 1,148,714,008 shares)	1,580	1,531
Paid-in capital	16,752	13,320
Accumulated other comprehensive loss (net of tax)	(915)	(844)
Retained earnings	27,022	26,824
	44,479	40,872
Less: Treasury stock, at cost (2006 - 255,602,525 shares; 2005 - 233,112,271 shares)	9,766	7,945
Total Common Stockholders' Equity	34,713	32,927
Total Stockholders' Equity	37,825	35,600
Total Liabilities and Stockholders' Equity	$ 732,240	$ 681,015

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

(dollars in millions)	For the Three Months Ended Mar. 31, 2006	Apr. 1, 2005
Cash flows from operating activities:		
Net earnings	$ 475	$ 1,212
Noncash items included in earnings:		
Depreciation and amortization	116	126
Stock-based compensation plan expense	2,029	250
Deferred taxes	(756)	202
Policyholder reserves	31	32
Undistributed earnings from equity investments	(79)	(77)
Other	306	55
Changes in operating assets and liabilities:		
Trading assets	(8,150)	7,715
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	(2,783)	2,336
Receivables under resale agreements	(14,860)	(6,310)
Receivables under securities borrowed transactions	(11,540)	(9,767)
Customer receivables	(1,658)	1,971
Brokers and dealers receivables	(4,571)	483
Trading liabilities	(2,010)	(4,026)
Payables under repurchase agreements	27,033	7,281
Payables under securities loaned transactions	1,667	1,177
Customer payables	5,481	977
Brokers and dealers payables	2,295	4,459
Other, net	(199)	(2,254)
Cash provided by (used for) operating activities	(7,173)	5,842
Cash flows from investing activities:		
Proceeds from (payments for):		
Maturities of available-for-sale securities	3,972	6,099
Sales of available-for-sale securities	7,291	10,683
Purchases of available-for-sale securities	(9,995)	(17,667)
Maturities of held-to-maturity securities	1	9
Loans, notes, and mortgages, net	463	(3,289)
Other investments and other assets	(1,187)	(451)
Equipment and facilities, net	(246)	(42)
Cash provided by (used for) investing activities	299	(4,658)
Cash flows from financing activities:		
Proceeds from (payments for):		
Commercial paper and other short-term borrowings	5,542	(1,296)
Issuance and resale of long-term borrowings	12,028	9,097
Settlement and repurchases of long-term borrowings	(10,695)	(10,849)
Deposits	1,103	202
Derivative financing transactions	3,125	970
Issuance of common stock	684	344
Issuance of preferred stock	360	1,020
Common stock repurchases	(1,975)	(1,032)
Other stock transactions	866	86
Dividends paid on common and preferred stock	(277)	(159)
Excess tax benefits related to stock-based compensation	283	—
Cash provided by (used for) financing activities	11,044	(1,617)
Increase (decrease) in cash and cash equivalents	4,170	(433)
Cash and cash equivalents, beginning of period	14,586	20,790
Cash and cash equivalents, end of period	$ 18,756	$ 20,357
Supplemental Disclosure of Cash Flow Information:		
Cash paid for:		
Income taxes	$ 586	$ 120
Interest	7,438	4,155

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)
March 31, 2006

Note 1. Summary of Significant Accounting Policies

For a complete discussion of Merrill Lynch's accounting policies, refer to the Annual Report on Form 10-K for the year ended December 30, 2005 ("2005 Annual Report").

Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Merrill Lynch & Co., Inc. ("ML & Co.") and subsidiaries (collectively, "Merrill Lynch"), whose subsidiaries are generally controlled through a majority voting interest but may be controlled by means of a significant minority ownership, by contract, lease or otherwise. In certain cases, Merrill Lynch subsidiaries (i.e., Variable Interest Entities ("VIEs")) may also be consolidated based on a risks and rewards approach as required by Financial Accounting Standards Board ("FASB") revised Interpretation No. 46 ("FIN 46R"). Intercompany transactions and balances have been eliminated. The interim Condensed Consolidated Financial Statements for the three-month periods are unaudited; however, in the opinion of Merrill Lynch management, all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the Condensed Consolidated Financial Statements have been included.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements included in the 2005 Annual Report. The December 30, 2005 unaudited Condensed Consolidated Balance Sheet was derived from the audited 2005 Consolidated Financial Statements. The nature of Merrill Lynch's business is such that the results of any interim period are not necessarily indicative of results for a full year. In presenting the Condensed Consolidated Financial Statements, management makes estimates that affect the reported amounts and disclosures in the financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the Condensed Consolidated Financial Statements, and it is possible that such changes could occur in the near term. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation.

New Accounting Pronouncements

Effective for the first quarter of 2006, Merrill Lynch adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment,* a revision of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123R"). Under SFAS No. 123R, compensation expenses for share-based awards that do not require future service are recorded immediately, and share-based awards that require future service continue to be amortized into expense over the relevant service period. Merrill Lynch adopted SFAS No. 123R under the modified prospective method whereby the provisions of SFAS No. 123R are generally applied only to share-based awards granted or modified subsequent to adoption. Thus, for Merrill Lynch, SFAS No. 123R required the immediate expensing of share-based awards granted or modified in 2006 to retirement-eligible employees, including awards that are subject to non-compete provisions.

Prior to the adoption of SFAS No. 123R, Merrill Lynch had recognized expense for share-based compensation over the vesting period stipulated in the grant for all employees. This included those who had satisfied retirement eligibility criteria but were subject to a non-compete agreement that applied from the date of retirement through each applicable vesting period. Previously, Merrill Lynch

had accelerated any unrecognized compensation cost for such awards if a retirement-eligible employee left Merrill Lynch. However, because SFAS No. 123R applies only to awards granted or modified in 2006, expenses for share-based awards granted prior to 2006 to employees who were retirement-eligible with respect to those awards must continue to be amortized over the stated vesting period.

In addition, beginning with performance year 2006, for which Merrill Lynch expects to grant stock awards in early 2007, Merrill Lynch will accrue the expense for future awards granted to retirement-eligible employees over the award performance year instead of recognizing the entire expense related to the award on the grant date. Compensation expense for all future stock awards granted to employees not eligible for retirement with respect to those awards will be recognized over the applicable vesting period.

SFAS No. 123R also requires expected forfeitures of share-based compensation awards for non-retirement-eligible employees to be included in determining compensation expense. Prior to the adoption of SFAS No. 123R, any benefits of employee forfeitures of such awards were recorded as a reduction of compensation expense when the employee left Merrill Lynch and forfeited the award. In the first quarter of 2006, Merrill Lynch recorded a benefit based on expected forfeitures which was not material to the results of operations for the quarter.

The adoption of SFAS No. 123R resulted in a first quarter charge to compensation expense of approximately $550 million pre-tax and $370 million after-tax.

The adoption of SFAS No. 123R, combined with other business and competitive considerations, prompted Merrill Lynch to undertake a comprehensive review of the company's stock-based incentive compensation awards, including vesting schedules and retirement eligibility requirements, examining their impact to both Merrill Lynch and its employees. Upon the completion of this review, the Management Development and Compensation Committee of Merrill Lynch's Board of Directors determined that to fulfill the objective of retaining high quality personnel, future stock grants should contain more stringent retirement provisions. These provisions include a combination of increased age and length of service requirements. While the stock awards of employees who retire continue to vest, retired employees are subject to continued compliance with the strict non-compete provisions of those awards. To facilitate transition to the more stringent future requirements, the terms of most outstanding stock awards previously granted to employees, including certain executive officers, were modified, effective March 31, 2006, to permit employees to be immediately eligible for retirement with respect to those earlier awards. While Merrill Lynch modified the retirement-related provisions of the previous stock awards, the vesting and non-compete provisions for those awards remain in force.

Since the provisions of SFAS No. 123R apply to awards modified in 2006, these modifications required Merrill Lynch to record additional one-time compensation expense in the first quarter of 2006 for the remaining unamortized amount of all awards to employees who had not previously been retirement-eligible under the original provisions of those awards.

The one-time, non-cash charge associated with the adoption of SFAS No. 123R, and the policy modifications to previous awards resulted in a net charge to compensation expense in the first quarter of 2006 of approximately $1.8 billion pre-tax, and $1.2 billion after-tax, or a net impact of $1.34 and $1.21 on basic and diluted earnings per share, respectively. Policy modifications to previously granted awards amounted to $1.2 billion of the pre-tax charge and impacted approximately 6,300 employees.

Prior to the adoption of SFAS No. 123R, Merrill Lynch presented the cash flows related to income tax deductions in excess of the compensation expense recognized on share-based compensation as operating cash flows in the Condensed Consolidated Statements of Cash Flows. SFAS No. 123R requires cash flows resulting from tax deductions in excess of the grant-date fair value of share-based awards to be included in cash flows from financing activities. The excess tax benefits of $283 million

related to total share-based compensation included in cash flows from financing activities in the first quarter of 2006 would have been included in cash flows from operating activities if Merrill Lynch had not adopted SFAS No. 123R.

As a result of adopting SFAS No. 123R, approximately $600 million of liabilities associated with the Financial Advisor Capital Accumulation Award Plan ("FACAAP") have been reclassified to stockholders' equity. In addition, as a result of adopting SFAS No. 123R, the unamortized portion of employee stock grants, which was previously reported as a separate component of stockholders' equity on the Condensed Consolidated Balance Sheets, has been reclassified to Paid-in Capital. Refer to Note 12 to the Condensed Consolidated Financial Statements for additional information.

In April 2006, the FASB issued a FASB Staff Position FIN 46(R)-6, *Determining the Variability to be Considered in Applying FIN* 46R ("the FSP"). The new guidance clarifies how companies must evaluate whether a contract or arrangement creates or absorbs variability based on an analysis of the entity's design. The "by-design" approach may impact a company's determination of whether or not an entity qualifies as a variable interest entity and which party, if any, is the primary beneficiary. The FSP is effective beginning in the third quarter of 2006 for all new entities with which a company becomes involved, and to all entities previously required to be analyzed under FIN 46R when a reconsideration event occurs. Retrospective application to the date of initial application of the FSP is permitted, but not required. Merrill Lynch does not expect the adoption of the FSP to have a material impact on the Condensed Consolidated Financial Statements.

In March 2006, the FASB issued Statement No. 156, *Accounting for Servicing of Financial Assets* ("SFAS No. 156"). SFAS No. 156 amends Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* to require all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 also permits servicers to subsequently measure each separate class of servicing assets and liabilities at fair value rather than at the lower of cost or market. For those companies that elect to measure their servicing assets and liabilities at fair value, SFAS No. 156 requires the difference between the carrying value and fair value at the date of adoption to be recognized as a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year in which the election is made. Merrill Lynch will adopt SFAS No. 156 beginning in the first quarter of 2007. Merrill Lynch is currently assessing the impact of adopting SFAS No. 156 but does not expect the standard to have a material impact on the Condensed Consolidated Financial Statements.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140* ("SFAS No. 155"). SFAS No. 155 clarifies the bifurcation requirements for certain financial instruments and permits interests in hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation to be accounted for as a single financial instrument at fair value with changes in fair value recognized in earnings. This election is permitted on an instrument-by-instrument basis for all hybrid financial instruments held, obtained, or issued as of the adoption date. Merrill Lynch will adopt SFAS No. 155 beginning in the first quarter of 2007. At adoption, any difference between the total carrying amount of the individual components of the existing bifurcated hybrid financial instruments and the fair value of the combined hybrid financial instruments will be recognized as a cumulative-effect adjustment to beginning retained earnings. Merrill Lynch is currently assessing the impact of adopting SFAS No. 155.

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force on Issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). EITF 04-5 presumes that a general partner controls a limited partnership, and should therefore consolidate a limited partnership, unless the limited partners have the substantive ability to remove the

general partner without cause based on a simple majority vote or can otherwise dissolve the limited partnership, or unless the limited partners have substantive participating rights over decision making. The guidance in EITF 04-5 was effective beginning in the third quarter of 2005 for all new limited partnership agreements and any limited partnership agreements that were modified. For those partnership agreements that existed at the date EITF 04-5 was issued, the guidance became effective in the first quarter of 2006. The adoption of this guidance did not have a material impact on the Condensed Consolidated Financial Statements.

Note 2. Segment Information

During the first quarter of 2006, Merrill Lynch's operations were organized into three business segments: Global Markets and Investment Banking ("GMI"), Global Private Client ("GPC"), and Merrill Lynch Investment Managers ("MLIM"). Prior period amounts have been reclassified to conform to the current period presentation. For information on each segment's business activities, refer to Note 3 to the 2005 Annual Report.

During the first quarter of 2006, results by business segment include one-time compensation expenses, as follows: $1.4 billion to GMI, $281 million to GPC and $109 million to MLIM; refer to Note 1 to the Condensed Consolidated Financial Statements for further information on one-time compensation expenses.

Results by business segment are as follows:

(dollars in millions)

	GMI	GPC	MLIM	Corporate Items (including intersegment eliminations)	Total
Three Months Ended March 31, 2006					
Non-interest revenues	$ 3,860	$ 2,419	$ 556	$ 62(1)	$ 6,897
Net interest profit(2)	693	520	14	(162)(3)	1,065
Net revenues	4,553	2,939	570	(100)	7,962
Non-interest expenses	4,341	2,574	457	(3)(1)	7,369
Pre-tax earnings (loss)	$ 212	$ 365	$ 113	$ (97)	$ 593
Quarter-end total assets	$ 648,355	$ 69,211	$ 7,450	$ 7,224	$ 732,240
Three Months Ended April 1, 2005					
Non-interest revenues	$ 2,382	$ 2,232	$ 418	$ (1)(1)	$ 5,031
Net interest profit(2)	935	371	(5)	(100)(3)	1,201
Net revenues	3,317	2,603	413	(101)	6,232
Non-interest expenses	2,193	2,093	286	(9)(1)	4,563
Pre-tax earnings (loss)	$ 1,124	$ 510	$ 127	$ (92)	$ 1,669
Quarter-end total assets	$ 550,216	$ 70,349	$ 10,061	$ 6,604	$ 637,230

(1) Primarily represents the elimination of intersegment revenues and expenses.
(2) Management views interest income net of interest expense in evaluating results.
(3) Represents acquisition financing costs and other corporate interest, including the impact of Trust Originated Preferred Securities ("TOPrS sm").

Note 3. Securities Financing Transactions

Merrill Lynch enters into secured borrowing and lending transactions in order to meet customers' needs and earn residual interest rate spreads, obtain securities for settlement and finance trading inventory positions.

Under these transactions, Merrill Lynch either receives or provides collateral, including U.S. Government and agencies, asset-backed, corporate debt, equity, and non-U.S. governments and agencies securities. Merrill Lynch receives collateral in connection with resale agreements, securities

borrowed transactions, customer margin loans, and other loans. Under many agreements, Merrill Lynch is permitted to sell or repledge the securities received (e.g., use the securities to secure repurchase agreements, enter into securities lending transactions, or deliver to counterparties to cover short positions). At March 31, 2006 and December 30, 2005, the fair value of securities received as collateral where Merrill Lynch is permitted to sell or repledge the securities was $543 billion and $538 billion, respectively, and the fair value of the portion that has been sold or repledged was $407 billion and $402 billion, respectively. Merrill Lynch may use securities received as collateral for resale agreements to satisfy regulatory requirements such as Rule 15c3-3 of the SEC. At March 31, 2006 and December 30, 2005, the fair value of collateral used for this purpose was $16.0 billion, and $15.5 billion, respectively.

Merrill Lynch pledges firm-owned assets to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party are parenthetically disclosed in trading assets and investment securities on the Condensed Consolidated Balance Sheets. The carrying value and classification of securities owned by Merrill Lynch that have been pledged to counterparties where those counterparties do not have the right to sell or repledge at March 31, 2006 and December 30, 2005 are as follows:

(dollars in millions)

	Mar. 31, 2006	Dec. 30, 2005
Trading asset category		
Mortgages, mortgage-backed, and asset-backed securities	$ 18,429	$ 14,457
U.S. Government and agencies	12,358	6,711
Corporate debt and preferred stock	10,518	10,394
Non-U.S. governments and agencies	3,927	3,353
Equities and convertible debentures	3,403	4,019
Municipals and money markets	881	100
Total	$ 49,516	$ 39,034

Note 4. Investment Securities

Investment securities at March 31, 2006 and December 30, 2005 are presented below:

(dollars in millions)

	Mar. 31, 2006	Dec. 30, 2005
Investment securities		
Available-for-sale(1)	$ 52,994	$ 54,471
Trading	6,907	5,666
Held-to-maturity	284	271
Non-qualifying(2)		
Equity investments	10,688	9,795
Investments of insurance subsidiaries(3)	1,158	1,174
Deferred compensation hedges(4)	1,558	1,457
Investments in TOPrS℠ partnerships and other investments	775	738
Total	$ 74,364	$ 73,572

(1) At March 31, 2006 and December 30, 2005, includes $5.3 billion and $4.3 billion, respectively, of investment securities reported in cash and securities segregated for regulatory purposes or deposited with clearing organizations.
(2) Non-qualifying for SFAS No. 115 purposes.
(3) Primarily represents insurance policy loans.
(4) Represents investments which economically hedge deferred compensation liabilities.

Note 5. Securitization Transactions and Transactions with Special Purpose Entities ("SPEs")

Securitizations

In the normal course of business, Merrill Lynch securitizes: commercial and residential mortgage and home equity loans; municipal, government, and corporate bonds; and other types of financial assets. SPEs, frequently referred to as Variable Interest Entities, or VIEs, are often used when entering into or facilitating securitization transactions. Merrill Lynch's involvement with SPEs used to securitize financial assets includes: structuring and/or establishing SPEs; selling assets to SPEs; managing or servicing assets held by SPEs; underwriting, distributing, and making loans to SPEs; making markets in securities issued by SPEs; engaging in derivative transactions with SPEs; owning notes or certificates issued by SPEs; and/ or providing liquidity facilities and other guarantees to SPEs.

Merrill Lynch securitized assets of approximately $29.0 billion and $20.7 billion for the three months ended March 31, 2006 and April 1, 2005, respectively. For the three months ended March 31, 2006 and April 1, 2005, Merrill Lynch received $29.2 billion and $21.0 billion, respectively, of proceeds, and other cash inflows, from securitization transactions, and recognized net securitization gains of $101.0 million and $140.8 million, respectively, in Merrill Lynch's Condensed Consolidated Statements of Earnings.

For the first three months of 2006 and 2005, cash inflows from securitizations related to the following asset types:

(dollars in millions)

	Three Months Ended	
	Mar. 31, 2006	**Apr. 1, 2005**
Asset category		
Residential mortgage loans	$ 19,705	$ 11,349
Municipal bonds	3,278	3,117
Corporate and government bonds	1,240	896
Commercial loans and other	5,009	5,593
	$ 29,232	$ 20,955

Retained interests in securitized assets were approximately $4.0 billion at March 31, 2006 and December 30, 2005, which related primarily to residential mortgage loan and municipal bond securitization transactions. The majority of the retained interest balance consists of mortgage-backed securities that have observable market prices. These retained interests include mortgage-backed securities that Merrill Lynch has committed to purchase and expects to sell to investors in the normal course of its underwriting activity.

The following table presents information on retained interests, excluding the offsetting benefit of financial instruments used to hedge risks, held by Merrill Lynch as of March 31, 2006 arising from Merrill Lynch's residential mortgage loan, municipal bond and other securitization transactions. The sensitivities of the current fair value of the retained interests to immediate 10% and 20% adverse changes in assumptions and parameters are also shown.

(dollars in millions)

	Residential Mortgage Loans	Municipal Bonds	Other
Retained interest amount	$ 3,268	$ 601	$ 114
Weighted average credit losses (rate per annum)	0.8%	0.0%	0.9%
Range	0.0 – 8.7%	0.0%	0.0 – 8.0%
Impact on fair value of 10% adverse change	$ (35)	$ -	$ (2)
Impact on fair value of 20% adverse change	$ (61)	$ -	$ (4)
Weighted average discount rate	7.7%	4.3%	4.2%
Range	0.0 – 35.0%	1.2 – 7.8%	0.0 – 23.6%
Impact on fair value of 10% adverse change	$ (88)	$ (68)	$ (4)
Impact on fair value of 20% adverse change	$ (172)	$ (122)	$ (8)
Weighted average life (in years)	4.3	1.6	4.7
Range	0.0 – 18.0	0.4 – 3.0	1.5 – 12.0
Weighted average prepayment speed (CPR)	21.7%	10.9%(1)	12.4%
Range	0.0 – 57.9%	2.0 – 23.9%(1)	7.0 – 21.0%
Impact on fair value of 10% adverse change	$ (52)	$ -	$ (1)
Impact on fair value of 20% adverse change	$ (82)	$ -	$ (2)

CPR = Constant Prepayment Rate

(1) Relates to select securitization transactions where assets are prepayable.

The preceding sensitivity analysis is hypothetical and should be used with caution. In particular, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independent of changes in any other assumption; in practice, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Further, changes in fair value based on a 10% or 20% variation in an assumption or parameter generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the sensitivity analysis does not include the offsetting benefit of financial instruments that Merrill Lynch utilizes to hedge risks, including credit, interest rate, and prepayment risk, that are inherent in the retained interests. These hedging strategies are structured to take into consideration the hypothetical stress scenarios above such that they would be effective in principally offsetting Merrill Lynch's exposure to loss in the event these scenarios occur.

The weighted average assumptions and parameters used initially to value retained interests relating to securitizations that were still held by Merrill Lynch as of March 31, 2006 are as follows:

	Residential Mortgage Loans	Municipal Bonds	Other
Credit losses (rate per annum)	0.8%	0.0%	0.0%
Weighted average discount rate	7.7%	3.9%	3.8%
Weighted average life (in years)	4.3	3.4	4.2
Prepayment speed assumption (CPR)	20.4%	9.0%	14.4%

CPR = Constant Prepayment Rate

For residential mortgage loan and other securitizations, the investors and the securitization trust generally have no recourse to Merrill Lynch's other assets for failure of mortgage holders to pay when due.

For municipal bond securitization SPEs, in the normal course of dealer market-making activities, Merrill Lynch acts as liquidity provider. Specifically, the holders of beneficial interests issued by municipal bond securitization SPEs have the right to tender their interests for purchase by Merrill Lynch on specified dates at a specified price. Beneficial interests that are tendered are then sold by Merrill Lynch to investors through a best efforts remarketing where Merrill Lynch is the remarketing agent. If the beneficial interests are not successfully remarketed, the holders of beneficial interests are paid from funds drawn under a standby liquidity letter of credit issued by Merrill Lynch.

In addition to standby letters of credit, in certain municipal bond securitizations, Merrill Lynch also provides default protection or credit enhancement to investors in securities issued by certain municipal bond securitization SPEs. Interest and principal payments on beneficial interests issued by these SPEs are secured by a guarantee issued by Merrill Lynch. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the payments on the bonds will be made to beneficial interest holders from an irrevocable guarantee by Merrill Lynch.

The maximum commitment under these liquidity and default guarantees totaled $29.1 billion and $29.9 billion at March 31, 2006 and December 30, 2005, respectively. The fair value of the guarantee approximated $17 million and $14 million at March 31, 2006 and December 30, 2005, respectively, which is reflected in the Condensed Consolidated Financial Statements. Of these arrangements, $6.8 billion and $6.9 billion at March 31, 2006 and December 30, 2005, respectively, represent agreements where the guarantee is provided to the SPE by a third-party financial intermediary and Merrill Lynch enters into a reimbursement agreement with the financial intermediary. In these arrangements, if the financial intermediary incurs losses, Merrill Lynch has up to one year to fund those losses. Additional information regarding these commitments is provided in Note 10 to the Condensed Consolidated Financial Statements and in Note 12 of the 2005 Annual Report.

The following table summarizes principal amounts outstanding and delinquencies of securitized financial assets as of March 31, 2006 and December 30, 2005:

(dollars in millions)

	Residential Mortgage Loans	Municipal Bonds	Other
March 31, 2006			
Principal Amount Outstanding	$ 101,495	$ 15,257	$ 13,190
Delinquencies	1,565	-	13
December 30, 2005			
Principal Amount Outstanding	$ 82,468	$ 19,745	$ 10,416
Delinquencies	688	-	-

Net credit losses associated with securitized financial assets for the quarters ended March 31, 2006 and April 1, 2005 approximated $36 million and $3 million, respectively.

Variable Interest Entities

In January 2003, the FASB issued FIN 46, which provides additional guidance on the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements,* for enterprises that have interests in entities that meet the definition of a VIE, and on December 24, 2003, the FASB issued FIN 46R. FIN 46R requires that an entity shall consolidate a VIE if that enterprise has a variable

interest that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both.

QSPEs are a type of VIE that holds financial instruments and distributes cash flows to investors based on preset terms. QSPEs are commonly used in mortgage and other securitization transactions. In accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* and FIN 46R, *Consolidation of Variable Interest Entities,* Merrill Lynch does not consolidate QSPEs. Information regarding QSPEs can be found in the Securitization section of this Note and the Guarantees section in Note 10 to the Condensed Consolidated Financial Statements.

The following tables summarize Merrill Lynch's involvement with VIEs as of March 31, 2006 and December 30, 2005, respectively. The table below does not include information on QSPEs. For more information on these entities (e.g. municipal bond securitizations), see the Securitizations section of this note and the Guarantees section in Note 10 to the Condensed Consolidated Financial Statements.

Where an entity is a significant variable interest holder, FIN 46R requires that entity to disclose its maximum exposure to loss as a result of its interest in the VIE. It should be noted that this measure does not reflect Merrill Lynch's estimate of the actual losses that could result from adverse changes because it does not reflect the economic hedges Merrill Lynch enters into to reduce its exposure.

(dollars in millions)

	Primary Beneficiary			Significant Variable Interest Holder		Other Involvement with VIEs	
Description	Total Asset Size(4)	Net Asset Size(5)	Recourse to Merrill Lynch(6)	Total Asset Size(4)	Maximum Exposure	Total Asset Size(4)	Maximum Exposure
March 31, 2006							
Loan and Real Estate VIEs	$ 5,390	$ 5,383	$ 33	$ 88	$ 54	$ -	$ -
Tax Planning VIEs(1)(2)	30,431	9,268	5,903	907	42	-	-
Guaranteed and Other Funds	1,862	1,357	542	2,984	2,974	-	-
Credit Linked Note and Other VIEs(3)	134	34	-	-	-	8,894	690
December 30, 2005							
Loan and Real Estate VIEs	$ 5,144	$ 5,140	$ -	$ 116	$ 63	$ -	$ -
Tax Planning VIEs(1)(2)	29,617	8,365	5,823	5,416	2,297	-	-
Guaranteed and Other Funds	1,802	1,349	464	2,981	2,973	-	-
Credit Linked Note and Other VIEs(3)	130	30	-	-	-	8,835	780

(1) Recourse to Merrill Lynch associated with Tax Planning VIEs primarily relates to transactions where the investors in the debt issued by the VIEs have recourse to both the assets of the VIEs and to Merrill Lynch, as well as certain indemnifications made by Merrill Lynch to the investors in the VIEs.

(2) The maximum exposure for Tax Planning VIEs reflects the fair value of investments in the VIEs and derivatives entered into with the VIEs, as well as the maximum exposure to loss associated with indemnifications made by Merrill Lynch to investors in the VIEs.

(3) The maximum exposure for Credit-Linked Note and Other VIEs is the fair value of the derivatives entered into with the VIEs if they are in an asset position as of March 31, 2006 and December 30, 2005, respectively.

(4) This column reflects the total size of the assets held in the VIE.

(5) This column reflects the size of the assets held in the VIE after accounting for intercompany eliminations and any balance sheet netting of assets and liabilities as permitted by FASB Interpretation No. 39.

(6) This column reflects the extent, if any, to which investors have recourse to Merrill Lynch beyond the assets held in the VIE.

Note 6. Loans, Notes, Mortgages and Related Commitments to Extend Credit

Loans, Notes, Mortgages and related commitments to extend credit at March 31, 2006 and December 30, 2005, are presented below. This disclosure includes commitments to extend credit that may result in loans held for investment and loans held for sale.

(dollars in millions)

	Loans		Commitments[1]	
	Mar. 31, 2006	Dec. 30, 2005	Mar. 31, 2006[2][3]	Dec. 30, 2005[3]
Consumer and small- and middle-market business:				
Mortgages	$ 17,288	$ 18,172	$ 7,037	$ 6,376
Small- and middle-market business	4,226	4,994	2,516	3,062
Other	2,508	2,558	66	75
Commercial:				
Secured	37,033	36,571	37,986	34,583
Unsecured investment grade	3,981	3,283	21,028	22,061
Unsecured non-investment grade	1,004	869	1,494	980
	66,040	66,447	70,127	67,137
Allowance for loan losses	(423)	(406)	-	-
Reserve for lending-related commitments	-	-	(298)	(281)
Total, net	$ 65,617	$ 66,041	$ 69,829	$ 66,856

(1) Commitments are outstanding as of the date the commitment letter is issued and are comprised of closed and contingent commitments. Closed commitments represent the unfunded portion of existing commitments available for draw down. Contingent commitments are contingent on the borrower fulfilling certain conditions or upon a particular event, such as an acquisition. A portion of these contingent commitments may be syndicated among other lenders or replaced with capital markets funding.

(2) See Note 10 to the Condensed Consolidated Financial Statements for a maturity profile of these commitments.

(3) In addition to the loan origination commitments included in the table above, at March 31, 2006, Merrill Lynch entered into agreements to purchase $479 million of loans that, upon settlement date, are likely to be classified in loans held for investment and loans held for sale. Similar loan purchase commitments totaled $96 million at December 30, 2005. See Note 10 to the Condensed Consolidated Financial Statements for further information.

Activity in the allowance for loan losses is presented below:

(dollars in millions)

	Three Months Ended	
	Mar. 31, 2006	Apr. 1, 2005
Allowance for loan losses at beginning of period	$ 406	$ 283
Provision for loan losses	30	23
Charge-offs	(14)	(8)
Recoveries	1	3
Net charge-offs	(13)	(5)
Other	-	1
Allowance for loan losses at end of period	$ 423	$ 302

Consumer and small- and middle-market business loans, which are substantially secured, consisted of approximately 243,000 individual loans at March 31, 2006, and included residential mortgages, home

equity loans, small- and middle-market business loans, and other loans to individuals for household, family, or other personal expenditures. Commercial loans, which at March 31, 2006 consisted of approximately 12,000 separate loans, include corporate and institutional loans, commercial mortgages, asset-based loans, and other loans to businesses. The principal balance of nonaccrual loans was $200 million at March 31, 2006 and $256 million at December 30, 2005. The investment grade and non-investment grade categorization is determined using the credit rating agency equivalent of internal credit ratings. Non-investment grade counterparties are those rated lower than BBB. In some cases, Merrill Lynch enters into credit default swaps to mitigate credit exposure related to funded and unfunded commercial loans. The notional value of these swaps totaled $8.3 billion and $7.9 billion at March 31, 2006 and December 30, 2005, respectively. For information on credit risk management see Note 6 of the 2005 Annual Report.

The above amounts include $13.1 billion and $12.3 billion of loans held for sale at March 31, 2006 and December 30, 2005, respectively. Loans held for sale are loans that management expects to sell prior to maturity. At March 31, 2006, such loans consisted of $3.0 billion of consumer loans, primarily automobile loans and residential mortgages, and $10.1 billion of commercial loans, approximately 26% of which are to investment grade counterparties. At December 30, 2005, such loans consisted of $3.4 billion of consumer loans, primarily automobile loans and residential mortgages, and $8.9 billion of commercial loans, approximately 22% of which are to investment grade counterparties.

For further information on loans, notes and mortgages, see Notes 1 and 8 of the 2005 Annual Report.

Note 7. Commercial Paper, Short- and Long-Term Borrowings, and Deposits

ML & Co. is the primary issuer of all debt instruments. For local tax or regulatory reasons, debt is also issued by certain subsidiaries.

Total borrowings at March 31, 2006 and December 30, 2005, which is comprised of commercial paper and other short-term borrowings, long-term borrowings and long-term debt issued to TOPrS℠ partnerships, consisted of the following:

(dollars in millions)

	Mar. 31, 2006	Dec. 30, 2005
Senior debt issued by ML & Co.	$ 116,406	$ 111,533
Senior debt issued by subsidiaries — guaranteed by ML & Co.	14,962	13,036
Subordinated debt issued to TOPrS℠ partnerships	3,092	3,092
Other subsidiary financing — not guaranteed by ML & Co.	1,765	1,391
Other subsidiary financing — non-recourse	11,023	10,351
Total	$ 147,248	$ 139,403

These borrowing activities may create exposure to market risk, most notably interest rate, equity, and currency risk. Refer to Note 1 of the 2005 Annual Report, Derivatives section, for additional information on the use of derivatives to hedge these risks and the accounting for derivatives embedded in these instruments. Other subsidiary financing — non-recourse is primarily attributable to consolidated entities that are VIEs. Additional information regarding VIEs is provided in Note 5 to the Condensed Consolidated Financial Statements.

Borrowings and Deposits at March 31, 2006 and December 30, 2005, are presented below:

(dollars in millions)

	Mar. 31, 2006	Dec. 30, 2005
Commercial paper and other short-term borrowings		
Commercial paper	$ 8,922	$ 3,420
Other	522	482
Total	$ 9,444	$ 3,902
Long-term borrowings(1)		
Fixed-rate obligations(2)(4)	$ 55,448	$ 54,104
Variable-rate obligations(3)(4)	80,114	79,071
Zero-coupon contingent convertible debt (LYONs®)	2,242	2,326
Total	$ 137,804	$ 135,501
Deposits		
U.S.	$ 62,763	$ 61,784
Non U.S.	18,356	18,232
Total	$ 81,119	$ 80,016

(1) Includes long-term debt issued to TOPrS℠ partnerships.
(2) Fixed-rate obligations are generally swapped to floating rates.
(3) Variable interest rates are generally based on rates such as LIBOR, the U.S. Treasury Bill Rate, or the Federal Funds Rate.
(4) Included are various equity-linked or other indexed instruments.

Long-term borrowings, including adjustments related to fair value hedges and various equity-linked or other indexed instruments, and long-term debt issued to TOPrS℠ partnerships at March 31, 2006, mature as follows:

(dollars in millions)

Less than 1 year	$ 19,563	14%
1 – 2 years	24,362	18
2+ – 3 years	21,673	16
3+ – 4 years	20,552	15
4+ – 5 years	15,277	11
Greater than 5 years	36,377	26
Total	$ 137,804	100%

Certain long-term borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the holder at specified dates prior to maturity. These borrowings are reflected in the above table as maturing at their put dates, rather than their contractual maturities. Management believes, however, that a portion of such borrowings will remain outstanding beyond their earliest redemption date.

A limited number of notes whose coupon or repayment terms are linked to the performance of equity, other indices, or baskets of securities may be accelerated based on the value of a referenced index or security, in which case Merrill Lynch may be required to immediately settle the obligation for cash or other securities. Refer to Note 1 of the 2005 Annual Report, Embedded Derivatives section for additional information.

Except for the $2.2 billion of LYONs® that were outstanding at March 31, 2006, senior debt obligations issued by ML & Co. and senior debt issued by subsidiaries and guaranteed by ML & Co. do not contain provisions that could, upon an adverse change in ML & Co.'s credit rating, financial ratios, earnings, cash flows, or stock price, trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation.

The fair values of long-term borrowings and related hedges approximated the carrying amounts at March 31, 2006 and December 30, 2005.

The effective weighted-average interest rates for borrowings, at March 31, 2006 and December 30, 2005 were:

	Mar. 31, 2006	Dec. 30, 2005
Commercial paper and other short-term borrowings	4.63%	3.46%
Long-term borrowings, contractual rate	3.92	3.70
Long-term debt issued to TOPrS℠ partnerships	7.31	7.31

See Note 9 of the 2005 Annual Report for additional information on Borrowings.

Other

Merrill Lynch also obtains standby letters of credit from issuing banks to satisfy various counterparty collateral requirements, in lieu of depositing cash or securities collateral. Such standby letters of credit aggregated $2.2 billion and $1.1 billion at March 31, 2006 and December 30, 2005, respectively.

Note 8. Comprehensive Income

The components of comprehensive income are as follows:

(dollars in millions)

	Three Months Ended	
	Mar. 31, 2006	Apr. 1, 2005
Net Earnings	$ 475	$ 1,212
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(2)	(59)
Net unrealized loss on investment securities available-for-sale	(68)	(42)
Deferred loss on cash flow hedges	(1)	(22)
Total other comprehensive loss, net of tax	(71)	(123)
Comprehensive income	$ 404	$ 1,089

Note 9. Stockholders' Equity and Earnings Per Share

The following table presents the computations of basic and diluted EPS:

(dollars in millions, except per share amounts)

	Three Months Ended	
	Mar. 31, 2006	Apr. 1, 2005
Net earnings	$ 475	$ 1,212
Preferred stock dividends	(43)	(7)
Net earnings applicable to common shareholders — for basic EPS	$ 432	$ 1,205
Interest expense on LYONs®(1)	1	1
Net earnings applicable to common shareholders — for diluted EPS	$ 433	$ 1,206
(shares in thousands)		
Weighted-average basic shares outstanding(2)	883,737	907,814
Effect of dilutive instruments		
Employee stock options(3)	45,066	44,249
FACAAP shares(3)	21,063	21,288
Restricted shares and units(3)	29,436	16,764
Convertible LYONs®(1)	1,766	3,158
ESPP shares(3)	17	-
Dilutive potential common shares	97,348	85,459
Diluted Shares(4)	981,085	993,273
Basic EPS	$ 0.49	$ 1.33
Diluted EPS	0.44	1.21

(1) See Note 9 of the 2005 Annual Report for further information on LYONs®.
(2) Includes shares exchangeable into common stock.
(3) See Note 14 of the 2005 Annual Report for a description of these instruments.
(4) Includes 33 million and 43 million of instruments for the 2006 and 2005 first quarter, respectively, that were considered antidilutive and thus were not included in the above calculations. In addition, for the 2006 first quarter, the value of the conversion option in the new floating rate LYONs® was in the money and, as a result, 495 thousand shares have been included in the computation of diluted EPS.

The Board of Directors authorized the repurchase of an additional $6 billion of Merrill Lynch's outstanding common shares under a program announced on February 26, 2006. During the first quarter of 2006, Merrill Lynch repurchased 25.8 million common shares at an average repurchase price of $76.55 per share.

On February 28, 2006, Merrill Lynch issued $360 million face value of floating rate, non-cumulative, perpetual preferred stock. As of March 31, 2006, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") held approximately $35 million of Merrill Lynch non-cumulative, perpetual preferred stock pursuant to market-making activities.

On January 18, 2006, the Board of Directors declared an additional 25% increase in the regular quarterly dividend to 25 cents per common share.

Note 10. Commitments, Contingencies and Guarantees

Litigation

Merrill Lynch has been named as a defendant in various legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities as a global diversified financial services institution. The general decline of equity securities prices between 2000 and 2003 resulted in increased legal actions against many firms, including Merrill Lynch.

Some of the legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers who would otherwise be the primary defendants in such cases are bankrupt or otherwise in financial distress. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies. The number of these investigations has also increased in recent years with regard to many firms, including Merrill Lynch.

Merrill Lynch believes it has strong defenses to, and where appropriate, will vigorously contest, many of these matters. Given the number of these matters, it is likely that some may result in adverse judgments, penalties, injunctions, fines, or other relief. Merrill Lynch may explore potential settlements before a case is taken through trial because of the uncertainty and risks inherent in the litigation process. In accordance with SFAS No. 5, *Accounting for Contingencies,* Merrill Lynch will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits and arbitrations, including almost all of the class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Merrill Lynch cannot predict what the eventual loss or range of loss related to such matters will be. Merrill Lynch continues to assess these cases and believes, based on information available to it, that the resolution of these matters will not have a material adverse effect on the financial condition of Merrill Lynch as set forth in the Condensed Consolidated Financial Statements, but may be material to Merrill Lynch's operating results or cash flows for any particular period and may impact ML & Co.'s credit ratings.

Tax Matters

Merrill Lynch is under examination by the Internal Revenue Service ("IRS") and other tax authorities in major countries such as Japan and the United Kingdom, and states in which Merrill Lynch has significant business operations, such as New York. The tax years under examination vary by jurisdiction. An IRS examination covering the years 2001-2003 is expected to be completed in 2006. There are carryback claims from these years of approximately $250 million to $300 million, which will undergo Joint Committee review. A tax benefit would be recorded to the extent that Merrill Lynch is successful in obtaining the tax benefit from these carryback claims. IRS audits have also commenced for the 2004 and 2005 tax years. In the second quarter of 2005, Merrill Lynch paid a tax assessment from the Tokyo Regional Tax Bureau for the years 1998-2002. The assessment reflected the Japanese tax authority's view that certain income on which Merrill Lynch previously paid income tax to other international jurisdictions, primarily the United States, should have been allocated to Japan. Merrill Lynch has begun the process of obtaining clarification from international authorities on the appropriate allocation of income among multiple jurisdictions to prevent double taxation. Merrill Lynch regularly assesses the likelihood of additional assessments in each of the tax jurisdictions resulting from these examinations. Tax reserves have been established, which Merrill Lynch believes to be adequate in relation to the potential for additional assessments. However, there is a reasonable

possibility that additional amounts may be incurred. The estimated additional possible amounts are no more than $150 million. Merrill Lynch will adjust the level of reserves when there is more information available, or when an event occurs requiring a change to the reserves. The reassessment of tax reserves could have a material impact on Merrill Lynch's effective tax rate in the period in which it occurs.

Commitments

At March 31, 2006, Merrill Lynch's commitments had the following expirations:

(dollars in millions)

		Commitment expiration			
	Total	**Less than 1 Year**	**1 – 3 Years**	**3+ – 5 Years**	**Over 5 Years**
Commitments to extend credit(1)	$ 70,127	$ 31,598	$ 13,616	$ 17,601	$ 7,312
Purchasing and other commitments	5,867	4,173	683	306	705
Operating leases	3,247	555	1,012	806	874
Commitments to enter into resale agreements	3,959	3,949	10	-	-
Total	$ 83,200	$ 40,275	$ 15,321	$ 18,713	$ 8,891

(1) See Note 6 to the Condensed Consolidated Financial Statements.

Lending Commitments

Merrill Lynch primarily enters into commitments to extend credit, predominantly at variable interest rates, in connection with corporate finance, corporate and institutional transactions and asset-based lending transactions. Clients 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. These commitments 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, Merrill Lynch may require the counterparty to post collateral depending upon creditworthiness and general market conditions. See Note 6 to the Condensed Consolidated Financial Statements for additional information.

The contractual amounts of these commitments represent the amounts at risk should the contract be fully drawn upon, the client defaults, and the value of the existing collateral becomes worthless. The total amount of outstanding commitments may not represent future cash requirements, as commitments may expire without being drawn upon.

Purchasing and Other Commitments

Merrill Lynch had commitments to purchase partnership interests, primarily related to private equity and principal investing activities, of $742 million and $734 million at March 31, 2006 and December 30, 2005, respectively. Merrill Lynch also has entered into agreements with providers of market data, communications, systems consulting, and other office-related services. At March 31, 2006 and December 30, 2005, minimum fee commitments over the remaining life of these agreements aggregated $410 million and $517 million, respectively. Merrill Lynch entered into commitments to purchase loans of $3.9 billion ($3.4 billion of which may be included in trading assets and $479 million of which may be included in loans, notes, and mortgages) at March 31, 2006. Such commitments totaled $3.3 billion at December 30, 2005. In addition, Merrill Lynch entered into institutional and margin-lending transactions, some of which are on committed basis, but most of which are not. Merrill Lynch's binding margin lending commitments totaled $437 million at

March 31, 2006 and $381 million at December 30, 2005. Other purchasing commitments amounted to $415 million and $856 million at March 31, 2006 and December 30, 2005, respectively.

MLIM

On February 15, 2006, Merrill Lynch announced that it had signed a definitive agreement under which it would combine its MLIM investment management business with BlackRock, Inc. ("BlackRock") in exchange for a 49.8% interest in the combined firm, including a 45% voting interest. Based on the value of this transaction at the time of the announcement, it is expected to result in an after-tax gain to Merrill Lynch upon closing of over $1 billion. This transaction is expected to close during the third quarter of 2006. The actual gain will be contingent upon BlackRock's share price at closing, as well as closing adjustments. Merrill Lynch plans to account for its investment in BlackRock under the equity method of accounting.

Leases

As disclosed in Note 12 of the 2005 Annual Report, Merrill Lynch has entered into various noncancellable long-term lease agreements for premises that expire through 2024. Merrill Lynch has also entered into various noncancellable short-term lease agreements, which are primarily commitments of less than one year under equipment leases.

Guarantees

The derivatives in the following table meet the FIN 45 definition of guarantees and include certain written options and credit default swaps that contingently require Merrill Lynch to make payments based on changes in an underlying. Because the maximum exposure to loss could be unlimited for certain derivatives (e.g., interest rate caps) and the maximum exposure to loss is not considered when assessing the risk of contracts, the notional value of these contracts has been included to provide information about the magnitude of Merrill Lynch's involvement with these types of transactions. Merrill Lynch records all derivative instruments at fair value on its Condensed Consolidated Balance Sheets.

The liquidity facilities and default facilities in the following table relate primarily to municipal bond securitization SPEs and a Merrill Lynch-sponsored asset-backed commercial paper conduit. Merrill Lynch acts as liquidity provider to municipal bond securitization SPEs. As of March 31, 2006, the value of the assets held by the SPE plus any additional collateral pledged to Merrill Lynch exceeds the amount of beneficial interests issued, which provides additional support to Merrill Lynch in the event that the standby facility is drawn. As of March 31, 2006, the maximum payout if the standby facilities are drawn was $24.5 billion and the value of the municipal bond assets to which Merrill Lynch has recourse in the event of a draw was $27.9 billion. In certain instances, Merrill Lynch also provides default protection in addition to liquidity facilities. If the default protection is drawn, Merrill Lynch may claim the underlying assets held by the SPEs. As of March 31, 2006, the maximum payout if an issuer defaults was $4.6 billion, and the value of the assets to which Merrill Lynch has recourse, in the event that an issuer of a municipal bond held by the SPE defaults on any payment of principal and/or interest when due, was $5.8 billion. In addition, Merrill Lynch provides a $3.0 billion liquidity facility and $60 million credit facility to the Merrill Lynch-sponsored asset-backed commercial paper conduit. The maximum exposure to loss for these two facilities combined is $3.1 billion and assumes a total loss on a portfolio of highly rated assets. For additional information on these facilities, see Note 12 of the 2005 Annual Report and Note 5 to the Condensed Consolidated Balance Sheets.

In addition, Merrill Lynch makes guarantees to counterparties in the form of standby letters of credit. Merrill Lynch holds marketable securities of $528 million as collateral to secure these guarantees.

Further, in conjunction with certain principal-protected mutual funds, Merrill Lynch guarantees the return of the initial principal investment at the termination date of the fund. At March 31, 2006, Merrill Lynch's maximum potential exposure to loss with respect to these guarantees is $634 million assuming that the funds are invested exclusively in other general investments (i.e., the funds hold no risk-free assets), and that those other general investments suffer a total loss. As such, this measure significantly overstates Merrill Lynch's exposure or expected loss at March 31, 2006. These transactions met the SFAS No. 149 definition of derivatives and, as such, were carried as a liability with a fair value of $7 million at March 31, 2006.

Merrill Lynch also provides indemnifications related to the U.S. tax treatment of certain foreign tax planning transactions. The maximum exposure to loss associated with these transactions at March 31, 2006 is $165 million; however, Merrill Lynch believes that the likelihood of loss with respect to these arrangements is remote.

These guarantees and their expiration are summarized at March 31, 2006 as follows:

(dollars in millions)

	Maximum Payout/ Notional	Less than 1 Year	1 – 3 Years	3+ – 5 Years	Over 5 Years	Carrying Value
Derivative contracts(1)	$2,065,488	$ 433,281	$491,957	$627,856	$512,394	$ 34,604
Liquidity facilities with SPEs(2)	27,623	27,459	7	157	-	17
Liquidity and default facilities with SPEs(3)	4,645	2,996	1,403	-	246	3
Residual value guarantees(4)	1,066	56	100	399	511	26
Standby letters of credit and other guarantees(5)(6)(7)	3,497	1,361	675	1,102	359	20

(1) As noted above, the notional value of derivative contracts is provided rather than the maximum payout amount, although the notional value should not be considered as a reliable indicator of Merrill Lynch's exposure to these contracts.
(2) Amounts relate primarily to facilities provided to municipal bond securitization SPEs and an asset-backed commercial paper conduit sponsored by Merrill Lynch. Includes $6.8 billion of guarantees provided to SPEs by third-party financial institutions where Merrill Lynch has agreed to reimburse the financial institution if losses occur, and has up to one year to fund losses.
(3) Amounts relate to liquidity facilities and credit default protection provided to municipal bond securitization SPEs and an asset-backed commercial paper conduit sponsored by Merrill Lynch.
(4) Includes residual value guarantees associated with the Hopewell campus and aircraft leases of $322 million.
(5) Includes $211 million of reimbursement agreements with the Mortgage 100sm program.
(6) Includes guarantees related to principal-protected mutual funds.
(7) Includes certain indemnifications related to foreign tax planning strategies.

See Note 12 of the 2005 Annual Report for additional information on guarantees.

Note 11. Employee Benefit Plans

Merrill Lynch provides pension and other postretirement benefits to its employees worldwide through defined contribution pension, defined benefit pension, and other postretirement plans. These plans vary based on the country and local practices. Merrill Lynch reserves the right to amend or terminate these plans at any time. Refer to Note 13 of the 2005 Annual Report for a complete discussion of employee benefit plans.

Defined Benefit Pension Plans

Pension cost for the three months ended March 31, 2006 and April 1, 2005, for Merrill Lynch's defined benefit pension plans, included the following components:

(dollars in millions)

	Three Months Ended					
	Mar. 31, 2006			Apr. 1, 2005		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Service cost	$ -	$ 7	$ 7	$ -	$ 6	$ 6
Interest cost	24	16	40	24	15	39
Expected return on plan assets	(28)	(15)	(43)	(24)	(13)	(37)
Amortization of unrecognized items and other	-	4	4	-	4	4
Total defined benefit pension cost	$ (4)	$ 12	$ 8	$ -	$ 12	$ 12

Merrill Lynch disclosed in its 2005 Annual Report that it expected to pay $3 million of benefit payments to participants in the U.S. non-qualified pension plan and Merrill Lynch expected to contribute $103 million to its non-U.S. defined benefit pension plans in 2006. Merrill Lynch periodically updates these estimates, and currently expects to contribute $69 million to its defined benefit pension plans in 2006. The decrease in estimated contributions can primarily be attributed to changes in funding requirements relating to the U.K. pension plan.

Postretirement Benefits Other Than Pensions

Other postretirement benefit cost for the three months ended March 31, 2006 and April 1, 2005, included the following components:

(dollars in millions)

	Three Months Ended	
	Mar. 31, 2006	Apr. 1, 2005
Service cost	$ 2	$ 5
Interest cost	4	8
Other	(1)	2
Total other postretirement benefits cost(1)	$ 5	$ 15

(1) The decrease in postretirement benefits cost can primarily be attributed to amendments to the U.S. postretirement plan.

Approximately 87% of the postretirement benefit cost components for the period relate to the U.S. postretirement plan.

Note 12. Employee Incentive Plans

Merrill Lynch adopted the provisions of SFAS No. 123R in the first quarter of 2006. See Note 1, *Summary of Significant Accounting Policies — New Accounting Pronouncements*, to the Condensed Consolidated Financial Statements for further information.

To align the interests of employees with those of stockholders, Merrill Lynch sponsors several employee compensation plans that provide eligible employees with shares of ML & Co. common stock

or options to purchase such stock. The total pre-tax compensation cost and related tax benefits recognized in earnings for share-based compensation plans for the three months ended March 31, 2006 was $2.2 billion and $717 million, respectively, which includes approximately $1.8 billion associated with one-time, non-cash compensation expenses further described in Note 1 to the Condensed Consolidated Financial Statements. For the three months ended April 1, 2005, the total pre-tax compensation cost and related tax benefits recognized in earnings for stock-based compensation plans was $250 million and $83 million, respectively.

As of March 31, 2006, there was $2.2 billion of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of 2.4 years.

Below is a description of our share-based incentive plans.

Long-Term Incentive Compensation Plans ("LTIC Plans"), Employee Stock Compensation Plan ("ESCP") and Equity Capital Accumulation Plan ("ECAP")

LTIC Plans, ESCP and ECAP provide for grants of equity and equity-related instruments to certain employees. LTIC Plans consist of the Long-Term Incentive Compensation Plan, a shareholder approved plan used for grants to executive officers, and the Long-Term Incentive Compensation Plan for Managers and Producers, a broad-based plan which was approved by the Board of Directors, but has not been shareholder approved. LTIC Plans provide for the issuance of Restricted Shares, Restricted Units, and Non-qualified Stock Options, as well as Incentive Stock Options, Performance Shares, Performance Units, Performance Options, Stock Appreciation Rights, and other securities of Merrill Lynch. ESCP, a broad-based plan approved by shareholders in 2003, provides for the issuance of Restricted Shares, Restricted Units, Non-qualified Stock Options and Stock Appreciation Rights. ECAP, a shareholder-approved plan, provides for the issuance of Restricted Shares, as well as Performance Shares. All plans under LTIC, ESCP and ECAP may be satisfied using either treasury or newly issued shares. As of March 31, 2006, no instruments other than Restricted Shares, Restricted Units, Non-qualified Stock Options, Performance Options, Participation Units and Stock Appreciation Rights had been granted.

Restricted Shares and Units

Restricted Shares are shares of ML & Co. common stock carrying voting and dividend rights. A Restricted Unit is deemed equivalent in fair market value to one share of common stock. Substantially all awards are settled in shares of common stock. Recipients of Restricted Unit awards receive cash payments equivalent to dividends. Under these plans, such shares and units are restricted from sale, transfer, or assignment until the end of the restricted period. Such shares and units are subject to forfeiture during the vesting period, for grants under LTIC Plans, or the restricted period for grants under ECAP. Restricted Share and Restricted Unit grants made prior to 2003 generally cliff vest in three years. Restricted Share and Restricted Unit grants made in 2003 through 2005 generally cliff vest in four years. Restricted Shares and Restricted Units granted in January 2006 generally vest ratably over four years.

In January 2006, Participation Units were granted from the Long-Term Incentive Compensation Plan under Merrill Lynch's Managing Partners Incentive Program. The awards granted under this program are fully at risk, and the potential payout can vary depending on Merrill Lynch's financial performance against specified return on average common stockholders' equity ("ROE") targets. One-third of the Participation Units shall convert into Restricted Shares on each of January 31, 2007, January 31, 2008 and January 31, 2009 (each a "Conversion Date"), based on ROE determined for the most recently completed fiscal year. Participation Units converted on the Conversion Date will cease to be outstanding immediately following conversion. If the minimum target is not met, the Participation Units will expire without being converted.

The activity for Restricted Shares and Units (including Restricted Units and Participation Units) under these plans during the three months ended March 31, 2006 follows:

	LTIC Plans		ECAP	ESCP		Total
	Restricted Shares	Units	Restricted Shares	Restricted Shares	Restricted Units	Restricted Shares and Units
Authorized for issuance at:						
March 31, 2006	660,000,000	N/A	104,800,000	75,000,000	N/A	N/A
April 1, 2005	660,000,000	N/A	104,800,000	75,000,000	N/A	N/A
Available for issuance at:						
March 31, 2006	64,154,466	N/A	10,831,281	38,861,685	N/A	N/A
April 1, 2005	65,665,782	N/A	10,832,121	56,548,753	N/A	N/A
Outstanding, December 30, 2005	28,967,539	4,720,546	20,856	15,683,787	2,157,894	51,550,622
Granted — Q1 2006	1,229,046	3,526,925	840	15,746,146	2,823,393	23,326,350
Delivered	(564,526)	(285,436)	—	—	—	(849,962)
Forfeited	(406,536)	(22,054)	—	(248,465)	(24,440)	(701,495)
Outstanding, March 31, 2006	29,225,523	7,939,981	21,696	31,181,468	4,956,847	73,325,515

N/A = Not Applicable

SFAS No. 123R requires the immediate expensing of share-based awards granted or modified in 2006 to retirement-eligible employees, including awards that are subject to non-compete provisions. The above activity contains awards with or without a future service requirement, as follows:

	No Future Service Required		Future Service Required	
	Shares/ Units	Weighted Avg Grant Price	Shares/ Units	Weighted Avg Grant Price
Outstanding, December 30, 2005	38,877,644	$ 51.00	12,672,978	$ 54.01
Granted — Q1 2006	7,414,759	71.56	15,911,591	71.50
Delivered	(849,962)	48.78	—	—
Forfeited	(410,898)	53.57	(290,597)	63.50
Service Criteria Satisfied(1)	19,966,067	60.74	(19,966,067)	60.74
Outstanding, March 31, 2006	64,997,610	57.63	8,327,905	61.00

(1) Represents those awards where employees attained retirement-eligibility during the quarter, subsequent to the grant date.

The total fair value of Restricted Shares and Units granted to retirement-eligible employees or for which service criteria were satisfied during the quarter ended March 31, 2006 was $2.1 billion. The total fair value of Restricted Shares and Units vested during the quarter ended April 1, 2005 was $680 million.

The weighted-average fair value per share or unit granted for the three months ended March 31, 2006 follows:

	For the Three Months Ended March 31, 2006
LTIC Plans	
Restricted Shares	$ 71.72
Restricted Units	71.35
ECAP Restricted Shares	71.49
ESCP Plans	
Restricted Shares	71.54
Restricted Units	71.52

Non-Qualified Stock Options

Non-qualified Stock Options granted under LTIC Plans in 1996 through 2000 generally became exercisable over five years; options granted in 2001 and 2002 became exercisable after approximately six months. Option and Stock Appreciation Right grants made after 2002 generally become exercisable over four years. The exercise price of these grants is equal to 100% of the fair market value (as defined in LTIC Plans) of a share of ML & Co. common stock on the date of grant. Options and Stock Appreciation Rights expire ten years after their grant date.

The activity for Options and Stock Appreciation Rights under LTIC Plans for the three months ended March 31, 2006 follows:

	Quantity Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (in years)
Outstanding, December 30, 2005	176,713,075	$ 49.10	4.55
Granted	333,598	71.43	4.26
Exercised	(19,919,137)	36.01	3.42
Forfeited	(126,441)	45.54	6.90
Outstanding, March 31, 2006	157,001,095	50.81	4.69
Exercisable, March 31, 2006	146,444,338	50.93	4.53

All Options and Stock Appreciation Rights outstanding as of March 31, 2006 are fully vested or expected to vest.

The weighted-average fair value of options granted in the three months ended March 31, 2006 and April 1, 2005 was $17.86 and $17.99 per option, respectively. The fair value of each option award is estimated on the date of grant based on a Black-Scholes option pricing model using the following weighted-average assumptions. Expected volatilities are based on historical volatility of ML & Co. common stock. The expected life of options granted is equal to the contractual life of the options. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is based on the current dividend rate at the time of grant.

	For the Three Months Ended	
	March 31, 2006	April 1, 2005
Risk-free interest rate	4.3%	3.8%
Expected life	4.4 yrs.	4.6 yrs.
Expected volatility	29.49%	35.46%
Dividend yield	1.44%	1.11%

Merrill Lynch received approximately $682 million in cash from the exercise of stock options during the three months ended March 31, 2006. The tax benefit realized from the exercise of these options was $179 million.

The total intrinsic value of options exercised during the quarters ended March 31, 2006 and April 1, 2005 was $751 million and $360 million respectively. As of March 31, 2006, the total intrinsic value of options outstanding and exercisable was $4.4 billion and $4.1 billion, respectively.

Financial Advisor Capital Accumulation Award Plans ("FACAAP")

Under FACAAP, eligible employees in GPC 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. Awards granted in 2003 and thereafter are generally payable eight years from the date of grant in a fixed number of shares of ML & Co. common stock. For outstanding awards granted prior to 2003, payment is generally made ten years from the date of grant in a fixed number of shares of ML & Co. common stock unless the fair market value of such shares is less than a specified minimum value, in which case the minimum value is paid in cash. Eligible participants may defer awards beyond the scheduled payment date. Only shares of common stock held as treasury stock may be issued under FACAAP. FACAAP, which was approved by the Board of Directors, has not been shareholder approved.

At March 31, 2006, shares subject to outstanding awards totaled 35,858,969 while 15,080,618 shares were available for issuance through future awards. The weighted-average fair value of awards granted under FACAAP during the quarter ended March 31, 2006 was $71.49.

Note 13. Regulatory Requirements

Effective January 1, 2005, Merrill Lynch became a consolidated supervised entity ("CSE") as defined by the SEC. As a CSE, Merrill Lynch is subject to group-wide supervision, which requires Merrill Lynch to compute allowable capital and risk allowances on a consolidated basis. Merrill Lynch is in compliance with applicable CSE standards.

Certain U.S. and non-U.S. subsidiaries are subject to various securities, banking, and insurance regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These regulatory restrictions may impose regulatory capital requirements and limit the amounts that these subsidiaries can pay in dividends or advance to Merrill Lynch. Merrill Lynch's principal regulated subsidiaries are discussed below.

Securities Regulation

As a registered broker-dealer and futures commission merchant, MLPF&S is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 ("the Rule"). Under the alternative method permitted by the Rule, the minimum required net capital, as defined, shall be the greater of 2% of aggregate debit items ("ADI") arising from customer transactions or $500 million. At March 31, 2006, MLPF&S's regulatory net capital of $2,808 million was approximately 19% of ADI, and its regulatory net capital in excess of the minimum required was $2,302 million.

MLPF&S is also subject to the capital requirements of the Commodity Futures Trading Commission, which requires that minimum net capital should not be less than 8% of the total customer risk margin requirement plus 4% of the total non-customer risk margin requirement. MLPF&S substantially exceeds both standards.

Merrill Lynch International ("MLI"), a U.K. regulated investment firm, is subject to capital requirements of the U.K. Financial Services Authority ("FSA"). Financial resources, as defined, must exceed the total financial resources requirement of the FSA. At March 31, 2006, MLI's financial resources were $10,176 million, exceeding the minimum requirement by $1,267 million.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities, 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 March 31, 2006, MLGSI's liquid capital of $1,349 million was 208% of its total market and credit risk, and liquid capital in excess of the minimum required was $569 million.

Merrill Lynch Japan Securities Co. Ltd. ("MLJS"), a Japan-based regulated broker-dealer, is subject to capital requirements of the Japanese Financial Services Agency ("JFSA"). Net capital, as defined, must exceed 120% of the total risk equivalents requirement of the JFSA. At March 31, 2006, MLJS's net capital was $1,215 million, exceeding the minimum requirement by $626 million.

Banking Regulation

Merrill Lynch Bank USA ("MLBUSA") is a Utah-chartered industrial bank, regulated by the Federal Deposit Insurance Corporation ("FDIC") and the State of Utah Department of Financial Institutions. Merrill Lynch Bank & Trust Co. ("MLB&T")is a New Jersey-chartered state bank regulated by the FDIC and the New Jersey Department of Banking and Insurance. Both MLBUSA and MLB&T are required to maintain capital levels that at least equal minimum capital levels specified in federal banking laws and regulations. Failure to meet the minimum levels will result in certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on the banks. The following table illustrates the actual capital ratios and capital amounts for MLBUSA and MLB&T as of March 31, 2006.

(dollars in millions)

		MLBUSA		MLB&T	
	Well Capitalized Minimum	Actual Ratio	Actual Amount	Actual Ratio	Actual Amount
Tier 1 leverage (to average assets)	5%	9.84%	$ 5,769	7.30%	$ 781
Tier 1 capital (to risk-weighted assets)	6%	9.77	5,769	19.0	781
Total capital (to risk-weighted assets)	10%	10.89	6,427	19.11	785

Merrill Lynch Capital Markets Bank Limited ("MLCMBL"), an Ireland-based regulated bank, is subject to the capital requirements of the Financial Regulator, as well as to those of the State of New York Banking Department ("NYSBD"), as the consolidated supervisor of its indirect parent, Merrill Lynch International Finance Corporation ("MLIFC"). MLCMBL is required to meet minimum regulatory capital requirements under the European Union ("EU") banking law as implemented in Ireland by the Financial Regulator. At March 31, 2006, MLCMBL's capital ratio was above the minimum requirement at 9.9% and its financial resources, as defined, were $3,147 million, exceeding the minimum requirement by $962 million.

Merrill Lynch International Bank Limited ("MLIB"), a U.K.-based regulated bank, is subject to the capital requirements of the FSA as well as those of the NYSBD as part of the MLIFC group. MLIB is required to meet minimum regulatory capital requirements under the EU banking law as implemented in the U.K. MLIB's consolidated capital ratio (including its subsidiary Merrill Lynch Bank (Suisse) S.A.), is above the minimum capital requirements established by the FSA. At March 31, 2006, MLIB's consolidated capital ratio was 12.2% and its consolidated financial resources were $3,602 million, exceeding the minimum requirement by $468 million.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of March 31, 2006, and the related condensed consolidated statements of earnings and cash flows for the three-month periods ended March 31, 2006 and April 1, 2005. These interim financial statements are the responsibility of Merrill Lynch's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the condensed consolidated financial statements, in 2006 Merrill Lynch changed its method of accounting for share-based payments to conform to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Merrill Lynch as of December 30, 2005, and the related consolidated statements of earnings, changes in stockholders' equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 30, 2005 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York
May 5, 2006

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain statements in this report may be considered forward-looking, including those about management expectations, strategic objectives, growth opportunities, business prospects, anticipated financial results, the impact of off balance sheet arrangements, significant contractual obligations, anticipated results of litigation and regulatory investigations and proceedings, and other similar matters. These forward-looking statements represent only Merrill Lynch & Co., Inc.'s ("ML & Co." and, together with its subsidiaries, "Merrill Lynch") beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond Merrill Lynch's control, which affect its operations, performance, business strategy and results and could cause its actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by both current and potential competitors, general economic conditions, the effects of current, pending and future legislation, regulation and regulatory actions, and the other risks and uncertainties detailed in this report. See Risk Factors that Could Affect Our Business in the Annual Report on Form 10-K for the year ended December 30, 2005 ("2005 Annual Report"). Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. Merrill Lynch does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. The reader should, however, consult further disclosures Merrill Lynch may make in future filings of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Overview

Introduction

Merrill Lynch was formed in 1914 and became a publicly traded company on June 23, 1971. In 1973, Merrill Lynch created the holding company, ML & Co., a Delaware corporation that, through its subsidiaries, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending, and related products and services on a global basis.

Merrill Lynch's activities are conducted through three business segments:

- *Global Markets and Investment Banking Group ("GMI"),* Merrill Lynch's institutional business segment, provides equity, debt and commodities trading, capital market services, investment banking and advisory services to corporations, financial institutions, and governments around the world. GMI's Global Markets division facilitates client transactions and is a market maker in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands, and in connection with proprietary trading activities. Global Markets also provides clients with financing, securities clearing, settlement, and custody services and also engages in principal investments and private equity investing. GMI's Investment Banking division provides a wide range of origination and strategic advisory services for issuer clients, including underwriting and placement of public and private equity, debt and related securities, as well as lending and other financing activities for clients globally. These services also include advising clients on strategic issues, valuation, mergers, acquisitions and restructurings. GMI's growth strategy entails a program of significant investments in personnel and technology to gain further scale in certain asset classes and geographies.
- *Global Private Client ("GPC"),* Merrill Lynch's full-service retail wealth management segment, provides brokerage and investment advisory services, offering a broad range of both proprietary and third-party wealth management products and services globally to individuals, small- to mid-size

businesses, and employee benefit plans. The largest portion of this business is offered through the Advisory Division, where services are delivered by Merrill Lynch Financial Advisors ("FAs") through a global network of branch offices. GPC's offerings include commission and fee-based investment accounts; banking, cash management, and credit services, including consumer and small business lending and credit cards; trust and generational planning; retirement services; and insurance products. GPC's growth priorities include the hiring of additional FAs, client segmentation, annuitization of revenues through fee-based products, diversification of revenues through adding products and services, investments in technology to enhance productivity and efficiency, and disciplined expansion into additional geographic areas globally.

- *Merrill Lynch Investment Managers ("MLIM"),* Merrill Lynch's asset management segment, offers a wide range of investment management capabilities to retail and institutional investors through proprietary and third-party distribution channels globally. Asset management capabilities include equity, fixed income, money market, index, enhanced index and alternative investments, which are offered through vehicles such as mutual funds, privately managed accounts, and retail and institutional separate accounts. MLIM's growth priorities include driving strong relative long-term investment performance and broadening the distribution of its products through multiple channels, while maintaining discipline on expenses. MLIM is committed to increasing sales in both the proprietary and non-proprietary channels in the United States, as well as non-U.S. regions. On February 15, 2006, Merrill Lynch entered into an agreement with BlackRock, Inc. ("BlackRock"), to combine the MLIM business with BlackRock. This transaction is expected to close during the third quarter of 2006.

Critical Accounting Policies and Estimates

The following is a summary of Merrill Lynch's critical accounting policies. For a full description of these and other accounting policies see Note 1 of the 2005 Annual Report and Note 1 to the Condensed Consolidated Financial Statements.

Use of Estimates

In presenting the Condensed Consolidated Financial Statements, management makes estimates regarding:

- Valuations of assets and liabilities requiring fair value estimates including:
  - Trading inventory and investment securities;
  - Private equity investments;
- Loans and allowance for loan losses;
- The outcome of litigation;
- The realization of deferred tax assets and tax reserves;
- Assumptions and cash flow projections used in determining whether variable interest entities ("VIEs") should be consolidated and the determination of the qualifying status of special purpose entities ("QSPEs");
- The carrying amount of goodwill and other intangible assets;
- Valuation of employee stock options;
- Insurance reserves and recovery of insurance deferred acquisition costs;
- Interim compensation and benefits accruals, particularly cash and stock incentive awards and FA compensation; 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. Therefore, actual results could differ from those estimates and could have a material impact on the Condensed Consolidated Financial Statements, and it is possible that such changes could occur in the near term. For more

information regarding the specific methodologies used in determining estimates, refer to Use of Estimates in Note 1 of the 2005 Annual Report.

The following is a summary of Merrill Lynch's critical accounting policies and estimates.

Valuation of Financial Instruments

Proper valuation of financial instruments is a critical component of Merrill Lynch's financial statement preparation. Fair values for exchange-traded securities and 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 estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows, and directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services, while taking into account the counterparty's credit ratings, or Merrill Lynch's own credit ratings as appropriate.

New and/or complex instruments may have immature or limited markets. As a result, the pricing models used for valuation often incorporate significant estimates and assumptions, which may impact the level of precision in the Condensed Consolidated Financial Statements. For long-dated and illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. This enables Merrill Lynch to mark-to-market all positions consistently when only a subset of prices is directly observable. Values for OTC derivatives are verified using observed information about the costs of hedging the risk and other trades in the market. As the markets for these products develop, Merrill Lynch continually refines its pricing models based on experience to correlate more closely to the market risk of these instruments. Obtaining the fair value for OTC derivative contracts requires the use of management judgment and estimates. At the inception of the contract, unrealized gains for these instruments are not recognized unless significant inputs to the valuation model are observable in the market.

Merrill Lynch holds investments that may have quoted market prices but that are subject to restrictions (e.g., consent of the issuer or other investors to sell) that may limit Merrill Lynch's ability to realize the quoted market price. Accordingly, Merrill Lynch estimates the fair value of these securities based on management's best estimate, which incorporates pricing models based on projected cash flows, earnings multiples, comparisons based on similar market transactions and/or review of underlying financial conditions and other market factors.

Valuation adjustments are an integral component of the mark-to-market process and may be taken where either the sheer size of the trade or other specific features of the trade or particular market (such as counterparty credit quality, concentration or market liquidity) requires adjustment to the values derived by the pricing models.

Because valuation may involve significant estimation where readily observable prices are not available, a categorization of Merrill Lynch's financial instruments based on liquidity of the instrument and the amount of estimation required in determining its value as recorded in the Condensed Consolidated Financial Statements is provided below. In preparing the categorization, certain estimates have been made regarding the allocation of netting adjustments permitted under FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts,* and other adjustments.

Assets and liabilities recorded on the Condensed Consolidated Balance Sheets can be broadly categorized as follows:

Category 1. Highly liquid cash and derivative instruments, primarily carried at fair value, for which quoted market prices are readily available (for example, exchange-traded equity securities, certain listed options, and U.S. Government securities).

Category 2. Liquid instruments, primarily carried at fair value, including:

a) Cash instruments for which quoted prices are available but which trade less frequently such that there may not be complete pricing transparency for these instruments across all market cycles (for example, corporate and municipal bonds and certain physical commodities);

b) Derivative instruments that are valued using a model, where inputs to the model are directly observable in the market (for example, U.S. dollar interest rate swaps); and

c) Instruments that are priced with reference to financial instruments whose parameters can be directly observed (for example, certain mortgage loans).

Category 3. Less liquid instruments that are valued using management's best estimate of fair value, and instruments which are valued using a model, where either the inputs to the model and/or the models themselves require significant judgment by management (for example, private equity investments, long-dated or complex derivatives such as certain foreign exchange options and credit default swaps, distressed debt and commodity derivatives, such as long-dated options on gas and power and weather derivatives).

At March 31, 2006 and December 30, 2005, certain assets and liabilities on the Condensed Consolidated Balance Sheets can be categorized using the above classification scheme as follows:

(dollars in millions)

March 31, 2006	**Category 1**	**Category 2**	**Category 3**	**Total**
Assets				
Trading assets, excluding contractual agreements	$ 66,779	$ 62,636	$ 2,546	$ 131,961
Contractual agreements	3,916	17,146	3,777	24,839
Investment securities	7,860	51,038	10,152	69,050
Liabilities				
Trading liabilities, excluding contractual agreements	$ 48,342	$ 11,384	$ 333	$ 60,059
Contractual agreements	3,067	18,116	8,806	29,989
December 30, 2005				
Assets				
Trading assets, excluding contractual agreements	$ 56,556	$ 63,344	$ 2,594	$ 122,494
Contractual agreements	5,008	18,177	3,031	26,216
Investment securities	6,115	54,805	8,353	69,273
Liabilities				
Trading liabilities, excluding contractual agreements	$ 48,688	$ 11,248	$ 242	$ 60,178
Contractual agreements	4,623	17,490	6,642	28,755

In addition, other trading-related assets recorded in the Condensed Consolidated Balance Sheets at March 31, 2006 and December 30, 2005, include $281.9 billion and $255.5 billion, respectively, of receivables under resale agreements and receivables under securities borrowed transactions. Trading-

related liabilities recorded in the Condensed Consolidated Balance Sheets at March 31, 2006 and December 30, 2005, include $246.2 billion and $217.5 billion, respectively, of payables under repurchase agreements and payables under securities loaned transactions. These securities financing transactions are recorded at their contractual amounts, which approximate fair value, and for which little or no estimation is required by management.

Litigation

Merrill Lynch has been named as a defendant in various legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities as a global diversified financial services institution. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies. In accordance with SFAS No. 5, *Accounting for Contingencies,* Merrill Lynch will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits and arbitrations, including class action lawsuits, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Merrill Lynch cannot predict what the eventual loss or range of loss related to such matters will be. See Note 12 and Other Information (Unaudited) — Legal Proceedings of the 2005 Annual Report for further information.

Variable Interest Entities

In the normal course of business, Merrill Lynch enters into a variety of transactions with VIEs. The applicable accounting guidance requires Merrill Lynch to perform a qualitative and/or quantitative analysis of each new VIE at inception to determine whether it must consolidate the VIE. In performing this analysis, Merrill Lynch makes assumptions regarding future performance of assets held by the VIE, taking into account estimates of credit risk, estimates of the fair value of assets, timing of cash flows, and other significant factors. Although a VIE's actual results may differ from projected outcomes, a revised consolidation analysis is generally not required subsequent to the initial assessment. If a VIE meets the conditions to be considered a QSPE, it is typically not required to be consolidated by Merrill Lynch. A QSPE's activities must be significantly limited. A servicer of the assets held by a QSPE may have discretion in restructuring or working out assets held by the QSPE as long as the discretion is significantly limited and the parameters of that discretion are fully described in the legal documents that established the QSPE. Determining whether the activities of a QSPE and its servicer meet these conditions requires the use of judgment by management.

Income Taxes

Merrill Lynch is under examination by the Internal Revenue Service ("IRS") and other tax authorities in major countries such as Japan and the United Kingdom, and states in which Merrill Lynch has significant business operations, such as New York. The tax years under examination vary by jurisdiction. An IRS examination covering the years 2001–2003 is expected to be completed in 2006. There are carryback claims from these years of approximately $250 million to $300 million, which will undergo Joint Committee review. A tax benefit would be recorded to the extent that Merrill Lynch is successful in obtaining the tax benefit from these carryback claims. IRS audits have also commenced for the 2004 and 2005 tax years. In the second quarter of 2005, Merrill Lynch paid a tax assessment from the Tokyo Regional Tax Bureau for the years 1998–2002. The assessment reflected the Japanese tax authority's view that certain income on which Merrill Lynch previously paid income tax to other international jurisdictions, primarily the United States, should have been allocated to Japan. Merrill Lynch has begun the process of obtaining clarification from international authorities on

the appropriate allocation of income among multiple jurisdictions to prevent double taxation. Merrill Lynch regularly assesses the likelihood of additional assessments in each of the tax jurisdictions resulting from these examinations. Tax reserves have been established, which Merrill Lynch believes to be adequate in relation to the potential for additional assessments. However, there is a reasonable possibility that additional amounts may be incurred. The estimated additional possible amounts are no more than $150 million. Merrill Lynch will adjust the level of reserves when there is more information available, or when an event occurs requiring a change to the reserves. The reassessment of tax reserves could have a material impact on Merrill Lynch's effective tax rate in the period in which it occurs.

Business Environment[(1)]

Global financial markets were generally strong during the first quarter of 2006. Stocks outperformed bonds in an environment characterized by steady economic growth, moderate interest rates and low inflation. The yield curve, although inverted at times, remained relatively flat throughout much of the quarter. Long-term interest rates, as measured by the 10-year U.S. Treasury bond, ended the quarter at 4.86%, up from 4.39% at the end of 2005. At its meetings in both January and March, the U.S. Federal Reserve System's Federal Open Market Committee continued to raise the federal funds rate, which ended the quarter at 4.75%.

Major U.S. equity indices rebounded from the fourth quarter as interest rates remained at relatively moderate levels. The Dow Jones Industrial Average rose 3.7% in the first quarter and 5.8% from its prior year level. The Nasdaq Composite rose 6.1% in the first quarter and 17.0% from its prior-year level. The Standard & Poor's 500 index rose 3.7% from the fourth quarter of 2005 and 9.7% from the year-ago quarter. Global equity indices generally performed well over the first quarter despite rising interest rates in certain economies. The Dow Jones World Index, excluding the United States, was up 8.8% for the quarter. European stock markets continued their strong performance, aided by an increase in merger activity and the strengthening of the euro. Sequentially, the Dow Jones Stoxx 50 index and the FTSE 100 rose 4.7% and 6.2%, respectively. In Asia, Japan's Nikkei Stock Exchange index was up 5.9% from the fourth quarter, while India's Sensex index increased 20% over the same period.

Global debt and equity underwriting volumes were up 9.7% from the 2005 fourth quarter to $1.8 trillion, essentially unchanged from the year-ago quarter. Global debt underwriting fees were up 22% sequentially and 4% from the first quarter of 2005 to $5.4 billion. Global equity underwriting fees were down 16% from last quarter but up 18% from the year-ago quarter to $4.1 billion.

Global merger and acquisition activity in the first quarter marked the third busiest period ever behind the fourth quarter of 1999 and the first quarter of 2000. The total value of global announced deals was $930 billion, 43% higher than the year-ago quarter. Over the same period the value of announced deals in the United States increased 9% to $313 billion. Globally, the value of completed deals were up 53% from the year-ago quarter to $689 billion, while in the United States, completed deals were up 101% to $303 billion.

Merrill Lynch continually evaluates its businesses for profitability, performance, and client service to ensure alignment with its long-term strategic objectives under varying market and competitive conditions. The strategy of maintaining long-term client relationships, closely monitoring costs and risks, diversifying revenue sources, and growing fee-based and recurring revenues all continue as objectives to mitigate the effects of a volatile market environment on Merrill Lynch's business as a whole.

(1) Debt and equity underwriting and merger and acquisition volumes were obtained from Dealogic. For prior filings this data was obtained from Thomson Financial Securities Data.

Results of Operations

(dollars in millions, except per share amounts)	For the Three Months Ended March 31, 2006	April 1, 2005
Net Revenues		
Asset management and portfolio service fees	$ 1,679	$ 1,435
Commissions	1,602	1,341
Principal transactions	1,993	945
Investment banking	965	813
Revenues from consolidated investments	104	127
Other	554	370
Subtotal	6,897	5,031
Interest and dividend revenues	8,664	5,531
Less interest expense	7,599	4,330
Net interest profit	1,065	1,201
Total Net Revenues	7,962	6,232
Non-interest expenses:		
Compensation and benefits	5,750	3,096
Communications and technology	453	396
Brokerage, clearing, and exchange fees	248	219
Occupancy and related depreciation	241	233
Professional fees	200	178
Advertising and market development	144	126
Office supplies and postage	57	52
Expenses of consolidated investments	47	85
Other	229	178
Total non-interest expenses	7,369	4,563
Earnings before income taxes	$ 593	$ 1,669
Net earnings	$ 475	$ 1,212
Earnings per common share:		
Basic	$ 0.49	$ 1.33
Diluted	0.44	1.21
Annualized return on average common stockholders' equity	5.1%	15.5%
Pre-tax profit margin	7.4%	26.8%
Compensation and benefits as a percentage of net revenues	72.2%	49.7%
Non-compensation expenses as a percentage of net revenues	20.4%	23.5%
Book value per share	$ 37.19	$ 32.91

Quarterly Results of Operations

Merrill Lynch's net earnings were $475 million for the 2006 first quarter, on record net revenues of $8.0 billion, an increase of 28% from net revenues in the 2005 first quarter. First quarter 2006 net earnings included $1.2 billion, after-tax, or $1.21 per diluted share, of one-time non-cash compensation expenses ($1.8 billion pre-tax) arising from modifications to the retirement eligibility requirements for existing stock-based employee compensation awards and the adoption of SFAS No. 123 as revised in 2004 ("SFAS No. 123R"); (together, "one-time compensation expenses"). Refer to Note 1 to the Condensed Consolidated Financial Statements for further detail on the one-time compensation expenses. Earnings per common share were $0.49 basic and $0.44 diluted for the 2006 first quarter. Net earnings for the year-ago first quarter were $1.21 billion and earnings per common share were $1.33 basic and $1.21 diluted. 2006 first quarter pre-tax earnings were

$593 million, down 64% from the year-ago quarter, and pre-tax margin was 7.4%, down from 26.8% in the prior-year quarter.

Excluding the one-time compensation expenses, Merrill Lynch's first quarter 2006 net earnings were $1.7 billion, up 36% from the first quarter of 2005, and pre-tax earnings would have been $2.4 billion, up 41% from the year-ago quarter. The pre-tax profit margin was 29.5%, and the annualized return on average common equity was 19.1%. On the same basis, earnings per share would have been $1.83 basic and $1.65 diluted, up 38% and 36% respectively from the year-ago quarter. Management believes that, while the results excluding the one-time compensation expenses are considered "non-GAAP" measures, they depict the operating performance of the company more clearly and enable more meaningful period-to-period comparisons. See Exhibit 99.1 for a reconciliation of "non-GAAP" measures.

Asset management and portfolio services fees primarily consist of (i) fees earned from the management and administration of retail mutual funds and separately managed accounts for retail investors, as well as institutional funds such as pension assets, (ii) performance fees earned on certain separately managed accounts, and institutional money management arrangements (iii) servicing fees related to these accounts and (iv) annual account fees and certain other account-related fees. Asset management and portfolio service fees were $1.7 billion, up 17% from the first quarter of 2005. The increase in asset management fees reflects the impact of net inflows of higher-yielding assets as well as higher equity market values, and the increase in portfolio service fees reflects the impact of net inflows into asset-priced accounts.

Commissions revenues primarily arise from agency transactions in listed and OTC equity securities and commodities, insurance products and options. Commissions revenues also include distribution fees for promoting and distributing mutual funds ("12b-1 fees"), as well as contingent deferred sales charges earned when a shareholder redeems shares prior to the required holding period. Commissions revenues were $1.6 billion, up 19% from the 2005 first quarter, due primarily to a increase in global transaction volumes, particularly in listed equities and mutual funds.

Principal transactions revenues include realized gains and losses from the purchase and sale of securities, such as equity securities, fixed income securities, including government bonds and municipal securities, in which Merrill Lynch acts as principal, as well as unrealized gains and losses on trading assets and liabilities, including commodities, derivatives, and loans. Principal transactions revenues were $2.0 billion, 111% higher than the year-ago quarter, due primarily to increased revenues in the trading of both debt and equity products.

Net interest profit is a function of (i) the level and mix of total assets and liabilities, including trading assets owned, deposits, financing and lending transactions, and trading strategies associated with the institutional securities business, and (ii) the prevailing level, term structure and volatility of interest rates. Net interest profit was $1.1 billion, down 11% from the 2005 first quarter, due primarily to higher interest expenses from the global interest rate and credit trading businesses, partially offset by the impact of rising short-term interest rates on deposit spreads earned. Net interest profit is an integral component of trading activity. In assessing the profitability of its client facilitation and trading activities, Merrill Lynch views principal transactions and net interest profit in the aggregate as net trading revenues. Changes in the composition of trading inventories and hedge positions can cause the mix of principal transactions and net interest profit to fluctuate.

Investment banking revenues include (i) origination revenues representing fees earned from the underwriting of debt, equity and equity-linked securities, as well as loan syndication and commitment fees and (ii) strategic advisory services revenues including merger and acquisition and other investment banking advisory fees. Investment banking revenues were $965 million, up 19% from the

2005 first quarter, driven primarily by increased merger and acquisition advisory revenues as both overall volume and Merrill Lynch's share of completed merger and acquisition volume increased. Higher debt underwriting revenues resulted from a more robust environment and the benefits of continued investments in the business, most notably in the leveraged finance businesses.

Revenues from consolidated investments include revenues from consolidated investments which are less than 100% owned. Revenues from consolidated investments were $104 million, down from $127 million in the 2005 first quarter, due to the deconsolidation of certain investments in 2005.

Other revenues include realized investment gains and losses, equity income from unconsolidated subsidiaries, distributions on cost method investments, fair value adjustments on private equity investments made by non-broker-dealer subsidiaries that are held for capital appreciation and/or current income, gains related to the sale of mortgages, write-downs of certain available-for-sale securities, and translation gains and losses on foreign denominated assets and liabilities. Other revenues were $554 million, 50% higher than the 2005 first quarter, due principally to higher realized investment gains.

Compensation and benefits expenses were $5.8 billion in the first quarter of 2006. Excluding the $1.8 billion of one-time compensation expenses, compensation and benefits expenses were $4.0 billion, or 50.1% of net revenues for the first quarter of 2006, up from 49.7% in the year-ago quarter, due primarily to the higher staffing levels and the impact of accruing for 2007 stock awards to retirement-eligible employees in accordance with SFAS No. 123R.

Non-compensation expenses were $1.6 billion in the first quarter of 2006, up 10% from the year-ago quarter. The ratio of total non-compensation expenses to total net revenues was 20% during the first quarter of 2006 compared with 24% in the year-ago quarter. Communications and technology costs were $453 million, up 14% from the first quarter of 2005 due to higher market information and communications costs and system consulting costs related to investments for growth. Brokerage, clearing and exchange fees were $248 million, up 13% from the 2005 first quarter, due primarily to higher transaction volumes. Professional fees were $200 million, up 12% from the year-ago quarter due to higher legal, consulting and other professional fees. Expenses of consolidated investments were $47 million, down 45% from $85 million in the 2005 first quarter, due to the deconsolidation of certain investments in 2005. Other expenses were $229 million, up 29% from the year-ago quarter.

Merrill Lynch's first quarter 2006 effective tax rate was 19.9%, reflecting a net benefit from settlements with tax authorities and the level of earnings for the quarter, which were reduced by the one-time compensation expenses. Excluding the one-time compensation expenses, the effective tax rate for the first quarter 2006 was 29.8%, up from 29.2% for the full year of 2005. The 2005 effective tax rate also reflected the additional tax expense related to the repatriation of foreign earnings under the provisions of the American Jobs Creation Act during the fourth quarter of 2005.

Business Segments

The following discussion provides details of net revenues by segment. Certain prior period amounts have been reclassified to conform to the current year presentation.

Merrill Lynch reports its results in three business segments: GMI, GPC, and MLIM. GMI provides full service global markets and origination capabilities, products and services to corporate, institutional, and government clients around the world. GPC provides wealth management products and services globally to individuals, small- to mid-size businesses, and employee benefit plans. MLIM manages financial assets for individual, institutional and corporate clients.

Certain MLIM and GMI products are distributed through GPC distribution channels, and, to a lesser extent, certain MLIM products are distributed through GMI. Revenues and expenses associated with these inter-segment activities are recognized in each segment and eliminated at the corporate level. In addition, revenue and expense sharing agreements for joint activities between segments are in place, and the results of each segment reflect the agreed-upon apportionment of revenues and expenses associated with these activities. The following segment results represent the information that is relied upon by management in its decision-making processes. These results exclude items reported in the Corporate segment. Business segment results are reclassified to reflect reallocations of revenues and expenses that result from changes in Merrill Lynch's business strategy and organizational structure. See Note 2 to the Condensed Consolidated Financial Statements for further information.

Global Markets and Investment Banking

GMI's Results of Operations

	For the Three Months Ended		
(dollars in millions)	**Mar. 31, 2006**	**Apr. 1, 2005**	**% Inc. (Dec.)**
Global Markets			
Debt	$ 2,091	$ 1,662	26%
Equity	1,573	971	62
Total Global Markets net revenues	3,664	2,633	39
Investment Banking			
Origination Debt	395	282	40
Equity	237	242	(2)
Strategic Advisory Services	257	160	61
Total Investment Banking net revenues	889	684	30
Total net revenues	4,553	3,317	37
Non-interest expenses before one-time compensation expenses	2,972	2,193	36
One-time compensation expenses	1,369	-	N/M
Pre-tax earnings	$ 212	$ 1,124	(81)
Pre-tax profit margin	4.7%	33.9%	

N/ M = Not Meaningful

During the first quarter of 2006 net revenues in each of GMI's major business lines — Debt Markets, Equity Markets and Investment Banking — were up significantly compared with the first quarter of 2005. GMI's net revenues increased 37% from the 2005 first quarter, to $4.6 billion. Pre-tax earnings of $212 million decreased 81% from the year-ago quarter, and the pre-tax profit margin was 4.7%. During the first quarter of 2006, GMI recognized $1.4 billion in one-time compensation expenses; refer to Note 1 to the Condensed Consolidated Financial Statements and Exhibit 99.1 for further information. Excluding the one-time compensation expenses, the first quarter of 2006 pre-tax earnings were $1.6 billion, up 41% from the year-ago quarter and the pre-tax profit margin was 34.7%.

During the first quarter of 2006, GMI completed the purchase of an additional 50% stake in the joint venture, DSP Merrill Lynch, which is a leader in investment banking and trading in India.

A detailed discussion of GMI's net revenues follows:

Global Markets

In the first quarter of 2006, Global Markets net revenues were $3.7 billion, up 39% from the year-ago period.

Debt Markets

Debt Markets net revenues include principal transactions and net interest profit (which should be viewed in aggregate to assess trading results), commissions, revenues from principal investments, fair value adjustments on private equity investments made by non-broker dealer subsidiaries that are held for capital appreciation and/or current income, and other revenues. In the first quarter of 2006, Debt Markets net revenues were a record $2.1 billion, up 26% from the first quarter of 2005. This increase was driven primarily by the trading of interest rate and credit products in a favorable environment characterized by solid client activity levels and proprietary positioning opportunities. Commodities also reflected strong increases over the prior year.

Equity Markets

Equity Markets net revenues include commissions, principal transactions and net interest profit, (which should be viewed in aggregate to assess trading results), revenues from equity method investments, fair value adjustments on private equity investments made by non-broker-dealer subsidiaries that are held for capital appreciation and/or current income, and other revenues. In the first quarter of 2006, Equity Markets net revenues were $1.6 billion, up 62% from the year-ago quarter with strong performances in every major revenue category. Equity-linked and cash trading net revenues increased in the more active market environment, and the quarter benefited from higher revenues from proprietary trading and equity financing and services activities.

During the first quarter of 2006, GMI completed the acquisition of Wave Securities, a leader in providing electronic trading solutions to the institutional marketplace. Additionally, a joint venture with Investment Technology Group was announced to provide anonymous automated block trading services.

Investment Banking

Investment Banking net revenues of $889 million were 30% higher than the 2005 first quarter, driven by increases in debt origination mandates and merger and acquisition advisory services.

Origination

Origination revenues represent fees earned from the underwriting of debt, equity and equity-linked securities as well as loan syndication fees.

Origination revenues in the first quarter of 2006 were $632 million, up 21% from the year-ago quarter on higher debt underwriting revenues, which increased 40% from a year ago. This resulted from a more robust environment and the benefits of continued investments in the business, most notably in the leveraged finance business.

Strategic Advisory Services

Strategic advisory services revenues, which include merger and acquisition and other advisory fees, were $257 million in the first quarter of 2006, up 61% from the year-ago quarter as overall volume as well as Merrill Lynch's share of completed merger and acquisition volume increased.

Regional Commentary

From a geographic perspective, GMI generated increased net revenues across every region compared to the year-ago quarter. In Debt Markets, Latin America and Europe were the strongest contributors to growth on a relative basis. In Equity Markets, the Pacific Rim along with Europe grew the most. In Investment Banking, the United States and Europe were the largest contributors.

For additional information on GMI's segment results, refer to Note 2 to the Condensed Consolidated Financial Statements.

Global Private Client

GPC's Results of Operations

	For the Three Months Ended		
(dollars in millions)	**Mar. 31, 2006**	**Apr. 1, 2005**	**% Inc. (Dec.)**
Fee-based revenues	$ 1,458	$ 1,271	15%
Transactional and origination revenues	899	857	5
Net interest profit and related hedges(1)	527	401	31
Other revenues	55	74	(26)
Total net revenues	2,939	2,603	13
Non-interest expenses before one-time compensation expenses	2,293	2,093	10
One-time compensation expenses	281	-	N/M
Pre-tax earnings	$ 365	$ 510	(28)
Pre-tax profit margin	12.4%	19.6%	

N/M = Not Meaningful

(1) Includes interest component of non-qualifying derivatives which are included in other revenues on the Condensed Consolidated Statement of Earnings.

GPC's first quarter 2006 net revenues were $2.9 billion, up 13% from the year-ago quarter. The increase was primarily driven by record fee-based revenues, record net interest profit driven by bank-related activities and stronger client transaction volumes, partially offset by lower origination revenues. GPC's first quarter 2006 pre-tax earnings were $365 million, down 28% from the 2005 first quarter, and the pre-tax margin was 12.4% reflecting $281 million in one-time compensation expenses; refer to Note 1 to the Condensed Consolidated Financial Statements and Exhibit 99.1 for further information. Excluding the one-time compensation expenses, GPC's first quarter pre-tax earnings of $646 million increased 27% from the year-ago quarter, and the pre-tax margin was 22.0%.

Total client assets in GPC accounts increased 12% from the year-ago quarter, to $1.5 trillion. Excluding net outflows in the recently acquired Amvescap retirement business and the former Advest franchise prior to systems conversion, net new client assets into annuitized-revenue products were $12.3 billion, and total net new money was $16.9 billion for the first quarter of 2006.

Financial Advisor headcount reached 15,350 at the end of the first quarter of 2006, a net increase of 1,170 since the first quarter of 2005, reflecting low turnover rates, recruiting efforts and the acquisition of Advest.

A detailed discussion of GPC's revenues follows:

Fee-based revenues

Fee-based revenues are comprised of portfolio service fees which are primarily derived from accounts that charge an annual fee based on net asset value, such as Merrill Lynch Consults®, a separately managed account product, and Unlimited Advantage℠, as well as fees from insurance products, taxable and tax-exempt money market funds, and alternative investment products. Also included in fee-based revenues are fixed annual account fees and other account-related fees, and commissions related to distribution fees on mutual funds.

GPC generated $1.5 billion of fee-based revenues in the 2006 first quarter, up 15% from the year-ago quarter. This increase reflected growth in client assets due to higher market valuations and net inflows into annuitized products. This asset growth resulted in higher portfolio service fees and increased distribution fees related to mutual fund sales.

The value of client assets in GPC accounts at March 31, 2006 and April 1, 2005 follows.

(dollars in billions)	**Mar. 31, 2006**	**Apr. 1, 2005**
Assets in GPC accounts		
U.S.	$ 1,381	$ 1,223
Non-U.S.	121	116
Total	$ 1,502	$ 1,339

Transactional and origination revenues

Transactional and origination revenues include certain commission revenues, such as those that arise from agency transactions in listed and OTC equity securities, mutual funds, and insurance products. Also included are principal transactions revenues which primarily represent bid-offer revenues on government bonds and municipal securities, as well as new issue revenues which include selling concessions on newly issued debt and equity securities, including shares of closed-end funds.

Transactional and origination revenues were $899 million in the first quarter of 2006, 5% higher than the year-ago quarter. This increase is due principally to higher investor trading activity in a more favorable environment, partially offset by lower origination volumes compared to a year ago.

Net interest profit and related hedges

Net interest profit (interest revenues less interest expenses) and related hedges includes GPC's allocation of the interest spread earned in Merrill Lynch's banks for deposits, as well as interest earned on margin, small- and middle-market business and other loans, corporate funding allocations, and the interest component of non-qualifying derivatives.

GPC's net interest profit and related hedges were $527 million in the first quarter of 2006, up 31% from $401 million in the 2005 first quarter. This increase primarily reflects higher margins on deposits resulting from rising short-term interest rates.

Other revenues

GPC's other revenues were $55 million in the first quarter of 2006, down 26% from $74 million in the year-ago period, due largely to lower mortgage-related revenue.

For additional information on GPC's segment results, refer to Note 2 to the Condensed Consolidated Financial Statements.

Merrill Lynch Investment Managers

MLIM's Results of Operations

(dollars in millions)	For the Three Months Ended March 31, 2006	April 1, 2005	% Inc. (Dec.)
Asset management fees	$ 492	$ 370	33%
Commissions	32	28	14
Other revenues	46	15	207
Total net revenues	570	413	38
Non-interest expenses before one-time compensation expenses	348	286	22
One-time compensation expenses	109	-	N/M
Pre-tax earnings	$ 113	$ 127	(11)
Pre-tax profit margin	19.8%	30.8%	

N/M = Not Meaningful

MLIM's first quarter 2006 net revenues were $570 million, up 38% from the 2005 first quarter. This increase was driven by higher asset values and significant net inflows. MLIM's pre-tax earnings for the 2006 first quarter were $113 million, down 11% from the 2005 first quarter, and the pre-tax margin was 19.8%. During the first quarter of 2006, MLIM recognized $109 million in one-time compensation expenses; refer to Note 1 to the Condensed Consolidated Financial Statements and Exhibit 99.1 for further information. Excluding the one-time compensation expenses, first quarter 2006 pre-tax earnings were $222 million, up 75% from the year-ago quarter and the pre-tax margin was 38.9%, up from 30.8% due primarily to higher net revenues combined with strong operating leverage.

On February 15, 2006, Merrill Lynch announced that it had signed a definitive agreement under which it would combine its MLIM investment management business with BlackRock in exchange for a 49.8% interest in the combined firm, including a 45% voting interest. Based on the value of this transaction at the time of the announcement, it is expected to result in an after-tax gain to Merrill Lynch upon closing of over $1 billion. This transaction is expected to close during the third quarter of 2006. The actual gain will be contingent upon BlackRock's share price at closing, as well as closing adjustments. Merrill Lynch plans to account for its investment in BlackRock under the equity method of accounting.

A detailed discussion of MLIM's revenues follows:

Asset management fees

Asset management fees primarily consist of fees earned from the management and administration of retail mutual funds and separately managed accounts for retail investors, as well as institutional funds

such as pension assets. Asset management fees also include performance fees, which are generated in some cases by separately managed accounts and institutional money management arrangements.

Asset management fees were $492 million, up 33% from the first quarter of 2005 due to higher average equity market values and an improvement in the fee profile of assets under management and new money inflows. At the end of the first quarter of 2006, firmwide assets under management totaled $581 billion, with $576 billion managed by MLIM and $5 billion managed by GPC. Compared with the 2005 first quarter, assets under management increased 21%, due principally to positive market movement and net new money inflows.

An analysis of changes in firmwide assets under management from April 1, 2005 to March 31, 2006 is as follows:

		Net Changes Due To			
(dollars in billions)	**April 1, 2005[1]**	**New Money**	**Asset Appreciation**	**Other[2]**	**March 31, 2006[1]**
Assets under management	$ 479	$ 36	$ 52	$ 14	$ 581

(1) Includes $5 billion of assets managed by GPC.

(2) Includes $18 billion of new assets from the acquisition of the pension business of Royal Philips Electronics, the impact of foreign exchange movements, reinvested dividends and other changes.

Commissions

Commissions for MLIM principally consist of distribution fees and contingent deferred sales charges (“CDSC”) related to mutual funds. The distribution fees represent revenues earned for promoting and distributing mutual funds, and the CDSC represents fees earned when a shareholder redeems shares prior to the required holding period. Commissions revenues were $32 million in the first quarter of 2006, up 14% from a year ago quarter on increased activity levels.

Other revenues

Other revenues primarily include net interest profit, investment gains and losses and revenues from consolidated investments. Other revenues, totaled $46 million for the first quarter of 2006, up from $15 million a year ago reflecting increased investment gains.

For additional information on MLIM’s segment results, refer to Note 2 to the Condensed Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

Management continually monitors and evaluates the size and composition of the Consolidated Balance Sheet. The following table summarizes the March 31, 2006 and December 30, 2005 period-end, and first quarter 2006 and full-year 2005 average balance sheets:

(dollars in billions)	Mar. 31, 2006	2006 Quarterly Average(1)	Dec. 30, 2005	2005 Full year Average(1)
Assets				
Trading-Related				
Securities financing assets	$ 299.8	$ 313.9	$ 272.3	$ 268.3
Trading assets	156.8	174.8	148.7	182.9
Other trading-related receivables	60.7	64.8	54.3	60.9
	517.3	553.5	475.3	512.1
Non-Trading-Related				
Cash	34.5	33.7	26.5	38.7
Investment securities	69.1	68.6	69.3	71.2
Loans, notes, and mortgages, net	65.6	66.6	66.0	60.6
Other non-trading assets	45.7	41.5	43.9	47.8
	214.9	210.4	205.7	218.3
Total assets	$ 732.2	$ 763.9	$ 681.0	$ 730.4
Liabilities				
Trading-Related				
Securities financing liabilities	$ 264.0	$ 295.8	$ 234.3	$ 272.7
Trading liabilities	90.0	105.9	88.9	105.7
Other trading-related payables	64.9	70.1	56.9	63.8
	418.9	471.8	380.1	442.2
Non-Trading-Related				
Commercial paper and other short-term borrowings	9.4	4.8	3.9	6.5
Deposits	81.1	81.2	80.0	79.2
Long-term borrowings	134.7	129.2	132.4	122.4
Long-term debt issued to TOPrS℠ partnerships	3.1	3.1	3.1	3.1
Other non-trading liabilities	47.2	37.1	45.9	43.8
	275.5	255.4	265.3	255.0
Total liabilities	694.4	727.2	645.4	697.2
Total stockholders' equity	37.8	36.7	35.6	33.2
Total liabilities and stockholders' equity	$ 732.2	$ 763.9	$ 681.0	$ 730.4

(1) Averages represent management's daily balance sheet estimates, which may not fully reflect netting and other adjustments included in period-end balances. Balances for certain assets and liabilities are not revised on a daily basis.

Off Balance Sheet Arrangements

As a part of its normal operations, Merrill Lynch enters into various off balance sheet arrangements that may require future payments. The table below outlines the significant off balance sheet arrangements, as well as the future expiration as of March 31, 2006:

	Expiration				
(dollars in millions)	Total	Less than 1 Year	1 - 3 Years	3+- 5 Years	Over 5 Years
Liquidity facilities with SPEs(1)	$ 27,623	$ 27,459	$ 7	$ 157	$ -
Liquidity and default facilities with SPEs(2)	4,645	2,996	1,403	-	246
Residual value guarantees(3)	1,066	56	100	399	511
Standby letters of credit and other guarantees (4)(5)(6)	3,497	1,361	675	1,102	359

(1) Amounts relate primarily to facilities provided to municipal bond securitization SPEs and an asset-backed commercial paper conduit sponsored by Merrill Lynch.
(2) Amounts relate to liquidity facilities and credit default protection provided to municipal bond securitization SPEs and an asset-backed commercial paper conduit sponsored by Merrill Lynch.
(3) Includes residual value guarantees associated with the Hopewell campus and aircraft leases of $322 million.
(4) Includes $211 million of reimbursement agreements with the Mortgage 100 sm program.
(5) Includes guarantees related to principal-protected mutual funds.
(6) Includes certain indemnifications related to foreign tax planning strategies.

Refer to Note 10 to the Condensed Consolidated Financial Statements for additional information.

Contractual Obligations and Commitments

Contractual Obligations

In the normal course of business, Merrill Lynch enters into various contractual obligations that may require future cash payments. The accompanying table summarizes Merrill Lynch's contractual obligations by remaining maturity at March 31, 2006. Excluded from this table are obligations recorded on the Condensed Consolidated Balance Sheets that are: (i) generally short-term in nature, including securities financing transactions, trading liabilities, including contractual agreements, commercial paper and other short-term borrowings and other payables; (ii) deposits; (iii) obligations that are related to Merrill Lynch's insurance subsidiaries, including liabilities of insurance subsidiaries, which are subject to significant variability; and (iv) separate accounts liabilities, which fund separate accounts assets.

	Expiration				
(dollars in millions)	Total	Less than 1 Year	1 - 3 Years	3+- 5 Years	Over 5 Years
Long-term borrowings(1)	$ 137,804	$ 19,563	$ 46,035	$ 35,829	$ 36,377
Purchasing and other commitments	5,867	4,173	683	306	705
Operating lease commitments	3,247	555	1,012	806	874

(1) Includes long-term debt issued to TOPrS sm partnerships.

Commitments

At March 31, 2006, Merrill Lynch commitments had the following expirations:

	Expiration				
(dollars in millions)	Total	Less than 1 Year	1 - 3 Years	3+ - 5 Years	Over 5 Years
Commitments to extend credit	$ 70,127	$ 31,598	$ 13,616	$ 17,601	$ 7,312
Commitments to enter into resale agreements	3,959	3,949	10	-	-

Capital and Funding

The primary objectives of Merrill Lynch's capital structure and funding policies are to support the successful execution of Merrill Lynch's business strategies while ensuring:

- sufficient equity capital to support existing businesses and future growth plans and
- liquidity across market cycles and through periods of financial stress.

These objectives and Merrill Lynch's capital and funding policies are discussed more fully in the 2005 Annual Report.

Capital

At March 31, 2006, equity capital, as defined by Merrill Lynch, was comprised of $34.7 billion of common equity, $3.1 billion of preferred stock, and $2.5 billion of long-term debt issued to TOPrS sm partnerships (net of related investments). Equity capital is Merrill Lynch's view of capital available to support its businesses and differs from stockholders' equity as defined by U.S. generally accepted accounting principles, which does not include long-term debt issued to TOPrS sm partnerships, net of related investments.

Merrill Lynch regularly reviews overall equity capital needs to ensure that its equity capital base can support the estimated risks and needs of its businesses, the regulatory and legal capital requirements of its subsidiaries, and standards pursuant to the Consolidated Supervised Entity rules. Merrill Lynch determines the appropriateness of its equity capital composition, taking into account that its preferred stock and TOPrS sm are perpetual. In the event that capital is generated beyond estimated needs, Merrill Lynch returns capital to shareholders through share repurchases and dividends.

Merrill Lynch continued to grow its equity capital base in the first quarter of 2006 primarily through net earnings, additional preferred stock issuances, and the net effect of employee stock transactions, including the adoption of SFAS No. 123R, partially offset by common stock repurchases and dividends. Equity capital of $40.4 billion at March 31, 2006 was 6% higher than at December 30, 2005.

On February 28, 2006, Merrill Lynch issued $360 million face value of floating rate, non-cumulative, perpetual preferred stock. As of March 31, 2006, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") held approximately $35 million of Merrill Lynch non-cumulative, perpetual preferred stock related to market-making activities.

The Board of Directors authorized the repurchase of an additional $6 billion of Merrill Lynch's outstanding common shares under a program announced on February 26, 2006. During the first quarter of 2006, Merrill Lynch repurchased 25.8 million common shares at an average repurchase price of $76.55 per share.

On January 18, 2006, the Board of Directors declared an additional 25% increase in the regular quarterly dividend to 25 cents per common share.

Major components of the changes in equity capital for the first three months of 2006 are as follows:

(dollars in millions)	
Balance at December 30, 2005	$ 38,144
Net earnings	475
Issuance of preferred stock	360
Common and preferred stock dividends	(277)
Common stock repurchases	(1,975)
Net effect of employee stock transactions and other(1)	3,642
Balance at March 31, 2006	$ 40,369

(1) Includes effect of Accumulated other comprehensive loss, the reclassification of FACAAP liabilities to equity associated with the adoption of SFAS No. 123R, and other items.

Balance Sheet Leverage

Asset-to-equity leverage ratios are commonly used to assess a company's capital adequacy. When assessing its capital adequacy, Merrill Lynch considers the risk profiles of the assets, the impact of hedging, off-balance sheet exposures, operational risk and other considerations. As leverage ratios are not risk sensitive, Merrill Lynch does not rely on them as a measure of capital adequacy.

Merrill Lynch believes that a leverage ratio adjusted to exclude certain assets considered to have low risk profiles and assets in customer accounts financed primarily by customer liabilities provides a more meaningful measure of balance sheet leverage in the securities industry than an unadjusted ratio. Adjusted assets are calculated by reducing total assets by (1) securities financing transactions and securities received as collateral less trading liabilities net of contractual agreements and (2) segregated cash and securities and separate account assets.

The following table provides calculations of Merrill Lynch's leverage ratios at March 31, 2006 and December 30, 2005:

(dollars in millions)	**Mar. 31, 2006**	**Dec. 30, 2005**
Total assets	$ 732,240	$ 681,015
Less:		
Receivables under resale agreements	177,881	163,021
Receivables under securities borrowed transactions	104,024	92,484
Securities received as collateral	17,851	16,808
Add:		
Trading liabilities, at fair value, excluding contractual agreements	60,059	60,178
Sub-total	492,543	468,880
Less:		
Segregated cash and securities balances	15,747	11,949
Separate account assets	16,508	16,185
Adjusted assets	460,288	440,746
Less:		
Goodwill and other intangible assets	6,676	6,035
Tangible adjusted assets	$ 453,612	$ 434,711
Stockholders' equity	$ 37,825	$ 35,600
Add:		
Long-term debt issued to TOPrS℠ partnerships, net of related investments(1)	2,544	2,544
Equity capital	$ 40,369	$ 38,144
Tangible equity capital(2)	$ 33,693	$ 32,109
Leverage ratio(3)	18.1x	17.9x
Adjusted leverage ratio(4)	11.4x	11.6x
Tangible adjusted leverage ratio(5)	13.5x	13.5x

(1) Due to the perpetual nature of TOPrS℠ and other considerations, Merrill Lynch views the long-term debt issued to TOPrS℠ partnerships (net of related investments) as a component of equity capital. However, the Long-term debt issued to TOPrS℠ partnerships is reported as a liability for accounting purposes. TOPrS℠ related investments were $548 million at March 31, 2006 and December 30, 2005.

(2) Equity capital less goodwill and other intangible assets.

(3) Total assets divided by equity capital.

(4) Adjusted assets divided by equity capital.

(5) Tangible adjusted assets divided by tangible equity capital.

Funding

Liquidity Risk Management

Merrill Lynch seeks to assure liquidity across market cycles and through periods of financial stress. Merrill Lynch's primary liquidity objective is to ensure that all unsecured debt obligations maturing within one year can be repaid without issuing new unsecured debt or requiring liquidation of business assets. Toward this goal, Merrill Lynch has established a set of liquidity practices that are outlined below. In addition, Merrill Lynch maintains a contingency funding plan that outlines actions that would be taken in the event of a funding disruption.

Maintain sufficient long-term capital: Merrill Lynch regularly reviews its mix of assets, liabilities and commitments to ensure the maintenance of adequate long-term capital sources to meet long-term capital requirements. Merrill Lynch's long-term capital sources include equity capital, long-term debt obligations and certain deposit liabilities in banking subsidiaries which are considered by management to be long-term or stable in nature.

At March 31, 2006 and December 30, 2005, total long-term capital is as follows:

(dollars in billions)	Mar. 31, 2006	Dec. 30, 2005
Equity capital	$ 40.4	$ 38.1
Long-term debt obligations(1)	104.1	99.3
Deposit liabilities(2)	69.7	69.9
Total long-term capital	$ 214.2	$ 207.3

(1) Total long-term borrowings less (1) the current portion and (2) other subsidiary financing — non-recourse. Borrowings that mature in more than one year, but contain provisions whereby the holder has the option to redeem the obligations within one year, are reflected as current portion of long-term borrowings and are not included in long-term capital. Management believes, however, that a portion of such borrowings will remain outstanding beyond their earliest redemption date.

(2) Includes $60.0 billion and $9.7 billion of deposits in U.S. and non-U.S. banking subsidiaries, respectively, at March 31, 2006, and $60.2 billion and $9.7 billion of deposits, respectively, at December 30, 2005 that are considered by management to be long-term.

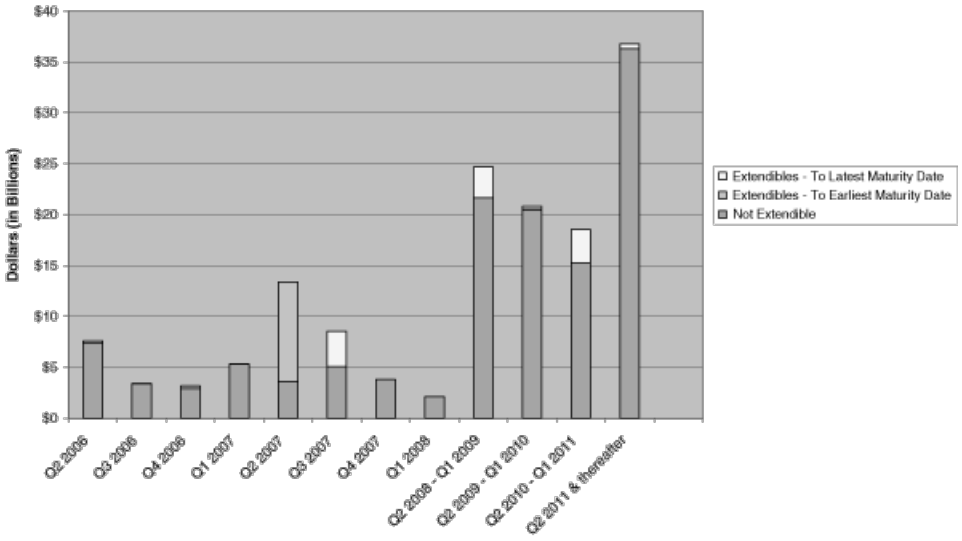
The following items are generally financed with long-term capital:

- The portion of assets that cannot be self-funded in the secured financing markets, considering stressed market conditions, including long-term, illiquid assets such as certain loans, goodwill and other intangible assets and fixed assets;
- Subsidiaries' regulatory capital;
- Collateral on derivative contracts that may be required in the event of changes in Merrill Lynch's ratings or movements in underlying instruments; and
- Portions of commitments to extend credit based on management's estimate of the probability of drawdown.

At March 31, 2006, Merrill Lynch's long-term capital sources of $214.2 billion exceeded Merrill Lynch's estimated long-term capital requirements.

In assessing the appropriateness of its long-term capital, Merrill Lynch seeks to: (1) ensure sufficient matching of its assets based on factors such as holding period, contractual maturity and regulatory restrictions and (2) limit the amount of liabilities maturing in any particular period. Merrill Lynch also considers circumstances that might cause contingent funding obligations, including early repayment of debt.

The following chart presents Merrill Lynch's long-term borrowings maturity profile as of March 31, 2006 (quarterly for two years and annually thereafter):



Note: Extendibles are debt instruments with an extendible maturity date. Unless debt holders instruct Merrill Lynch to redeem their debt with at least a one-year notification period, the maturity date of these instruments is automatically extended. Extendibles are included in long-term borrowings if the earliest maturity date is at least one year away. Based on past experience, the majority of Merrill Lynch's extendibles are expected to remain outstanding beyond their earliest maturity date.

Major components of the change in long-term borrowings, including long-term debt issued to TOPrS[sm] partnerships, during the first three months of 2006 are as follows:

(dollars in billions)	
Balance at December 30, 2005	$ 135.5
Issuance and resale	12.0
Settlement and repurchase	(10.7)
Other(1)	1.0
Balance at March 31, 2006(2)	$ 137.8

(1) Relates to foreign exchange and other movements.
(2) See Note 7 to the Condensed Consolidated Financial Statements for the long-term borrowings maturity schedule.

Maintain sufficient funding to repay short-term obligations: The main alternative funding sources to unsecured borrowings are repurchase agreements, securities loaned, other secured borrowings, which require pledging unencumbered securities held for trading or investment purposes, or collateral and proceeds from maturing loans and other assets. Nonetheless, a key funding assumption is accessibility to a repurchase market for highly rated government, agency and certain other securities.

Merrill Lynch maintains a liquidity portfolio of U.S. Government and agency obligations and other instruments of high credit quality that is funded with debt with a maturity greater than one year. The carrying value of this portfolio, net of related hedges, was $18.2 billion and $18.0 billion at March 31, 2006 and December 30, 2005, respectively. ML & Co. also maintained cash and cash equivalents, investments in short-term money market mutual funds, and certain highly liquid unencumbered securities of $3.6 billion and $7.4 billion at March 31, 2006 and December 30, 2005, respectively.

Merrill Lynch monitors the extent to which other unencumbered assets are available to ML & Co. as a source of funds, considering that some subsidiaries are restricted in their ability to upstream unencumbered assets to ML & Co. As of March 31, 2006 unencumbered assets, including amounts that may be restricted, were in excess of $148.5 billion, including the carrying value of the liquidity portfolio and cash balances. Of this amount, $39.6 billion, including the liquidity portfolio and cash, was available to ML & Co. at March 31, 2006, free of regulatory restrictions.

For liquidity planning purposes, Merrill Lynch considers as short-term debt obligations: (i) commercial paper and other short-term borrowings and (ii) the current portion of long-term borrowings. At March 31, 2006 and December 30, 2005, these short-term debt obligations are as follows:

(dollars in billions)	**Mar. 31, 2006**	**Dec. 30, 2005**
Commercial paper and other short-term borrowings	$ 9.4	$ 3.9
Current portion of long-term borrowings	19.6	22.8
Total short-term obligations	$ 29.0	$ 26.7

At March 31, 2006, Merrill Lynch's liquidity portfolio, cash balances, maturing short-term assets and other unencumbered assets, some of which may be held in regulated entities but which management believes may be reasonably upstreamed to ML & Co., were more than the amount that would be required to repay Merrill Lynch's short-term obligations and other contingent cash outflows.

In addition to the aforementioned sources of funding available to meet short-term obligations, Merrill Lynch maintains credit facilities that are available to cover immediate funding needs. Merrill Lynch maintains a committed, multi-currency, unsecured bank credit facility that totaled $4.0 billion at March 31, 2006 and December 30, 2005. This 364-day facility permits borrowings by ML & Co. and select subsidiaries and expires in June 2006. The facility includes a one year term-out feature that allows ML & Co., at its option, to extend borrowings under the facility for a further year beyond the expiration date in June 2006. At March 31, 2006 and December 30, 2005, there were no borrowings outstanding under this credit facility, although Merrill Lynch borrows regularly from this facility.

Merrill Lynch also maintains two committed, secured credit facilities which totaled $5.5 billion at March 31, 2006 and December 30, 2005. The facilities expire in May 2006 and December 2006 respectively. Both facilities include a one year term-out option that allows ML & Co. to extend borrowings under the facilities for a further year beyond their respective expiration dates. The secured facilities permit borrowings by ML & Co. and select subsidiaries, secured by a broad range of collateral. The facility that is due to expire in May 2006 is expected to be renewed, while maintaining similar terms and conditions. At March 31, 2006 and December 30, 2005 there were no borrowings outstanding under either facility.

In addition, Merrill Lynch maintains a committed, secured credit facility with a financial institution that totaled $6.25 billion at March 31, 2006 and December 30, 2005. The secured facility may be collateralized by government obligations eligible for pledging. The facility expires in 2014, but may be

terminated with at least nine months notice by either party. At March 31, 2006 and December 30, 2005, there were no borrowings outstanding under this facility.

Concentrate unsecured financing at ML & Co.: ML & Co. is the primary issuer of all unsecured, non-deposit financing instruments that are used primarily to fund assets in subsidiaries, some of which are regulated. The benefits of this strategy are greater control, reduced financing costs, wider name recognition by creditors, and greater flexibility to meet variable funding requirements of subsidiaries. Where regulations, time zone differences, or other business considerations make this impractical, some subsidiaries enter into their own financing arrangements.

Diversify unsecured funding sources: Merrill Lynch strives to continually expand and globally diversify its funding programs, its markets, and its investor and creditor base to minimize reliance on any one investor base or region. Merrill Lynch diversifies its borrowings by maintaining various limits, including a limit on the amount of commercial paper held by a single investor. Merrill Lynch benefits by distributing a significant portion of its debt issuances through its own sales force to a large, diversified global client base. Merrill Lynch also makes markets buying and selling its debt instruments.

Total borrowings outstanding at March 31, 2006 were issued in the following currencies:

(USD equivalent in millions)		
USD	$ 90,123	61%
EUR	29,435	20
JPY	11,265	8
GBP	8,247	6
AUD	3,136	2
CAD	2,238	1
Other	2,804	2
Total	$ 147,248	100%

Adhere to prudent governance processes: In order to ensure that both daily and strategic funding activities are appropriate and subject to senior management review and control, liquidity management is reviewed in Asset/ Liability Committee meetings with Treasury management and is presented to Merrill Lynch's Risk Oversight Committee ("ROC"), ML & Co. executive management and the Finance Committee of the Board of Directors. Merrill Lynch also manages the growth and composition of its assets and sets limits on the level of unsecured funding at any time.

Credit Ratings

The cost and availability of unsecured funding are also impacted by credit ratings. In addition, credit ratings are important when competing in certain markets and when seeking to engage in long-term transactions including OTC derivatives. Factors that influence Merrill Lynch's credit ratings include the credit rating agencies' assessment of the general operating environment, relative positions in the markets in which Merrill Lynch competes, reputation, level and volatility of earnings, corporate governance, risk management policies, liquidity and capital management.

The senior debt and preferred stock ratings of ML & Co. and the ratings of preferred securities issued by subsidiaries on May 5, 2006 were as follows. Rating agencies express outlooks from time to time

on these ratings. Each of these agencies describes its current outlook as stable, except for Standard & Poor's whose outlook on ML & Co. was raised to positive from stable on January 23, 2006.

Rating Agency	Senior Debt Ratings	Preferred Stock Ratings
Dominion Bond Rating Service Ltd.	AA (low)	Not Rated
Fitch Ratings	AA-	A+
Moody's Investors Service, Inc.	Aa3	A2
Rating & Investment Information, Inc. (Japan)	AA	A+
Standard & Poor's Ratings Services	A+	A-

In connection with certain OTC derivatives transactions and other trading agreements, Merrill Lynch could be required to provide additional collateral to certain counterparties in the event of a downgrade of the senior debt ratings of ML & Co. At March 31, 2006, the amount of additional collateral that would be required for such derivatives transactions and trading agreements was approximately $430 million in the event of a one-notch downgrade and approximately $975 million in the event of a two-notch downgrade of ML & Co.'s long term senior debt credit rating. Merrill Lynch considers additional collateral on derivative contracts that may be required in the event of changes in ML & Co.'s ratings as part of its liquidity management practices.

Risk Management

Risk-taking is integral to many of the core businesses in which Merrill Lynch operates. In the course of conducting its business operations, Merrill Lynch is exposed to a variety of risks including market, credit, liquidity, operational and other risks that are material and require comprehensive controls and ongoing oversight. Senior managers of Merrill Lynch's core businesses are responsible and accountable for management of the risks associated with their business activities. In addition, there are independent control groups that manage market risk, credit risk, liquidity risk and operational risk, among other functions, which fall under the management responsibility of the Chief Financial Officer. Along with other control units these disciplines work to ensure risks are properly identified, measured, monitored, and managed throughout Merrill Lynch. For a full discussion of Merrill Lynch's risk management framework, see the 2005 Annual Report.

Market Risk

Market risk is defined as the potential change in value of financial instruments caused by fluctuations in interest rates, exchange rates, equity and commodity prices, credit spread, and/or other risks. The Market Risk Framework defines and communicates Merrill Lynch's market risk tolerance and broad overall limits across the firm by defining and constraining exposure to specific asset classes, market risk factors and Value at Risk ("VaR"). VaR is a statistical measure of the potential loss in the fair value of a portfolio due to adverse movements in underlying risk factors.

The Market Risk Management Group is responsible for approving the products and markets in which Merrill Lynch's major business units and functions will transact and take risk. Moreover, it is responsible for identifying the risks to which these business units will be exposed in these approved products and markets. Market Risk Management uses a variety of quantitative methods to assess the risk of Merrill Lynch's positions and portfolios. In particular, Market Risk Management quantifies the sensitivities of Merrill Lynch's current portfolios to changes in market variables. These sensitivities are then utilized in the context of historical data to estimate earnings and loss distributions that

Merrill Lynch's current portfolios would have incurred throughout the historical period. From these distributions, Market Risk Management derives a number of useful risk statistics, including VaR.

The VaR disclosed in the accompanying table is an estimate of the amount that Merrill Lynch's current trading portfolios could lose with a specified degree of confidence, over a given time interval. The VaR for Merrill Lynch's overall portfolios is less than the sum of the VaRs for individual risk categories because movements in different risk categories occur at different times and, historically, extreme movements have not occurred in all risk categories simultaneously. The difference between the sum of the VaRs for individual risk categories and the VaR calculated for all risk categories is shown in the following table and may be viewed as a measure of the diversification within Merrill Lynch's portfolios. Market Risk Management believes that the tabulated risk measures provide broad guidance as to the amount Merrill Lynch could lose in future periods, and Market Risk Management works continually to improve its measurement and the methodology of the firm's VaR. However, the calculation of VaR requires numerous assumptions and thus VaR should not be viewed as a precise measure of risk. In addition, VaR is not intended to capture worst case scenario losses.

To complement VaR and in recognition of its inherent limitations, Merrill Lynch uses a number of additional risk measurement methods and tools as part of its overall market risk management process. These include stress testing and event risk analysis, which examine portfolio behavior under significant adverse market conditions, including scenarios that would result in material losses for the firm.

To calculate VaR, Market Risk Management aggregates sensitivities to market risk factors and combines them with a database of historical market factor movements to simulate a series of profits and losses. The level of loss that is exceeded in that series 5% of the time is used as the estimate for the 95% confidence level VaR. The overall total VaR amounts are presented across major risk categories, which include exposure to volatility risk found in certain products, such as options.

The table that follows presents Merrill Lynch's average and ending VaR for trading instruments for the first quarter of 2006 and the full-year 2005. Additionally, high and low VaR for the first quarter of 2006 is presented independently for each risk category and overall. Because high and low VaR numbers for these risk categories may have occurred on different days, high and low numbers for diversification benefit would not be meaningful.

	March 31, 2006	Dec. 30, 2005	High 1Q06	Low 1Q06	Daily Average 1Q06	Daily Average 2005
Trading Value-at-Risk(1)						
Interest rate and credit spread	38	41	59	38	47	40
Equity	21	16	21	5	11	12
Commodity	5	6	8	4	6	8
Currency	4	2	5	2	4	3
	68	65			68	63
Diversification benefit	(24)	(25)			(23)	(25)
Overall(2)	44	40	56	35	45	38

(1) Based on a 95% confidence level and a one-day holding period.

(2) Overall VaR using a 95% confidence level and a one-week holding period was $82 million at March 31, 2006 and $77 million at December 31, 2005.

At March 31, 2006, trading VaR was higher than at year-end 2005 primarily due to increased equity exposures. If market conditions are favorable, Merrill Lynch may increase its risk taking in a number of its businesses, including certain proprietary trading activities and principal investments. These activities provide revenue opportunities while also increasing the loss potential under certain market conditions. Risk levels are monitored on a daily basis to ensure they remain within corporate risk guidelines and tolerance levels.

Non-Trading Market Risk

Non-trading market risk includes the risks associated with certain non-trading activities, including investment securities, securities financing transactions and equity investments. Also included are the risks related to treasury funding activities. Risks related to lending activities are covered in the Credit Risk section.

The primary market risk of non-trading investment securities, and non-trading repurchase and reverse repurchase agreements is expressed as sensitivity to changes in the general level of credit spreads which are defined as the differences in the yields on debt instruments from relevant LIBOR/ Swap rates. Non-trading investment securities include securities available-for-sale and held-to-maturity as well as investments of insurance subsidiaries. At the end of the first quarter of 2006, the total credit spread sensitivity of these instruments is a pre-tax loss of $20 million in fair market value for an increase of one basis point, which is one one-hundredth of a percent, in credit spreads, compared to a pre-tax loss of $19 million at year-end 2005. This change in fair market value is a measurement of economic risk which may differ significantly in magnitude and timing from the actual profit or loss that would be realized under generally accepted accounting principles.

The interest rate risk associated with the foregoing non-trading positions, together with treasury funding activities is expressed as sensitivity to changes in the general level of interest rates. Treasury funding activities include LYONs®, TOPrS℠ and other long-term debt together with interest rate hedges. At the end of the first quarter of 2006, the net interest rate sensitivity of these positions is a pre-tax loss in fair market value of $2 million for a parallel one basis point increase in interest rates across all yield curves, compared to $1 million at year-end 2005. This change in fair market value is a measurement of economic risk which may differ significantly in magnitude and timing from the actual profit or loss that would be realized under generally accepted accounting principles.

Other non-trading equity investments include direct private equity interests, private equity fund investments, hedge fund interests, and certain direct and indirect real estate investments. These investments are broadly sensitive to general price levels in the equity or commercial real estate

markets as well as to specific business, financial and credit factors which influence the performance and valuation of each investment uniquely. Refer to Note 5 of the 2005 Annual Report for additional information on these investments.

Credit Risk

Commercial Lending

Commercial lending conducted by Merrill Lynch consists primarily of corporate and institutional lending, asset-based finance, commercial finance, and commercial real estate related activities. In evaluating certain potential commercial lending transactions, Merrill Lynch utilizes a risk adjusted return on capital model in addition to other methodologies.

The following table presents a distribution of commercial loans and closed commitments for March 31, 2006, gross of allowances for loan losses and reserves, without considering the impact of purchased credit protection. Closed commitments represent the unfunded portion of existing commitments available for draw down and do not include contingent commitments extended but not yet closed. As of March 31, 2006, Merrill Lynch's largest commercial lending industry concentration was to financial institutions including banks, insurance companies, finance companies, investment managers and other diversified financial institutions. Commercial borrowers were predominantly domiciled in the United States or had principal operations tied to the United States or its economy. The majority of all outstanding commercial loan balances had a remaining maturity of less than three years. Additional detail on Merrill Lynch's commercial lending related activities can be found in Note 6 to the Condensed Consolidated Financial Statements. The following table depicts Merrill Lynch's commercial lending balances by credit quality, industry and country at March 31, 2006.

(dollars in millions)

	Loans		Closed Commitments	
By Credit Quality[1]	**Secured**	**Unsecured**	**Secured**	**Unsecured**
Investment grade	$ 17,881	$ 3,981	$ 15,325	$ 20,394
Non-investment grade	19,152	1,004	9,586	1,274
Total	$ 37,033	$ 4,985	$ 24,911	$ 21,668

(1) Based on credit rating agency equivalent of internal credit ratings.

	Loans		Closed Commitments	
By Industry	**Secured**	**Unsecured**	**Secured**	**Unsecured**
Financial Institutions	35%	9%	43%	32%
Consumer Goods and Services	19	45	23	20
Real Estate	13	20	4	2
Energy/ Utilities	2	3	5	16
Technology/ Media/ Telecommunications	3	14	2	14
Industrial/ Manufacturing Goods and Services	3	3	4	9
All Other	25	6	19	7
Total	100%	100%	100%	100%

By Country	Loans		Closed Commitments	
	Secured	Unsecured	Secured	Unsecured
United States	59%	68%	81%	74%
United Kingdom	16	5	6	6
Germany	3	-	-	8
Japan	4	3	-	-
Canada	1	2	1	3
All Other	17	22	12	9
Total	100%	100%	100%	100%

Residential Mortgage Lending

Merrill Lynch originates and purchases residential mortgage loans, certain of which include features that may result in additional credit risk when compared to more traditional types of mortgages. The potential additional credit risk arising from these mortgages is addressed through adherence to underwriting guidelines. Credit risk is closely monitored in order to ensure that reserves are sufficient and valuations are appropriate. For additional information on residential mortgage lending, see the 2005 Annual Report.

Derivatives

Merrill Lynch enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalent ("master netting agreements") with substantially all of its derivative counterparties as soon as possible. Agreements are negotiated bilaterally and can require complex terms. While every effort is taken to execute such agreements, it is possible that a counterparty may be unwilling to sign such an agreement and, as a result, would subject Merrill Lynch to additional credit risk. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for risk management purposes. However, the enforceability of master netting agreements under bankruptcy laws in certain countries or in certain industries is not free from doubt, and receivables and payables with counterparties in these countries or industries are accordingly recorded on a gross basis.

In addition, to reduce the risk of loss, Merrill Lynch requires collateral, principally cash and U.S. Government and agency securities, on certain derivative transactions. From an economic standpoint, Merrill Lynch evaluates risk exposures net of related collateral. The following is a summary of counterparty credit ratings for the replacement cost (net of $12.8 billion of collateral, of which $7.0 billion represented cash collateral) of OTC trading derivatives in a gain position by maturity at March 31, 2006.

(dollars in millions)

Credit Rating[1]	Years to Maturity 0-3	3+- 5	5+- 7	Over 7	Cross-Maturity Netting[2]	Total
AAA	$ 1,255	$ 341	$ 346	$ 1,606	$ (623)	$ 2,925
AA	3,078	902	682	2,486	(1,689)	5,459
A	2,307	974	821	2,569	(3,490)	3,181
BBB	1,324	479	502	1,156	(677)	2,784
Other	2,452	430	270	442	(184)	3,410
Grand Total	$ 10,416	$ 3,126	$ 2,621	$ 8,259	$ (6,663)	$ 17,759

(1) Represents credit rating agency equivalent of internal credit ratings.

(2) Represents netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category.

In addition to obtaining collateral, Merrill Lynch attempts to mitigate its default risk on derivatives whenever possible by entering into transactions with provisions that enable Merrill Lynch to terminate or reset the terms of its derivative contracts.

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.

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. Non-investment grade holdings are defined as debt and preferred equity securities rated lower than BBB or equivalent ratings by recognized credit rating agencies, sovereign debt in emerging markets, amounts due under derivative contracts from non-investment grade counterparties, and other instruments that, in the opinion of management, are non-investment grade.

In addition to the amounts included in the following table, derivatives may also expose Merrill Lynch to credit risk related to the underlying security where a derivative contract can either replicate ownership of the underlying security (e.g., long total return swaps) or potentially force ownership of the underlying security (e.g., short put options). Derivatives may also subject Merrill Lynch to credit spread or issuer default risk, in that changes in credit spreads or in the credit quality of the underlying securities may adversely affect the derivatives' fair values. Merrill Lynch seeks to manage these risks by engaging in various hedging strategies to reduce its exposure associated with non-investment grade positions, such as purchasing an option to sell the related security or entering into other offsetting derivative contracts.

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. On a selected basis, Merrill Lynch provides extensions of credit to leveraged companies, in the form of senior and subordinated debt, as well as bridge financing. In addition, Merrill Lynch syndicates loans for non-investment grade companies or in connection with highly leveraged transactions and may retain a 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 continue to be made on a selective basis.

Trading Exposures

The following table summarizes Merrill Lynch's trading exposure to non-investment grade or highly leveraged issuers or counterparties:

(dollars in millions)

	Mar. 31, 2006	Dec. 30, 2005
Trading assets:		
Cash instruments	$ 19,644	$ 15,578
Derivatives	5,938	6,750
Trading liabilities — cash instruments	(3,659)	(3,400)
Collateral on derivative assets	(2,528)	(3,123)
Net trading asset exposure	$ 19,395	$ 15,805

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 March 31, 2006, the carrying value of such debt and equity securities totaled $681 million, of which 41% resulted from Merrill Lynch's market-making activities in such securities. This compared with $900 million at December 30, 2005, of which 61% related to market-making activities. Also included are distressed bank loans totaling $271 million and $290 million at March 31, 2006 and December 30, 2005, respectively.

Non-Trading Exposures

The following table summarizes Merrill Lynch's non-trading exposures to non-investment grade or highly leveraged corporate issuers or counterparties:

(dollars in millions)

	Mar. 31, 2006	Dec. 30, 2005
Investment securities	$ 623	$ 554
Other investments(1):		
Partnership interests	2,671	2,371
Other equity investments(2)	2,249	2,086
Other assets	78	76

(1) Includes a total of $564 million and $556 million in investments held by employee partnerships at March 31, 2006 and December 30, 2005, respectively, for which a portion of the market risk of the investments rests with the participating employees.

(2) Includes investments in 177 and 167 enterprises at March 31, 2006 and December 30, 2005, respectively.

In addition, Merrill Lynch had commitments to non-investment grade or highly leveraged corporate issuers or counterparties of $1.2 billion at March 31, 2006 and December 30, 2005, which primarily relate to commitments to invest in partnerships.

Recent Developments

New Accounting Pronouncements

Effective for the first quarter of 2006, Merrill Lynch adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment,* a revision of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123R"). Under SFAS No. 123R, compensation expenses for share-based awards that do not require future service are recorded immediately, and share-based awards that require future service continue to be amortized into expense over the relevant service period. Merrill Lynch adopted SFAS No. 123R under the modified prospective method whereby the provisions of SFAS No. 123R are generally applied only to share-based awards granted or modified subsequent to adoption. Thus, for Merrill Lynch, SFAS No. 123R required the immediate expensing of share-based awards granted or modified in 2006 to retirement-eligible employees, including awards that are subject to non-compete provisions.

Prior to the adoption of SFAS No. 123R, Merrill Lynch had recognized expense for share-based compensation over the vesting period stipulated in the grant for all employees. This included those who had satisfied retirement eligibility criteria but were subject to a non-compete agreement that applied from the date of retirement through each applicable vesting period. Previously, Merrill Lynch had accelerated any unrecognized compensation cost for such awards if a retirement-eligible employee left Merrill Lynch. However, because SFAS No. 123R applies only to awards granted or modified in 2006, expenses for share-based awards granted prior to 2006 to employees who were retirement-eligible with respect to those awards must continue to be amortized over the stated vesting period.

In addition, beginning with performance year 2006, for which Merrill Lynch expects to grant stock awards in early 2007, Merrill Lynch will accrue the expense for future awards granted to retirement-eligible employees over the award performance year instead of recognizing the entire expense related to the award on the grant date. Compensation expense for all future stock awards granted to employees not eligible for retirement with respect to those awards will be recognized over the applicable vesting period.

SFAS No. 123R also requires expected forfeitures of share-based compensation awards for non-retirement-eligible employees to be included in determining compensation expense. Prior to the adoption of SFAS No. 123R, any benefits of employee forfeitures of such awards were recorded as a reduction of compensation expense when the employee left Merrill Lynch and forfeited the award. In the first quarter of 2006, Merrill Lynch recorded a benefit based on expected forfeitures which was not material to the results of operations for the quarter.

The adoption of SFAS No. 123R resulted in a first quarter charge to compensation expense of approximately $550 million pre-tax and $370 million after-tax.

The adoption of SFAS No. 123R, combined with other business and competitive considerations, prompted Merrill Lynch to undertake a comprehensive review of the company's stock-based incentive compensation awards, including vesting schedules and retirement eligibility requirements, examining their impact to both Merrill Lynch and its employees. Upon the completion of this review, the Management Development and Compensation Committee of Merrill Lynch's Board of Directors determined that to fulfill the objective of retaining high quality personnel, future stock grants should contain more stringent retirement provisions. These provisions include a combination of increased age and length of service requirements. While the stock awards of employees who retire continue to vest, retired employees are subject to continued compliance with the strict non-compete provisions of those awards. To facilitate transition to the more stringent future requirements, the terms of most outstanding stock awards previously granted to employees, including certain executive officers, were modified, effective March 31, 2006, to permit employees to be immediately eligible for retirement

with respect to those earlier awards. While Merrill Lynch modified the retirement-related provisions of the previous stock awards, the vesting and non-compete provisions for those awards remain in force.

Since the provisions of SFAS No. 123R apply to awards modified in 2006, these modifications required Merrill Lynch to record additional one-time compensation expense in the first quarter of 2006 for the remaining unamortized amount of all awards to employees who had not previously been retirement-eligible under the original provisions of those awards.

The one-time, non-cash charge associated with the adoption of SFAS No. 123R, and the policy modifications to previous awards resulted in a net charge to compensation expense in the first quarter of 2006 of approximately $1.8 billion pre-tax, and $1.2 billion after-tax, or a net impact of $1.34 and $1.21 on basic and diluted earnings per share, respectively. Policy modifications to previously granted awards amounted to $1.2 billion of the pre-tax charge and impacted approximately 6,300 employees.

Prior to the adoption of SFAS No. 123R, Merrill Lynch presented the cash flows related to income tax deductions in excess of the compensation expense recognized on share-based compensation as operating cash flows in the Condensed Consolidated Statements of Cash Flows. SFAS No. 123R requires cash flows resulting from tax deductions in excess of the grant-date fair value of share-based awards to be included in cash flows from financing activities. The excess tax benefits of $283 million related to total share-based compensation included in cash flows from financing activities in the first quarter of 2006 would have been included in cash flows from operating activities if Merrill Lynch had not adopted SFAS No. 123R.

As a result of adopting SFAS No. 123R, approximately $600 million of liabilities associated with the Financial Advisor Capital Accumulation Award Plan (“FACAAP”) have been reclassified to stockholders’ equity. In addition, as a result of adopting SFAS No. 123R, the unamortized portion of employee stock grants, which was previously reported as a separate component of stockholders’ equity on the Condensed Consolidated Balance Sheets, has been reclassified to Paid-in Capital. Refer to Note 12 to the Condensed Consolidated Financial Statements for additional information.

In April 2006, the Financial Accounting Standards Board (“FASB”) issued a FASB Staff Position FIN 46(R)-6, *Determining the Variability to be Considered in Applying FIN* 46R (“the FSP”). The new guidance clarifies how companies must evaluate whether a contract or arrangement creates or absorbs variability based on an analysis of the entity’s design. The “by-design” approach may impact a company’s determination of whether or not an entity qualifies as a variable interest entity and which party, if any, is the primary beneficiary. The FSP is effective beginning in the third quarter of 2006 for all new entities with which a company becomes involved, and to all entities previously required to be analyzed under FIN 46R when a reconsideration event occurs . Retrospective application to the date of initial application of the FSP is permitted, but not required. Merrill Lynch does not expect the adoption of the FSP to have a material impact on the Condensed Consolidated Financial Statements.

In March 2006, the FASB issued Statement No. 156, *Accounting for Servicing of Financial Assets* (“SFAS No. 156”). SFAS No. 156 amends Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to require all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 also permits servicers to subsequently measure each separate class of servicing assets and liabilities at fair value rather than at the lower of cost or market. For those companies that elect to measure their servicing assets and liabilities at fair value, SFAS No. 156 requires the difference between the carrying value and fair value at the date of adoption to be recognized as a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year in which the election is made. Merrill Lynch will adopt SFAS No. 156 beginning in the first quarter of 2007. Merrill Lynch is

currently assessing the impact of adopting SFAS No. 156 but does not expect the standard to have a material impact on the Condensed Consolidated Financial Statements.

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140* ("SFAS No. 155"). SFAS No. 155 clarifies the bifurcation requirements for certain financial instruments and permits interests in hybrid financial instruments that contain an embedded derivative that would otherwise require bifurcation to be accounted for as a single financial instrument at fair value with changes in fair value recognized in earnings. This election is permitted on an instrument-by-instrument basis for all hybrid financial instruments held, obtained, or issued as of the adoption date. Merrill Lynch will adopt SFAS No. 155 beginning in the first quarter of 2007. At adoption, any difference between the total carrying amount of the individual components of the existing bifurcated hybrid financial instruments and the fair value of the combined hybrid financial instruments will be recognized as a cumulative-effect adjustment to beginning retained earnings. Merrill Lynch is currently assessing the impact of adopting SFAS No. 155.

In June 2005, the FASB ratified the consensus reached by the Emerging Issues Task Force on Issue 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). EITF 04-5 presumes that a general partner controls a limited partnership, and should therefore consolidate a limited partnership, unless the limited partners have the substantive ability to remove the general partner without cause based on a simple majority vote or can otherwise dissolve the limited partnership, or unless the limited partners have substantive participating rights over decision making. The guidance in EITF 04-5 was effective beginning in the third quarter of 2005 for all new limited partnership agreements and any limited partnership agreements that were modified. For those partnership agreements that existed at the date EITF 04-5 was issued, the guidance became effective in the first quarter of 2006. The adoption of this guidance did not have a material impact on the Condensed Consolidated Financial Statements.

Statistical Data

	1st Qtr. 2005	2nd Qtr. 2005	3rd Qtr. 2005	4th Qtr. 2005	1st Qtr. 2006
Client Assets (dollars in billions)					
Private Client:					
U.S.	$ 1,223	$ 1,234	$ 1,271	$ 1,341	$ 1,381
Non-U.S.	116	115	113	117	121
Total Private Client Assets	1,339	1,349	1,384	1,458	1,502
MLIM direct sales(1)	233	236	272	291	316
Total Client Assets	$ 1,572	$ 1,585	$ 1,656	$ 1,749	$ 1,818
Assets Under Management(2)	$ 479	$ 478	$ 524	$ 544	$ 581
Retail	218	218	231	245	272
Institutional	217	215	246	250	259
Retail Separate Accounts	44	45	47	49	50
U.S.	312	311	322	333	347
Non-U.S.	167	167	202	211	234
Equity	245	249	285	299	330
Retail Money Market	49	46	45	45	48
Institutional Liquidity Funds	70	68	74	77	78
Fixed Income	115	115	120	123	125
Net New Money					
All Private Client Accounts(3)	$ 17	$ 9	$ 15	$ 22	$ 17
Annuitized-Revenue Products(3)(4)	$ 13	$ 8	$ 11	$ 13	$ 12
Assets Under Management	$ (16)	$ (2)	$ 12	$ 11	$ 15
Full-Time Employees:(5)					
U.S.	40,300	40,900	41,900	43,200	43,400
Non-U.S.	10,600	10,900	11,200	11,400	12,100
Total	50,900	51,800	53,100	54,600	55,500
Private Client Financial Advisors	14,180	14,420	14,690	15,160	15,350
Balance Sheet (dollars in millions, except per share amounts)					
Total assets	$ 637,230	$ 626,140	$ 670,593	$ 681,015	$ 732,240
Total stockholders' equity	$ 32,876	$ 33,041	$ 33,630	$ 35,600	$ 37,825
Book value per common share	$ 32.91	$ 33.63	$ 34.66	$ 35.82	$ 37.19
Share Information (in thousands)					
Weighted-average shares outstanding:					
Basic	907,814	897,524	881,409	890,744	883,737
Diluted	993,273	978,504	968,493	977,736	981,085
Common shares outstanding	948,698	930,867	921,699	919,201	933,443

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.

(1) Reflects funds managed by MLIM not sold through Private Client channels.

(2) Includes $5 billion of accounts managed by GPC.

(3) GPC net new money excludes flows associated with the Institutional Advisory Division which serves certain small- and middle-market companies, as well as net outflows in the recently acquired Amvescap retirement business and the Advest acquisition prior to its system conversion in early March.

(4) Includes both net new client assets into annuitized-revenue products, as well as existing client assets transferred into annuitized-revenue products.

(5) Excludes 100 full-time employees on salary continuation severance at the end of 1Q05, 2Q05, 3Q05, and 200 at the end of 4Q05 and 1Q06.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information under the caption Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management" above in this Report is incorporated herein by reference.

Item 4. Controls and Procedures

ML & Co.'s Disclosure Committee assists with the monitoring and evaluation of our disclosure controls and procedures. ML & Co.'s Chief Executive Officer, Chief Financial Officer and Disclosure Committee have evaluated the effectiveness of ML & Co.'s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based on that evaluation, ML & Co.'s Chief Executive Officer and Chief Financial Officer have concluded that ML & Co.'s disclosure controls and procedures are effective.

In addition, no change in ML & Co.'s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the first fiscal quarter of 2006 that has materially affected, or is reasonably likely to materially affect, ML & Co.'s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The following information supplements the discussions in Part I, Item 3 "Legal Proceedings" in ML & Co.'s Annual Report on Form 10-K for the fiscal year ended December 30, 2005:

IPO Allocation Litigation

In re Initial Public Offering Antitrust Litigation: On March 6, 2006, defendants filed a petition for certiorari with the United States Supreme Court seeking review of the Second Circuit's September 28, 2005, decision reversing the dismissal of this action. The Supreme Court has not yet issued a ruling either granting or denying the petition for certiorari.

IPO Underwriting Fee Litigation

In re Public Offering Fee Antitrust Litigation and In re Issuer Plaintiff Initial Public Offering Fee Antitrust Litigation: On April 18, 2006, the district court issued a decision denying class certification in the issuer class action. With regard to the investor action, which the court previously held could only proceed with respect to claims for non-monetary relief, the court asked the plaintiffs to set forth the reasons why they would wish to proceed as a class action without any prospect of recovering any damages.

Global Crossing Litigation

In re Global Crossing Ltd. Securities Litigation: In March 2006, this matter was settled for an amount that did not have a material effect on ML & Co.'s financial condition or results of operations. The settlement is subject to appropriate documentation and court approval.

Short Sales

Electronic Trading Group, LLC v. Banc of America Securities LLC, et al: On April 12, 2006, a purported class action was filed against eleven financial services firms, including Merrill Lynch, in the United States District Court for the Southern District of New York. The case alleges that the defendants violated federal antitrust laws by charging unearned fees on short sales by their clients even when they failed to borrow and/or deliver stock in support of those short sales. Merrill Lynch intends to vigorously defend itself against these charges.

SwissAir

Merrill Lynch Capital Markets Bank AG ("MLCMB AG") is one of several defendants sued in Zurich, Switzerland by the Liquidator of SAirGroup ("SwissAir"). The Liquidator claims that SwissAir lacked authority to enter into certain transactions with MLCMB AG in 1999 and 2000 pursuant to which SwissAir received an economic interest in additional SwissAir shares, and that MLCMB AG should pay the Liquidator losses on those shares. On March 1, 2006, the commercial court of Zurich declined to dismiss the case on procedural grounds, but did not rule on the substance of any of the claims. MLCMB AG is vigorously defending itself against these claims. The first hearing that considers the merits of the claims is likely to take place in late 2006 or early 2007.

Other

Merrill Lynch has been named as a defendant in various other legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities as a global diversified financial services institution. The general decline of equity securities prices between 2000 and 2003 resulted in increased legal actions against many firms, including Merrill Lynch.

Some of the legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or otherwise in financial distress. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies. The number of these investigations has also increased in recent years with regard to many firms, including Merrill Lynch.

Merrill Lynch believes it has strong defenses to, and where appropriate, will vigorously contest, many of these matters. Given the number of these matters, some are likely to result in adverse judgments, penalties, injunctions, fines, or other relief. Merrill Lynch may explore potential settlements before a case is taken through trial because of the uncertainty and risks inherent in the litigation process. In accordance with SFAS No. 5, Merrill Lynch will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits and arbitrations, including most of the class action lawsuits disclosed in ML & Co.'s public filings, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the case is close to resolution, in which case no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Merrill Lynch cannot predict what the eventual loss or range of loss related to such matters will be. Subject to the foregoing, Merrill Lynch continues to assess these cases and believes, based on information available to it, that the resolution of these matters will not have a material adverse effect on the financial condition of Merrill Lynch as set forth in the Condensed Consolidated Financial Statements, but may be material to Merrill Lynch's operating results or cash flows for any particular period and may impact ML & Co.'s credit ratings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended December 30, 2005, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing Merrill Lynch. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of Merrill Lynch or any "affiliated purchaser" of Merrill Lynch's common stock during the quarter ended March 31, 2006.

(dollars in millions, except per share amounts)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
Month #1 (Dec. 31, 2005 – Feb. 3, 2006)				
Capital Management Program	4,050,000	$ 70.68	4,050,000	$ 1,045
Employee Transactions(2)	642,173	73.25	N/A	N/A
Month #2 (Feb. 4, 2006 – Mar. 3, 2006)				
Capital Management Program	6,750,000	$ 77.16	6,750,000	$ 524
Employee Transactions(2)	296,213	75.89	N/A	N/A
Month #3 (Mar. 4, 2006 – Mar. 31, 2006)				
Capital Management Program	15,000,000	$ 77.87	15,000,000	$ 5,356
Employee Transactions(2)	191,393	78.15	N/A	N/A
First Quarter 2006 (Dec. 31, 2005 – Mar. 31, 2006)				
Capital Management Program	25,800,000	$ 76.55	25,800,000	$ 5,356
Employee Transactions(2)	1,129,779	74.77	N/A	N/A

(1) Share repurchases under the program were made pursuant to open-market purchases, Rule 10b5-1 plans or privately negotiated transactions as market conditions warranted and at prices Merrill Lynch deemed appropriate.

(2) Included in the total number of shares purchased are: (1) shares purchased during the period by participants in the Merrill Lynch 401(k) Savings and Investment Plan ("401(k)") and the Merrill Lynch Retirement Accumulation Plan ("RAP"), (2) shares delivered or attested to in satisfaction of the exercise price by holders of ML & Co. employee stock options (granted under employee stock compensation plans) and (3) Restricted Shares withheld (under the terms of grants under employee stock compensation plans) to offset tax withholding obligations that occur upon vesting and release of Restricted Shares. ML & Co.'s employee stock compensation plans provide that the value of the shares delivered or attested, or withheld, shall be the average of the high and low price of ML & Co.'s common stock (Fair Market Value) on the date the relevant transaction occurs. See Notes 13 and 14 of the 2005 Annual Report for additional information on these plans.

Item 4. Submission of Matters to a Vote of Security Holders

On April 28, 2006, ML & Co. held its Annual Meeting of Shareholders, at which approximately 91.3% of the shares of ML & Co. common stock outstanding and eligible to vote, either in person or by proxy, were represented, constituting a quorum. At the Annual Meeting, the following matters were voted upon: (i) the election of three directors to the Board of Directors to hold office for a term of three years; (ii) a proposal to ratify the appointment of Deloitte & Touche LLP as ML & Co.'s independent registered public accounting firm for the fiscal year 2006; (iii) a shareholder proposal requesting cumulative voting in the election of directors; (iv) a shareholder proposal requesting that the Board submit director compensation to shareholders for annual approval; and (v) a shareholder proposal requesting that the Board submit the Management Development and Compensation Committee Report on Executive Compensation to shareholders for annual approval. Proxies for the

Annual Meeting were solicited by the Board of Directors pursuant to Regulation 14A of the Securities Exchange Act of 1934.

The shareholders elected the three nominees to the Board of Directors as set forth in ML & Co.'s Proxy Statement. There was no solicitation in opposition to the nominees. The votes cast for and withheld from the election of directors were as follows: Alberto Cribiore received 844,319,747 votes in favor and 19,280,186 votes withheld; Aulana L. Peters received 836,215,934 votes in favor and 27,383,999 votes withheld; and Charles O. Rossotti received 844,351,116 votes in favor and 19,248,817 votes withheld. There were no broker non-votes for the election of the three directors.

The shareholders ratified the appointment of Deloitte & Touche LLP as ML & Co.'s independent registered public accounting firm. The votes cast for and against, as well as the number of abstentions for this proposal were as follows: 840,473,211 votes in favor, 16,648,037 votes against and 6,478,685 shares abstained. There were no broker non-votes for this proposal.

The shareholders did not approve the shareholder proposal concerning cumulative voting in the election of directors. The votes cast for and against, as well as the number of abstentions for this proposal were as follows: 277,099,555 votes in favor, 359,474,363 votes against and 48,078,354 shares abstained. 178,947,661 shares represented broker non-votes and had no effect on the vote on the proposal.

The shareholders did not approve the shareholder proposal recommending that the Board of Directors submit director compensation to shareholders for annual approval. The votes cast for and against, as well as the number of abstentions for this proposal were as follows: 60,762,679 votes in favor, 610,233,208 votes against and 13,656,385 shares abstained. 178,947,661 shares represented broker non-votes and had no effect on the vote on the proposal.

The shareholders did not approve the shareholder proposal recommending that the Board of Directors submit the Management Development and Compensation Committee Report on Executive Compensation to shareholders for annual approval. The votes cast for and against, as well as the number of abstentions for this proposal were as follows: 236,322,054 votes in favor, 428,150,323 votes against and 20,179,895 shares abstained. 178,947,661 shares represented broker non-votes and had no effect on the vote on the proposal.

Item 6. Exhibits

2	Transaction Agreement and Plan of Merger, dated February 15, 2006, by and among Merrill Lynch & Co., Inc., BlackRock Inc., New Boise, Inc. and Boise Merger Sub, Inc.
4	Instruments defining the rights of security holders, including indentures: ML & Co. hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of the instruments that have not been filed which define the rights of holders of long-term debt securities of ML & Co. that authorize an amount of securities constituting 10% or less of the total assets of ML & Co. and its subsidiaries on a consolidated basis. Such instruments have not been filed pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.
10.1	Form of grant document under the ML & Co. Long-Term Incentive Compensation Plan reflecting participation in Managing Partner Incentive Program.
10.2	Form of grant document for executive officers under the ML & Co. Long-Term Incentive Compensation Plan.

10.3	ML & Co. 2006 Deferred Compensation Plan for a Select Group of Eligible Employees.
10.4	ML & Co. Deferred Stock Unit Plan for Non-Employee Directors.
10.5	Written description of retirement programs for non-employee directors (pages 29 and 30 of ML & Co.'s Proxy Statement for the 2006 Annual Meeting of Shareholders contained in ML & Co.'s Schedule 14A filed on March 10, 2006).
10.6	Written description of ML & Co.'s compensation policy for directors and executive officers (pages 28 to 30 and pages 37 to 47 of ML & Co.'s Proxy Statement for the 2006 Annual Meeting of Shareholders contained in ML & Co.'s Schedule 14A filed on March 10, 2006).
11	Statement re: computation of earnings per common share (the calculation of per share earnings is in Part I, Item 1, Note 9 to the Condensed Consolidated Financial Statements (Earnings Per Share) and is omitted in accordance with Section(b)(11) of Item 601 of Regulation S-K).
12	Statement re: computation of ratios.
15	Letter re: unaudited interim financial information.
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Reconciliation of "Non-GAAP" Measures.

SIGNATURES

Pursuant to the requirements 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.

MERRILL LYNCH & CO., INC.
(Registrant)

By: /s/ Jeffrey N. Edwards

Jeffrey N. Edwards
Senior Vice President and
Chief Financial Officer

By: /s/ Laurence A. Tosi

Laurence A. Tosi
Vice President and Finance Director
Principal Accounting Officer

Date: May 5, 2006

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Exhibit 2

TRANSACTION AGREEMENT AND PLAN OF MERGER

by and among

MERRILL LYNCH & CO., INC.,

BLACKROCK, INC.,

NEW BOISE, INC.

and

BOISE MERGER SUB, INC.

Dated as of February 15, 2006

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INDEMNIFICATION

TRANSACTION AGREEMENT AND PLAN OF MERGER

This TRANSACTION AGREEMENT AND PLAN OF MERGER, dated as of February 15, 2006, is by and among MERRILL LYNCH & CO., INC. a Delaware corporation ("MLIM Parent"), BLACKROCK, INC., a Delaware corporation ("BlackRock"), NEW BOISE, INC., a Delaware corporation and wholly-owned subsidiary of BlackRock ("New BlackRock"), and BOISE MERGER SUB, INC., a Delaware corporation and direct wholly-owned subsidiary of New BlackRock ("BlackRock Merger Sub" and, together with BlackRock and New BlackRock, the "BlackRock Parties"). Capitalized terms used herein shall have the meanings given such terms in Annex A of this Agreement.

W I T N E S S E T H:

WHEREAS, BlackRock has authorized capital stock consisting of 250,000,000 shares of Class A Common Stock, par value $0.01 per share (the "BlackRock Class A Common Stock"), 100,000,000 shares of Class B Common Stock, par value $0.01 per share (the "BlackRock Class B Common Stock" and, together with the BlackRock Class A Common Stock, the "BlackRock Common Stock"), and 10,000,000 shares of Preferred Stock, par value $0.01 per share (the "BlackRock Preferred Stock" and, together with the BlackRock Common Stock, the "BlackRock Shares");

WHEREAS, New BlackRock has authorized capital stock consisting of 100 shares of common stock, par value $0.01 per share (the "New BlackRock Common Stock");

WHEREAS, as of the date of this Agreement, MLIM Parent and New BlackRock have entered into a Stockholder Agreement (the "Stockholder Agreement") and The PNC Financial Services Group, Inc. ("PNC"), New BlackRock, and BlackRock have entered into an Implementation and Stockholder Agreement (the "Implementation and Stockholder Agreement");

WHEREAS, BlackRock Merger Sub has authorized capital stock consisting of 100 shares of common stock, par value $0.01 per share (the "BlackRock Merger Sub Common Stock");

WHEREAS, BlackRock owns all of the issued and outstanding shares of New BlackRock Common Stock;

WHEREAS, New BlackRock owns all of the issued and outstanding shares of BlackRock Merger Sub Common Stock;

WHEREAS, following the completion of the MLIM Restructuring pursuant to this Agreement, the MLIM Transferors will own all of the equity interests in the MLIM Transferred Entities (the "MLIM Transferred Interests");

WHEREAS, following the MLIM Restructuring, MLIM Parent wishes to cause the MLIM Transferors, on the terms and subject to the conditions set forth in this Agreement, to effect the MLIM Contribution;

WHEREAS, the Boards of Directors of BlackRock and BlackRock Merger Sub each adopted resolutions approving and declaring the advisability of this Agreement and, upon the terms and subject to the conditions set forth herein, the Merger and the MLIM Contribution, and the Board of Directors of MLIM Parent approved this Agreement;

WHEREAS, for U.S. federal income tax purposes, the Merger is intended to qualify as a reorganization under Section 368(a)(2)(E) of the Code;

WHEREAS, the portion of this Agreement relating to the Merger is intended to constitute a "plan of reorganization" within the meaning of Treasury Regulation Section 1.368-(2)(g); and

WHEREAS, for U.S. federal income tax purposes, it is intended that the MLIM Contribution and the Merger together will qualify as a transaction governed by Section 351 of the Code;

NOW THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be bound hereby, the parties hereby agree as follows:

ARTICLE I

PLAN OF MERGER; PURCHASE AND SALE OF MLIM TRANSFERRED INTERESTS; CLOSING

Section 1.1 Plan of Merger.

(a) The Merger. At the Effective Time (as defined below), and subject to the terms and conditions of this Agreement and the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL"), BlackRock Merger Sub shall be merged with and into BlackRock (the "Merger"), the separate existence of BlackRock Merger Sub as a corporation shall cease and BlackRock shall continue as the surviving corporation (the "Surviving Entity") and a Subsidiary of New BlackRock.

(b) Effective Time. Subject to the terms and conditions of Article VI, on the Closing Date the parties shall file a certificate of merger (the "Certificate of Merger") with the Secretary of State of the State of Delaware in accordance with

the DGCL. The Merger shall become effective at the time specified in the Certificate of Merger (the "Effective Time").

(c) Merger Consideration. Subject to the terms and conditions of this Agreement, as of the Effective Time, by virtue of the Merger and without any further action by any party:

(i) each share of BlackRock Class A Common Stock issued and outstanding as of the Effective Time shall be converted into and exchanged for the right to receive one share of New BlackRock Common Stock;

(ii) each share of BlackRock Class B Common Stock issued and outstanding as of the Effective Time shall be converted into and exchanged for the right to receive one share of New BlackRock Common Stock; and

(iii) each share of BlackRock Merger Sub Common Stock issued and outstanding as of the Effective Time shall be converted and exchanged for one share of Common Stock, par value $0.01 per share, of the Surviving Entity.

(d) Certificate of Incorporation and Bylaws. At the Effective Time, the Certificate of Incorporation and By-Laws of BlackRock Merger Sub in effect immediately prior to the Effective Time shall continue to be the Certificate of Incorporation and By-Laws of the Surviving Entity, until thereafter amended in accordance with their respective terms and applicable law.

(e) Directors and Officers. From and after the Effective Time, the directors and officers of BlackRock Merger Sub shall be the directors and officers of the Surviving Entity, and such directors and officers shall serve until their successors have been duly elected or appointed and qualified or until their death, resignation or removal in accordance with the Certificate of Incorporation and By-Laws of the Surviving Entity.

Section 1.2 Contribution of MLIM Transferred Interests.

(a) Immediately after the Effective Time, MLIM Parent shall cause the MLIM Transferors to transfer, assign and deliver to New BlackRock all of the right, title and interest in and to the MLIM Transferred Interests, free and clear of any Liens, and with all rights attached thereto (the "MLIM Contribution").

(b) At the Closing, in consideration for the MLIM Contribution pursuant to Section 1.2(a), New BlackRock shall issue to the MLIM Transferors, in such proportions as shall be determined pursuant to Section 8.10, free and clear of

any Liens, the MLIM Consideration. "MLIM Consideration" means 65,000,000 New BlackRock Shares. The MLIM Consideration shall consist of (i) solely New BlackRock Common Stock unless the MLIM Consideration shall exceed the Common Stock Cap and (ii) if the MLIM Consideration shall exceed the Common Stock Cap, shares of New BlackRock Common Stock equal to the Common Stock Cap *plus* shares of New BlackRock Preferred Stock, designated as Series A Participating Preferred Stock and having the terms set forth in Annex B (the "New BlackRock Series A Preferred Stock"), equal to the total number of New BlackRock Shares included in the MLIM Consideration *less* the Common Stock Cap. "Common Stock Cap" means 45 percent of the quotient determined by dividing the number of BlackRock Shares issued and outstanding as of immediately prior to the Effective Time by 0.55.

(c) The MLIM Consideration shall be adjusted to reflect appropriately the effect of any forward or reverse stock split, stock dividend (including any dividend or distribution of securities exercisable or exchangeable for or convertible into the applicable BlackRock Shares), stock issuance or sale, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change with respect to the applicable BlackRock Shares the record date for which occurs prior to the Effective Time.

(d) Notwithstanding the foregoing provisions of this Section 1.2, if the number of New BlackRock Shares included in the MLIM Consideration, as specified in Section 1.2(b), and as adjusted pursuant to Section 1.2(c), exceeds the Share Cap, the MLIM Consideration shall consist of a number of New BlackRock Shares equal to the Share Cap (subject to clause (i) and clause (ii) of Section 1.2(b)) and cash in an amount equal to the product of such excess and the BlackRock Market Price as of the Closing Date. "Share Cap" means 49.8 percent of the quotient determined by dividing the number of BlackRock Shares as of immediately prior to the Effective Time (on a Fully Diluted basis) by 0.502.

Section 1.3 Closing. Subject to the terms and conditions of this Agreement, the closing of the Transactions (the "Closing") shall occur at 10:00 a.m. at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036, or at such other location as may be mutually agreed by BlackRock and MLIM Parent, on the first practicable MLIM Parent month-end date to occur after all of the conditions in Article VI have been satisfied or waived (other than conditions that relate to actions to be taken, or documents to be delivered, at the Closing) or on such other date as may be mutually agreed by MLIM Parent and BlackRock (such date, the "Closing Date").

Section 1.4 Deliveries at Closing. At the Closing:

(a) MLIM Parent shall cause the MLIM Transferors to deliver to New BlackRock the MLIM Transferred Interests, along with such instruments of transfer and assignment and other documentation as may be reasonably required to evidence that such MLIM Transferred Interests have been duly assigned and transferred to New BlackRock;

(b) New BlackRock shall deliver to the MLIM Transferors designated by MLIM Parent the MLIM Consideration, including a certificate or certificates evidencing New BlackRock Common Stock included in the MLIM Consideration; *provided*, *however*, that notwithstanding anything in this Agreement to the contrary, subject to Section 8.10, New BlackRock may transfer all or a portion of the MLIM Consideration first to a direct Subsidiary treated as a disregarded entity for U.S. federal income tax purposes, then cause such Subsidiary to deliver such consideration to the MLIM Transferors that transferred the UK Entities; and

(c) each party hereto shall deliver, or shall cause to be delivered, to each other party, as applicable, each Ancillary Agreement to which it is a party, duly executed, and all other previously undelivered documents required to be delivered by such party to another party pursuant to this Agreement or the Ancillary Agreements.

ARTICLE II

[INTENTIONALLY OMITTED]

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF MLIM PARENT

Except as set forth in writing in a Schedule attached to the Disclosure Letter delivered by MLIM Parent to BlackRock on the date hereof (the "MLIM Parent Disclosure Letter") referencing the appropriate section of this Article III (references in this Article III to any "Schedule" being deemed to refer to Schedules to such Disclosure Letter) or otherwise readily apparently pertaining to any section of this Article III, MLIM Parent represents and warrants to BlackRock as follows, as of the date hereof and as of the Closing Date:

Section 3.1 Organization. Each of MLIM Parent and each MLIM Business Entity is a legal entity duly organized, validly existing and (where applicable) in good standing under the laws of its jurisdiction of organization. Each of MLIM Parent and each MLIM Business Entity has the requisite power and authority to carry on its business and to own, lease and operate all of its properties and assets, as currently conducted, owned, leased or operated. Each of MLIM Parent and each MLIM Business Entity is duly qualified to do business in each jurisdiction in which the nature of its business or the character or location of the properties and assets owned, leased or operated by it makes such qualification necessary other than any failure to be so qualified that, individually and in the aggregate, has not had, and would not reasonably be expected to have or result in, a MLIM Material Adverse Effect. Each Organizational Document of each MLIM Business Entity is in full force and effect and there has been no material violation thereof.

Section 3.2 MLIM Capital Structure.

(a) After giving effect to the MLIM Restructuring, all of the issued and outstanding MLIM Transferred Interests will have been duly authorized and validly issued, will be fully paid and non-assessable and will not have been issued in violation of any Equity Rights.

(b) After giving effect to the MLIM Restructuring, there will be no outstanding securities, options, warrants, calls, rights, conversion rights, preemptive rights, rights of first refusal, redemption rights, repurchase rights, plans, "tag along" or "drag along" rights, commitments, agreements, arrangements or undertakings ("Equity Rights") (i) obligating any of the MLIM Companies to issue, deliver, redeem, purchase or sell, or cause to be issued, delivered, redeemed, purchased or sold, any MLIM Transferred Interests or any equity interests in any Controlled Affiliate of any MLIM Transferred Entity or any securities or obligation convertible or exchangeable into or exercisable for, any MLIM Transferred Interests or any equity interests in any Controlled Affiliate of any MLIM Transferred Entity, (ii) giving any Person a right to subscribe for or acquire any MLIM Transferred Interests or any equity interests in any Controlled Affiliate of any MLIM Transferred Entity or (iii) obligating any of the MLIM Companies to issue, grant, adopt or enter into any such Equity Right in respect of any MLIM Transferred Entity or any of its Controlled Affiliates. After giving effect to the MLIM Restructuring, there will be no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to the MLIM Transferred Interests or the equity interests of any MLIM Transferred Entity or any of its Controlled Affiliates. After giving effect to the MLIM Restructuring, none of the MLIM Companies has any (x) outstanding Indebtedness that could convey to any Person the right to vote, or that is convertible into or exercisable for MLIM Transferred Interests or equity of any MLIM Transferred Entity or any of its Controlled Affiliates or (y) Equity Rights that entitle or convey to

any Person the right to vote with the holders of MLIM Transferred Interests or equity of any MLIM Transferred Entity or any of its Controlled Affiliates on any matter. After giving effect to the MLIM Restructuring, there will be no voting trusts or other agreements or understandings outstanding with respect to the MLIM Transferred Interests or any equity interests in any MLIM Transferred Entity or any of its Controlled Affiliates.

Section 3.3 MLIM Business Entities.

(a) Schedule 3.3(a) sets forth a correct and complete list, as of the date of this Agreement, of (i) each MLIM Business Entity and indicates the type of entity and jurisdiction of organization of each MLIM Business Entity and (ii) each equity investment or other investment of greater than $10,000,000 of any MLIM Business Entity in any Person other than a MLIM Business Entity (each, a "Non-Affiliate Interest"). MLIM Parent owns, directly or indirectly, all of the issued and outstanding common stock or other equity interests in, and other securities of, each MLIM Business Entity, and owns its interests in each MLIM Business Entity free and clear of any Liens.

(b) All of the issued and outstanding shares of common stock or other equity interests of each MLIM Business Entity and each MLIM Transferred Entity have been, and after giving effect to the MLIM Restructuring, will have been, duly authorized and validly issued and are, and after giving effect to the MLIM Restructuring will have been, fully paid and non-assessable and have not been and, after giving effect to the MLIM Restructuring, will not have been, issued in violation of any Equity Rights.

(c) As of the date of this Agreement, the MLIM Business Entities are the only Controlled Affiliates of MLIM Parent by or through which the MLIM Business is operated or conducted, except to the extent that services of the nature anticipated to be provided under the Transition Services Agreement are provided to the MLIM Business as of the date of this Agreement by other MLIM Companies.

Section 3.4 Title to MLIM Transferred Interests. As of immediately prior to the Closing, the MLIM Transferors will be the sole beneficial owners of all of the MLIM Transferred Interests, free and clear of any Lien, except for any Liens created by this Agreement.

Section 3.5 Authority; Validity of Agreements.

(a) MLIM Parent has full corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is or is specified to be a party, to perform its obligations hereunder and thereunder and to

consummate the Transactions. The execution, delivery and performance by MLIM Parent of this Agreement and each of the Ancillary Agreements and the consummation by MLIM Parent of the Transactions have been duly and validly authorized and approved by all necessary corporate action on the part of MLIM Parent. This Agreement and any Ancillary Agreement to be executed and delivered on or prior to the date hereof has been, and upon its execution prior to or at the Closing each of the other Ancillary Agreements will have been, duly and validly executed and delivered by MLIM Parent and each MLIM Controlled Affiliate party thereto and (assuming due authorization, execution and delivery by each BlackRock Party) this Agreement and each Ancillary Agreement executed and delivered on or prior to the date hereof constitutes, and upon its execution prior to or at the Closing each other Ancillary Agreement will constitute, a valid and binding obligation of MLIM Parent and each MLIM Controlled Affiliate party thereto, enforceable against it in accordance with its terms, except as (a) the enforceability hereof and thereof may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the availability of equitable remedies may be limited by equitable principles of general applicability.

Section 3.6 Consents and Approvals. Except (a) as set forth in Schedule 3.6, (b) for the approvals of the MLIM Fund shareholders referred to in Section 5.11 and any necessary Client consents and (c) for filings under the HSR Act, none of MLIM Parent, any MLIM Controlled Affiliate or any MLIM Fund is required to obtain the Consent of any Governmental Authority or other Person or to obtain any Permit in connection with the execution and delivery by MLIM Parent of this Agreement or the performance of this Agreement and each Ancillary Agreement by MLIM Parent, except for Consents and Permits the failure of which to obtain, individually or in the aggregate, would not reasonably be expected to have or result in a MLIM Material Adverse Effect.

Section 3.7 No Conflicts. Assuming that any Consents referred to in Section 3.6 and Schedule 3.6 are properly submitted and duly obtained and any applicable waiting periods have expired or terminated, the execution, delivery and performance of this Agreement and the Ancillary Agreements by MLIM Parent will not, and the consummation of the Transactions will not, conflict with, result in a termination of, contravene or constitute a default under, or be an event that with the giving of notice or passage of time or both would become a default under, or give to any other Person any right of termination, payment, acceleration, vesting or cancellation of or under, or accelerate the performance required by or maturity of, or result in the creation of any Lien or loss of any rights of any MLIM Business Entity or any MLIM Fund pursuant to any of the terms, conditions or provisions of or under (a) any Applicable Law, (b) the Organizational Documents of MLIM Parent or any of its Controlled Affiliates or (c) any Contract, Plan or other instrument binding upon any MLIM Business Entity or to which the property of any MLIM Business Entity or any

portion of the MLIM Business is subject, except for, in the case of this clause (c), any conflict, termination, contravention, default, payment, acceleration, vesting, cancellation, Liens or loss of rights that, individually or in the aggregate, would not reasonably be expected to have or result in a MLIM Material Adverse Effect.

Section 3.8 Financial Statements.

(a) Schedule 3.8(a) contains complete and correct copies of the following financial statements (collectively, the "MLIM Financial Statements"): (i) an unaudited combined income statement for the MLIM Business for the 12 month period ending December 31, 2005, (ii) an unaudited combined balance sheet for the MLIM Business as of December 31, 2005, and (iii) an unaudited combined balance sheet for the MLIM Business as of December 31, 2005 giving pro forma effect to the MLIM Restructuring (the "MLIM Balance Sheet"). The MLIM Financial Statements have been derived from the accounting books and records of the MLIM Business Entities and the MLIM Financial Statements (other than the MLIM Balance Sheet) have been prepared in accordance with GAAP consistently applied, subject only to normal recurring year-end adjustments and the absence of notes and except as expressly provided in such MLIM Financial Statements. Each balance sheet included in the MLIM Financial Statements presents fairly in all material respects the financial position of the MLIM Business as of the date thereof, and the income statement included in the MLIM Financial Statements presents fairly in all material respects the results of operations of the MLIM Business for the period indicated therein. The MLIM Balance Sheet was prepared in accordance with the MLIM Financial Statement Principles.

(b) The books and records of the MLIM Business have been maintained in accordance with good business practices. The MLIM Balance Sheet does not reflect any material asset that is not intended to constitute a part of the MLIM Business after giving effect to the Transactions (excluding routine dispositions of assets in the ordinary course of business consistent with past practice), and the income statement for the 12 month period ending December 31, 2005 included in the MLIM Financial Statements does not reflect the results of any material operations of any Person that are not intended to constitute a part of the MLIM Business after giving effect to the Transactions. Such income statement reflects all material costs that historically have been incurred in connection with the operation of the Business.

(c) The MLIM Companies maintain in all material respects internal controls over financial reporting ("Internal Controls") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, including policies and procedures that (i) pertain to the maintenance of records that in reasonable detail

accurately and fairly reflect the transactions and dispositions of the assets of the MLIM Companies, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the MLIM Companies are being made only in accordance with authorizations of management and directors of the MLIM Companies and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the MLIM Companies that could have a material effect on the financial statements.

Section 3.9 Absence of Undisclosed Liabilities. Neither any MLIM Business Entity nor the MLIM Business is subject to any claims, liabilities or obligations (whether known, unknown, absolute, accrued, contingent or otherwise), and there are no existing conditions, situations or facts that would or would reasonably be expected to result in any such claim, obligation or liability, except (a) as and to the extent disclosed and reserved against on the MLIM Balance Sheet and (b) claims, obligations and liabilities that are contractual in nature and that (i) are incurred after the date of the MLIM Balance Sheet, (ii) are consistent in nature, type and amount with any such claims, obligations and liabilities regularly incurred in the ordinary course of business consistent with past practice of each MLIM Business Entity and the MLIM Business, (iii) individually or in the aggregate, have not had and would not reasonably be expected to have or result in a MLIM Material Adverse Effect and (iv) are not prohibited by this Agreement or any Ancillary Agreement.

Section 3.10 Absence of Certain Changes. From and including the date of the MLIM Balance Sheet to and including the date of this Agreement, other than (i) as set forth in Schedule 3.10 or (ii) as expressly contemplated by this Agreement or an Ancillary Agreement, (x) each of the MLIM Companies has in all material respects conducted the MLIM Business in the ordinary course of business consistent with past practices of the MLIM Business, (y) there has not occurred or come to exist any MLIM Material Adverse Effect and (z) the MLIM Business Entities have not and, in connection with the MLIM Business, MLIM Parent and its Controlled Affiliates other than the MLIM Business Entities have not taken any action that would have been prohibited by Section 5.1(b) of this Agreement, had such Section 5.1(b) been applicable during such period.

Section 3.11 Assets. MLIM Parent and the MLIM Business Entities own and have and, after giving effect to the MLIM Restructuring and the consummation of the Transactions and the execution and delivery of the Transition Services Agreement and the License Agreement (and assuming the consents set forth in Sections 3.6 and 3.7 have been obtained), BlackRock and its Subsidiaries (including the MLIM Transferred Entities and their Subsidiaries) will own and have good, valid and marketable title to or, in the case of leased property, good and valid leasehold interests in, or otherwise will have full or sufficient and legally enforceable rights to

use without any increase in payment therefor (except by reason of the Transition Services Agreement), all of the properties and assets (real, personal or mixed, tangible or intangible) used or held for use in connection with, necessary for the conduct of, or otherwise material to the operations of, the MLIM Business, including all such assets reflected in the MLIM Balance Sheet or acquired since the date thereof or reflected in the Estimated Closing Balance Sheet (all of the assets referred to in this sentence, the "Assets"), in each case free and clear of any Lien other than Permitted Liens, except for any failure to have such titles, interests or rights that, individually or in the aggregate, has not had and would not reasonably be expected to have or result in a MLIM Material Adverse Effect. MLIM Parent and the MLIM Business Entities have and, after giving effect to the MLIM Restructuring and the consummation of the Transactions, the MLIM Transferred Entities and their respective Subsidiaries will have, maintained in all material respects all tangible Assets in good repair, working order and operating condition, subject only to ordinary wear and tear.

Section 3.12 Real Property. None of the MLIM Business Entities, or, in connection with the MLIM Business, MLIM Parent and the Controlled Affiliates of MLIM Parent owns any real property or any interest therein. Schedule 3.12 identifies (i) all material office locations in which any MLIM Business Entity is occupying space that is leased by MLIM Parent or an Affiliate of MLIM Parent, (ii) all of the material Leases to which any MLIM Business Entity is a party. Except as set forth in Schedule 3.12, such leased real property constitutes all material real property leased, subleased, licensed or otherwise used in the operation of the MLIM Business as presently conducted. True and correct copies of such real property Leases have been delivered or made available to BlackRock, together with any amendments, modifications or supplements thereto. There exists no material default or condition, or any state of facts or event which with the passage of time or giving of notice or both would constitute a material default, in the performance of its obligations under any of such real property Leases by MLIM Parent or any of its Controlled Affiliates or, to the knowledge of MLIM Parent, by any other party to any of such Leases. Except as may be limited by bankruptcy, insolvency, reorganization and similar applicable Laws affecting creditors generally and by the availability of equitable remedies (a) each of the real property Leases are legal, valid and binding obligations of MLIM Parent or a MLIM Controlled Affiliate, as applicable, and, to the knowledge of MLIM Parent, each other party to such Leases and (b) each of the Leases is enforceable against MLIM Parent or its Controlled Affiliate, as applicable, and, to the knowledge of MLIM Parent, each other party to such Lease, except in each case for failures that, individually or in the aggregate, have not had and would not reasonably be expected to have or result in a MLIM Material Adverse Effect. Neither MLIM Parent nor any of its Controlled Affiliates has received any written or oral communication from the landlord or lessor under any of such real property Leases claiming that it is in breach of its obligations under such Leases, except for written or oral

communications claiming breaches that, individually or in the aggregate, would not reasonably be expected to have or result in a MLIM Material Adverse Effect.

Section 3.13 Material Contracts.

(a) Schedule 3.13(a) contains a correct and complete list of all Material Contracts in existence on the date of this Agreement. MLIM Parent has made available or delivered to BlackRock complete and correct copies of all written Material Contracts and accurate and complete descriptions of all material terms of all oral Material Contracts.

(b) Each Material Contract is valid, binding and in full force and effect, and is enforceable against MLIM Parent or any of its Controlled Affiliates that is a party thereto, as the case may be, and, to the knowledge of MLIM Parent, each other party thereto, in accordance with its terms. Each of the MLIM Companies has duly performed all of its material obligations under each such Material Contract to the extent that such obligations have accrued. Except as set forth on Schedule 3.13(b), the enforceability of any Material Contract will not be affected by the execution, delivery or performance of this Agreement or any Ancillary Agreement. There are no existing defaults (or circumstances, occurrences, events or acts that, with the giving of notice or lapse of time or both would become defaults) of MLIM Parent or any of its Controlled Affiliates or, to the knowledge of MLIM Parent, any other party thereto under any Material Contract, except in each case for any defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have or result in a MLIM Material Adverse Effect. To the knowledge of MLIM Parent, there are no circumstances, occurrences, events or acts that, with the giving of notice or lapse of time or both, would permit any MLIM Company or any other party thereto, to alter or amend any of the material terms or conditions of any Material Contract or would permit or would result in any increased liability or penalty, except for such circumstances, occurrences, events or acts that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in a MLIM Material Adverse Effect.

(c) Except as set forth in Schedule 3.13(c), as of the date of this Agreement, no MLIM Business Entity has entered into and is bound by or subject to any of the following:

(i) any Contract (including any so-called take-or-pay or keep well agreements) under which (A) any Person has directly or indirectly guaranteed or assumed Indebtedness, liabilities or obligations of any MLIM Business Entity in respect of the MLIM Business or (B) any MLIM Business Entity has directly or indirectly guaranteed Indebtedness, liabilities or obliga-

tions of any Person in each case in excess of $5,000,000 or in the aggregate in excess of $15,000,000;

(ii) other than investment management and distribution Contracts entered into in the ordinary course of business, any Contract providing for the indemnification of any Person with respect to liabilities, whether absolute, accrued, contingent or otherwise that would be material to MLIM Parent and its Controlled Affiliates, taken as a whole;

(iii) other than in the ordinary course of business, any Contract under which any MLIM Business Entity has made or is obligated to make, directly or indirectly, any advance, loan, extension of credit or other similar advances to any Person, in each case in excess of $5,000,000 individually or $15,000,000 in the aggregate;

(iv) any Contract prohibiting or materially restricting the ability of any MLIM Business Entity to conduct its business, to engage in any business or operate in any geographical area or to compete with any Person;

(v) other than Contracts entered into in the ordinary course of business, any Contract to cap fees, share fees or other payments, share expenses, waive fees or to reimburse or assume any or all fees or expenses thereunder that would be material to the MLIM Business, taken as a whole;

(vi) other than Contracts entered into in the ordinary course of business, any Contract that provides for earn-outs or other similar contingent obligations of any MLIM Business Entity or any of its Controlled Affiliates where such earn-outs or contingent obligations would be material to the MLIM Business, taken as a whole;

(vii) other than Contracts entered into in the ordinary course of business, any Contract which contains (A) a “clawback” or similar undertaking requiring the reimbursement or refund of any fees (whether performance based or otherwise) paid to any MLIM Business Entity or any of its Controlled Affiliates or (B) a “most favored nation” or similar provision, in each case of (A) and (B) where the obligations of a MLIM Business Entity and/or its Controlled Affiliate under each undertaking or provision would be material to the MLIM Business, taken as a whole; or

(viii) other than Contracts entered into in the ordinary course of business, any Contract requiring any MLIM Business Entity or any of its Controlled Affiliates (A) to co-invest with any other Person, (B) to provide seed capital or similar investment or (C) to invest in any investment product, in

each case in an amount in excess of $5,000,000 individually or $15,000,000 in the aggregate.

(d) For the purpose of this Section 3.13, the phrase "ordinary course of business" shall be deemed to be limited to the ordinary course of business of the applicable MLIM Company, consistent with past practice of such MLIM Company.

Section 3.14 Litigation. Schedule 3.14 contains a complete and correct list of all material pending and served and, to the knowledge of MLIM Parent, material pending and not served or material threatened Litigation and governmental investigations concerning the MLIM Business. Except as set forth on Schedule 3.14, there is no Proceeding pending and served or, to the knowledge of MLIM Parent, pending and not served or threatened against or affecting any of the MLIM Business Entities, or any of their properties, assets or rights or the MLIM Business, other than Proceedings that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in a MLIM Material Adverse Effect.

Section 3.15 Affiliate Arrangements.

(a) Except as set forth in Schedule 3.15(a), there is no material Contract, arrangement, liability or obligation (whether or not evidenced by a writing) concerning the MLIM Business between a MLIM Business Entity, on the one hand, and MLIM Parent or any of its Affiliates (other than a MLIM Business Entity), on the other hand (any such Contract, liability or obligation, a "MLIM Affiliate Arrangement").

(b) To the knowledge of MLIM Parent, no director, officer or employee of any MLIM Business Entity: (i) owns, directly or indirectly, any economic or ownership interest in (x) any property or asset, real or personal, tangible or intangible, used in or held for use in connection with or pertaining to the MLIM Business, (y) any Client or (z) any supplier, lessor, lessee or competitor of any MLIM Business Entity, in each case of (x), (y) and (z) where such interest would be material to the MLIM Business, taken as a whole, (ii) serves as a trustee, officer, director or employee of any Person that is a Client, supplier, lessor, lessee or competitor of any MLIM Business Entity or (iii) has received any loans from or is otherwise a debtor of, or made any loans to or is otherwise a creditor of, any MLIM Business Entity, where the amount of any such loans or obligations would be material to the MLIM Business Entities, taken as a whole.

(c) No MLIM Business Entity has any loan outstanding, has extended or maintained credit, or has arranged for the extension of credit, to any director, officer or employee of any of them.

Section 3.16 Compliance with Law; Government Regulation; Etc.

(a) (i) Each MLIM Business Entity and each MLIM Fund is in compliance in all material respects with all Applicable Laws; (ii) none of the MLIM Companies or any MLIM Fund has received any written, or, to the knowledge of MLIM Parent, oral, notice, from any Governmental Authority asserting any violation by any MLIM Business Entity or the MLIM Business or any MLIM Fund of any Applicable Law, and (iii) to the knowledge of MLIM Parent and its Controlled Affiliates, there is no reasonable basis for any such assertion, except in each case for such violations, notices or assertions that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in a MLIM Material Adverse Effect;

(b) The MLIM Business Entities hold and, after giving effect to the MLIM Restructuring, the MLIM Transferred Entities and their Subsidiaries will hold (subject to obtaining any Consents set forth on Schedule 3.6 or 3.7), all licenses, registrations, franchises, permits, orders, approvals and authorizations (collectively, "Permits") that are required in order to permit the MLIM Business Entities and, after giving effect to the MLIM Restructuring, the MLIM Transferred Entities and their Subsidiaries to own or lease their properties and assets and to conduct the MLIM Business under and pursuant to all Applicable Laws. All such Permits are in full force and effect and are not subject to any suspension, cancellation, modification or revocation or any Proceedings related thereto, and, to the knowledge of MLIM Parent, no such suspension, cancellation, modification or revocation or Proceeding is threatened in writing or orally, except, in each case, for such failures to be in full force or effect, suspensions, cancellations, modifications, revocations or Proceedings that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in, a MLIM Material Adverse Effect. Each employee of a MLIM Business Entity and, after giving effect to the MLIM Restructuring, each employee of the MLIM Transferred Entities and their Subsidiaries, who is required to be registered or licensed as a registered representative, investment adviser representative, sales person or an equivalent person with any Governmental Authority is duly registered as such and such registration is in full force and effect, except for such failures to be so registered or for such registration to remain in full force and effective that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in, a MLIM Material Adverse Effect.

(c) Each MLIM Business Entity identified in Schedule 3.16(c) is, and at all times required by the Advisers Act during its existence has been, duly registered as an investment adviser under the Advisers Act. Each MLIM Business Entity that is required to be is, and at all times required by Applicable Law (other than the Advisers Act) has been, duly registered, licensed or qualified as an investment adviser in each state or any other jurisdiction where the conduct of its business required such registration, licensing or qualification. No MLIM Business Entity not identified in Schedule 3.16(c) (i) is or has been an "investment adviser" required to register under the Advisers Act or any other Applicable Law, (ii) is required to be registered, licensed or qualified as an investment adviser under the Advisers Act or any other Applicable Law or (iii) is subject to any material liability or disability by reason of any failure to be so registered, licensed or qualified. Each MLIM Business Entity identified in Schedule 3.16 (c) is in compliance in all material respects with Rule 206(4)-7 under the Advisers Act.

(d) Each MLIM Business Entity that is required to be is, and at all times required by Applicable Law has been, duly registered, licensed or qualified as a broker or dealer in each jurisdiction where the conduct of its business required such registration, licensing or qualification. No MLIM Business Entity not identified in Schedule 3.16(d) (i) is required to be registered, licensed or qualified as a broker or dealer under any Applicable Law or (ii) is subject to any material liability or disability by reason of any failure to be so registered, licensed or qualified.

(e) Except as set forth in Schedule 3.16(e), no MLIM Business Entity is (i) required to be registered, licensed or qualified as a commodity pool operator, futures commission merchant, commodity trading advisor, bank, trust company, real estate broker, insurance company, insurance broker or transfer agent under any Applicable Law or (ii) subject to any liability or disability by reason of any failure to be so registered, licensed or qualified. Except as set forth in Schedule 3.16(e), none of the MLIM Companies has received notice of any Proceeding concerning any failure to obtain any commodity pool operator, futures commission merchant, commodity trading advisor, bank, trust company, real estate broker, insurance company, insurance broker or transfer agent registration, license or qualification.

(f) None of the MLIM Business Entities or any "affiliated person" (as defined in the Investment Company Act) of any of them is (taking into account any applicable exemption) ineligible pursuant to Section 9(a) or 9(b) of the Investment Company Act to serve as an investment adviser (or in any other capacity contemplated in the Investment Company Act) to a U.S. MLIM Public Fund, and there is no Proceeding pending and served or, to the knowledge of MLIM Parent, pending and not served or threatened by any Governmental Authority, which would result in the ineligibility of any of the MLIM Business Entities or any "affiliated persons" of any of them to serve in any such capacities. None of the MLIM Business Entities

and the "affiliated persons" (as defined in the Advisers Act) of any of them is ineligible pursuant to Section 203 of the Advisers Act to serve as a registered investment adviser or "associated person" (as defined in the Advisers Act) of a registered investment adviser, and there is no Proceeding pending and served or, to the knowledge of MLIM Parent, pending and not served or threatened by any Governmental Authority, which would result in the ineligibility of any of the MLIM Business Entities or any "affiliated person" to serve in any such capacities. None of the MLIM Business Entities or their associated persons is ineligible pursuant to Section 15(b) of the Exchange Act to serve as a broker-dealer or as an "associated person" (as defined in the Exchange Act) of a registered broker-dealer, as applicable, and there is no Proceeding pending and served or, to the knowledge of MLIM Parent, pending and not served or threatened by any Governmental Authority, which would result in the ineligibility of any of the MLIM Business Entities or any "affiliated person" to serve in any such capacities.

(g) No director, managing director or officer or, to the knowledge of MLIM Parent, no trustee or employee of any MLIM Business Entity or any MLIM Fund is, or at any time during the past three years has been, (i) subject to any cease and desist, censure or other disciplinary or similar order issued by, (ii) a party to any written agreement, consent agreement, memorandum of understanding or disciplinary agreement with, (iii) a party to any commitment letter or similar undertaking to, (iv) subject to any order or directive by or (v) a recipient of any supervisory letter from, any Governmental Authority.

(h) Each of MLIM Parent, each of its Controlled Affiliates and each MLIM Public Fund has filed all material registrations, reports, prospectuses, proxy statements, statements of additional information, financial statements, sales literature, statements, notices and other material filings required to be filed by it with any Governmental Authority, including all material amendments or supplements to any of the above for the past three years, in each case to the extent related to the MLIM Business (the "Filings"). The Filings complied in all material respects with the requirements of Applicable Law. The Filings did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

(i) Except for routine examinations conducted by any Governmental Authority in the regular course of the MLIM Business and the MLIM Funds, as applicable, (i) no Governmental Authority has initiated any Proceeding or, to the knowledge of MLIM Parent, no such Proceeding, investigation, examination, audit or review into the MLIM Business or any MLIM Fund is ongoing, unresolved or threatened by any Governmental Authority and (ii) none of the MLIM Companies or the MLIM Funds has received any notice or communication (A) of any unresolved

violation or exception by any Governmental Authority with respect to any report or statement by any Governmental Authority relating to any examination of any MLIM Business Entity, (B) threatening to revoke or condition the continuation of any Permit or (C) restricting or disqualifying their activities (except for restrictions generally imposed by rule, regulation or administrative policy on similarly regulated Persons generally).

(j) Each of the MLIM Companies and each MLIM Fund has implemented one or more formal codes of ethics, insider trading policies, personal trading policies and other material policies as required by Applicable Law, a complete and correct copy of each of which has been made available to BlackRock. Such codes of ethics, insider trading polices, personal trading policies and other material policies comply in all material respects with Applicable Law. The policies of the MLIM Companies as of the date of this Agreement with respect to avoiding conflicts of interest are as set forth in the most recent policy manuals of the MLIM Companies, which have been made available to BlackRock. Since January 1, 2001, there have been no material violations by any officer or investment professional of any MLIM Business Entity of such code of ethics, insider trading polices and personal trading policies.

(k) Each MLIM Business Entity and each MLIM Fund has complied in all material respects with all Applicable Laws regarding the privacy of Clients and other Persons and have established and complied with policies and procedures in this regard reasonably designed to ensure compliance with Applicable Law.

(l) Each MLIM Business Entity and each MLIM Fund, to the extent required by Applicable Law, has a written anti-money laundering program and a written customer identification program in compliance with Applicable Law and have complied with the terms of such program in all material respects.

Section 3.17 MLIM Public Funds.

(a) Schedule 3.17(a) sets forth a complete and correct list, as of the date of this Agreement, of each MLIM Public Fund that is registered with any Governmental Authority. Each MLIM Public Fund is, and at all times required under Applicable Law has been, duly registered with all applicable Governmental Authorities as an investment company or a regulated fund or for the purpose of marketing in the applicable jurisdiction.

(b) Each MLIM Public Fund that is a juridical entity is duly organized, validly existing and, with respect to jurisdictions that recognize the concept of "good standing," in good standing under the laws of the jurisdiction of its organization and has the requisite corporate, trust, company or partnership power and au-

thority to own its properties and to carry on its business as currently conducted, and is qualified to do business in each jurisdiction where it is required to be so qualified under Applicable Law (except where failure to do so is not material to its business).

(c) Each MLIM Business Entity that acts as investment adviser or sub-adviser to a MLIM Public Fund has a written Investment Advisory Arrangement pursuant to which such MLIM Business Entity serves as investment adviser or sub-adviser to such MLIM Public Fund. None of the MLIM Business Entities and the "interested persons" of them (as such term is defined in the Investment Company Act) receives or is entitled to receive any compensation directly or indirectly (i) from any Person in connection with the purchase or sale of securities or other property to, from or on behalf of any MLIM Public Fund, other than bona fide ordinary compensation as principal underwriter, distributor or sponsor for such MLIM Public Fund or other compensation permitted by Applicable Laws or (ii) from the MLIM Public Funds or their respective security holders for other than bona fide investment advisory, sub-advisory, accounting, shareholder servicing, securities lending, transfer agency, administrative or similar services.

(d) Each MLIM Public Fund currently is, and has been since January 1, 2003, operated in compliance in all material respects with its respective investment objectives, policies and restrictions, as set forth in the applicable prospectus and registration statement for such MLIM Public Fund.

(e) The shares or units of each MLIM Public Fund (i) have been issued and sold by the MLIM Companies in compliance with Applicable Law in all material respects, (ii) are qualified for public offering and sale in each jurisdiction where offers by the MLIM Companies are made by such MLIM Public Fund to the extent required under Applicable Law and (iii) have been duly authorized and validly issued and are fully paid and non-assessable, except in each case for such failures that, individually or in the aggregate, have not had, and would not reasonably be expected to have or result in, a MLIM Material Adverse Effect.

(f) All payments by the MLIM Public Funds registered with the SEC relating to the distribution of their shares (other than payments that are not required by Applicable Law to be paid pursuant to a 12b-1 Plan) have been made in compliance in all material respects with the related 12b-1 Plan, if applicable, and each 12b-1 Plan adopted by the MLIM Public Funds, and the operation of each such 12b-1 Plan currently complies in all material respects with Rule 12b-1 of the Investment Company Act and other Applicable Laws. No MLIM Public Fund that is subject to Rule 12b-1 of the Investment Company Act has paid or is paying, directly or indirectly, any amount to any Person for the purpose of financing the distribution of its shares except in accordance with a 12b-1 Plan, and no MLIM Public Fund has

made or is making any other payments in respect of the distribution of its shares that violated or violate Applicable Law in any material respect.

(g) The financial statements for the MLIM Funds have been prepared and presented in accordance with GAAP or the generally accepted accounting principles of the applicable jurisdiction, as the case may be. The financial statements for the MLIM Funds fairly present, in all material respects, the results of operations and changes in net assets of each such MLIM Fund for the respective periods indicated, subject, in the case of unaudited financial statements for the MLIM Funds, to notes and normal year-end audit adjustments.

(h) The open-end U.S. MLIM Public Funds have maintained a "market timing" policy in force at all times since the later of January 1, 2003 or its adoption with respect to the purchase and sale of any open-end U.S. MLIM Public Fund shares. Such policies, as they have been in effect at any applicable time, have been enforced consistently by the MLIM Companies and are consistent with the disclosure relating thereto contained in the applicable open-end U.S. MLIM Public Fund prospectus or statement of additional information, and no arrangements involving any of the MLIM Companies or any of their respective directors, officers, employees, agents or representatives exist or have existed to permit any party (including any officer, employee, agent or representative) to trade shares of any open-end U.S. MLIM Public Fund in a manner that is inconsistent with such policy.

(i) Since January 1, 2003, no MLIM Business Entity has taken any action pursuant to any arrangements or accommodations whereby (A) a MLIM Business Entity or any of its officers or employees has permitted any Person to enter orders to purchase or redeem shares or to cancel previously entered orders; or (B) a MLIM Business Entity or its officers or employees facilitated the entering by any Person of orders to purchase or redeem shares or to cancel previously entered orders of any open-end U.S. MLIM Public Fund at a time and in a manner not consistent with the requirements of Rule 22c-1 under the Investment Company Act.

(j) Each U.S. MLIM Public Fund is in material compliance with Rule 38a-1(a) under the Investment Company Act.

Section 3.18 Private MLIM Funds.

(a) Schedule 3.18(a) sets forth a correct and complete list of each MLIM Private Fund having assets in excess of $25,000,000. Except with respect to the MLIM Private Funds and the MLIM Public Funds, no MLIM Business Entity acts as investment adviser, investment sub-adviser, general partner, managing member, manager or sponsor to any other pooled investment vehicle. No MLIM Private Fund is, or to the knowledge of MLIM Parent at any time since January 1, 2003 was,

required to register as an investment company under the Investment Company Act or the comparable regulatory regime of any other jurisdiction.

(b) Each MLIM Private Fund that is a juridical entity has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, partnership, limited liability company, or similar power and authority. Each MLIM Private Fund possesses all Permits necessary to entitle it to use its name, to own, lease or otherwise hold its properties and assets and to carry on its business as it is now conducted. Each MLIM Private Fund is duly qualified, licensed or registered to do business in each jurisdiction where it is required to do so under Applicable Law other than any failure to be so qualified that, individually or in the aggregate, has not had and would not reasonably be expected to have or result in a MLIM Material Adverse Effect. All outstanding shares or units of each MLIM Private Fund have been issued and sold by such MLIM Private Funds in compliance with Applicable Law in all material respects.

Section 3.19 Assets Under Management; Clients.

(a) Each Client to which a MLIM Business Entity provides investment management, advisory or sub-advisory services that is (i) an employee benefit plan, as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a Person acting on behalf of such a plan or (iii) any entity whose assets include the assets of such a plan, within the meaning of ERISA and applicable regulations (hereinafter referred to as an "ERISA Client") has, since January 1, 2003, been managed by a MLIM Business Entity such that the exercise of such management or provision of any services is in compliance in all material respects with the applicable requirements of ERISA. Each such MLIM Business Entity, to the extent it is regulated under the Advisers Act, satisfies the requirements of Prohibited Transaction Class Exemption 84-14 for a "qualified professional asset manager" (as such term is used in Prohibited Transaction Class Exemption 84-14).

(b) (i) All performance information provided, presented or made available by the MLIM Business Entities to any Client or potential Client has complied in all material respects with Applicable Law; (ii) MLIM Parent and each of its Controlled Affiliates, as applicable, maintains all documentation necessary to form the basis for, demonstrate or recreate the calculation of the performance or rate of return of all accounts that are included in a composite (current and historical performance results) as required by Applicable Law; and (iii) any investment performance earned by any Person at a firm other than the MLIM Business Entities and presented by a MLIM Business Entity as its investment performance has complied in all material respects with Applicable Law.

(c) Since January 1, 2003, each Client account has been operated in all material respects in compliance with the terms of the relevant Investment Advisory Arrangement.

(d) Since January 1, 2003, there has existed no material unremedied "out of balance" condition, pricing error or similar condition with respect to any Client account maintained by a MLIM Business Entity or any MLIM Fund.

(e) The MLIM Business Entities that are registered investment advisers have adopted and implemented procedures or practices for the allocation of securities purchased for its Clients that comply in all material respects with Applicable Laws, including procedures or practices relating to the allocation between MLIM Public Funds and MLIM Private Funds or other accounts in which a MLIM Business Entity has an interest.

Section 3.20 Taxes.

(a) All material Tax Returns required to be filed with respect to the MLIM Business Entities or the Assets have been duly and timely filed with the appropriate Governmental Authority, and all such Tax Returns, insofar as they relate to the MLIM Business Entities or the Assets, are true, correct and complete in all material respects (other than, in each case, the consolidated U.S. federal income tax return of the consolidated group of which MLIM Parent is the common parent, or the tax return of MLIHL filed on U.S. Internal Revenue Service Form 8865). The MLIM Business Entities have timely paid all material Taxes due or claimed to be due by any Governmental Authority or, with respect to Taxes accrued but not yet due and payable, made an adequate provision on the appropriate financial statements in accordance with GAAP or, if applicable, accounting principles of any other jurisdiction.

(b) There are no Liens for Taxes upon any of the Assets other than statutory Liens for Taxes not yet due and payable.

(c) No (A) waiver of any statute of limitations in respect of Taxes, (B) agreement for any extension of time with respect to a Tax assessment or deficiency or (C) power of attorney has been granted with respect to Taxes, in each case, relating to the MLIM Business Entities or the Assets. None of the MLIM Business Entities is a party to, bound by, or has any obligation under, any tax allocation or sharing agreement or arrangement.

(d) There is no current audit, examination, deficiency, refund litigation or proposed adjustment with respect to any Taxes relating to any of the MLIM Business Entities or the Assets. There has not been any written notice of any claim

made by a Governmental Authority in a jurisdiction where a Tax Return has not been filed with respect to the any of the MLIM Business Entities or the Assets, that material taxation by that jurisdiction is due by the MLIM Business Entities or any Affiliate, where such claim has not been resolved favorably to MLIM Parent and its Affiliates.

(e) None of the MLIM Business Entities has agreed to make or is required to make any adjustment for a taxable period ending after the MLIM Contribution under Section 481(a) of the Code by reason of a change in accounting method or otherwise, except to where such adjustments are not, and would not reasonably be expected to be material individually or in the aggregate to the MLIM Business Entities.

(f) Each MLIM Transferred Entity is, and has been since the date of its formation, a disregarded entity for U.S. federal income tax purposes.

(g) None of the MLIM Business Entities is or was a member of any consolidated, combined or affiliated group of corporations that filed or was required to file consolidated, combined or unitary Tax Returns other than any group for which MLIM Parent is or was the common parent.

(h) None of the MLIM Business Entities has constituted either a “distributing corporation” or “controlled corporation” (within the meaning of Section 355(e)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (A) in the two (2) years prior to the date of this Agreement or (B) in a distribution which could otherwise constitute a “plan” or “series of related transactions” (within the meaning of Section 355 of the Code) with the transactions contemplated by this Agreement.

(i) There has been made available to BlackRock correct and complete copies of (i) the relevant portion of all federal and other material Tax Returns of MLIM Parent and its Affiliates relating to the MLIM Business Entities or Assets for the taxable periods ending after December 28, 2001, which have been filed and (ii) the relevant portion of all audit reports within the last five years relating solely to any material Taxes due from or with respect to the MLIM Business Entities or any Assets.

(j) None of the owners of the MLIM Business Entities or the MLIM Business Entities will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the MLIM Contribution as a result of any “closing agreement” described in Section 7121 of the Code (or any corresponding or simi-

lar provision of state, local or foreign income Tax law) executed on or prior to the MLIM Contribution.

(k) The MLIM Business Entities are in material compliance with all applicable information reporting and Tax withholding requirements under applicable Tax laws.

(l) For all taxable years since its inception, each of the domestic MLIM Public Funds has elected to be treated as, and has qualified to be classified as, a regulated investment company taxable under Subchapter M of Chapter 1 of the Code and under any similar provisions of state or local law in any jurisdiction in which such MLIM Public Fund filed, or is required to file, a Tax Return and each of the domestic MLIM Private Funds has elected to be treated as, and has qualified to be treated as, a partnership for U.S. federal income tax purposes and any similar provisions or state or local law in any jurisdiction in which such MLIM Private Funds filed or was required to file, a Tax Return. Each of the foreign MLIM Public Funds and foreign MLIM Private Funds is organized as a pass through entity in the foreign country or countries in which they are organized. Each of the MLIM Public Funds and Private Funds has (i) duly and timely filed with the appropriate Governmental Authority all material Tax Returns required to be filed and all such Tax Returns are true, correct and complete in all material respects and (ii) has timely paid, or withheld and paid over, all Taxes due or claimed to be due by any Governmental Authority or with respect to Taxes not yet due and payable, made an adequate provision on its financial statements in accordance with GAAP.

(m) Neither MLIM Parent nor any of its Affiliates has participated in any "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(c)(3)(i)(A) involving the MLIM Business Entities. None of MLIM Parent nor any of its Affiliates has promoted, marketed, offered to sell, sold or advised in respect of any "listed" transactions involving the MLIM Business Entities.

(n) Each of MLIM Parent and its Affiliates in compliance with all applicable rules and regulations regarding the solicitation, collection and maintenance of any forms, certifications and other information required in connection with federal, state, local or foreign Tax withholding or reporting in connection with the conduct of the Business through the MLIM Business Entities.

(o) Schedule 3.20(o) lists all foreign, state and local jurisdictions in which MLIM Parent and its Affiliates file Tax Returns including the ownership or operation of the Business.

(p) MLIM Parent has no plan or intention to cause ML Invest, Inc., or any MLIM Transferor treated as a corporation for US tax purposes as of the

date of this Agreement to liquidate after the MLIM Contribution and neither ML Invest, Inc., nor any MLIM Transferor treated as a corporation for US tax purposes as of the date of this Agreement will liquidate within two years after the MLIM Contribution.

(q) The UK Tax Warranties in Exhibit 3.20 shall apply to the UK Companies and in the event of conflict between the provisions of this Section 3.20(a) through (p) inclusive and Exhibit 3.20, the provisions of Exhibit 3.20 shall prevail in respect of the UK Companies.

Section 3.21 Benefit Plans; Employees.

(a) Each "employee pension benefit plan" (as defined in Section 3(2) of ERISA), each "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and each other plan, arrangement or policy (written or oral) relating to stock options, stock purchases, deferred compensation, bonus, severance, fringe benefits or other employee benefits, in each case maintained or contributed to, or required to be maintained or contributed to, by any MLIM Company for the benefit of any MLIM Employee or Former MLIM Employee, other than any "multiemployer plan" (within the meaning of Section 3(37) of ERISA) or any plans, arrangements or policies mandated by Applicable Law is herein referred to as a "MLIM Parent Benefit Plan." Each MLIM Parent Benefit Plan or portion thereof (i) sponsored by a MLIM Transferred Entity or one of its Subsidiaries, after giving effect to the MLIM Restructuring, (ii) that BlackRock or any of its Affiliates has explicitly agreed to assume pursuant to this Agreement or (iii) that BlackRock or any of its Affiliates is required to assume under Applicable Law is referred to herein as an "Assumed Benefit Plan." Each individual employment, collective bargaining, consulting, severance and change-in-control Contract under which any MLIM Transferred Entity or any Controlled Affiliate thereof has any present or future liability is herein referred to as a "MLIM Employment Agreement." Schedule 3.21(a) contains a true and complete list, as of the date of this Agreement, of each Assumed Benefit Plan, each other material MLIM Parent Benefit Plan and each material MLIM Employment Agreement. MLIM Parent has delivered or made available to BlackRock true, correct and complete copies of (A) each Assumed Benefit Plan, (B) each MLIM Parent Benefit Plan that is subject to Title IV of ERISA or section 412 of the Code, (C) each other material MLIM Parent Benefit Plan, (D) the two (2) most recent annual reports on Form 5500 (including all schedules and attachments thereto) filed with the Internal Revenue Service with respect to each Assumed Benefit Plan (if any such report was required by Applicable Law), (E) the most recent summary plan description (or similar document) for each Assumed Benefit Plan and each other material MLIM Parent Benefit Plan for which a summary plan description (or similar document) is required by Applicable Law and (F) each MLIM Employment Agreement. No MLIM Com-

pany has any commitment to establish any new Assumed Benefit Plan or to materially modify any Assumed Benefit Plan.

(b) Each Assumed Benefit Plan has been administered in all material respects in accordance with its terms and in compliance with the applicable provisions of ERISA, the Code, all other Applicable Laws and the terms of all applicable collective bargaining agreements. There are no material investigations by any Governmental Authority, material termination proceedings or other material claims or Proceedings against or involving any Assumed Benefit Plan or asserting any rights to or claims for benefits under any Assumed Benefit Plan.

(c) No Assumed Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code. No MLIM Business Entity would reasonably be expected to incur any liability under Title IV of ERISA as a result of being treated as a single employer with a MLIM Company or any of its respective Affiliates for purposes of Section 414(b), (c), (m) or (o) of the Code.

(d) Each Assumed Benefit Plan intended to be qualified under Section 401(a) of the Code, and the trust (if any) forming a part thereof, has received a favorable determination letter from the Internal Revenue Service as to its qualification under the Code and to the effect that each such trust is exempt from taxation under Section 501(a) of the Code, and, to the knowledge of MLIM Parent, there exist no circumstances likely to result in the loss of such qualification or tax-exempt status.

(e) Neither a MLIM Company nor any of its respective Affiliates has, within the preceding six years, withdrawn in a complete or partial withdrawal from any multiemployer plan (as defined in section 3(37) of ERISA) or incurred any liability under section 4204 of ERISA that has not been satisfied in full.

(f) No amounts payable under any of the MLIM Parent Benefit Plans or Assumed Benefit Plans, MLIM Employment Agreement or any other Contract with respect to which a MLIM Transferred Entity or any of its Controlled Affiliates may have any liability could fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code as a result of the Transactions.

(g) The consummation of the Transactions will not result in an increase in the amount of compensation or benefits or the acceleration of the vesting or timing of payment of any compensation or benefits payable to or in respect of or on behalf of any MLIM Employee, or entitle any such MLIM Employee to any severance or similar compensation or benefits.

(h) No MLIM Company has any obligation to provide medical, dental or life insurance benefits (whether or not insured) to any MLIM Employees or Former MLIM Employees after retirement (other than (i) coverage mandated by Applicable Law and (ii) benefits, the full direct cost of which is borne by the MLIM Employee or Former MLIM Employee (or beneficiary thereof)).

(i) None of the Assumed Benefit Plans restricts the ability of a MLIM Transferred Entity or any of its Controlled Affiliates to amend or terminate such plan.

Section 3.22 Intellectual Property; Information Technology.

(a) Schedule 3.22(a) sets forth a complete and correct list of all of the following, in each case owned by any MLIM Business Entity or MLIM Parent and used or held for use in connection with the MLIM Business (i) patents and patent applications; (ii) trademark applications and registrations; (iii) copyright registrations and (iv) domain names.

(b) To the knowledge of MLIM Parent, the Business does not infringe on or otherwise violate the Intellectual Property of any other Person. No MLIM Business Entity has received any written notice alleging such infringement or violation which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a MLIM Material Adverse Effect. To the knowledge of MLIM Parent, no Person is infringing on or otherwise violating the Intellectual Property owned by any MLIM Business Entity and used or held for use in connection with the MLIM Business, which infringement or violation would reasonably be expected to have a MLIM Material Adverse Effect.

(c) The Intellectual Property set forth on Schedule 3.22(a) is valid and to the knowledge of MLIM Parent, enforceable and in full force and effect. The Business Entities have taken commercially reasonable steps to protect the confidentiality of the material trade secrets owned by it. All Information Technology used in connection with the Business performs substantially in accordance with its documentation, except as has not had and would not reasonably be expected to have or result in a MLIM Material Adverse Effect.

Section 3.23 Insurance. The MLIM Business Entities maintain, or MLIM Parent maintains on their behalf, such worker's compensation, comprehensive property and casualty, liability, errors and omissions, directors' and officers', fidelity and other insurance as they may be required to maintain under Applicable Laws. The MLIM Business Entities have complied in all material respects with the terms and provisions of such policies and bonds.

Section 3.24 Compliance with Environmental Law. To the knowledge of MLIM Parent, MLIM Parent and each of its Controlled Affiliates has complied and is in compliance in all material respects with all applicable Environmental Laws pertaining to any of the properties and assets of the MLIM Business Entities (including any real property now or previously owned by a MLIM Business Entity) and the use and ownership thereof, and to the operation of the Business. There are no Proceedings by any Governmental Authority pending, or to the knowledge of MLIM Parent, threatened against any MLIM Business Entity under any Environmental Law. There are no facts, circumstances or conditions relating to the past or present business or operations of the MLIM Business Entities (including the disposal of any wastes, hazardous substances or other materials), and no environmental conditions at any facilities or properties of the MLIM Business Entities (including any previously owned or operated properties) that, individually or in the aggregate, could reasonably be expected to give rise to any Proceedings or to any material liability, under any Environmental Law.

Section 3.25 Books and Records. The books and records of MLIM Parent and its Controlled Affiliates are complete and correct in all material respects and have been maintained in accordance with sound business practices.

Section 3.26 Derivative Products. All interest rate swaps, caps, floors, option agreements, futures and forward Contracts and other similar risk management arrangements and derivative financial instruments entered into for the account of any MLIM Business Entity, or for the account of one or more of the Clients, were entered into (i) in accordance with applicable Client guidelines, prospectuses or offering memoranda to the extent entered into for Clients and (ii) in accordance in all material respects with all Applicable Laws and (iii) with counter-parties as directed by the applicable Client (where the Client so directs). None of MLIM Parent, its Controlled Affiliates or, to the knowledge of MLIM Parent, any other party thereto is in material breach of any of its obligations under any such agreement or arrangement.

Section 3.27 Brokers and Finders. No broker, finder or similar intermediary has acted for or on behalf of, or is entitled to any broker's, finder's or similar fee or other commission from, any MLIM Business Entity in connection with this Agreement or the Ancillary Agreements or the Transactions.

Section 3.28 No Vote Required. No vote of the holders of any capital stock of MLIM Parent is required (under Applicable Law or otherwise) to adopt this Agreement or any Ancillary Agreement or to consummate the Transactions, including the Merger.

Section 3.29 Investment Intention. MLIM Parent is acquiring the New BlackRock Common Stock and New BlackRock Preferred Stock to be issued as MLIM Consideration for investment and not with a view toward or for sale in connection with any distribution thereof in violation of any federal or state securities or "blue sky" Law, or with any present intention of distributing or selling such New BlackRock Common Stock or New BlackRock Preferred Stock in violation of any such Law. MLIM Parent understands and agrees that the New BlackRock Common Stock and New BlackRock Preferred Stock to be issued as MLIM Consideration may not be Transferred or offered for Transfer or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such registration, and without compliance with state, local and foreign securities Laws, in each case to the extent applicable.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BLACKROCK PARTIES

Except as set forth in writing in a Schedule attached to the Disclosure Letter delivered by BlackRock to MLIM Parent on the date hereof (the "BlackRock Disclosure Letter"), referencing the appropriate section of this Article IV (references in this Article IV to any "Schedule" being deemed to refer to Schedules to such Disclosure Letter) or otherwise readily apparently pertaining to any section of this Article IV, or as described in any Form 10-K, Form 10-Q or Form 8-K report filed with the SEC by BlackRock (collectively, the "BlackRock SEC Reports") on or after March 10, 2005, but prior to the date of this Agreement (and without regard to any amendment thereto filed after the date of this Agreement) to the extent such description is readily apparent as pertaining to any section of this Article IV, BlackRock represents and warrants to MLIM Parent as follows, as of the date of this Agreement and as of the Closing Date.

Section 4.1 Organization. Each BlackRock Party is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each BlackRock Party has the requisite corporate power and authority to carry on its business as currently conducted and to own, lease and operate all of its properties and assets, as currently conducted, owned, leased or operated. BlackRock is duly qualified to do business in each jurisdiction in which the nature of its business or the character or location of the properties and assets owned, leased or operated by it makes such qualification necessary other than any failure to be so qualified that, individually or in the aggregate, has not had or resulted in and would not reasonably be expected to have or result in a BlackRock Material Adverse Effect. Each Organizational Document of BlackRock and each of its Controlled Affiliates is in full force and effect and there has been no material violation thereof.

Section 4.2 Capital Structure.

(a) The authorized capital stock of BlackRock, as of the date hereof, is 250,000,000 shares of BlackRock Class A Common Stock, of which 19,799,640 shares are issued and outstanding, 100,000,000 shares of BlackRock Class B Common Stock, of which 44,298,000 shares are issued and outstanding and 10,000,000 shares of Preferred Stock, of which zero shares are issued and outstanding. All of the issued and outstanding shares of capital stock have been duly authorized and validly issued, are fully paid and non-assessable and have not been issued in violation of any Equity Rights.

(b) The authorized capital stock of BlackRock Merger Sub is 100 shares of Merger Sub Common Stock, of which one share is issued and outstanding. All of the issued and outstanding shares of Merger Sub Common Stock have been duly authorized and validly issued, are fully paid and non-assessable and have not been issued in violation of any Equity Rights.

(c) Except as set forth in Schedule 4.2(c), there are no outstanding Equity Rights (i) obligating BlackRock or any Controlled Affiliate to issue, deliver, redeem, purchase or sell, or cause to be issued, delivered, redeemed, purchased or sold, any capital stock or related rights, (ii) giving any Person a right to subscribe for any capital stock of BlackRock or any of its Controlled Affiliates or (iii) obligating BlackRock or any Controlled Affiliate to issue, grant, adopt or enter into any such Equity Right. There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to the capital stock or equity of BlackRock or any of its Controlled Affiliates. Except as set forth in Schedule 4.2(c), one of BlackRock and its Controlled Affiliates has any (x) outstanding indebtedness that could convey to any Person the right to vote, or that is convertible into or exercisable for capital stock or equity of BlackRock or any of its Controlled Affiliates or (y) Equity Rights that entitle or convey to any Person the right to vote with the shareholders of BlackRock or any of its Controlled Affiliates on any matter.

(d) 4,935,000 shares of BlackRock Class A Common Stock and 40,000,000 shares of BlackRock Class B Common Stock are owned by PNC as of the date hereof.

Section 4.3 Title to Common Stock; Business of New BlackRock and BlackRock Merger Sub.

(a) BlackRock is the sole record and beneficial owner of all of the issued and outstanding New BlackRock Stock, free and clear of any Lien, except for any Liens created by this Agreement.

(b) New BlackRock is the sole record and beneficial owner of all of the issued and outstanding Merger Sub Common Stock, free and clear of any Lien, except for any Liens created by this Agreement.

(c) No business has been conducted by New BlackRock or Merger Sub prior to the date of this Agreement and none will be conducted, except as expressly contemplated by this Agreement.

Section 4.4 Controlled Affiliates. Schedule 4.4 sets forth each BlackRock Controlled Affiliate and each equity investment or other investment of greater than $10,000,000 of BlackRock in any Person other than a Controlled Affiliate, in each case as of the date of this Agreement. Except as set forth in Schedule 4.4, BlackRock owns, directly or indirectly, all of the issued and outstanding equity interests in each BlackRock Controlled Affiliate free and clear of any Liens, other than Permitted Liens.

Section 4.5 Authority; Validity of Agreements. Each BlackRock Party has full corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is or is specified to be a party, to perform its obligations hereunder and thereunder and to consummate the Transactions. Subject to obtaining the consents and approvals described in Section 4.6, the execution, delivery and performance by each BlackRock Party of this Agreement and each Ancillary Agreement and the consummation by each BlackRock Party of the Transactions, has been duly and validly authorized and approved by all necessary corporate action of each BlackRock Party. This Agreement and any Ancillary Agreement executed and delivered on or prior to the date hereof has been, and upon its execution prior to or at the Closing each of the other Ancillary Agreements will have been duly and validly executed and delivered by each BlackRock Party, and (assuming due authorization, execution and delivery by MLIM Parent and any other party (other than any BlackRock Party) hereto and thereto) this Agreement and each Ancillary Agreement executed and delivered on or prior to the date hereof will constitute, and upon its execution prior to or at the Closing each other Ancillary Agreement will constitute a valid and binding obligation of each BlackRock Party enforceable against it in accordance with its terms, except as (a) the enforceability hereof or thereof may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the availability of equitable remedies may be limited by equitable principles of general applicability.

Section 4.6 Consents and Approvals. Except (a) as set forth in Schedule 4.6(a), (b) for any Consents that may be required to be obtained by BlackRock as a result of the regulatory status of the MLIM Transferred Entities or their Controlled Affiliates, (c) for filings under the HSR Act, and (d) for the required vote of the holders of the outstanding shares of BlackRock Class A common stock and

Class B common stock of BlackRock, BlackRock is not required to obtain the Consent of any Governmental Authority or other Person or to obtain any Permit in connection with the execution and delivery by BlackRock of this Agreement or the performance of this Agreement and each Ancillary Agreement by BlackRock, except for Consents and Permits the failure of which to obtain, individually or in the aggregate, would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

Section 4.7 No Conflicts. Assuming that any Consents referred to in Section 4.6 and Schedule 4.6 are properly submitted and duly obtained and any applicable waiting periods have expired or terminated and except as set forth in Schedule 4.7, the execution, delivery and performance of this Agreement and the Ancillary Agreements by each BlackRock Party, will not, and the consummation of the Transactions will not, conflict with, result in a termination of, contravene or constitute a default under, or be an event that with the giving of notice or passage of time or both will become a default or potential default under, or give to any other Person any right of termination, payment, acceleration, vesting or cancellation of or under, or accelerate the performance required by or maturity of, or result in the creation of any Lien or loss of any rights of BlackRock or any Controlled Affiliate thereof pursuant to any of the terms, conditions or provisions of or under (a) any Applicable Law, (b) the Organizational Documents of any BlackRock Party or (c) any Contract, Plan or other instrument binding upon BlackRock or any of its Controlled Affiliates, or to which the property of BlackRock or any of its Controlled Affiliates is subject, except for, in the case of this clause (c), any conflict, termination, contravention, default, payment, acceleration, vesting, cancellation, Liens or loss of rights that, individually or in the aggregate, would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

Section 4.8 SEC Matters.

(a) BlackRock has filed or furnished, as applicable, on a timely basis all forms, statements, certifications, reports and documents required to be filed or furnished by it with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the Securities Act of 1933, as amended (the "Securities Act"), since December 1, 2003 (the "Applicable Date") (the forms, statements, reports and documents filed or furnished since the Applicable Date and those filed or furnished subsequent to the date hereof including any amendments thereto, the "BlackRock SEC Reports"). Each of the BlackRock SEC Reports, at the time of its filing or being furnished complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and any rules and regulations promulgated thereunder applicable to the BlackRock SEC Reports. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment) the BlackRock

SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

(b) BlackRock is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the New York Stock Exchange, Inc.

(c) BlackRock has established and maintained disclosure controls and procedures required by Exchange Act Rules 13a-14 and 15d-14. Such disclosure controls and procedures are adequate and effective to ensure that information required to be disclosed by BlackRock, including information relating to its consolidated Controlled Affiliates, is recorded and reported on a timely basis to its chief executive officer and chief financial officer by others within those entities.

(d) Each of the consolidated financial statements of BlackRock and its Subsidiaries contained in the BlackRock SEC Reports (the "BlackRock Financial Statements"), together with related schedules and notes, presents fairly in all material respects the financial position of BlackRock and its consolidated Subsidiaries at the dates indicated and the statement of operations and stockholders' equity and cash flows of BlackRock and its consolidated Subsidiaries for the periods specified, and said financials have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved, except as disclosed therein.

Section 4.9 Absence of Undisclosed Liabilities. None of BlackRock or any of its consolidated Subsidiaries is subject to any claims, liabilities or obligations (whether known, unknown, absolute, accrued, contingent or otherwise) and there are no existing conditions, situations or facts that would or would reasonably be expected to result in any such claim, obligation or liability, except (a) as and to the extent disclosed or reserved against on the last balance sheet included in the BlackRock Financial Statements (the "BlackRock Balance Sheet"), (b) claims, obligations and liabilities that (i) are incurred after the date of the BlackRock Balance Sheet, (ii) consistent in nature, type and amount with any such claims, obligations and liabilities regularly incurred in the ordinary course of business consistent with past practice of BlackRock or such Subsidiary, and (iii) individually or in the aggregate, would not reasonably be expected to have or result in a BlackRock Material Adverse Effect and (c) as set forth on Schedule 4.9.

Section 4.10 Absence of Certain Changes. Since the date of the BlackRock Balance Sheet to and including the date of this Agreement, other than as expressly contemplated by this Agreement or any Ancillary Agreement, (x) BlackRock and each of its Controlled Affiliates has in all material respects conducted its business in the ordinary course of business consistent with past practices, (y) there

has not occurred or come to exist any BlackRock Material Adverse Effect or any fact, occurrence, condition, change, development, effect, circumstance or event that, individually or in the aggregate, would reasonably be expected to have or result in a BlackRock Material Adverse Effect, and (z) BlackRock and its Controlled Affiliates have not taken any action that would be prohibited by the terms of Section 5.1(b) of this Agreement, had such Section been applicable during such period.

Section 4.11 Litigation. Schedule 4.11 contains a complete and correct list of all material pending and served and, to the knowledge of the BlackRock Parties, material pending and not served or material threatened Litigation and governmental investigations concerning BlackRock or any of its Controlled Affiliates. Except as set forth in Schedule 4.11, there is no Proceeding pending and served or, to the knowledge of BlackRock, pending and not served or threatened against or affecting BlackRock of any of its Controlled Affiliates, or any of their properties, assets or rights other than Proceedings that, individually or in the aggregate, have not had or resulted in or would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

Section 4.12 Compliance with Law; Government Regulation; Etc.

(a) (i) Each of BlackRock and its Controlled Affiliates is in compliance in all material respects with all Applicable Laws, (ii) none of BlackRock or any of its Controlled Affiliates has received any written or, to the knowledge of the BlackRock Parties, oral, notice from any Governmental Authority asserting any violation by BlackRock or any Controlled Affiliate of any Applicable Law and (iii) to the knowledge of the BlackRock Parties, there is no reasonable basis for such assertion, except in each case for such violations, notices or assertions that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

(b) BlackRock and its Controlled Affiliates hold all Permits that are required in order to permit BlackRock and its Controlled Affiliates to own or lease their properties and assets and to conduct their businesses under and pursuant to all Applicable Laws, except in each case as would not reasonably be expected to result in a BlackRock Material Adverse Effect.

(c) All such Permits are in full force and effect and are not subject to any suspension, cancellation, modification or revocation or any Proceedings related thereto, and, to the knowledge of BlackRock, no such suspension, cancellation, modification or revocation or Proceeding is threatened.

(d) Each of BlackRock Advisors, Inc., BlackRock Institutional Management Corporation, BlackRock Financial Management, Inc., BlackRock (Ja-

pan), Inc., BlackRock Capital Management, Inc., BlackRock HPB Management, LLC, SS Research & Management Company, BlackRock Realty Advisors, Inc. and BlackRock International Ltd. (together, the "BlackRock Investment Adviser Subsidiaries") is, and has been at all times since January 1, 2000 (except, as to BlackRock HPB Management, LLC, since August 1, 2003), duly registered as an investment adviser under the Advisers Act. None of the BlackRock Investment Adviser Subsidiaries is prohibited by any provision of the Advisers Act or the Investment Company Act, or the respective rules and regulations thereunder, from acting as an investment adviser. The BlackRock Investment Adviser Subsidiaries are the only direct or indirect Subsidiaries of BlackRock required to be registered as investment advisers under the Advisers Act. Each of the BlackRock Investment Adviser Subsidiaries is duly registered, licensed or qualified as an investment adviser in each jurisdiction where the conduct of its business requires such registration and is in compliance with all federal, state and foreign laws requiring any such registration, licensing or qualification or is subject to no material liability or disability by reason of the failure to be so registered, licensed or qualified in any such jurisdiction or to be in such compliance. None of BlackRock or its other direct or indirect Subsidiaries (i) is or has been an "investment adviser" required to register under the Advisers Act or any other Applicable Law, (ii) is required to be registered, licensed or qualified as an investment adviser under the Advisers Act or any other Applicable Law or (iii) is subject to any material liability or disability by reason of the failure to be so registered, licensed or qualified. Each BlackRock Investment Adviser is in compliance in all material respects with Rule 206(4)-7 under the Advisers Act.

(e) Each of BlackRock Investments, Inc. and SS Research Investment Services (the "BlackRock Broker Dealer Subsidiaries") is, and has been at all times during the prior six years, duly registered, licensed or qualified as a broker-dealer under the Exchange Act, and under the securities laws of each jurisdiction where the conduct of its business requires such registration, licensing or qualification, and is in compliance with federal, state and foreign laws requiring such registration, licensing or qualification or is subject to no material liability or disability by reason of the failure to be so registered, licensed or qualified in any such jurisdiction or to be in such compliance. Each of the BlackRock Broker Dealer Subsidiaries is a member in good standing of NASD and each other self-regulatory organization where the conduct of its business requires such membership. Neither BlackRock nor any of BlackRock's other direct or indirect Subsidiaries is required to be registered, licensed or qualified as a broker-dealer under the laws requiring any such registration, licensing or qualification in any jurisdiction in which it or such other Subsidiaries conduct business or is subject to any material liability or disability by reason of the failure to be so registered, licensed or qualified except where the failure to be so registered, licensed or qualified would not reasonably be expected to have a BlackRock Material Adverse Effect.

(f) Each of the BlackRock Investment Adviser Subsidiaries and the BlackRock Broker Dealer Subsidiaries is, has been and upon consummation of the Transactions will be, in compliance with, and each such entity has received no notice of any kind of any violation of, (A) all Laws applicable to it or its operations relating to investment advisory or broker-dealer activities, as the case may be, and (B) all other Laws applicable to it and its operations, except, in either case, where any failure to comply with any such Law would not reasonably be expected to have, individually or in the aggregate, a BlackRock Material Adverse Effect.

(g) Each Person for which the BlackRock Investment Adviser Subsidiaries acts as investment adviser and, to the best knowledge of BlackRock, each entity for which the BlackRock Investment Adviser Subsidiaries acts as sub-adviser and, in each case, which is required to be registered with the SEC or comparable regulatory or self-regulatory authority of any jurisdiction as a pooled investment vehicle (each, a "BlackRock Public Fund") is, at all times required under Applicable Laws has been, and upon consummation of the transactions contemplated herein will be, duly registered with the SEC or such other authority as an investment company under Applicable Law and, to the best knowledge of BlackRock, each BlackRock Public Fund has been operated in compliance in all material respects with the applicable provisions of Applicable Law and, to the best knowledge of Black Rock, there are no facts with respect to any BlackRock Public Fund that are likely to have a BlackRock Material Adverse Effect. To the knowledge of BlackRock, the registration statement of each BlackRock Public Fund complies (or, in the case of closed-end BlackRock Public Funds, complied at the date thereof) in all material respects with the provisions of Applicable Law and does not (or, in the case of the closed-end BlackRock Public Funds, did not at the date thereof) contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(h) Each entity for which a BlackRock Investment Adviser Subsidiary acts as investment adviser and, to the best knowledge of BlackRock, each entity for which the Investment Adviser Subsidiary acts as sub-adviser which entity is not required to be registered with the SEC or comparable regulatory or self-regulatory authority of any jurisdiction as a pooled investment vehicle (a "BlackRock Private Fund") is not, and upon consummation of the Transactions will not be, required to register with the SEC or such other authority as a pooled investment vehicle and to the best knowledge of BlackRock there are no facts with respect to any such BlackRock Private Fund that are likely to have a BlackRock Material Adverse Effect. To the best knowledge of BlackRock, each BlackRock Private Fund's offering documents comply in all material respects with the provisions of the laws applicable to such offering and do not contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(i) Each BlackRock Private Fund that is a juridical entity has been duly organized and is validly existing and with respect to jurisdictions that recognize the concept of "good standing," in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, partnership, limited liability company, or similar power and authority. Each BlackRock Private Fund possesses all Permits necessary to entitle it to use its name, to own, lease or otherwise hold its properties and assets and to carry on its business as it is now conducted. Each BlackRock Private Fund is duly qualified, licensed or registered to do business in each jurisdiction where it is required to do so under Applicable Law other than any failure to be so qualified that, individually or in the aggregate, has not had and would not reasonably be expected to have or result in a BlackRock Material Adverse Effect. All outstanding shares or units of each BlackRock Private Fund have been issued and sold by such BlackRock Private Funds in compliance with Applicable Law in all material respects.

(j) Each agreement between BlackRock, any BlackRock Investment Adviser Subsidiary, or any other Subsidiary of BlackRock on the one hand and any BlackRock Public Fund, BlackRock Private Fund or private client on the other is a legal and valid obligation of the parties thereto, and none of BlackRock, any Investment Adviser Subsidiary or any other Subsidiary of BlackRock is in breach or violation of or in default under any such agreement which would individually or in the aggregate have a BlackRock Material Adverse Effect.

(k) Each employee of BlackRock or any Investment Adviser Subsidiary or BlackRock Broker Dealer Subsidiary (if any) who is required to be registered or licensed as a registered representative, investment adviser representative, sales Person or equivalent Person with any Governmental Authority is duly registered as such and such registration is in full force and effect.

Section 4.13 BlackRock Benefit Plans; Employees.

(a) Each "employee pension benefit plan" (as defined in Section 3(2) of ERISA), each "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and each other plan, arrangement or policy (written or oral) relating to stock options, stock purchases, deferred compensation, bonus, severance, fringe benefits or other employee benefits, in each case maintained or contributed to, or required to be maintained or contributed to, by BlackRock, or any of BlackRock's Controlled Affiliates for the benefit of any BlackRock Employee or Former BlackRock Employee, other than any "multiemployer plan" (within the meaning of Section 3(37) of ERISA) or any plans, arrangements or policies mandated by Applicable Law is herein referred to as a "BlackRock Benefit Plan." Each individual employment, collective bargaining, consulting, severance and change-in-control Contract under which BlackRock or any of BlackRock's Controlled Affiliates has any present or future li-

ability is herein referred to as a "BlackRock Employment Agreement." Schedule 4.13(a) contains a true and complete list, as of the date of this Agreement, of each material BlackRock Benefit Plan and each material BlackRock Employment Agreement. BlackRock has delivered or made available to MLIM Parent true, correct and complete copies of (A) each BlackRock Benefit Plan that is subject to Title IV of ERISA or Section 412 of the Code, (B) each other material BlackRock Benefit Plan, (C) the two (2) most recent annual reports on Form 5500 (including all schedules and attachments thereto) filed with the Internal Revenue Service with respect to each BlackRock Benefit Plan (if any such report was required by Applicable Law), (D) the most recent summary plan description (or similar document) for each BlackRock Benefit Plan for which a summary plan description (or similar document) is required by Applicable Law and (E) each BlackRock Employment Agreement. No BlackRock Company has any commitment to establish any new BlackRock Benefit Plan or to materially modify any BlackRock Benefit Plan.

(b) Each BlackRock Benefit Plan has been administered in all material respects in accordance with its terms and in compliance with the applicable provisions of ERISA, the Code, all other Applicable Laws and the terms of all applicable collective bargaining agreements. There are no material investigations by any Governmental Authority, material termination proceedings or other material claims or Proceedings against or involving any BlackRock Benefit Plan or asserting any rights to or claims for benefits under any BlackRock Benefit Plan.

(c) No BlackRock Benefit Plan is subject to Title IV of ERISA or Section 412 of the Code. None of BlackRock or any BlackRock Controlled Affiliate would reasonably be expected to incur any liability under Title IV of ERISA as a result of being treated as a single employer with BlackRock or its Affiliates for purposes of Section 414(b), (c), (m) or (o) of the Code.

(d) Each BlackRock Benefit Plan intended to be qualified under Section 401(a) of the Code, and the trust (if any) forming a part thereof, has received a favorable determination letter from the Internal Revenue Service as to its qualification under the Code and to the effect that each such trust is exempt from taxation under Section 501(a) of the Code, and, to the knowledge of BlackRock, there exist no circumstances likely to result in the loss of such qualification or tax-exempt status.

(e) Neither BlackRock nor any BlackRock Controlled Affiliate has, within the preceding six years, withdrawn in a complete or partial withdrawal from any multiemployer plan (as defined in section 3(37) of ERISA) or incurred any liability under Section 4204 of ERISA that has not been satisfied in full.

(f) With respect to each "employee pension benefit plan" (as defined in Section 3(2) of ERISA), maintained or contributed to, or required to be

maintained or contributed to, by PNC or any of PNC's Controlled Affiliates, other than any "multiemployer plan" (within the meaning of Section 3(37) of ERISA), any plans, arrangements or policies mandated by Applicable Law or any BlackRock Benefit Plan, there have been no events and no events are reasonably likely to occur which would cause BlackRock or a BlackRock Controlled Affiliate to incur any material liability under Title IV of ERISA or Section 412 of the Code.

(g) No amounts payable under any of the BlackRock Benefit Plans, any BlackRock Employment Agreement or any other Contract with respect to which BlackRock or any BlackRock Controlled Affiliate may have any liability could fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code as a result of the Transactions.

(h) The consummation of the Transactions will not result in an increase in the amount of compensation or benefits or the acceleration of the vesting or timing of payment of any compensation or benefits payable to or in respect of on behalf of any BlackRock Employee, or entitle any such BlackRock Employee to any severance or similar compensation or benefits.

(i) No BlackRock Company has any obligation to provide medical, dental or life insurance benefits (whether or not insured) to any BlackRock Employees or Former BlackRock Employees after retirement (other than (i) coverage mandated by Applicable Law and (ii) benefits, the full direct cost of which is borne by the BlackRock Employee or Former BlackRock Employee (or beneficiary thereof)).

Section 4.14 Intellectual Property; Information Technology. Each of BlackRock and its Controlled Affiliates own or possesses, or can acquire on reasonable terms, all Intellectual Property and Information Technology necessary to carry on the business now operated by them. Neither BlackRock nor any of its Controlled Affiliates has received any notice of infringement of or conflict with asserted rights of others with respect to any Intellectual Property which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a BlackRock Material Adverse Effect.

Section 4.15 Insurance. BlackRock and each of its Controlled Affiliates are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged, or as they may be required to maintain under Applicable Law; neither BlackRock nor any of its Controlled Affiliates has been refused any insurance coverage sought or applied for; and neither BlackRock nor any of its Controlled Affiliates has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar cov-

erage from similar insurers as may be necessary to continue its business at a cost that would not have a BlackRock Material Adverse Effect.

Section 4.16 Affiliate Arrangements.

(a) Except as set forth in Schedule 4.16(a), there is no material Contract, arrangement, liability or obligation (whether or not evidenced by a writing) between BlackRock, a current or former Controlled Affiliate of BlackRock, on the one hand, and PNC or any of its Affiliates (other than BlackRock and its Controlled Affiliates), on the other hand (any such Contract, liability or obligation, a "BlackRock Affiliate Arrangement").

(b) To the knowledge of the BlackRock Parties, except as set forth on Schedule 4.16(b), no director, officer or employee of BlackRock or any of its Controlled Affiliates: (i) owns, directly or indirectly, any economic or ownership interest in (x) any property or asset, real or personal, tangible or intangible, used in or held for use in connection with or pertaining to BlackRock's business, (y) any Client or (z) any supplier, lessor, lessee or competitor of BlackRock or any of its Controlled Affiliates, where such interest would be material to BlackRock and its Controlled Affiliates, taken as a whole, (ii) serves as a trustee, officer, director or employee of any Person that is a Client, supplier, lessor, lessee or competitor of BlackRock or any of its Controlled Affiliates or (iii) has received any loans from or is otherwise a debtor of, or made any loans to or is otherwise a creditor of, BlackRock or any of its Controlled Affiliates, where the amount of any such loans or obligations would be material to BlackRock and its Controlled Affiliates, taken as a whole.

(c) Neither BlackRock nor any BlackRock Controlled Affiliate has any loan outstanding, has extended or maintained credit, or has arranged for the extension of credit, to any director, officer or employee of any of them.

Section 4.17 Real Properties. BlackRock and its Controlled Affiliates have good and marketable title in fee simple to all real property, and good and marketable title to all personal property owned by them which is material to the business of BlackRock and its Controlled Affiliates, in each case free and clear of all Liens except for Permitted Liens and such as are described in a Schedule; and any real property and buildings held under lease by BlackRock and its Controlled Affiliates are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by BlackRock and its Controlled Affiliates, in each case except as described in Schedule 4.17. There exists no material default or condition, or any state of facts or event which with the passage of time or giving of notice would constitute a material default, in the performance of its obligations under any of the Real Property Leases to which BlackRock or any of its Controlled Affili-

ates is a party (the "BlackRock Real Property Leases") or, to the knowledge of BlackRock, by any other party to any of such BlackRock Real Property Leases. Except as may be limited by bankruptcy, insolvency, reorganization and similar applicable Laws affecting creditors generally and by the availability of equitable remedies (a) each of the BlackRock Real Property Leases are legal, valid and binding obligations of BlackRock or a BlackRock Controlled Affiliate, as applicable, and, to the knowledge of BlackRock, each other party to such Leases and (b) each of the BlackRock Real Property Leases is enforceable against BlackRock or its Controlled Affiliate, as applicable, and, to the knowledge of BlackRock, each other party to such Lease, except in each case for failures that, individually or in the aggregate, have not had and would not reasonably be expected to have or result in a BlackRock Material Adverse Effect. Neither BlackRock nor any of its Controlled Affiliates has received any written or oral communication from the landlord or lessor under any of the BlackRock Real Property Leases claiming that it is in breach of its obligations under such Leases, except for written or oral communications claiming breaches that, individually or in the aggregate, would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

Section 4.18 Material Contracts.

(a) Each BlackRock Material Contract is valid, binding and in full force and effect, and is enforceable against BlackRock or any of its Controlled Affiliates that is a party thereto, as the case may be, and, to the knowledge of BlackRock, each other party thereto, in accordance with its terms. Each of BlackRock and its Controlled Affiliates, as applicable, has duly performed all of its material obligations under each such Material Contract to the extent that such obligations have accrued. There are no existing defaults (or circumstances, occurrences, events or acts that, with the giving of notice or lapse of time or both would become defaults) of BlackRock or any of its Controlled Affiliates or, to the knowledge of BlackRock, any other party thereto under any material Contract, except in each case for any defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have or result in a BlackRock Material Adverse Effect. To the knowledge of BlackRock, there are no circumstances, occurrences, events or acts that, with the giving of notice or lapse of time or both, would permit BlackRock or any of its Controlled Affiliates or any other party thereto, to alter or amend any of the material terms or conditions of any Material Contract or would permit or would result in any increased liability or penalty, except for such circumstances, occurrences, events or acts that, individually or in the aggregate, have not had or resulted in and would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

(b) Except as set forth in Schedule 4.18(b), none of BlackRock or any of its Controlled Affiliates has entered into or is bound by or subject to any of the following any Contract prohibiting or materially restricting the ability of BlackRock or any of its Controlled Affiliates to conduct its business, to engage in any business or operate in any geographical area or to compete with any Person.

Section 4.19 Brokers and Finders. No broker, finder or similar intermediary has acted for or on behalf of, or is entitled to any broker's, finder's or similar fee or other commission from, any BlackRock Party in connection with this Agreement or the Ancillary Agreements or the Transactions.

Section 4.20 [Intentionally Omitted].

Section 4.21 Taxes.

(a) Each of the BlackRock Parties has (i) duly and timely filed with the appropriate Governmental Authority all material Tax Returns required to be filed and all such Tax Returns are true, correct and complete in all material respects, (ii) timely paid all material Taxes due or claimed to be due by any Governmental Authority or, with respect to Taxes accrued but not yet due and payable, made an adequate provision on the appropriate financial statements in accordance with GAAP.

(b) There are no Liens for Taxes upon any property or assets of the BlackRock Parties other than statutory Liens for Taxes not yet due and payable.

(c) None of the BlackRock Parties has in effect (A) a waiver of any statute of limitations in respect of Taxes of the BlackRock Parties or (B) any agreement for any extension of time with respect to a Tax assessment or deficiency relating to the BlackRock Parties.

(d) There is no audit, examination, deficiency, refund litigation or proposed adjustment with respect to any Taxes of any of the BlackRock Parties. As of the date hereof, none of the BlackRock Parties has received written notice of any claim made by a Governmental Authority in a jurisdiction where such BlackRock Party does not file a Tax Return, that such entity is or may be subject to material taxation by that jurisdiction, where such claim has not been resolved favorably to such BlackRock Party.

(e) BlackRock has made available to MLIM Parent correct and complete copies of (i) all federal and other material Tax Returns of the BlackRock Parties relating to the taxable periods ending after January 1, 2002, which have been filed and (ii) all audit reports within the last five (5) years relating to any material Taxes due from or with respect to the BlackRock Parties.

(f) None of the BlackRock Parties has participated in any "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(c)(3)(i)(A).

(g) Each of the BlackRock Parties is in compliance with all applicable rules and regulations regarding the solicitation, collection and maintenance of any forms, certifications and other information required in connection with federal, state, local or foreign tax withholding or reporting.

(h) None of the BlackRock Parties or any BlackRock Subsidiary has been a member of an affiliated, combined, consolidated or unitary Tax group for purposes of federal, state, local, foreign or other Tax law other than any group of which BlackRock was the common parent.

(i) No BlackRock Party has any present plan or intention to cause directly or indirectly any of the Assets or any of the interests in the UK Entities to be transferred or treated for U.S. federal income tax purposes as being transferred to any foreign corporation or any entity treated as a foreign corporation for U.S. federal income tax purposes.

Section 4.22 Board of Directors Approvals. The Board of Directors of BlackRock and BlackRock Merger Sub, at a meeting duly called and held, has unanimously (i) determined that this Agreement and the Merger are advisable, fair to, and in the best interests of BlackRock and its stockholders, (ii) duly and validly approved and taken all corporate action required to be taken by the Board of Directors to authorize the consummation of the Transactions and (iii) recommended that the stockholders of BlackRock Merger Sub or BlackRock, as applicable, approve and adopt this Agreement and the Merger, and none of the aforesaid actions by such Board of Directors has been amended, rescinded or modified. BlackRock, as sole stockholder of BlackRock Merger Sub, has adopted this Agreement in accordance with the DGCL.

ARTICLE V

COVENANTS

Section 5.1 Conduct of Business. During the period from the date of this Agreement and until the earlier of the Closing Date and the termination of this Agreement in accordance with its terms, except as (x) expressly contemplated by this Agreement (including the MLIM Restructuring), (y) set forth in Schedule 5.1 to the MLIM Parent Disclosure Letter or the BlackRock Disclosure Letter, as the case may be, or (z) consented to in writing by either BlackRock or MLIM Parent, as the case may be (any request of such consent by MLIM Parent or BlackRock to be considered

in good faith and the grant of such consent not to be unreasonably withheld, conditioned or delayed), each of MLIM Parent and BlackRock shall, and, in the case of MLIM Parent, shall cause the MLIM Companies to, and in the case of BlackRock, shall cause the BlackRock Companies to:

(a) (i) use its commercially reasonable efforts to cause each MLIM Business Entity, or each BlackRock Company, as applicable, (A) to carry on its businesses in the ordinary course in all material respects consistent with past practice and (B) to keep its business and operations intact, retain its present officers and employees and preserve its material rights, franchises, goodwill and relations with its clients, customers, lessors, suppliers and others with whom it does business so that they will be preserved after the Closing and (ii) not to take or fail to take any action that would cause any of the representations and warranties set forth in Article III to be untrue or incorrect in any material respect at any time on or after the date hereof and through the Closing Date; and

(b) without limiting the generality of the foregoing,

(i) not amend the Organizational Documents of any MLIM Business Entity or, except as contemplated by this Agreement or any Ancillary Agreement, any BlackRock Company, as applicable;

(ii) other than any cash dividends in accordance with Section 5.16, as to the MLIM Business Entities, and other than any dividends in the ordinary course of business consistent with past practice, not make any distribution or declare, pay or set aside any dividend with respect to, or split, combine, redeem, reclassify, purchase or otherwise acquire directly, or indirectly, any equity interests or shares of capital stock of, or other equity or voting interest in, any MLIM Transferred Entity or any Controlled Affiliate of any MLIM Transferred Entity, or make any other changes in the capital structure of any MLIM Business Entity or MLIM Transferred Entity or any Controlled Affiliate of any MLIM Transferred Entity;

(iii) not authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (i) any equity interests or capital stock of or other equity or voting interest in, any MLIM Transferred Entity or any Controlled Affiliate of any MLIM Transferred Entity or any BlackRock Controlled Affiliate, as applicable, or (ii) any Equity Rights in respect of, security convertible into, exchangeable for or evidencing the right to subscribe for or acquire either (A) any equity interests or shares of capital stock of, or other equity or voting interest in, any MLIM Transferred Entity or any Controlled Affiliate of any MLIM Transferred Entity or any BlackRock Controlled Affiliate, as applicable, or (B) any securities convertible into, exchangeable for, or evidencing

the right to subscribe for or acquire, any shares of the capital stock of, or other equity or voting interest in, any MLIM Transferred Entity or any Controlled Affiliate of any MLIM Transferred Entity or any BlackRock Controlled Affiliate, as applicable;

(iv) not form, organize or sponsor any Fund not (A) contemplated by its current business plan or (B), as to BlackRock and its Controlled Affiliates, in the ordinary course of business thereof;

(v) in the case of MLIM Parent, only with respect to the MLIM Business, and, in the case of BlackRock, the BlackRock Companies, not sell, transfer, assign, convey, lease, license mortgage, pledge or otherwise subject to any Lien any of its material properties or assets, tangible or intangible, except for Permitted Liens or in the ordinary course of business consistent with past practices;

(vi) in the case of MLIM Parent, only with respect to the MLIM Business, and other than with respect to indebtedness owed by any MLIM Business Entity to another MLIM Business Entity or any BlackRock Company to any other BlackRock Company, not incur, assume or guarantee (including by way of any agreement to "keep well" or of any similar arrangement) or cancel or waive any claims under any Indebtedness or other claims or rights of substantial value or amend or modify the terms relating to any such Indebtedness, claims or rights, except for any such incurrence, assumption or guarantee of Indebtedness or amendment of the terms of such Indebtedness in the ordinary course of business consistent with past practices involving an aggregate amount not exceeding $10,000,000;

(vii) in the case of MLIM Parent, only with respect to the MLIM Business, and, in the case of BlackRock, the BlackRock Companies, not change any material financial accounting principle, method or practice (including any principles, methods or practices relating to the estimation of reserves or other liabilities), other than changes required by GAAP or Applicable Law or required to be implemented during such period;

(viii) in the case of MLIM Parent, only with respect to the MLIM Business, and, in the case of BlackRock, the BlackRock Companies, except as required by Applicable Law or an existing Plan or Contract, not (A) other than routine wage or salary increases in the ordinary course of business consistent with the past practice of any MLIM Business Entity or any BlackRock Company, as appropriate, make or agree to make any material increase in compensation, pension, or other fringe benefits or perquisites payable to any officer or investment professional or other Person, (B) grant or agree to grant any severance or termination pay or enter into any Contract to make or grant

any severance or termination pay or pay any bonus, other than in the ordinary course of business consistent with past practice, (C) other than in the ordinary course of business consistent with past practice or as required by Applicable Law grant or agree to grant or accelerate the time of vesting or payment of any awards under a Plan (including any Equity Rights to acquire any equity interests of any MLIM Transferred Entity or any Controlled Affiliate of any MLIM Transferred Entity or any BlackRock Company, as appropriate), or (D) other than in the ordinary course of business, establish, adopt, amend, modify or terminate any Plan;

(ix) not acquire any business or Person that would be included in the MLIM Business and material to the MLIM Business or to the business of the BlackRock Companies, taken as a whole, as applicable, by merger or consolidation, purchase of substantial assets or equity interests, or by any other manner, in a single transaction or a series of related transactions, or enter into any Contract, letter of intent or similar arrangement (whether or not enforceable) with respect to the foregoing;

(x) not enter into, amend in any material respect, breach, terminate or allow to lapse any Material Contract, other than in the ordinary course of business consistent with past practice;

(xi) not amend, breach, terminate or allow to lapse any material Permit relating to the MLIM Business or the BlackRock Companies, as applicable, other than (A) amendments required by Applicable Law or (B), as to BlackRock and its Controlled Affiliates, any such action in the ordinary course of business thereof;

(xii) in the case of MLIM Parent, only with respect to the MLIM Business, and, in the case of BlackRock, the BlackRock Companies, not enter into, materially amend or become subject to any limited liability company agreement, joint venture, partnership, strategic alliance, stockholders' agreement, co-marketing, co-promotion, joint development or similar arrangement, except in the ordinary course of business consistent with past practices;

(xiii) in the case of MLIM Parent, only with respect to the MLIM Business, and, in the case of BlackRock, the BlackRock Companies, not make or incur any capital expenditure or other financial commitment requiring payments in each case in excess of $5,000,000 individually or $15,000,000 in the aggregate or, in the case of the MLIM Business Entities, any unfunded commitment with respect to off balance sheet arrangements of the type listed on Schedule 7.2(f) of the MLIM Parent Disclosure Letter;

(xiv) in the case of MLIM Parent, only with respect to the MLIM Business and, in the case of BlackRock, as to the BlackRock Companies, subject to entering into the HMRC Agreement, not make or change any material Tax election, not settle and/or compromise any material Tax liability, not change any material Tax accounting method or practice, not prepare any Tax Return in a manner inconsistent with past practice, not incur any material liability for Taxes other than in the ordinary course of business consistent in nature and amount with past practice, and not file a material amended Tax Return or any material claim for refund of Taxes;

(xv) not take any action that (A) would prevent any Public Fund from qualifying as a "regulated investment company" under Section 851 of the Code or comparable pass-through regime in any other applicable jurisdiction or (B) would be inconsistent with each Public Fund's prospectuses and other offering, advertising and marketing materials, as amended or supplemented;

(xvi) in the case of MLIM Parent, only with respect to the MLIM Business, and, in the case of BlackRock, the BlackRock Companies, not pay, discharge, settle or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise) in each case in excess of $10,000,000 in the aggregate; and

(xvii) not enter into any Contract (whether or not binding) to take any action prohibited by or not in compliance with any provision of this Section 5.1, or otherwise commit or agree to take any such action.

Section 5.2 Information Prior to Closing.

(a) Subject to the provisions of Section 5.6 and Applicable Law and the confidentiality obligations set forth in the Confidentiality Agreement, between the date hereof and the earlier of the Closing Date and the termination of this Agreement in accordance with its terms, MLIM Parent shall, and shall cause the MLIM Controlled Affiliates to, and BlackRock shall, and shall cause the BlackRock Controlled Affiliates to, instruct their respective management personnel to reasonably cooperate with the other party and its representatives during normal business hours and provide the other party and its accountants, employees, attorneys and other representatives acting on behalf of the other party with reasonable access during normal business hours to, and permit such Persons to review, their respective properties, books, Contracts, accounts and records, and shall provide such other information to the other party and its representatives as they may reasonably request; provided that any such access and review shall be granted and conducted in such man-

ner as not to interfere unreasonably with the conduct of the business of the MLIM Companies, or BlackRock and the BlackRock Companies, as applicable.

(b) Between the date hereof and the earlier of the Closing Date and the termination of this Agreement in accordance with its terms, each of MLIM Parent and BlackRock shall provide the other party on a monthly basis promptly as they become available copies of all regularly prepared monthly financial statements and reports of the MLIM Business or BlackRock, as appropriate, including statements of operations and balance sheets.

(c) Between the date hereof and until the earlier of the Closing Date and the termination of this Agreement in accordance with its terms, MLIM Parent shall, and shall use its commercially reasonable efforts to cause the MLIM Controlled Affiliates to, cooperate with BlackRock in its efforts to comply with the Laws affecting public companies in the United States, including the Sarbanes-Oxley Act, to the extent that such compliance involves the MLIM Companies. In furtherance (and not in limitation) of the foregoing, between the date of this Agreement and the Closing Date, MLIM Parent shall, and shall use its commercially reasonable efforts to cause the MLIM Controlled Affiliates to, permit representatives of BlackRock acting on behalf of BlackRock to meet with officers of the MLIM Companies responsible for the Financial Statements and the Internal Controls to discuss such matters as reasonably necessary for BlackRock to be able to satisfy applicable obligations under the Sarbanes-Oxley Act immediately following the Closing.

Section 5.3 Notification of Certain Matters.

(a) Between the date hereof and the earlier of the Closing Date and the termination of this Agreement in accordance with its terms,

(i) MLIM Parent shall give reasonably prompt notice to BlackRock of (A) the occurrence or existence of (1) the breach in any material respect of a representation or warranty made by MLIM Parent in this Agreement, (2) any fact, circumstance or event that would reasonably be expected to prevent or materially delay any condition precedent to any party's obligations from being satisfied, and/or (3) a MLIM Material Adverse Effect, in each case of which MLIM Parent becomes aware; (B) any notice or other written communication (other than routine notices or communications in the ordinary course of business) from any Governmental Authority with respect to the Transactions; or (C) any notice or other written communication from any Person alleging that the Consent of such Person is or may be required in connection with the Transactions; and

(ii) BlackRock shall give reasonably prompt notice to MLIM Parent of (A) the occurrence or existence of (1) the breach in any material respect of a representation or warranty made by BlackRock in this Agreement, (2) any fact, circumstance or event that would reasonably be expected to prevent or materially delay any condition precedent to any party's obligations from being satisfied, and/or (3) a BlackRock Material Adverse Effect, in each case of which BlackRock becomes aware; (B) any notice or other written communication (other than routine notices or communications) from any Governmental Authority with respect to the Transactions; and (C) any notice or other written communication from any Person alleging that the Consent of such Person is or may be required in connection with the Transactions.

(b) Between the date hereof and the earlier of the Closing Date and the termination of this Agreement in accordance with its terms,

(i) Unless prohibited by Applicable Law, MLIM Parent shall make available to BlackRock, promptly after the same become available, complete and correct copies of all inspection reports and correspondence and other documents relating to any inquiry or investigation provided to any MLIM Company or a MLIM Fund by any Governmental Authority. The foregoing sentence shall not apply to Tax matters, which shall be governed exclusively by Article VIII.

(ii) Unless prohibited by Applicable Law, BlackRock shall make available to MLIM Parent, promptly after the same becomes available, complete and correct copies of all inspection reports and correspondence and other documents relating to any investigation provided to any BlackRock Controlled Affiliate or a BlackRock Fund by any Governmental Authority. The foregoing sentence shall not apply to Tax matters, which shall be governed exclusively by Article VIII.

Section 5.4 No Solicitation, Etc.

(a) During the period from the date hereof continuing through the Closing, MLIM Parent shall not, and shall use its reasonable best efforts to cause its respective Affiliates and all of the officers, directors, employees, agents, representatives, consultants, financial advisors, attorneys, accountants or other agents of MLIM Parent or any Affiliate not to, directly or indirectly, encourage, initiate, solicit or engage in discussions or negotiations with, or provide any information to, any Person, other than BlackRock (and its Affiliates and representatives), concerning any acquisition by such Person of any Equity Rights, capital stock or other securities of the MLIM Business Entities or any issuance of equity interests, capital stock or other securities of the MLIM Business Entities or any merger, asset sale, recapitalization

or similar transaction involving the MLIM Business Entities or the MLIM Business. MLIM Parent will notify BlackRock as soon as practicable if any Person makes any proposal, offer, inquiry to, or contact with, MLIM Parent or any MLIM Controlled Affiliate, as the case may be, with respect to the foregoing and shall describe in reasonable detail the identity of any such Person and the substance and material terms of any such contact and the material terms of any such proposal.

(b) During the period from the date hereof continuing through the Closing, BlackRock shall not, and shall use its reasonable best efforts to cause its respective Affiliates and all of the officers, directors, employees, agents, representatives, consultants, financial advisors, attorneys, accountants or other agents of BlackRock or any Affiliate not to, directly or indirectly, encourage, initiate, solicit or engage in discussions or negotiations with, or provide any information to, any Person, other than MLIM Parent (or its Affiliates and representatives), concerning any acquisition by such Person of any Equity Rights, capital stock or other securities of BlackRock or any BlackRock Controlled Affiliate or any issuance, other than as provided in Section 5.1, of equity interests, capital stock or other securities of BlackRock or any BlackRock Controlled Affiliate, or any merger, asset sale, recapitalization or similar transaction involving BlackRock or any BlackRock Controlled Affiliate. BlackRock will notify MLIM Parent as soon as practicable if any Person makes any proposal, offer, inquiry to, or contact with, BlackRock or any BlackRock Controlled Affiliate, as the case may be, with respect to the foregoing and shall describe in reasonable detail the identity of any such Person and the substance and material terms of any such contact and the material terms of any such proposal. Notwithstanding any other provision contained herein (i) BlackRock and its Board of Directors shall not be prevented from complying with their disclosure obligations under Rules 14d-9 and 14e-2 under the Exchange Act and (ii) the members of the BlackRock Board of Directors shall not be prevented from complying with their fiduciary duties under Applicable Law including without limitation engaging in discussions or negotiations or furnishing information (in each case (i) and (ii), only to the extent necessary to comply with such disclosure obligations or fiduciary duties), *provided* that BlackRock shall not be authorized to enter into any agreement providing for an acquisition of BlackRock or any substantial part of its Equity Rights, capital stock or other equity securities or assets.

Section 5.5 Use of Certain Marks. MLIM Parent and BlackRock shall use their reasonable best efforts, and shall cause any applicable Controlled Affiliates to use their reasonable best efforts, to enter into the License Agreement as of the Closing Date.

Section 5.6 Confidentiality and Announcements.

(a) Following the Closing, each party shall keep confidential, and use its reasonable best efforts to cause its Controlled Affiliates and their officers, directors, employees and advisors to keep confidential, all non-public information in its possession provided by the other party hereto relating to MLIM Parent, its Controlled Affiliates, the Funds, the MLIM Business and BlackRock and its Controlled Affiliates, and the business and operations thereof, except (i) as required by Applicable Law or administrative process, (ii) for information that is or becomes known or available to the public at the time of disclosure, or thereafter becomes known to the public other than as a result of a breach of this Section 5.6(a) or (iii) for information that is or was received from a third party that, to the knowledge of such party to this Agreement, is or was (at the relevant time) not in breach of a confidentiality obligation with regard to such information.

(b) None of the parties to this Agreement shall, nor shall any of their respective Controlled Affiliates or agents (including accountants, lenders, counsel or investment bankers), without the approval of the other parties, issue any press releases announcing the execution of this Agreement or the Transactions, otherwise make any public statements regarding the Transactions or otherwise disclose any of the contents of this Agreement or the Ancillary Agreements, except as may be determined in good faith by a party to be required by Applicable Law or regulation or by obligations pursuant to any listing agreement with any national securities exchange (in which case such party shall consult, to the extent reasonably practicable, the other parties prior to issuing such press release or making such public disclosure).

Section 5.7 Regulatory Matters; Third-Party Consents.

(a) The parties to this Agreement shall cooperate with each other and use all reasonable best efforts to prepare and file, as promptly as practicable, all necessary documentation, to effect all applications, notices, petitions and filings, and to obtain as promptly as practicable all Consents of all third parties and Governmental Authorities set forth in Schedules 3.6 and 4.6 or that are necessary or advisable to consummate the Transactions; *provided, however*, that (i) no party shall be required to make any payment to obtain any Consent from a third party (or Governmental Authority), and (ii) neither MLIM Parent nor any of its Controlled Affiliates shall agree orally or in writing to any material amendments to any Material Contract, to any material concessions in any commercial arrangements or to any material loss of rights (whether to have effect prior to or after the Closing), in each case, in connection with obtaining any Consents from any private third-party or Governmental Authority without obtaining the prior written consent of BlackRock.

(b) If any required Consent of any third party (excluding any Governmental Authority) is not obtained prior to the Closing, the parties hereto, each without cost, expense or liability to the other (except as provided in Article VII hereof), shall cooperate in good faith to seek, if possible, an alternative arrangement to achieve the economic results intended.

(c) Subject to Applicable Law and any applicable confidentiality restrictions, BlackRock and its counsel, on the one hand, and MLIM Parent and its counsel, on the other hand, shall have the right to review (in advance to the extent practicable) any information relating to BlackRock or MLIM Parent, as the case may be, that appear in any filing made with, or written materials submitted to, any Governmental Authority in connection with the Transactions, provided that nothing contained herein shall be deemed to provide any party to this Agreement with a right to review any such information provided to any Governmental Authority on a confidential basis in connection with the Transactions. The parties may also, as each deems reasonably necessary, designate any competitively sensitive material provided to the other under this Section 5.7 as "outside counsel only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient unless express permission is obtained in advance from the source of the materials or its legal counsel.

(d) Promptly after the completion of its due diligence regarding the MLIM Business in connection with this Agreement and the Transactions, BlackRock shall deliver to MLIM Parent a schedule of Governmental Approvals understood by BlackRock to be required to be obtained by BlackRock as a result of the regulatory status of the MLIM Transferred Entities and their Controlled Affiliates, and the MLIM Funds except for Governmental Approvals the failure of which to obtain, individually or in the aggregate, would not reasonably be expected to have or result in a BlackRock Material Adverse Effect.

Section 5.8 MLIM Client Consents.

(a) Public Funds. Subject in each case to the requirements of Applicable Law and the fiduciary duties of the MLIM Companies and the U.S. MLIM Public Fund Boards,

(i) MLIM Parent shall use its reasonable best efforts to, or use its reasonable best efforts to cause the MLIM Companies to, in accordance with Applicable Law, (A) as promptly as practicable following the date hereof, obtain the approval of each U.S. MLIM Public Fund Board of a new Investment Advisory Arrangement, to be effective at the Closing, containing terms, taken as a whole, that are no less favorable to the MLIM Companies than the

terms of the existing Investment Advisory Arrangement between such U.S. MLIM Public Fund and the MLIM Companies, (B) as promptly as practicable following receipt of the approval described in clause (A) above, cause each U.S. MLIM Public Fund Board to call a special meeting of the shareholders of each Public Fund to be held as promptly as reasonably practicable for the purpose of obtaining the requisite approval of such shareholders for such new Investment Advisory Arrangement, as applicable, (C) as promptly as practicable following receipt of the approval described in clause (A) above, prepare and file, or cause each U.S. MLIM Public Fund to prepare and file, with the SEC and all other applicable Governmental Authorities all registration statements and proxy solicitation materials required to be distributed to the shareholders of each U.S. MLIM Public Fund with respect to the actions recommended for shareholder approval by the applicable U.S. MLIM Public Fund Board and mail, or cause to be mailed, such proxy solicitation materials promptly as practicable after clearance by the SEC (if applicable) and (D) as soon as practicable following the mailing of the proxy materials, submit, or cause to be submitted, to the shareholders of each U.S. MLIM Public Fund for a vote at a shareholders meeting the proposals described in clause (B) above.

(ii) In the event that, prior to the Closing, a special shareholder meeting for a U.S. MLIM Public Fund described in clause (i)(B) above is duly convened but adjourned solely as a result of a failure of the requisite quorum in any matter to be present at such meeting (a "Quorum Failure"), MLIM Parent shall use its reasonable best efforts to, or cause a MLIM Company to use reasonable best efforts to, (A) persuade the Public Fund Board of each such U.S. Public Fund to approve, in conformity with Section 15(a)(4) of the Investment Company Act and SEC Rule 15a-4 thereunder, an interim Investment Advisory Arrangement, to be effective at the Closing, for any such U.S. Public Fund with any MLIM Company containing terms that, taken as a whole, subject to Applicable Law, are no less favorable to such MLIM Company than the terms of the existing Investment Advisory Arrangement with each such U.S. MLIM Public Fund and (B) as promptly as practicable following the adjournment of such meeting, persuade any such U.S. Public Fund Board to take such action as may be necessary to re-convene a special meeting of the shareholders of any such U.S. Public Fund to be held as promptly as reasonably practicable following such adjournment for the purpose of obtaining the approval of such shareholders of such new Investment Advisory Arrangement as contemplated by clause (i) above.

(iii) BlackRock and MLIM Parent agree that Consent for any Investment Advisory Arrangement with a Client that is a U.S. Public Fund shall be deemed given for all purposes under this Agreement (but not for purposes of the definition of Contingent Account) only if a new Investment Advi-

sory Arrangement has been approved by the shareholders of the applicable Public Fund in accordance with clause (i) of this subsection (a) and Applicable Law and is in full force and effect at the Closing, unless any time prior to the Closing any Public Fund Board indicates, either orally or in writing, that the applicable Public Fund has (A) terminated or intends to terminate (in whole or in part) its existing or new Investment Advisory Arrangement prior to or following the Closing or (B) could reasonably be expected to terminate its Investment Advisory Arrangement or withdraw assets thereunder unless the fees payable under such Contract or the overall expense level for the applicable Public Fund is reduced prior to or following the Closing.

(iv) MLIM Parent shall use its reasonable best efforts to, or use its reasonable best efforts to cause the MLIM Companies to, in accordance with Applicable Law, as promptly as practicable following the date hereof, obtain such approvals, consents or other actions, if any, by the boards of directors or comparable governing bodies, regulating or self-regulating authorities or shareholders required by Applicable Law or the arrangements governing such Public Fund of such MLIM Company's services therefore of any Public Fund that is not a U.S. Public Fund so that after the Closing the relevant MLIM Company may continue managing such Public Fund on terms, taken as a whole, that are no less favorable to such Controlled Affiliate than the terms of the existing Investment Advisory Arrangement between such non-U.S. Public Fund and such MLIM Company.

(b) Non-Public Funds and Non-Fund Clients.

(i) If Consent or other action is required by Applicable Law or by the Investment Advisory Arrangement of any Client other than a Public Fund for the Investment Advisory Arrangement with such Client to continue after Closing, as promptly as practicable following the date hereof, MLIM Parent shall, or shall cause a MLIM Company to, send a notice complying with Applicable Law and the terms of such Client's Investment Advisory Arrangement in form and substance reasonably acceptable to BlackRock (the "Notice") informing such Client of the Transactions and requesting such Consent in writing or other required action.

(ii) BlackRock and MLIM Parent agree that any Consent required for any Investment Advisory Arrangement with a Client (other than a Public Fund) to continue after the Closing shall be deemed given for all purposes under this Agreement (but not for purposes of the definition of Contingent Accounts) (A) if written Consent is required under Applicable Law or the respective Investment Advisory Arrangement, upon receipt of the written Consent requested in the Notice prior to the Closing Date or (B) if Consent other

than written Consent is permitted under Applicable Law and the respective Investment Advisory Arrangement, (x) upon receipt of a written Consent requested in the Notice prior to the Closing Date or (y) if no such written Consent is received, if 45 days shall have passed since the sending of written notice ("Negative Consent Notice") to such Client (which Negative Consent Notice may be included in the Notice) requesting written Consent as aforesaid and informing such Client: (I) of the intention to complete the Transactions, which will result in a deemed assignment of such Client's Investment Advisory Arrangement; (II) of the MLIM Transferred Entities' or one of their respective Controlled Affiliates' intention to continue to provide the advisory services pursuant to the existing Investment Advisory Arrangement with such Client after the Closing if such Client does not terminate such agreement prior to the Closing; and (III) that the Consent of such Client will be deemed to have been granted if such Client continues to accept such advisory services for a period of at least 45 days after the sending of the Negative Consent Notice without termination; *provided* that, in any case under clause (A) or (B), no Consent shall be deemed to have been given for any purpose under this Agreement if (x) at any time prior to the Closing such Client indicates, either orally or in writing, that such Client (1) has not so consented or has terminated or intends to withdraw its Consent or terminate, in whole or in part, its Investment Advisory Arrangement or (2) intends to terminate its Investment Advisory Arrangement or withdraw assets thereunder unless the fees payable under such Arrangement are reduced or (y) such Client is set forth on the schedule referred to in Exhibit 5.21(ix).

(iii) BlackRock shall be provided a reasonable opportunity to review all Consent materials to be used by the MLIM Companies prior to distribution. The MLIM Companies shall promptly upon their receipt make available to BlackRock copies of any and all substantive correspondence between it and Clients or representatives or counsel of such Clients relating to the consent solicitation provided for in this Section 5.8.

(c) In connection with obtaining the Client Consents and other actions required by subsections (a) and (b) of this Section 5.8, at all times prior to the Closing, the MLIM Companies shall take reasonable steps to keep BlackRock informed of the status of obtaining such Client Consents and, upon BlackRock's request, make available to BlackRock copies of all such executed Client Consents and make available for BlackRock's inspection the originals of such Consents and any related materials, such as telephone logs and other records relating to the Client Consent process.

Section 5.9 Expenses. Except as otherwise expressly provided in this Agreement, each of BlackRock and MLIM Parent shall bear its own direct and

indirect Transaction Expenses, *provided* that all out-of-pocket expenses and out-of-pocket costs incurred by the MLIM Companies and the BlackRock Companies in connection with the procurement or attempted procurement of the Consents required to be obtained pursuant to Section 5.7, Section 5.8 and, if required, Section 5.19, and otherwise in connection with the solicitation and effectuation of Consents of Clients in connection with the Transactions shall be borne, satisfied and discharged by MLIM Parent.

Section 5.10 Further Assurances.

(a) Each party to this Agreement agrees to execute such documents and other papers and use its reasonable best efforts to perform or cause to be performed such further acts as may be reasonably required to carry out the provisions contained in this Agreement and the Ancillary Agreements and the Transactions. Following the Closing, upon the reasonable request of any party or parties hereto, the other parties hereto, as the case may be, agree to promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as may be requested to effectuate the purposes of this Agreement, the Ancillary Agreements and the Transactions. In no event, however, shall the BlackRock Parties or any of their Affiliates be required to enter into any closing agreement pursuant to Treasury Regulation Section 1.1503-2(g)(iv)(B)(3).

(b) MLIM Parent and its Affiliates shall comply with the DCL recapture provisions set forth in Treasury Regulation Section 1.1503-2(g)(2)(vii) with respect to the DCLs of the UK Entities.

(c) In the event that MLIM Parent or any of its Affiliates recaptures any DCL with respect to the MLIM Business, then MLIM Parent and its Affiliates shall promptly provide the BlackRock Parties with notice, copies of financial statements, Tax Returns and other such information necessary for the BlackRock Parties to calculate the reconstituted net operating loss, if any, pursuant to Treasury Regulation Section 1.1503-2(g)(2)(vii)(E).

(d) (i) Each BlackRock Party will, and will procure that each Subsidiary of each BlackRock Party (including any entity that is as of the MLIM Contribution, or becomes after the MLIM Contribution, a Subsidiary of any BlackRock Party) will (i) not take any action that would violate any agreement regarding the DCLs of the UK Entities entered into with the UK HRMC substantially in the form of Exhibit 5.10 (d) attached to this Agreement (the "HRMC Agreement"), and (ii) not sell, transfer or otherwise dispose of any interest in any UK Entity on terms that would violate the HRMC Agreement. For so long as controlled by New BlackRock, each BlackRock Party will, and will procure that each Subsidiary of each

BlackRock Party (including any entity that is as of the MLIM Contribution, or becomes after the MLIM Contribution, a Subsidiary of any BlackRock Party) will, not voluntarily include, recognize, or otherwise take any non-U.S. Tax benefit for any losses, deductions, reliefs, set offs, allowances or credits of any of the UK Entities that arise on or before the Closing or are attributable to any period ending on or before the Closing or that part of any period ending after the Closing as occurs on or before the Closing, and that are provided by MLIM Parent on a schedule to New BlackRock within 60 days after the Closing. Each BlackRock Party will, and will procure that each Subsidiary of each BlackRock Party (including any entity that is as of the MLIM Contribution, or becomes after the MLIM Contribution, a Subsidiary of any BlackRock Party) will cause any transferee of any sale, transfer or other disposition of all or a direct or indirect controlling interest of any UK Entity or UK Entities to assume the obligations under this Section 5.10(d) with respect to any interests in, or any assets or business of, such UK Entity or UK Entities transferred to it and consequently the BlackRock Parties and each Subsidiary of each BlackRock Party shall cease to have any obligation under this Section 5.10(d) with respect to utilization of non-U.S. Tax benefits with respect to such transferred interests or assets after such transfer.

(ii) If any non-U.S. Governmental Entity attempts to require that any BlackRock Party or any Subsidiary of any BlackRock Party (including any entity that is as of the MLIM Contribution, or becomes after the MLIM Contribution, a Subsidiary of any BlackRock Party) include, recognize or otherwise take any non-U.S. Tax benefit for any losses, deductions, reliefs, set offs, allowances or credits of any of the UK Entities that arise on or before the Closing or are attributable to any period ending on or before the Closing or that part of any period ending after the Closing as occurs on or before the Closing, and that are provided by MLIM Parent on the schedule referred to in (i) above to New BlackRock within 60 days after the Closing, then the respective BlackRock Party or Subsidiary of a BlackRock Party shall, upon written request by MLIM Parent, grant a power of attorney to MLIM Parent to contest such inclusion, recognition or taking of a non-U.S. tax benefit. MLIM Parent shall indemnify and hold harmless such BlackRock Party or such Subsidiary of a BlackRock Party for Losses arising from such contest or the resolution of such contest.

(e) Each BlackRock Party will, and will procure that each Subsidiary of each BlackRock Party (including any entity that is as of the Effective Time, or becomes after the Effective Time, a Subsidiary of any BlackRock Party) will, not cause directly or indirectly any of the assets or any of the interests in the UK Entities to be transferred or treated for U.S. federal income tax purposes as being transferred to any foreign corporation or any entity treated as a foreign corporation for U.S. federal income tax purposes within two years after the Effective Time.

(f) MLIM Parent shall not take, or cause to be taken, any action after the date hereof and on or prior to the MLIM Contribution that will cause the aggregate adjusted tax basis of the amortizable Section 197 intangible assets as defined in Section 197 of the Code of the UK Entities (the "197 Intangibles"), which is estimated to be £1,181,000,000 as of December 30, 2005, to be reduced, other than through ordinary amortization which annual amortization is expected to be at the rate of £158,000,000.

Section 5.11 Public Fund Proxy Statements and Registration Statements.

(a) BlackRock agrees that the information and data that is or will be contained in the proxy materials/prospectus to be furnished to the shareholders of any BlackRock Public Fund (other than information or data that is or will be provided by or on behalf of MLIM Parent or its Affiliates specifically for inclusion in such proxy materials/prospectus) to the extent shareholder approval is required under Applicable Law or the applicable Investment Advisory Arrangement for the purpose of providing Consent or approving any interim or new Investment Advisory Arrangement will not contain, at the time (A) they are presented to the board of directors of any Public Fund and (B) the proxy materials/prospectus are first mailed to the shareholders of any BlackRock Public Fund to the extent shareholder approval is required under Applicable Law or the applicable Investment Advisory Arrangement or at the time of the meeting thereof, any untrue statement of a material fact, or omit to state any material fact required to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of BlackRock and MLIM Parent shall have the right to review in advance and to approve (such approval not to be unreasonably withheld) all the information relating to it and any of its Affiliates proposed to appear in any registration statement or proxy statement or any amendment or supplement thereto submitted to the SEC in connection with the Transactions.

(b) MLIM Parent agrees that the information and data that is or will be contained in the proxy materials/prospectus to be furnished to the shareholders of any MLIM Public Fund (other than information or data that is or will be provided by or on behalf of BlackRock or its Affiliates specifically for inclusion in such proxy materials/prospectus) to the extent shareholder approval is required under Applicable Law or the applicable Investment Advisory Arrangement for the purpose of providing Consent or approving any interim or new Investment Advisory Arrangement will not contain, at the time (A) they are presented to the board of directors of any Public Fund and (B) the proxy materials/prospectus are first mailed to the shareholders of any MLIM Public Fund to the extent shareholder approval is required under Applicable Law or the applicable Investment Advisory Arrangement or at the time of the meeting thereof, any untrue statement of a material fact, or omit to state

any material fact required to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of MLIM Parent and BlackRock shall have the right to review in advance and to approve (such approval not to be unreasonably withheld) all the information relating to it and any of its Affiliates proposed to appear in any registration statement or proxy statement or any amendment or supplement thereto submitted to the SEC in connection with the Transactions.

(c) As soon as possible following the date hereof, MLIM Parent or a MLIM Controlled Affiliate and BlackRock or one of its Controlled Affiliates, as applicable, shall, and shall use their respective reasonable best efforts to cause each MLIM Public Fund and BlackRock Public Fund, respectively, to (i) file supplements to each Public Fund's prospectus forming a part of its registration statement, which supplements or amendments shall reflect changes as necessary in each Public Fund's affairs as a consequence of the Transactions and (ii) make any other filing necessary under Applicable Law to satisfy disclosure requirements to enable the public distribution of the shares of that Public Fund to continue.

Section 5.12 Section 15(f) of the Investment Company Act.

(a) BlackRock acknowledges that MLIM Parent has entered into this Agreement in reliance upon the benefits and protections provided by Section 15(f) of the Investment Company Act. In furtherance (and not limitation) of the foregoing, BlackRock shall conduct its business and shall use its reasonable best efforts to cause each of its Controlled Affiliates to conduct its business to enable the following to be true regarding Section 15(f) of the Investment Company Act in relation to any MLIM Public Fund for which a MLIM Company provides investment advisory or sub-advisory services: (a) for a period of not less than three years after the Closing Date, no more than 25% of the members of the board of directors or trustees of any such MLIM Public Fund shall be "interested persons" (as defined in the Investment Company Act) of MLIM Parent or BlackRock or any of their respective Controlled Affiliates and (b) for a period of not less than two years after the Closing Date, neither BlackRock nor any of its Controlled Affiliates shall impose an "unfair burden" (as defined in the Investment Company Act) on any such Public Fund in connection with the Transactions.

(b) MLIM Parent acknowledges that BlackRock, to the extent that the actions specified in Section 5.19 are necessary to comply with Regulatory Requirements, has entered into this Agreement in reliance upon the benefits and protections provided by Section 15(f) of the Investment Company Act. In furtherance (and not limitation) of the foregoing, MLIM Parent shall conduct its business and shall use its reasonable best efforts to cause each of its Controlled Affiliates to conduct its business to enable the following to be true regarding Section 15(f) of the Investment

Company Act in relation to any BlackRock Public Fund for which BlackRock or any BlackRock Controlled Affiliate provides investment advisory or sub-advisory services: (a) for a period of not less than three years after the Closing Date, no more than 25% of the members of the board of directors or trustees of any such BlackRock Public Fund shall be "interested persons" (as defined in the Investment Company Act) of MLIM Parent or BlackRock or any of their respective Controlled Affiliates and (b) for a period of not less than two (2) years after the Closing Date, neither MLIM Parent nor any of its Controlled Affiliates shall impose an "unfair burden" (as defined in the Investment Company Act) on any such Public Fund in connection with the Transactions.

(c) Notwithstanding anything to the contrary contained in this Agreement, the covenants of the parties contained in this Section 5.12 are intended only for the benefit of the parties and holders of their respective equity interests immediately prior to the Closing and for no other Person.

Section 5.13 Ancillary Agreements. Each of BlackRock, New BlackRock and MLIM Parent agree to negotiate in good faith and, on or prior to the Closing Date, to enter into each Ancillary Agreement to which such Person is a party, in each case in the form attached hereto or consistent with the summary of the terms thereof attached hereto, with such changes as to which the parties thereto shall agree.

Section 5.14 Employees.

(a) Generally. Effective as of the Closing Date BlackRock will adopt compensation and employee benefits taking into account then current market and competitive practices and compensation and benefits made available to BlackRock Employees and MLIM Employees immediately prior to the Closing Date. Each MLIM Employee providing services to the MLIM Business and employed on the Closing Date (each such employee, a "Continuing Employee"), shall become a BlackRock Employee effective as of the Closing Date. BlackRock shall provide each Continuing Employee with compensation and employee benefits that are substantially similar to the compensation and benefits provided to similarly situated BlackRock Employees; *provided*, *however*, that this Section 5.14(a) shall not be construed to limit the ability of BlackRock to terminate the employment of any Continuing Employee at any time.

(b) Service Credit and Transition of Benefits Generally. For purposes of eligibility and vesting under the employee benefit plans of the BlackRock Companies, the MLIM Companies, and their respective Affiliates providing benefits to any Continuing Employees after the Closing (the "New Plans"), and for purposes of accrual of vacation and other paid time off and severance benefits under New

Plans, each Continuing Employee shall be credited with his or her years of service with the MLIM Companies and their respective Affiliates (and any additional service with any predecessor employer) before the Closing, to the same extent as such Continuing Employee was entitled, before the Closing, to credit for such service under any similar MLIM Parent Benefit Plan. In addition, and without limiting the generality of the foregoing: (i) each Continuing Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan replaces coverage under a comparable MLIM Parent Benefit Plan in which such Continuing Employee participated immediately before the replacement; and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical and/or vision benefits to any Continuing Employee, BlackRock shall cause all pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such employee and his or her covered dependents, and BlackRock shall cause any eligible expenses incurred by such employee and his or her covered dependents under a MLIM Parent Benefit Plan during the portion of the plan year of the New Plan ending on the date such employee's participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(c) Treatment of Certain Benefit Plans. As of the Closing, Continuing Employees shall cease to be covered by the MLIM Parent Benefit Plans other than Assumed Benefit Plans; provided that MLIM Parent shall retain responsibility for all claims under any MLIM Parent Benefit Plans incurred by Continuing Employees prior to the Effective Time. BlackRock shall be responsible for all claims under any New Plan. For purposes of this paragraph, a claim shall be deemed to have been incurred when the medical or other service giving rise to the claim is performed, except that disability claims shall be deemed to have been incurred on the date the Continuing Employee becomes disabled. As of the Effective Time, Continuing Employees shall no longer actively participate in the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan. MLIM Parent shall cause the accounts of Continuing Employees under the Merrill Lynch, & Co., Inc. 401(k) Savings & Investment Plan to be fully vested as of the Effective Time. BlackRock shall, and shall cause its Affiliates to, designate a tax-qualified defined contribution plan of BlackRock or one of its Affiliates (such plan(s), the "BlackRock Savings Plan") that either (i) currently provides for the receipt from Continuing Employees of "eligible rollover distributions" (as such term is defined under Section 402 of the Code) or (ii) shall be amended as soon as practicable following the Effective Time to provide for the receipt from the Continuing Employees of eligible rollover distributions. As soon as practicable following the Effective Time, (x) BlackRock shall provide MLIM Parent with such documents and other information as MLIM Parent shall reasonably request

to assure itself that the BlackRock Savings Plan provides for the receipt of eligible rollover distributions and (y) MLIM Parent shall provide BlackRock with such documents and other information as BlackRock shall reasonably request to assure itself that the accounts of the Continuing Employees would be eligible rollover distributions. Each Continuing Employee who is a participant in the Merrill Lynch, & Co., Inc. 401(k) Savings and Investment Plan shall be given the opportunity to receive a distribution of his or her account balance and shall be given the opportunity to elect to "roll over" such account balance to the BlackRock Savings Plan, subject to and in accordance with the provisions of such plan(s) and Applicable Law.

(d) Severance Benefits. MLIM Parent shall be solely liable for all severance or similar liabilities incurred or arising prior to the Closing under any MLIM Parent Benefit Plans, Assumed Benefit Plans, any other arrangement or obligations of the MLIM Companies or under the Applicable Laws of any country, including without limitation any applicable works council agreements or collective bargaining agreements.

(e) None of the provisions of this Section 5.14 shall be construed to prevent the termination of employment of any Continuing Employee after the Closing or the amendment or termination of any particular Assumed Benefit Plan to the extent permitted by its terms as in effect immediately before the Closing.

Section 5.15 BlackRock Registration Statement.

(a) BlackRock shall prepare and file with the SEC a proxy statement/prospectus (the "BlackRock Registration Statement") in connection with the required affirmative vote of the holders of a majority of the BlackRock Common Stock (the "Required BlackRock Stockholder Vote") as to the Merger, the issuance of New BlackRock Common Stock as Merger consideration, and the issuance of the MLIM Consideration. BlackRock shall use its reasonable best efforts to have the BlackRock Registration/Proxy Statement declared effective by the SEC as soon as possible following the initial filing thereof with the SEC. MLIM Parent shall furnish all information concerning it and its Affiliates (including, without limitation, audited and unaudited financial statements and other financial and business information regarding MLIM Business Entities and the MLIM Business), as BlackRock may reasonably request in connection with the preparation of the BlackRock Registration Statement.

(b) Each of MLIM Parent and BlackRock agrees, as to itself and its Controlled Affiliates, that none of the information to be supplied by it or its Controlled Affiliates for inclusion or incorporation by reference in the BlackRock Registration Statement and any amendment or supplement thereto will, at the date of mailing to stockholders and at the time or times of the BlackRock Stockholders Meeting,

contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If at any time prior to the date of the BlackRock Stockholders Meeting any information relating to MLIM Parent, BlackRock or any of their Affiliates, officers or directors, should be discovered by BlackRock or MLIM Parent that should be set forth in an amendment or supplement to the BlackRock Registration Statement, so that such document would not include any misstatement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party that discovers such information shall promptly notify the other party and, to the extent required by Applicable Law, an appropriate amendment or supplement describing such information shall be filed promptly by BlackRock with the SEC and, to the extent required by law, disseminated by BlackRock to stockholders of BlackRock.

(c) BlackRock will use its reasonable best efforts to cause the proxy statement and prospectus included in the definitive BlackRock Registration Statement to be mailed to its stockholders as promptly as practicable after the date of this Agreement.

(d) BlackRock will take, in accordance with Applicable Law and its Organizational Documents (but subject to the fiduciary obligations of the Board of Directors of BlackRock), all action necessary to hold a meeting of the holders of the BlackRock Class A Common Stock and BlackRock Class B Common Stock at which the holders of such stock will consider the issuance of New BlackRock Shares as MLIM Consideration and the Merger (including any adjournments or postponements thereof, the "BlackRock Stockholders Meeting") as promptly as practicable after the date of this Agreement. Subject to the terms of this Agreement and subject to its fiduciary obligations under Applicable Law, the Board of Directors of BlackRock shall recommend to BlackRock's stockholders the approval of such matters and shall use reasonable best efforts to solicit such approval.

Section 5.16 Certain Capital Contributions and Distributions.

(a) Preparation of Estimated Closing Financial Information. At least five Business Days prior to the scheduled Closing Date, MLIM Parent shall, at MLIM Parent's expense, prepare, or cause to be prepared, and deliver to BlackRock:

(i) an estimated combined balance sheet of the MLIM Transferred Entities and their Subsidiaries, giving pro forma effect to the MLIM Restructuring as of immediately prior to the scheduled Closing (the "Es-

timated Closing Balance Sheet"), prepared in accordance with the MLIM Financial Statement Principles; and

(ii) a calculation in reasonable detail, based upon such Estimated Closing Balance Sheet and the books and records of MLIM Parent and its Subsidiaries, setting forth the Closing Financial Information and the estimated Closing Adjustment Amounts, in each case as of immediately prior to the scheduled Closing after giving effect to the MLIM Restructuring.

The MLIM Companies shall give, and shall cause their respective advisers to give, BlackRock and its advisors reasonable access to such books, records and personnel of the MLIM Companies (including materials related to the preparation of any applicable income statements and the work papers of MLIM Parent and its accountants relating to the preparation of the Estimated Closing Balance Sheet, the Closing Financial Information delivered pursuant to this Section 5.16(a), and such calculation of the Closing Adjustment Amounts) as may be necessary to enable BlackRock and its advisors to assess the Estimated Closing Balance Sheet, the Closing Financial Information and such calculation of the Closing Adjustment Amounts prior to the Closing.

(b) Closing Date Capital Contribution. On the Closing Date, prior to the Effective Time, MLIM Parent shall make a contribution (in addition to the MLIM Contribution), in cash or in cash equivalents, to the MLIM Transferred Entities, in an amount equal to:

(i) if each of the Estimated Adjustment Amounts is a negative value, the greater of the absolute values of such Estimated Adjustment Amounts; or

(ii) if either of the Estimated Adjustment Amounts is a negative value and the other Estimated Adjustment Amount is a positive value, the absolute value of such negative Estimated Adjustment Amount.

(c) Preparation of Final Closing Financial Information. As promptly as practicable, but no later than 30 days after the Closing Date, BlackRock shall, at its own expense, prepare, or cause to be prepared, and deliver to MLIM Parent**:**

(i) a combined balance sheet of the MLIM Transferred Entities and their Subsidiaries, on a consolidated basis, as of immediately prior to the Effective Time after giving effect to the MLIM Restructuring and to any capital contribution made pursuant to Section 5.16(b) (the "Final Closing Balance Sheet"), prepared in accordance with the MLIM Financial Statement Principles; and

(ii) a calculation in reasonable detail, based upon such Final Closing Balance Sheet, the Closing Financial Information and the books and records of MLIM Parent and its Subsidiaries and the MLIM Transferred Entities and their Subsidiaries, setting forth the Closing Adjustment Amounts, in each case as of immediately prior to the Closing after giving effect to the MLIM Restructuring.

The MLIM Companies shall give, and shall cause their respective advisers to give, BlackRock and its advisors reasonable access to such books, records and personnel of the MLIM Companies (including materials related to the preparation of any applicable income statements and the work papers of MLIM Parent and its accountants) as may be necessary to enable BlackRock and its advisors to confirm the Closing Financial Information and to prepare the Final Closing Balance Sheet and the other information contemplated by this Section 5.16(c).

MLIM Parent shall have 45 days from the date on which such Final Closing Balance Sheet and such calculations are delivered to it to assess such Final Closing Balance Sheet (the "Review Period"). MLIM Parent and its accountants and advisers shall be provided with reasonable access to the work papers of BlackRock and its accountants relating to the Final Closing Balance Sheet and the calculation of the Closing Adjustment Amounts in connection with such review. If MLIM Parent believes that the Final Closing Balance Sheet or the calculation of the Closing Adjustment Amounts were not prepared in accordance with this Section 5.16, MLIM Parent may, on or prior to the last day of the Review Period, deliver a notice to BlackRock setting forth, in reasonable detail, each disputed item or amount and the basis for MLIM Parent's disagreement therewith, together with supporting calculations (the "Dispute Notice"). Following delivery of a Dispute Notice to BlackRock, BlackRock and its accountants and advisers shall be provided with reasonable access to the work papers of MLIM Parent and its accountants relating to the calculation of the Closing Adjustment Amounts as set forth in such Dispute Notice. If no Dispute Notice is received by BlackRock on or prior to the last day of the Review Period or if MLIM Parent at any time during such 45-day period notifies BlackRock in writing that MLIM Parent does not disagree with any amounts set forth in the Estimated Closing Balance Sheet, the Final Closing Balance Sheet and the Closing Adjustment Amounts as prepared and calculated by BlackRock as set forth in BlackRock's certificate shall be deemed accepted by MLIM Parent and shall be final and binding on BlackRock and MLIM Parent. If a Dispute Notice is received by BlackRock on or prior to the last day of the Review Period, MLIM Parent and BlackRock shall, during the 30-day period following the date of such notice (the "Resolution Period"), attempt to resolve their differences in good faith, and any resolution by them as to any disputed amounts shall be final, binding and conclusive.

(d) Accountant's Review. If, at the conclusion of the Resolution Period, there are amounts remaining in dispute with respect to the calculation of the

Closing Adjustment Amounts as to which a valid Dispute Notice has been timely delivered to BlackRock, BlackRock and MLIM Parent shall jointly retain such internationally-recognized independent accounting firm as BlackRock and MLIM Parent may mutually agree (the "Accountant") to resolve any remaining issues set forth in the Dispute Notice. The Accountant shall conduct its review of such issues, any related work papers of the parties or their accountants and any supporting documentation, and hear such presentations by the parties, as the Accountant deems necessary.

(e) Adjustment Report. BlackRock and MLIM Parent shall use their respective reasonable best efforts to agree upon and retain the Accountant as promptly as practicable following the end of the Resolution Period and to cooperate with one another and the Accountant to resolve the issues set forth in the Dispute Notice no later than 45 days following the date of the Accountant's retention so that the Accountant may deliver to MLIM Parent and BlackRock a report (the "Adjustment Report") setting forth the adjustments, if any, that should be made to the disputed Final Closing Balance Sheet or BlackRock's proposed calculation of the final Closing Adjustment Amounts. The fees, expenses and costs of the Accountant for the services described herein shall be allocated between MLIM Parent and BlackRock in the same proportion that the aggregate amount of the items unsuccessfully disputed by each (as finally determined by the Accountant) bears to the total amount of the disputed items. Each of BlackRock and MLIM Parent shall promptly reimburse the other to the extent the other paid more than the amount so required pursuant to the preceding sentence. The Adjustment Report shall be final and binding upon BlackRock and MLIM Parent, and shall be deemed a final arbitration award that is enforceable in any court having jurisdiction.

(f) Final Resolution. Effective upon (i) the end of the Review Period (if a timely Dispute Notice is not delivered), (ii) the resolution of all matters set forth in the Dispute Notice by agreement of the parties (if a timely Dispute Notice is delivered) or (iii) the issuance of the Adjustment Report (the "Resolution Date"), the Final Closing Balance Sheet and the Closing Adjustment Amounts shall be adjusted if and to the extent necessary to reflect the final resolution of any disputed items and shall be final and binding on BlackRock and MLIM Parent.

(g) Distribution in Respect of Final Balance Sheet Adjustment. Notwithstanding the provisions of Section 5.1(b)(ii), the MLIM Transferred Entities may declare, as a distribution to each of the Persons who are holders of record of the MLIM Transferred Interests immediately prior to the Effective Time, an obligation, which shall be payable by Wire Transfer on the third Business Day after the Resolution Date, in an amount equal to, if each of the Final Adjustment Amounts is a positive value, the lesser of such Amounts, with interest, from and including the Closing Date to but excluding the date of such payment, at the Specified Rate. BlackRock

shall cause each of such obligations to be paid and satisfied in full in accordance with the terms and conditions of this Section 5.16(g).

(h) Contribution in Respect of Final Balance Sheet Adjustment. MLIM Parent shall pay to BlackRock, by Wire Transfer, on the third Business Day after the Resolution Date, an amount equal to:

(i) if each of the Final Adjustment Amounts is a negative value, the greater of the absolute values of such Amounts; or

(ii) if either of the Final Adjustment Amounts is a negative value and the other Final Adjustment Amount is a positive value, the absolute value of such negative Final Adjustment Amount;

in each case with interest, from and including the Closing Date to but excluding the date of such payment, at the Specified Rate.

(i) Defined Terms: For the purposes of this Section 5.16:

"Estimated Adjustment Amounts" means the Closing Tangible Equity Balance and the Closing Cash Balance, in each case as determined pursuant to Section 5.16(a).

"Final Adjustment Amounts" means the Closing Tangible Equity Balance and the Closing Cash Balance, in each case as determined pursuant to Section 5.16(c) through (f).

"Closing Tangible Equity Balance" means the positive or negative value equal to the Closing Tangible Equity *less* the Closing Tangible Equity Target.

"Closing Tangible Equity" means total stockholders' equity *less* total goodwill (as adjusted for the impact of foreign currency translation in accordance with historical practice of MLIM Parent and its Subsidiaries) and other intangible assets.

"Closing Tangible Equity Target" means the sum of (a) $693 million, and (b) if the Closing Cash Target is (i) positive, such Closing Cash Target or (ii) negative, zero.

"Closing Cash Balance" means the positive or negative value equal to total cash and cash equivalents *less* the Closing Cash Target.

"Closing Cash Target" means

(i) $125 million, *plus*

(ii) Net Non-VICP Expenses, *less*

(iii) available-for-sale liquid securities, *plus*

(iv) all accrued Cash VICP Expenses relating to employees continuing after Closing, to the extent accrued in accordance with current policy in respect of any portion of the 2006 fiscal year through the Closing Date, *plus*

(v) 50% of all accrued Stock VICP Expenses relating to employees continuing after Closing, to the extent accrued in accordance with current policy in respect of any portion of the 2006 fiscal year through the Closing Date, *less*

(vi) accounts receivable (which, *for the avoidance of doubt*, shall be net of any bad debt reserve), *plus*

(vii) other payables, except accrued compensation and minority interests.

"Net Non-VICP Expenses" means the excess, if any, of (i) expenses incurred in the Final Quarter over (ii) the sum, for such Final Quarter, of (A) VICP Expenses, (B) all non-cash amortization and depreciation, (C) all MLIM Parent allocated corporate expenses and 25% of Indirect Expenses, (D) all compensation expenses associated with employees terminated during the Final Quarter, and (E) all non-recurring expenses properly allocated to the Final Quarter, including expenses related to completion of the Transactions and, subject to the consent of BlackRock (which consent shall not be unreasonably withheld or delayed), items not transferred to the MLIM Transferred Entities in the MLIM Restructuring.

"VICP Expenses" means expenses in respect of variable incentive compensation plans.

"Stock VICP Expenses" means expenses in respect of stock and equity-based variable incentive compensation plans.

"Cash VICP Expenses" means VICP Expenses other than Stock VICP Expenses.

"Indirect Expenses" means indirect expenses as historically defined in the books and records of MLIM Parent and its Subsidiaries.

"Closing Adjustment Amounts" means the Closing Tangible Equity Balance, Closing Tangible Equity Target, Closing Tangible Equity, Closing Cash Balance, Closing Cash Target, VICP Expenses, Cash VICP Expenses, Stock VICP Expenses, and Net Non-VICP Expenses.

"Closing Financial Information" means the information set forth on Exhibit 5.16(i).

"Final Quarter" means the fiscal quarter of the MLIM Transferred Entities ending on (i) the Closing Date, if the Closing Date is the final day of a fiscal quarter or (ii) the final day of the last full fiscal quarter prior to the Closing Date, if the Closing Date is not the final day of a fiscal quarter.

Section 5.17 Nonrecognition Treatment.

(a) None of the BlackRock Parties, MLIM Parent or any of their respective Subsidiaries shall take or cause to be taken any action (including agreeing to any transaction or entering into any agreement) that would result in (i) the Merger failing to qualify as a reorganization under Section 368(a)(2)(E) of the Code or (ii) the MLIM Contribution together with the Merger failing to qualify as a transaction governed by Section 351 of the Code. The BlackRock Parties and MLIM Parent shall use all reasonable efforts, and shall cause their respective Subsidiaries to use all reasonable efforts, to cause (i) the Merger to qualify as a reorganization under Section 368(a)(2)(E) of the Code and (ii) the MLIM Contribution together with the Merger to qualify as a transaction governed by Section 351 of the Code.

(b) The BlackRock Parties, MLIM Parent and each of their respective Subsidiaries shall not take any position on any Tax Return inconsistent with the treatment of (i) the Merger as a reorganization under Section 368(a)(2)(E) of the Code or (ii) the MLIM Contribution together with the Merger as a transaction governed by Section 351 of the Code, unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code.

(c) Officers of BlackRock and MLIM Parent shall execute and deliver to Sullivan & Cromwell LLP, tax counsel to MLIM Parent, and Skadden Arps, tax counsel to BlackRock, certificates (the "Tax Certificates") substantially in the form agreed to by the parties and their tax counsel at such time or times as may be reasonably requested by such tax counsel, including at the time the BlackRock Registration Statement is distributed to the holders of BlackRock Common Stock and at the Effective Time, in connection with each tax counsel's delivery of its Tax Opinion. Each of BlackRock, MLIM Parent and each of their respective Subsidiaries shall use its reasonable best efforts not to take or cause to be taken any action which would cause to be untrue (or fail to take or cause not to be taken any action which would cause to be untrue) any of the statements included in the Tax Certificates.

Section 5.18 Restructuring. Prior to the Closing, MLIM Parent shall cause the consummation of the transactions and actions contemplated by Exhibit 5.18 (such transactions and actions, the "MLIM Restructuring").

Section 5.19 BlackRock Client Consents.

(a) BlackRock Public Funds. If and to the extent that it is determined by BlackRock, upon advice of counsel, that the actions specified in this Section 5.19 are necessary to comply with Regulatory Requirements, and subject in each case to the requirements of Applicable Law and the fiduciary duties of the BlackRock Parties and the U.S. BlackRock Public Funds Boards,

(i) BlackRock shall use its reasonable best efforts to, or use its reasonable best efforts to cause its Controlled Affiliates to, in accordance with Applicable Law, (A) as promptly as practicable following the date hereof, obtain the approval of each U.S. BlackRock Public Fund Board of a new Investment Advisory Arrangement, to be effective at the Closing, containing terms, taken as a whole, that are no less favorable to BlackRock or its Controlled Affiliate than the terms of the existing Investment Advisory Arrangement between such U.S. BlackRock Public Fund and BlackRock or its Controlled Affiliate, (B) as promptly as practicable following receipt of the approval described in clause (A) above, cause each U.S. BlackRock Public Fund Board to call a special meeting of the shareholders of each Public Fund to be held as promptly as reasonably practicable for the purpose of obtaining the requisite approval of such shareholders for such new Investment Advisory Arrangement, as applicable, (C) as promptly as practicable following receipt of the approval described in clause (A) above, prepare and file, or cause each U.S. BlackRock Public Fund to prepare and file, with the SEC and all other applicable Governmental Authorities all registration statements and proxy solicitation materials required to be distributed to the shareholders of each U.S. BlackRock Public Fund with respect to the actions recommended for shareholder approval by the applicable U.S. BlackRock Public Fund Board and mail, or cause to be mailed, such proxy solicitation materials promptly after clearance by the SEC (if applicable) and (D) as soon as practicable following the mailing of the proxy materials, submit, or cause to be submitted, to the shareholders of each U.S. BlackRock Public Fund for a vote at a shareholders meeting the proposals described in clause (B) above.

(ii) In the event that prior to the Closing, a special shareholder meeting for a U.S. BlackRock Public Fund described in clause (i)(B) above is duly convened but adjourned solely as a result of a Quorum Failure, BlackRock shall use its reasonable best efforts to, or cause one of its Controlled Affiliates to, (A) persuade the Public Fund Board of each such U.S. Public Fund to approve, in conformity with Section 15(a)(4) of the Investment Company Act and SEC Rule 15a-4 thereunder, an interim Investment Advisory Arrangement, to be effective at the Closing, for any such U.S. Public Fund with BlackRock or any of its Controlled Affiliates containing terms that, taken as a

whole, subject to Applicable Law, are no less favorable to BlackRock or such BlackRock Controlled Affiliate than the terms of the existing Investment Advisory Arrangement with each such U.S. BlackRock Public Fund and (B) as promptly as practicable following the adjournment of such meeting, persuade any such U.S. Public Fund Board to take such action as may be necessary to re-convene a special meeting of the shareholders of any such U.S. Public Fund to be held as promptly as reasonably practicable following such adjournment for the purpose of obtaining the approval of such shareholders of such new Investment Advisory Arrangement as contemplated by clause (i) above.

(iii) MLIM Parent and BlackRock agree that Consent for any Investment Advisory Arrangement with a Client that is a U.S. Public Fund shall be deemed given for all purposes under this Agreement only if a new Investment Advisory Arrangement has been approved by the shareholders of the applicable Public Fund in accordance with clause (i) of this subsection (a) and Applicable Law and is in full force and effect at the Closing, unless any time prior to the Closing any Public Fund Board indicates, either orally or in writing, that the applicable Public Fund has (A) terminated or intends to terminate (in whole or in part) its existing or new Investment Advisory Arrangement prior to or following the Closing or (B) could reasonably be expected to terminate its Investment Advisory Arrangement or withdraw assets thereunder unless the fees payable under such Contract or the overall expense level for the applicable Public Fund is reduced prior to or following the Closing.

(iv) BlackRock shall use its reasonable best efforts to, or use its reasonable best efforts to cause its Controlled Affiliates to, in accordance with Applicable Law, as promptly as practicable following the date hereof, obtain such approvals, consents or other actions, if any, by the boards of directors or comparable governing bodies, regulating or self-regulating authorities or shareholders required by Applicable Law or the arrangements governing such Public Fund of such BlackRock Controlled Affiliate's services therefore of any Public Fund that is not a U.S. Public Fund so that after the Closing the relevant Controlled Affiliate of BlackRock may continue managing such Public Fund on terms, taken as a whole, that are no less favorable to such Controlled Affiliate than the terms of the existing Investment Advisory Arrangement between such non-U.S. Public Fund and such Controlled Affiliate.

(b) Non-Public Funds and Non-Fund Clients.

(i) If Consent or other action is required by Applicable Law or by the Investment Advisory Arrangement of any Client other than a Public Fund for the Investment Advisory Arrangement with such Client to continue after Closing, as promptly as practicable following the date hereof,

BlackRock shall, or shall cause one of its Controlled Affiliates to, send a notice complying with Applicable Law and the terms of such Client's Investment Advisory Arrangement in form and substance reasonably acceptable to MLIM Parent (the "BlackRock Notice") informing such Client of the Transactions and requesting such Consent in writing or other required action.

(ii) MLIM Parent and BlackRock agree that any Consent required for any Investment Advisory Arrangement with a Client of BlackRock (other than a Public Fund) to continue after the Closing shall be deemed given for all purposes under this Agreement (A) if written Consent is required under Applicable Law or the respective Investment Advisory Arrangement, upon receipt of the written Consent requested in the BlackRock Notice prior to the Closing Date or (B) if Consent other than written Consent is permitted under Applicable Law and the respective Investment Advisory Arrangement, (x) upon receipt of a written Consent requested in the BlackRock Notice prior to the Closing Date or (y) if no such written Consent is received, if 45 days shall have passed since the sending of written notice ("BlackRock Negative Consent Notice") to such Client (which Negative Consent Notice may be included in the BlackRock Notice) requesting written Consent as aforesaid and informing such Client: (I) of the intention to complete the Transactions, which will result in a deemed assignment of such Client's Investment Advisory Arrangement; (II) of BlackRock's or a BlackRock Controlled Affiliate's intention to continue to provide the advisory services pursuant to the existing Investment Advisory Arrangement with such Client after the Closing if such Client does not terminate such agreement prior to the Closing; and (III) that the Consent of such Client will be deemed to have been granted if such Client continues to accept such advisory services for a period of at least 45 days after the sending of the BlackRock Negative Consent Notice without termination; *provided,* that, in any case under clause (A) or (B), no Consent shall be deemed to have been given for any purpose under this Agreement if at any time prior to the Closing such Client indicates, either orally or in writing, that such Client (1) has not so consented or has terminated or intends to withdraw its Consent or terminate, in whole or in part, its Investment Advisory Arrangement or (2) intends to terminate its Investment Advisory Arrangement or withdraw assets thereunder unless the fees payable under such Arrangement are reduced.

(iii) MLIM Parent shall be provided a reasonable opportunity to review all Consent materials to be used by BlackRock or a Controlled Affiliate of BlackRock prior to distribution. BlackRock shall, and shall cause each of its Controlled Affiliate to, promptly upon their receipt make available to MLIM Parent copies of any and all substantive correspondence between it and Clients or representatives or counsel of such Clients relating to the consent solicitation provided for in this Section 5.19.

(c) In connection with obtaining the Client Consents and other actions required by subsections (a) and (b) of this Section 5.19, at all times prior to the Closing, BlackRock shall take reasonable steps to keep MLIM Parent informed of the status of obtaining such Client Consents and, upon MLIM Parent's request, make available to MLIM Parent copies of all such executed Client Consents and make available for MLIM Parent's inspection the originals of such Consents and any related materials, such as telephone logs and other records relating to the Client Consent process.

Section 5.20 Contingent Accounts. BlackRock and MLIM Parent shall on or prior to the Closing Measurement Date agree on a list of all Contingent Accounts, with any account (or portion thereof) as to which the status is unclear or there is a disagreement being treated as a Contingent Account for purposes of determining the Closing Revenue Run-Rate for the purposes of Sections 6.1(f) and (g).

Section 5.21 Certain Disclosure Obligations. As promptly as practicable, but in no event later than 20 Business Days after the date of this Agreement, MLIM Parent shall deliver to BlackRock the information set forth on Exhibit 5.21.

Section 5.22 Banking Matters. Between the date of this Agreement and the Closing Date, MLIM Parent and BlackRock shall use their reasonable best efforts to take such steps as may be necessary to cause New BlackRock, after giving effect to the Transaction, not to have any ownership position in securities that would be reasonably likely to cause or result in a violation of the Bank Holding Company Act of 1956, the Change in Bank Control Act or Section 10 of the Home Owners Loan Act and shall take no action and shall cause its Controlled Affiliates to take no action inconsistent with the foregoing.

Section 5.23 Separation and Segregation. From the date hereof through the Closing, MLIM Parent shall use reasonable best efforts to, and shall cause each of the MLIM Business Entities to use reasonable best efforts to, separate in all material respects all data related to the MLIM Business from any other data of MLIM Parent or the MLIM Business Entities, whether by physical or logical separation of such data and/or by the use of contractual, administrative, technical and/or physical oversights, mechanisms and processes.

Section 5.24 Certain Obligations as to PNC Agreement. From the date hereof through the Closing, without the prior written consent of MLIM Parent, New BlackRock and BlackRock shall not amend, modify or waive (as distinct from giving any consent or approval provided for therein) any provision of the Implementation and Stockholder Agreement or any restriction or prohibition on New BlackRock or its Affiliates contained therein.

ARTICLE VI

CONDITIONS TO CLOSING

Section 6.1 Mutual Conditions. The obligations of each party to this Agreement to effect the Closing shall be subject to the satisfaction at or before the Closing of the following conditions, any of which may be waived in writing by MLIM Parent and BlackRock, acting jointly:

(a) No Legal Prohibition, Etc. No order, injunction, judgment or decree issued by any court of competent jurisdiction or other Governmental Authority preventing the consummation of the transactions contemplated by this Agreement or the execution, delivery or performance of the Ancillary Agreements shall be in effect. No Law shall have been enacted, entered, promulgated or enforced by any court or Governmental Authority that prohibits or makes illegal the consummation of the transactions contemplated by this Agreement or the execution, delivery or performance of the Ancillary Agreement.

(b) HSR Act Notification. The notifications of MLIM Parent and BlackRock pursuant to the HSR Act shall have been made and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(c) PNC Agreements and Amendment. PNC shall have executed and delivered each of the agreements and instruments listed in Exhibit 6.1(c), and each of the agreements and instruments listed in Exhibit 6.1(c) shall remain in full force and effect.

(d) Stockholder Approval of the Merger. The Merger, the issuance of the BlackRock Consideration and this Agreement shall have been approved and adopted (as applicable) as required by the DGCL and/or the NYSE.

(e) Reorganization Treatment. BlackRock shall have received an opinion of its tax counsel, dated as of the Effective Time, substantially to the effect that, on the basis of facts, representations and assumptions set forth in such opinion, the Merger will be treated as a reorganization under Section 368(a)(2)(E) of the Code and MLIM Parent shall have received an opinion of its tax counsel, dated as of the Effective Time, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinion, the MLIM Contribution together with the Merger will qualify as a transaction governed by Section 351 of the Code (each, a "Tax Opinion"). In rendering such Tax Opinion, tax counsel may require and rely upon customary representations and covenants, including those contained in Tax Certificates and others, reasonably satisfactory in form and substance to such tax counsel.

(f) MLIM Revenue Run-Rate. The Closing Revenue Run-Rate of the MLIM Business shall be equal to or greater than 75 percent of the Base Revenue Run-Rate of the MLIM Business.

(g) BlackRock Revenue Run-Rate. The Closing Revenue Run-Rate of BlackRock and its Subsidiaries shall be equal to or greater than 75 percent of the Base Revenue Run-Rate of BlackRock and its Subsidiaries.

Section 6.2 Conditions to the Obligations of BlackRock. The obligations of BlackRock to effect the Closing shall be subject to the satisfaction at or before the Closing of the following conditions, any of which may be waived in writing by BlackRock:

(a) Truth of Representations and Warranties. The representations and warranties of MLIM Parent set forth in this Agreement shall be true and correct in all material respects at and as of the date hereof and at and as of the Closing Date with the same effect as though each such representation and warranty had been made on and as of the Closing Date (except, in each case, to the extent that any such representation and warranty speaks as of a specific date, in which case such representation and warranty shall be true and correct as of such specific date) without giving effect to any qualifiers or exceptions relating to materiality or MLIM Material Adverse Effect; *provided* that such representations and warranties shall be deemed to be true and correct in all material respects if any change, effect, event, matter, occurrence or state of facts giving rise to the failure or failures of such representations and warranties to be so true and correct (without giving effect to any qualifiers or exceptions relating to materiality or MLIM Material Adverse Effect) does not have and would not reasonably be expected to have, individually or in the aggregate, a MLIM Material Adverse Effect.

(b) Performance of Agreements. Each of the MLIM Companies shall have performed and complied in all material respects with each agreement, covenant and obligation required by this Agreement and the Ancillary Agreements to be performed or complied with by it at or prior to the Closing.

(c) Officer's Certificates. MLIM Parent shall have delivered to BlackRock a certificate as to the matters contained in paragraphs (a) and (b) of this Section 6.2, dated as of the Closing Date, signed by an executive officer of each such Person.

(d) Certain Consents. BlackRock or an Affiliate under its Control, as the case may be, shall have obtained, in form and substance reasonably acceptable to BlackRock, each of the Governmental Approvals set forth in Exhibit 6.2(d).

(e) Ancillary Agreements. Each of the Ancillary Agreements to which any MLIM Company is a party shall have been executed and delivered by such MLIM Company and shall remain in full force and effect.

(f) FIRPTA Certificate. MLIM Parent shall have delivered to BlackRock a non-foreign person affidavit that complies with the requirements of Section 1445 of the Code in form and substance reasonably satisfactory to BlackRock.

Section 6.3 Conditions to the Obligations of MLIM Parent. The obligation of MLIM Parent to effect the Closing shall be subject to the satisfaction at or before the Closing of the following conditions, any of which may be waived in writing by the MLIM Parent:

(a) Truth of Representations and Warranties. The representations and warranties of BlackRock set forth in this Agreement shall be true and correct in all material respects at and as of the date hereof and at and as of the Closing Date with the same effect as though each such representation and warranty had been made on and as of the Closing Date (except, in each case, to the extent that any such representation and warranty speaks as of a specific date, in which case such representation and warranty shall be true and correct as of such specific date) without giving effect to any qualifiers or exceptions relating to materiality or BlackRock Material Adverse Effect; *provided* that such representations and warranties shall be deemed to be true and correct in all material respects if any change, effect, event, matter, occurrence or state of facts giving rise to the failure or failures of such representations and warranties to be so true and correct (without giving effect to any qualifiers or exceptions relating to materiality or BlackRock Material Adverse Effect) does not have and would not reasonably be expected to have, individually or in the aggregate, a BlackRock Material Adverse Effect.

(b) Performance of Agreements. BlackRock shall have performed and complied in all material respects with each agreement, covenant and obligation required by this Agreement or any Ancillary Agreement to be performed or complied with by it at or prior to the Closing Date.

(c) Officer's Certificate. BlackRock shall have delivered to MLIM Parent a certificate, dated as of the Closing Date, signed by an executive officer of BlackRock as to the matters contained in paragraphs (a) and (b) of this Section 6.3.

(d) Certain Consents. MLIM Parent or an Affiliate under its Control, as the case may be, shall have obtained, in form and substance reasonably ac-

ceptable to MLIM Parent, each of the Governmental Approvals set forth in Schedule 3.6.

(e) Ancillary Agreements. Each of the Ancillary Agreements to which BlackRock is a party and the Implementation and Stockholders Agreement shall have been executed and delivered by BlackRock and shall be in full force and effect.

(f) Banking Matters. There shall not be any event, matter, occurrence or state of facts (other than any event, matter, occurrence or state of facts arising from any breach by any of the MLIM Companies of any of its obligations under this Agreement) or any action inconsistent with the provisions of Section 5.22 which would be reasonably likely in the opinion of counsel to MLIM Parent to require MLIM Parent to register with the Board of Governors of the Federal Reserve System as a bank holding company or become subject to regulation, supervision or restrictions under the Bank Holding Company Act of 1956, the Change in Bank Control Act or Section 10 of the Home Owners Loan Act.

Section 6.4 Frustration of Closing Conditions, Etc. Neither BlackRock nor MLIM Parent may rely on the failure of any condition set forth in this Article VI to be satisfied if such failure was caused by the failure of such party to act in good faith or comply with its obligations under Section 5.5.

ARTICLE VII

INDEMNIFICATION

Section 7.1 Survival of Representations, Warranties and Covenants.

(a) Subject to Section 8.4, all representations and warranties of MLIM Parent contained in this Agreement, including any Schedules made a part hereof, shall survive the Closing hereunder for a period of 18 months following the Closing Date, other than representations and warranties contained in (i) Sections 3.1, 3.2, 3.3, 3.4, 3.5, and 3.17(a), (b), (c), (e) and (f) (collectively, the "Specified Provisions"), which shall survive forever, (ii) Section 3.21, which shall survive until six months following the expiration of the applicable statutory period of limitations (including any extensions thereof), and (iii) Section 3.24, which shall survive until the third anniversary of the Closing Date.

(b) All representations and warranties of BlackRock shall terminate and be of no further force and effect at the Closing, provided that the representa-

tions and warranties of BlackRock set forth in Sections 4.8, 4.9, 4.11 and 4.12 shall survive the Closing hereunder for a period of 18 months following the Closing Date.

(c) Any covenant or other agreement of any party herein shall survive the Closing hereunder indefinitely or for such lesser period of time as may be specified therein.

Section 7.2 Obligations of MLIM Parent. Subject to the other provisions of this Article VII, MLIM Parent shall indemnify, defend and hold harmless BlackRock and its Affiliates (including the MLIM Transferred Entities and their Controlled Affiliates after the Closing), their respective predecessors and successors, and their respective stockholders, employees, officers, partners, members, trustees (including trustees of Public Funds), directors (including directors of Public Funds), agents and representatives (each, a "BlackRock Indemnified Party") from and against, and pay or reimburse BlackRock Indemnified Parties for, any and all Losses (excluding any Taxes or Losses related to Taxes and, as to Section 7.2(a), excluding any Losses attributable to any claim or set of related claims that does not exceed $100,000 ("Minor Losses") (but including the entire amount of such claim or set of related claims in the event that such claim or set of related claims exceeds $100,000)) that any of them may suffer, incur or sustain, directly or indirectly, arising out of, attributable to or resulting from:

(a) any inaccuracy in or breach of any of the representations and warranties where such representations and warranties are read without giving effect to any qualifiers or exceptions relating to materiality and MLIM Material Adverse Effect made by MLIM Parent herein or under any of the Ancillary Agreements in connection herewith or therewith;

(b) any breach or nonperformance of any of the covenants or other agreements made and to be performed by MLIM Parent in or pursuant to this Agreement or any Ancillary Agreement;

(c) any fees, expenses or other payments incurred or owed by MLIM Parent or, prior to the Closing, by any MLIM Company to any brokers, financial advisors or comparable other person retained or employed by it in connection with the Transactions; or

(d) notwithstanding any other provision of this Agreement, any alleged or actual breach, failure to comply, violation or other deficiency in any respect of any Regulatory Requirement or Fiduciary Requirement or any Proceeding related thereto or instituted thereunder by any Person to the extent arising out of, attributable to, relating to or resulting from the ownership, operation or conduct of the MLIM Business and the assets, business and activities prior to the Closing of any MLIM

Company, any MLIM Controlled Affiliate, or any Fund in existence at or during any time prior to the Closing or any other Person that is an Affiliate of the MLIM Companies at any time prior to the Closing (including their respective employees, officers, members, directors, agents and representatives). For the avoidance of doubt, the indemnification provided for under this clause (d) is intended to be absolute, to not be subject to the limitations set forth in Section 7.1, 7.3 or 7.4, and to be unaffected by any disclosure (including, for the avoidance of doubt, in the MLIM Parent Disclosure Letters), investigation, publicly available information, notice or state of knowledge in respect of the matters covered hereby whether in connection with the negotiation and execution of this Agreement or otherwise.

(e) (i) any obligation (including any payment required to be made) in connection with a defined benefit or final salary pension scheme by any MLIM Company in respect of any funding shortfall in any such scheme as at Closing or in respect of the termination of participation in any such scheme as a result of the transactions contemplated by this Agreement, or (ii) any other liability in relation to such a scheme as at Closing, in excess of any contributions to such a scheme after Closing in respect of the ongoing employment after Closing of any Person who is a beneficiary of such a scheme and in the employment of any MLIM Transferred Entity or any of its Controlled Affiliates that would be made to a scheme that was fully funded as at Closing and not subject to any termination of participation as a result of the transaction contemplated by this Agreement.

(f) Any unfunded commitment in respect of off balance sheet arrangements listed on Schedule 7.2(f) of the MLIM Parent Disclosure Letter, to the extent that there shall be a capital call in respect thereof prior to January 1, 2007.

Section 7.3 Minimum Losses. Except with respect to breaches of representations and warranties contained in the Specified Provisions and in Sections 3.21 and 3.24, no BlackRock Indemnitee under Section 7.2 shall have any right to indemnification under Section 7.2(a) except to the extent aggregate Losses other than Minor Losses incurred by all BlackRock Indemnitees under Section 7.2(a) would exceed $100,000,000 (the "Deductible"). In the event that such Losses other than Minor Losses exceed the Deductible, only such Losses other than Minor Losses in excess of $100,000,000 shall be recoverable in accordance with the terms hereof. *For the avoidance of doubt*, the Deductible shall not apply to any matters under Section 7.2(b) through (f).

Section 7.4 Maximum Indemnification. Notwithstanding anything in this Agreement to the contrary (other than the proviso to section 7.9), in no event shall MLIM Parent be obligated to provide indemnification payments pursuant to Section 7.2(a) exceeding, in the aggregate, an amount (the "Cap") equal to $1,600,000,000; *provided*, *however*, that such limitation on indemnification shall not

apply with respect to a breach of any representation or warranty contained in the Specified Provisions and in Sections 3.21 and 3.24. *For the avoidance of doubt*, the Cap shall not apply to any matters under Section 7.2(b) through (f).

Section 7.5 Obligations of BlackRock. Subject to the other provisions of this Article VII, BlackRock shall indemnify, defend and hold harmless MLIM Parent and its Affiliates (excluding BlackRock and its Controlled Affiliates and the MLIM Transferred Entities and their Controlled Affiliates after the Closing), their respective predecessors and successors, and their respective stockholders, employees, officers, partners, members, trustees (including trustees of Public Funds), directors (including directors of Public Funds), agents and representatives (each, a "MLIM Indemnified Party") from and against, and pay or reimburse such MLIM Indemnified Parties for, any and all Losses (excluding any Taxes or Losses related to Taxes and excluding any Minor Losses) that any of them may suffer, incur or sustain, directly or indirectly, arising out of, attributable to or resulting from:

(a) any inaccuracy in or breach of any of the representations and warranties set forth in Section 4.8, 4.9, 4.11 and 4.12 where such representations and warranties are read without giving effect to any qualifiers or exceptions relating to materiality and BlackRock Material Adverse Effect made by BlackRock herein;

(b) notwithstanding any other provision of this Agreement, any alleged or actual breach, failure to comply, violation or other deficiency in any respect of any Regulatory Requirement or Fiduciary Requirement or any Proceeding related thereto or instituted thereunder by any Person to the extent arising out of, attributable to, relating to or resulting from the ownership, operation or conduct of the business of BlackRock and the BlackRock Controlled Affiliates (including their respective employees, officers, members, directors, agents and representatives) prior to the Closing. For the avoidance of doubt, the indemnification provided for under this clause (b) is intended to be absolute, to not be subject to the limitations set forth in Section 7.1, 7.6 or 7.7, and to be unaffected by any disclosure (including, for the avoidance of doubt, in the disclosure schedules of the BlackRock Parties), investigation, publicly available information, notice or state of knowledge in respect of the matters covered hereby whether in connection with the negotiation and execution of this Agreement or otherwise; or

(c) any fees, expenses or other payments incurred or owed by BlackRock to any brokers, financial advisors or comparable other person retained or employed by it in connection with the Transactions.

Section 7.6 Minimum Losses. No MLIM Indemnitee under Section 7.5 shall have any right to indemnification under Section 7.5(a) except to the extent aggregate Losses other than Minor Losses incurred by all MLIM Indemnitees

under Section 7.5(a) would exceed $100,000,000 (the "BlackRock Deductible"). In the event that such Losses in excess of $100,000,000 exceed the BlackRock Deductible, only such Losses other than Minor Losses in excess of $100,000,000 shall be recoverable in accordance with the terms hereof. *For the avoidance of doubt*, the BlackRock Deductible shall not apply to any matters under Sections 7.5(b) and (c).

Section 7.7 Maximum Indemnification. Notwithstanding anything in this Agreement to the contrary (other than the proviso to section 7.9), in no event shall PNC be obligated to provide indemnification payments pursuant to (i) Section 7.5(a) exceeding, in the aggregate, an amount (the "Cap") equal to $1,600,000,000. *For the avoidance of doubt*, the Cap shall not apply to any matters under Sections 7.2(b) and (c).

Section 7.8 Obligation to Mitigate. No claim may be asserted nor may any Proceedings be commenced against any Indemnifying Party pursuant Section 7.2 or Section 7.5 to the extent that the Indemnification Parties establish that (i) the Indemnified Party had a reasonable opportunity, but failed, in good faith to mitigate the Loss or (ii) such Loss arises from or was caused by actions taken or failed to be taken by the Indemnified Party after the Closing.

Section 7.9 Exclusive Remedy. After the Closing, the sole and exclusive remedy of any party for any inaccuracy of any representation or warranty or any breach of any covenant or agreement set forth in this Agreement and required to be performed prior to or after the Closing shall be the indemnification contained in this Article VII and in Article VIII; *provided*, *however*, that, notwithstanding anything to the contrary in this Agreement, no party waives any rights to pursue a claim for fraud or any remedy therefor or to seek specific performance for a breach of a covenant or agreement to be performed by it before or after the Closing.

Section 7.10 Notice; Procedure for Third-Party Claims. Except for indemnification of Tax Claims which are governed by Article VIII:

(a) Any Person entitled to indemnification under this Agreement (an "Indemnified Party") may seek indemnification for any Loss by giving written notice to the applicable party or parties from whom indemnification is sought (the "Indemnifying Party"), specifying in detail (i) the representation and warranty or covenant or other agreement that is alleged to have been inaccurate, to have been breached or to have given rise to indemnification, (ii) if known, the facts constituting the basis for such allegation and (iii) if known, the aggregate amount of the Losses for which a claim is being made under this Article VII or, to the extent that such Losses are not known or have not been incurred at the time such claim is made, an estimate, to be prepared in good faith and accompanied by supporting documentation, of the aggregate potential amount of such Losses. In the event that any claim

for indemnification hereunder results from or is in connection with a Third-Party Claim, the Indemnified Party shall provide written notice of such Third-Party Claim to the Indemnifying Party as soon as practicable after the Indemnified Party first receives notice of the claim but in any event not later than 10 Business Days prior to the time any response to the asserted claim is required; *provided* that the Indemnified Party shall not be limited in seeking indemnification pursuant to this Article VII by any failure to provide such notice of the existence of a claim to the applicable Indemnifying Party except to the extent (and only to the extent) that (x) such failure results in a lack of actual notice to the Indemnifying Party and (y) such Indemnifying Party actually incurs an incremental expense or has otherwise been actually prejudiced as a result of such failure.

(b) Third-Party Claims.

(i) Except as otherwise provided in clause (ii) of this subsection (b), in the case of any claim asserted by a Person that is not a party to this Agreement or an Affiliate Controlled by a party to this Agreement against an Indemnified Party (a "Third-Party Claim"), the Indemnified Party shall permit the Indemnifying Party (at the expense of such Indemnifying Party) to assume and control the defense of such Third-Party Claim and any Proceedings resulting therefrom; *provided* that (x) counsel for the Indemnifying Party who shall conduct the defense of such claim or litigation shall be reasonably satisfactory to the Indemnified Party and (y) the Indemnified Party may participate in such defense at such Indemnified Party's sole cost and expense (including the costs and expenses of counsel). Except with the prior written consent of the Indemnified Party, such consent not to be unreasonably withheld or delayed, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of any Third-Party Claim or related Proceedings, unless such judgment or settlement relates solely to monetary damages and provides for a full, unconditional and irrevocable release by such third party of the Indemnified Party and its Affiliates and, in the reasonable good faith judgment of the Indemnified Party, does not and would not reasonably be expected to adversely impact or impair the business or reputation of the Indemnified Party and its Affiliates.

(ii) Notwithstanding clause (i) above, in the event that the Indemnified Parties shall in good faith determine that the Indemnified Parties may have available to them one or more defenses or counterclaims that are inconsistent with one or more of the defenses or counterclaims that may be available to the Indemnifying Party in respect of a Third-Party Claim or any Proceeding relating thereto, (A) the Indemnified Parties shall have the right, at the sole cost of the Indemnifying Party (including the costs and expenses of counsel for the Indemnified Parties (provided that the Indemnifying Party will not be required to pay for more than one counsel in any jurisdiction for all Indem-

nified Parties in connection with any such Third-Party Claim and related Proceedings)), at all times to take over and assume control over the defense and prosecution of such portion of such Third-Party Claim and related Proceedings related to such inconsistent defenses and counterclaims and (B) the Indemnifying Party shall retain control over the defense and prosecution of the remaining aspects of such Third-Party Claim and related Proceeding; *provided* that, in the case where the Indemnified Parties have assumed control of the defense and prosecution of such portion of such Third-Party Claim and related Proceeding related to such inconsistent defenses and counterclaims, neither the Indemnifying Party nor the Indemnified Party may settle such claim or Proceeding without the written consent of the other party, such consent not to be unreasonably withheld or delayed. In the event that the Indemnified Party does not assume the defense of any matter as provided above in clause (A), the Indemnifying Party shall have the right to control the defense against any such Third-Party Claim or related Proceeding, *provided* that (1) subject to the control of the prosecution and defense of such Third-Party Claim by the Indemnifying Party and its counsel, the Indemnified Parties and their counsel (which shall be reasonably satisfactory to the Indemnifying Party) shall be kept fully informed as to all material aspects of such Third-Party Claim and related Proceedings and shall have the right to participate in the prosecution and defense of such Third-Party Claim, (2) the Indemnifying Party and its counsel shall promptly provide to the Indemnified Parties and their counsel all material information related to such Third-Party Claim and related Proceedings (including copies of written information), (3) the Indemnified Parties and their counsel shall have their views regarding such Third-Party Claim considered in good faith by the Indemnifying Party and its counsel and (4) the Indemnified Parties and their counsel shall have the right to consent, such consent not be unreasonably withheld, to the settlement or compromise of such Third-Party Claim and related Proceedings.

(iii) Subject to clause (ii) of this Section 7.10(b), in the event that an Indemnified Party determines in good faith that any Third-Party Claim or any Proceeding related thereto has had or could reasonably be expected to materially adversely impact or impair the commercial interests or business reputation of the Indemnified Party or its Affiliates, (1) counsel to be utilized by the Indemnifying Party in respect of such Third-Party Claim and related Proceeding shall be reasonably acceptable to the Indemnified Parties, (2) subject to the control of the prosecution and defense of such Third-Party Claim by the Indemnifying Party and its counsel, the Indemnified Parties and their counsel (which shall be reasonably satisfactory to the Indemnifying Party) shall be kept fully informed as to all material aspects of such Third-Party Claim and related Proceedings and shall have the right to participate fully in the prosecution and defense of such Third-Party Claim, (3) the Indemnifying Party and its counsel shall promptly provide to the Indemnified Parties and their counsel all

material information related to such Third-Party Claim and related Proceedings (including copies of written information), (4) the Indemnified Parties and their counsel shall have their views regarding such Third-Party Claim considered in good faith by the Indemnifying Party and its counsel, and (5) the Indemnified Parties and their counsel shall have the right to consent, such consent not be unreasonably withheld, to the settlement or compromise of such Third-Party Claim and related Proceedings.

(iv) In any event, MLIM Parent and BlackRock shall reasonably cooperate in the investigation, pre-trial activities, trial, compromise, settlement, discharge and defense of any Third-Party Claim subject to this Article VII and the records and employees of each shall be made reasonably available to the other with respect to such defense.

Section 7.11 Survival of Indemnity. Notwithstanding anything to the contrary in this Article VII, no Indemnified Party shall have any right to indemnification pursuant to Section 7.2(a) or 7.5(a) with respect to any matter as to which written notice satisfying the requirements of Section 7.10(a) shall not have been provided by the Indemnified Party to the applicable Indemnifying Party during the 18-month period following the Closing Date; *provided* that a notice with respect to any right to indemnification pursuant to Section 7.2(b) through (f) or Section 7.5(b) and (c) or with respect to breaches of representations and warranties contained in the Specified Provisions may be given at any time and a notice with respect to breaches of representations and warranties contained in Sections 3.21 may be given at any time prior to the date that is six (6) months following the expiration of the applicable statutory period of limitations (including any extensions thereof); *provided*, *further*, that obligations to indemnify pursuant to Section 7.2(b) and (c) through (f) and Section 7.5(b) and (c) shall not terminate. Any matter as to which a claim has been asserted by written notice satisfying the requirements of Section 7.10(a) and within the time limitation applicable by reason of the immediately preceding sentence that is pending or unresolved at the end of any applicable limitation period under this Article VII or the statute of limitations applicable to such claim shall continue to be covered by this Article VII notwithstanding any applicable statute of limitations (which the parties hereby waive solely with respect to such circumstances) or the expiration date described in the immediately preceding sentence of this Section 7.11 until such matter is finally terminated or otherwise resolved by the parties under this Agreement, by a court of competent jurisdiction and any amounts payable hereunder are finally determined and paid.

Section 7.12 Subrogation. The rights of any Indemnifying Party shall be subrogated to any right of action that the Indemnified Party may have against any other person with respect to any matter giving rise to a claim for indemnification hereunder.

Section 7.13 Interest on Indemnity Claim. To the extent that any party (the "Payee Party") becomes entitled to recover all or a portion of any Loss under this Article VII, such Payee Party shall be entitled to accrued interest from the indemnifying party (the "Payor Party") in respect of such Loss accruing from the date that such Payee Party incurred such Loss at an interest rate equal to the Specified Rate until the date such Payor Party actually makes payment to such Payee Party in respect of such Loss.

ARTICLE VIII

TAX MATTERS

Section 8.1 Tax Indemnification.

(a) MLIM Parent shall indemnify, defend, and hold harmless the BlackRock Indemnified Parties from and against (without duplication), (v) any and all Taxes and Losses related to Taxes of or relating to the ownership, operation or conduct of MLIM Business Entities or the Assets for any Tax year or portion thereof ending on or prior to the MLIM Contribution, (w) any and all United Kingdom Taxes and Losses related to United Kingdom Taxes (i) for which a UK Company is secondarily liable as a result of having been a member of a group for any Tax purpose prior to Closing or (ii) arising as a result of the provision of non-cash benefits prior to Closing to employees, (x) any and all Taxes and Losses relating to Taxes arising out of (i) any breach of or any inaccuracy in any representation or warranty (without giving effect to any qualifiers or exceptions relating to knowledge, materiality or MLIM Material Adverse Effect) including the representations and warranties contained in Exhibit 3.20 or (ii) any breach of a covenant relating to Taxes made by MLIM Parent or any of its Affiliates, (y) any and all Taxes and Losses relating to Taxes of or relating to the MLIM Transferors, the MLIM Business Entities or the Assets that directly arise as a result of entering into this Agreement or Closing other than Transfer Taxes for which BlackRock is liable pursuant to Section 8.7, or (z) any failure on the part of MLIM Parent or any of its Affiliates to comply with the DCL recapture provisions set forth in Treasury Regulation Section 1.1503-2(g)(2)(vii) with respect to the DCLs of the UK Entities, *provided* that MLIM Parent shall have no liability under Section 8.1(a) in relation to any Taxes or Losses related to United Kingdom Taxes, in either case of the UK Companies, to the extent that such Taxes or Losses (i) were provided for in the Accounts of the UK Companies or were otherwise taken into account in determining the consideration payable for the MLIM Contribution, or (ii) arise as a result of post Closing changes in law (excluding, for the avoidance of doubt, any judicial decision), generally published concession or practice of any Governmental Authority having retrospective effect, or (iii) are penalties or interest which arise as a result of any unreasonable delay or default by a Black-

Rock Party or UK Company post Closing, or (iv) arise as a result of an act by a BlackRock Party or UK Company post Closing which the UK Company was not legally bound, as at Closing, to take, is outside the ordinary course of its business, was not requested in writing by MLIM Parent and which the BlackRock Party or the UK Company knew or ought reasonably to have known would give rise to such Taxes or Losses and provided, further, that notwithstanding anything in this Agreement to the contrary, no payment shall be due with respect to any Taxes or Losses related to Taxes relating to DCLs existing at or prior to the MLIM Contribution until there has been a "determination" (within the meaning of Section 1313(a) of the Code or any similar state, local or foreign Tax provision) with respect to the relevant Taxes.

(b) In the event of a breach of the covenant in section 5.10(f), the amount of indemnification payable to the BlackRock Indemnified Parties shall not exceed the amount equal to the product of (i) the Tax loss or deduction recognized by MLIM Parent and its Affiliates as a result of any transaction or series of transactions occurring after the date hereof and on or prior to the MLIM Contribution resulting in a reduction in the aggregate adjusted tax basis of the 197 Intangibles and (ii) 40%.

(c) All amounts payable or to be paid under this Section 8.1 (the "Tax Indemnity Payments") shall be paid in immediately available funds within five (5) Business Days after the later of (i) receipt of a written request from the party entitled to such Tax Indemnity Payment and (ii) the day of payment of the amount that is the subject of the Tax Indemnity Payment by the party entitled to receive the Tax Indemnity Payment. Any late payments shall accrue interest at the Specified Rate. All indemnification payments pursuant to this Article VIII shall be made on an After-Tax Basis. "After-Tax Basis" shall mean, for purposes of this Agreement, the amount otherwise due under this Article VIII increased by such additional amount as necessary so that the aggregate payment, net of Tax liability to the party entitled to payment is equal to the amount due under this Article VIII without taking into account Taxes incurred by the party entitled to payment on the receipt of such payment. For purposes of determining the Tax liability with respect to any indemnification payment received under this Article VIII, the parties shall assume that the party entitled to payment's combined effective Tax rate is 40%.

(d) For purposes of Article VIII, any transaction that takes place after the Closing, including transactions taking place after the Closing but on the Closing Date, shall be considered to be made after the Closing Date.

(e) New BlackRock shall indemnify, defend and hold harmless the MLIM Indemnified Parties from and against (without duplication), any and all Taxes and Losses related to Taxes arising out of BlackRock's breach of the covenants contained in Sections 5.10(d) and 5.10(e), provided however, that notwith-

standing anything in this Agreement to the contrary, no payment shall be due with respect to this Section 8.1(e) until there has been a "determination" (within the meaning of Section 1313(a) of the Code or any similar state, local or foreign Tax provision) with respect to the relevant Taxes.

Section 8.2 Tax Indemnification Procedures.

(a) If a notice of deficiency, proposed adjustment, adjustment, assessment, audit, examination or other administrative or court proceeding, suit, dispute or other claim (a "Tax Claim") shall be delivered or sent to or commenced or initiated by any Governmental Authority with respect to Taxes for which an Indemnified Party is entitled to indemnification, the receiving party shall promptly notify the other party in writing of the Tax Claim along with a copy of the relevant Tax Claim notice; *provided* that the failure by either party to promptly notify the other of any such notice shall not release the Indemnifying Parties from their obligations under this Article VIII except to the extent that the Indemnified Parties are materially and adversely prejudiced as a consequence of such failure.

(b) With respect to any Tax Claim for which any Indemnifying Party would be liable to indemnify any Indemnified Party, the Indemnifying Parties may, upon written notice to the Indemnified Parties (such written notice to be provided by the earlier of (i) thirty (30) days after notice thereof has been given to any of the Indemnifying Parties, and (ii) three (3) Business Days prior to the date required to answer or respond to any such claim), assume and control the defense of such Tax Claim at their own cost and expense and with their own counsel and the Indemnified Parties and their Affiliates agree to cooperate with the Indemnifying Parties in pursuing such contest. If the Indemnifying Parties elect to assume the defense of any such Tax Claim, the Indemnifying Parties shall (A) consult with the Indemnified Parties or their Affiliate and shall not enter into any settlement with respect to any such Tax Claim without the Indemnified Parties' prior written consent, which consent shall not be unreasonably withheld or delayed, or, if such settlement could adversely affect the Indemnified Parties or any of their Affiliates, without the consent of the Indemnified Parties; (B) keep the Indemnified Parties informed of all material developments and events relating to such Tax Claim (including promptly forwarding copies to the Indemnified Parties of any related correspondence and providing the Indemnified Parties with a reasonable opportunity to review and comment on any related correspondence prior to being sent by the Indemnifying Parties to any Governmental Authority); and (C) at its own cost and expense, grant the Indemnified Parties (or their Affiliate) the right to participate in (but not to control) the defense of such Tax Claim.

(c) In connection with the contest of any Tax Claim that the Indemnifying Parties have the ability to control but do not timely elect to control pur-

suant to Section 8.2(b), such contest shall be controlled by the Indemnified Parties, and the Indemnifying Parties agree to cooperate fully with the Indemnified Parties and their Affiliates in pursuing such contest. In connection with any such contest the Indemnified Parties shall (A) consult with the Indemnifying Parties or their Affiliate and shall not enter into any settlement with respect to any such Tax Claim without the Indemnifying Parties' prior written consent, which consent shall not be unreasonably withheld or delayed; (B) keep the Indemnifying Parties informed of all material developments and events relating to such Tax Claim (including promptly forwarding copies to the Indemnifying Parties of any related correspondence and providing the Indemnifying Parties with a reasonable opportunity to review and comment on any related correspondence prior to being sent by the Indemnified Parties to any Governmental Authority); and (C) at the Indemnifying Parties' own cost and expense, grant the Indemnifying Parties (or their Affiliate) the right to participate in (but not to control) the defense of such Tax Claim. Nothing contained herein shall be construed as limiting any party's right to indemnification under this Article VIII.

(d) If an Indemnifying Party makes a payment to an Indemnified Party in respect of a Tax Claim, and the Indemnified Party is entitled to recover from any person (other than an Affiliate) any sum in respect of the Tax Claim (an "Unrelated Party"), the Indemnified Party shall (i) notify the Indemnifying Party and keep them fully informed, (ii) co-operate fully to take all reasonable steps to enforce recovery against the Unrelated Party, at the written request and cost of the Indemnifying Party, and (iii) account to the Indemnifying Party for any sums recovered from the Unrelated Party, net of Tax, costs and expenses suffered.

(e) Notwithstanding anything to the contrary contained in this Agreement, the procedure for indemnification claims with regard to Taxes shall be governed exclusively by Article VIII.

Section 8.3 Termination of Tax Sharing Agreements. MLIM Parent hereby agrees and covenants that any and all existing Tax allocation or sharing agreements or arrangements, whether or not written, that may have been entered into by MLIM Parent or its Affiliates (other than any MLIM Business Entity or any Fund), on the one hand, and any MLIM Business Entity or any Fund, on the other hand, shall be terminated on or before the Closing Date, and no payments pursuant to such agreements or arrangements shall be made after such termination. The BlackRock Parties hereby agree and covenant that any and all existing Tax allocation or sharing agreements or arrangements, whether or not written, that may have been entered into by any BlackRock Party or any Subsidiary of any BlackRock Party, on the one hand, and any other person not a BlackRock Party or any Subsidiary of any BlackRock Party, on the other hand, shall be terminated on or before the Closing Date, and no payments pursuant to such agreements or arrangements shall be made after such termination, *provided however* that the Tax Disaffiliation Agreement

among BlackRock, Inc., PNC Asset Management, Inc. and PNC Bank Corp. shall not be terminated, as provided in Section 5.2 of the Implementation and Stockholder Agreement.

Section 8.4 Conflicts; Survival. Notwithstanding any other provision of this Agreement to the contrary, the obligations of the parties hereto set forth in this Article VIII shall (a) be unconditional and absolute and (b) remain in full force and effect indefinitely. The representations and warranties contained in Section 3.20 and Exhibit 3.20 shall survive the Closing until six (6) months following the expiration of the applicable statute of limitations (taking into account all extensions thereof) and covenants relating to Taxes shall survive indefinitely; *provided* that, in the event notice for indemnification under Section 8.2 hereof shall have been given within the applicable survival period, the representation or warranty that is the subject of such indemnification claim shall survive until such time as such claim is finally resolved. Indemnification for Taxes and Losses with respect to Taxes shall be governed solely by Article VIII and in the event of a conflict between this Article VIII and any other provision of this Agreement, this Article VIII shall govern and control.

Section 8.5 Tax Treatment. The parties hereto agree to treat any payment made by MLIM Parent pursuant to Article VII or Article VIII as a contribution to the capital of New BlackRock for all Tax purposes, unless otherwise required pursuant to a "determination" pursuant to Section 1313(a) of the Code or other applicable Law.

Section 8.6 Assistance and Cooperation. After the Closing, MLIM Parent and New BlackRock shall (a) assist (and cause their respective Affiliates to assist) the other party in preparing any Tax Returns which such other party is responsible for preparing and filing; (b) cooperate fully in preparing for any audits of, or disputes with Governmental Authorities regarding, any Tax Returns with respect to any of the MLIM Business Entities or any Fund; and (c) make available to the other and to any Governmental Authority as reasonably requested all information, records, and documents relating to Taxes of any of the MLIM Business Entities or any Fund. MLIM Parent shall provide BlackRock prior to the Closing, and New BlackRock after the Closing, with all reasonably requested information, records and documents relating to the adjusted tax basis of the MLIM Business Entities or any of the Assets, including any and all adjustments to such adjusted tax basis arising as a result of any adjustment made by a Governmental Authority, in connection with the recognition of gain or recapture in connection with the MLIM Restructuring or the MLIM Contribution or otherwise. Further, MLIM Parent shall provide BlackRock with reasonable notice of its plans regarding the MLIM Restructuring.

Section 8.7 Transfer Taxes. Other than in respect of VAT, BlackRock and MLIM Parent shall each pay one half (1/2) of any Transfer Taxes. All consideration given for the purchase of any Assets under this Agreement shall be inclusive of VAT. No additional amounts shall be required to be paid or otherwise provided in respect of any VAT arising on the sale of such Assets.

The MLIM Parent and the BlackRock Parties intend that and shall use all reasonable endeavours (including, for the avoidance of doubt, the making of any election or application in respect of VAT to any Governmental Authority or entering into a written agreement) to secure that the sale of any Assets of a UK Company is treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in any relevant European Union member state.

Section 8.8 Tax Returns. MLIM Parent shall file or cause to be filed when due all Tax Returns that are required to be filed by or with respect to any MLIM Business Entity or Asset that will be wholly-owned directly or indirectly by New BlackRock immediately after the MLIM Contribution for taxable years or periods ending on or before the Closing Date. With respect to any Tax Return with respect to any MLIM Business Entity or Asset that will be wholly-owned directly or indirectly by New BlackRock immediately after the MLIM Contribution that covers a taxable year or period beginning before and ending after the Closing Date, MLIM Parent shall provide a copy of such Tax Return to New BlackRock at least 30 days prior to the due date (including applicable extensions) for the filing thereof, and New BlackRock shall have the right to approve (which approval shall not be unreasonably withheld) such Tax Return to the extent that it relates to the portion of the taxable year beginning the day after the Closing Date. No BlackRock Party (or any Subsidiary of any BlackRock Party) will file any amended Tax Return, unless otherwise required by Law or with the consent of MLIM Parent, not to be unreasonably withheld, with respect to any Tax Return for any taxable year or period ending on or before the Closing Date, or with respect to any Tax Return for any taxable year or period beginning before and ending after the Closing Date.

Section 8.9 Tax Apportionment. For purposes of this Agreement, to apportion appropriately any Taxes relating to a Straddle Period, MLIM Parent may, to the extent permitted under Law, elect with the relevant Governmental Authority to treat for all Tax purposes the Closing Date as the last day of the taxable year or period of a MLIM Business Entity transferred to New BlackRock pursuant to the MLIM Contribution. In any case where the Closing Date is not the last day of the taxable year or period, the portion of any Taxes that are allocable to the portion of the Straddle Period ending on the Closing Date shall be:

(a) in the case of Taxes that are imposed on a periodic basis (such as real property taxes), deemed to be the amount of such Taxes for the entire period multiplied by a fraction the numerator of which is the number of calendar days in the

Straddle Period ending on (and including) the Closing Date and the denominator of which is the number of calendar days in the entire relevant Straddle Period; and

(b) in the case of Taxes not described in (a) (such as Taxes that are either (A) based upon or related to income or receipts, (B) imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible) or (C) payroll and similar taxes), deemed equal to the amount that would be payable if the taxable year or period ended on the Closing Date; provided that, in determining such amount, exemptions, allowances, or deductions that are calculated on a periodic basis, such as the deduction for depreciation, shall be taken into account on a pro-rated basis in the manner described in (a) above.

Section 8.10 Purchase Price Allocation.

(a) MLIM Parent, BlackRock and New BlackRock agree to allocate the MLIM Consideration among the MLIM Transferors for all Tax purposes. None of MLIM Parent, New BlackRock or BlackRock (nor any of their respective Affiliates) shall file any Tax Return or take a position with a Governmental Authority that is inconsistent with the allocation as determined below (the "Allocation"), including any amendments, except as provided in "determination" (within the meaning of Section 1313(a) of the Code or any similar state, local or foreign Tax provision).

(b) MLIM Parent shall present a draft of the allocation (the "Proposed Allocation") to BlackRock for review within 60 days after the date hereof. Except as provided in subparagraphs (i) and (ii) below, at the close of business on the Closing Date, the Proposed Allocation shall become binding upon New BlackRock and MLIM Parent and shall be the Allocation.

(i) BlackRock shall raise any objection to the Proposed Allocation in writing within 30 days of the delivery of the Proposed Allocation. BlackRock and MLIM Parent shall negotiate in good faith to resolve any differences for 30 days after delivery of any objection by BlackRock. If BlackRock and MLIM Parent reach written agreement amending the Proposed Allocation, the Proposed Allocation, as amended by such written agreement, shall become binding upon BlackRock and MLIM Parent and their Affiliates and shall be the Allocation.

(ii) If BlackRock and MLIM Parent cannot mutually agree on the appropriate allocation within the 30-day time limit set forth in subparagraph (i) above, BlackRock and MLIM Parent shall submit all remaining disputes to an independent valuation expert (the "Valuation Expert") agreed to by BlackRock and MLIM Parent for resolution. BlackRock and MLIM Parent

shall use reasonable efforts to cause the Valuation Expert to resolve such disputes within 20 days of its appointment, and the Valuation Expert's determination with respect to any such disputed item shall be final and binding. The fees and expenses of the Valuation Expert incurred under this section (ii) and shall be paid 50% by BlackRock and 50% by MLIM Parent.

(c) In the event that there is any adjustment to the MLIM Consideration , MLIM Parent shall revise the Allocation to reflect any such adjustment using the same methodology as used in the initial Allocation and shall promptly present a draft of such revised Allocation to BlackRock for review; provided that the principles contained in paragraphs (b)(i) and (ii) above (including the right of BlackRock to raise any objection to the proposed revised Allocation and to have such objection resolved by the Valuation Expert) shall apply to such revised Allocation.

Section 8.11 UK VAT.

(a) As soon as reasonably practicable after the date of this Agreement, MLIM Parent shall procure that (if one has not already been made) an application shall be made to H.M. Revenue & Customs in the UK pursuant to Section 43B of the VATA 1994 for the exclusion of each MLIM Business Entity from the bodies treated as members of the same VAT group as MLIM Parent or any retained Affiliate of MLIM Parent for the purposes of Section 43 VATA 1996 (the "MLIM VAT Group") and for such exclusion to take effect on Closing or, if H.M. Revenue & Customs do not permit this, at the earliest date following Closing permitted by Section 43B.

(b) Pending the taking effect of such application and for so long thereafter as may be necessary, MLIM Parent and each BlackRock Party shall procure that such information is provided to the other as may be required to enable the continuing representative member of the MLIM VAT Group to make all the returns required of it in respect of the MLIM VAT Group.

(c) When the exclusion takes effect after Closing, MLIM Parent and each BlackRock Party shall procure that such payments shall be made between such representative member and the MLIM Business Entities as may be appropriate to ensure that the resulting position of each of the companies concerned is as close as possible to the position which would have been obtained if such application or applications had taken effect on Closing.

ARTICLE IX

TERMINATION/SURVIVAL

Section 9.1 Termination.

(a) This Agreement may be terminated on or prior to the Closing as follows:

(i) by written consent of MLIM Parent and BlackRock;

(ii) by MLIM Parent if (A) a condition to the obligation of MLIM Parent to close set forth in Section 6.1 or 6.3 cannot be satisfied at or prior to the date set forth in Section 9.1(a)(iv) below or (B) there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of BlackRock and such breach has not been cured within 60 Business Days (or, in the case of a BlackRock Material Adverse Effect, 30 Business Days) after written notice to BlackRock (provided that no cure period shall be required for a breach that by its nature cannot be cured) such that the conditions set forth in Section 6.1 or 6.3 cannot be satisfied at or prior to the date set forth in Section 9.1(a)(iv) below; *provided* that the right to terminate this Agreement under this Section 9.1(a)(ii) shall not be available to MLIM Parent if (x) the nonfulfillment of the conditions to the obligation of MLIM Parent to close set forth in Section 6.1 or 6.3 results from the breach by MLIM Parent of any of its representations, warranties, covenants or agreements contained in this Agreement or (y) the violation or breach by BlackRock referred to in clause (B) of this Section 9.1(a)(ii) results solely from the breach by MLIM Parent of any of its representations, warranties, covenants or agreements contained in this Agreement;

(iii) by BlackRock if (A) a condition to the obligation of BlackRock to close set forth in Section 6.1 or 6.2 cannot be satisfied at or prior to the date set forth in Section 9.1(a)(iv) below or (B) there has been a material breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of MLIM Parent and such breach has not been cured within 60 Business Days (or, in the case of the occurrence of a MLIM Material Adverse Effect, 30 Business Days) after written notice to MLIM Parent (provided that no cure period shall be required for a breach that by its nature cannot be cured) such that the conditions set forth in Section 6.1 or 6.2 cannot be satisfied at or prior to the date set forth in Section 9.1(a)(iv) below; *provided* that the right to terminate this Agreement under this Section 9.1(a)(iii) shall not be available to BlackRock if (x) the nonfulfillment of the conditions to the obligation of BlackRock to close set forth in Section 6.1 or 6.2 results from the

breach by BlackRock of any of its representations, warranties, covenants or agreements contained in this Agreement or (y) the violation or breach by MLIM Parent referred to in clause (B) of this Section 9.1(a)(iii) results solely from the breach by BlackRock of any of its representations, warranties, covenants or agreements contained in this Agreement;

(iv) by MLIM Parent or BlackRock if the Closing has not occurred on or before January 31, 2007; *provided* that the right to terminate this Agreement under this Section 9.1(a)(iv) shall not be available to any party whose failure to perform any covenant or obligation hereunder or other breach has caused or resulted in the failure of the Closing to occur on or before such date; or

(v) by MLIM Parent if the Board of Directors of BlackRock, pursuant to the exercise of its fiduciary obligations, (A) shall have determined not to hold the BlackRock Stockholders Meeting, or (B) shall have changed its recommendation to BlackRock's stockholders regarding approval of the issuance of the MLIM Consideration and the Merger.

(b) The termination of this Agreement shall be effectuated by the delivery by the party terminating this Agreement to each other party of at least two (2) Business Days' prior written notice of such termination. If this Agreement so terminates, it shall become null and void and have no further force or effect, except as provided in Section 9.2.

Section 9.2 Survival After Termination. If this Agreement is terminated in accordance with Section 9.1 hereof and the Transactions contemplated hereby are not consummated, this Agreement shall become void and of no further force and effect, except for the provisions of Section 5.6, Section 5.9 and this Section 9.2 and Article X. None of the parties hereto shall have any liability in the event of a termination of this Agreement, except to the extent that such termination results from the willful violation by such party of its obligations under this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.1 Amendments; Extension; Waiver. This Agreement may not be amended, altered or modified except by written instrument executed by each of the parties. The failure by any party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision nor in any way to affect the validity of this Agreement or any part hereof

or the right of such party thereafter to enforce each and every such provision. No waiver of any breach of or non-compliance with this Agreement shall be held to be a waiver of any other or subsequent breach or non-compliance. Any waiver made by any party hereto in connection with this Agreement shall not be valid unless agreed to in writing by such party.

Section 10.2 Entire Agreement. This Agreement, together with the Schedules, Exhibits, certificates and lists referred to herein, and any documents executed by the parties simultaneously herewith or pursuant thereto, the Confidentiality Agreement and the Ancillary Agreements constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, written and oral, among the parties with respect to the subject matter hereof.

Section 10.3 Construction and Interpretation. When a reference is made in this Agreement to Sections, Annexes, Exhibits or Schedules, such reference shall be to a Section of or Annex, Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The term “knowledge” of MLIM Parent shall be deemed to mean the actual knowledge of any of the individuals set forth in Exhibit 10.3-A or actual knowledge that would have been obtained by any of such individuals after due inquiry of those persons that such individuals would reasonably expect to have knowledge of the relevant subject matter. The term “knowledge” of BlackRock shall be deemed to mean the actual knowledge of any of the individuals set forth in Exhibit 10.3-B or actual knowledge that would have been obtained by any of such individuals after due inquiry of those persons that such individuals would reasonably expect to have knowledge of the relevant subject matter. The representations and warranties of the parties, and the right of any Person to indemnification or payments hereunder, shall not be affected or deemed waived by reason of any investigation made by or on behalf of any other party (including by any of their advisors or representatives) or by reason of the fact that any party or any of such advisors or representatives knew, or should have known, that such representation or warranty is or might be inaccurate or that any fact, event or circumstance had or had not occurred. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

Section 10.4 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 10.5 Notices. All notices and other communications hereunder shall be in writing in the English language and shall be addressed as follows (or at such other address for a party as shall be specified by like notice):

If to BlackRock, New BlackRock or BlackRock Merger Sub:

BlackRock, Inc.
40 East 52nd Street
New York, New York 10022
Fax: (212) 754-8787
Attention: Ms. Susan Wagner

With copies to:

BlackRock, Inc.
40 East 52nd Street
New York, New York 10022
Fax: (212) 409-3744
Attention: Robert P. Connolly, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036
Fax: (212) 735-2000
Attention: Richard Prins, Esq.

If to MLIM Parent:

Merrill Lynch & Co., Inc.
222 Broadway
New York, New York 10038
Fax: (212) 670-4518
Attention: Mr. Richard E. Alsop

With copies to:

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
Fax: (212) 558-3588
Attention: Mitchell Eitel, Esq.

All such notices or communications shall be deemed to have been delivered and received: (a) if delivered in person, on the day of such delivery, (b) if by fax, on the day on which such fax was sent, provided that receipt is personally confirmed by telephone (c) if by certified or registered mail (return receipt requested), on the seventh Business Day after the mailing thereof or (d) if by reputable overnight delivery service, on the second Business Day after the sending thereof. Each notice, written communication, certificate, instrument and other document required to be delivered under this Agreement shall be in the English language, except to the extent that such notice, written communication, certificate, instrument and other document is required by Applicable Law to be in a language other than English.

Section 10.6 Binding Effect; Persons Benefiting; No Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Except as otherwise provided herein (including as to Indemnified Parties), nothing in this Agreement is intended or shall be construed to confer upon any Person other than the parties hereto and their respective successors and permitted assigns any right, remedy or claim under or by reason of this Agreement or any part hereof. This Agreement may not be assigned by any of the parties hereto without the prior written consent of each of the other parties hereto and any purported assignment or other transfer without such consent shall be void and unenforceable.

Section 10.7 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same agreement, it being understood that all of the parties need not sign the same counterpart.

Section 10.8 Specific Performance. The parties to this Agreement each acknowledge that, in view of the uniqueness of the Business and the Transactions, each party would not have an adequate remedy at law for money damages in the event that any of the covenants to be performed after the Closing have not been performed in accordance with their terms, and therefore agree that the other parties shall be entitled to specific enforcement of the terms hereof and any other equitable remedy to which such parties may be entitled.

Section 10.9 Waiver of Punitive Damages. EACH PARTY HERETO AGREES TO WAIVE ANY RIGHT TO SEEK PUNITIVE DAMAGES

AS RELATED TO THE ENFORCEMENT OF THIS AGREEMENT OR THE TRANSACTIONS.

Section 10.10 Governing Law. THIS AGREEMENT, THE LEGAL RELATIONS BETWEEN THE PARTIES AND THE ADJUDICATION AND THE ENFORCEMENT THEREOF, SHALL BE GOVERNED BY AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED WHOLLY WITHIN THAT JURISDICTION, EXCEPT TO THE EXTENT THAT THE LAWS OF THE STATE OF DELAWARE SHALL GOVERN THE MERGER.

Section 10.11 Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, (a) hereby irrevocably submits to the non-exclusive jurisdiction of the State Courts of the State of New York, New York County or the United States District Court located in the State of New York, New York County for the purpose of any and all actions, suits or proceedings arising in whole or in part out of, related to, based upon or in connection with this Agreement or the subject matter hereof, (b) hereby waives to the extent not prohibited by Applicable Law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such action brought in one of the above-named courts should be dismissed on grounds of forum non conveniens, should be transferred to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other proceeding in any other court other than one of the above-named courts, or that this Agreement or the subject matter hereof may not be enforced in or by such court and (c) hereby agrees not to commence any such action other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise. Each party hereby (i) consents to service of process in any such action in any manner permitted by New York law; (ii) agrees that service of process made in accordance with clause (i) or made by registered or certified mail, return receipt requested, at its address specified pursuant to Section 10.5, shall constitute good and valid service of process in any such action and (iii) waives and agrees not to assert (by way of motion, as a defense, or otherwise) in any such action any claim that service of process made in accordance with clause (i) or (ii) does not constitute good and valid service of process.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

MERRILL LYNCH & CO., INC.

By: /s/ E. Stanley O'Neal
Name: E. Stanley O'Neal
Title: Chairman and Chief Executive Officer

BLACKROCK, INC.

By: /s/ Laurence D. Fink
Name: Laurence D. Fink
Title: Chairman and Chief Executive Officer

NEW BOISE, INC.

By: /s/ Susan L. Wagner
Name: Susan L. Wagner
Title: President

BOISE MERGER SUB, INC.

By: /s/ Susan L. Wagner
Name: Susan L. Wagner
Title: President

Annex A

Defined Terms

For all purposes of this Agreement (other than as otherwise defined or specified in any Exhibit or Schedule), the following terms shall have the respective meanings set forth below in this Annex A (such definitions to apply to both the singular and plural forms of the terms herein defined):

"12b-1 Plan" means any distribution plan adopted by a U.S. Public Fund in accordance with Rule 12b-1 under the Investment Company Act.

"197 Intangibles" has the meaning set forth in Section 5.10(f).

"Accountant" has the meaning set forth in Section 5.17(d).

"Accounts" means the audited accounts of the MLIM Business Entities for the twelve-month period ended on the Account Date.

"Account Date" means December 30, 2005.

"Adjusted Assets Under Management" as of any date means the sum, for all Client accounts in question as of such date, of the amount, expressed in U.S. dollars, of assets under management by such Person in such account as of such date valued (a) for purposes of calculating the Base Revenue Run-Rate, as of the Base Date in the same manner as provided for the calculation of base investment management fees payable to such Person or an Affiliate in respect of such account by the terms of the Investment Advisory Arrangement applicable to such account and (b) for purposes of calculating the Closing Revenue Run-Rate as of the Closing Measurement Date, at the amount calculated pursuant to subsection (a) above but excluding any Client accounts that are Contingent Accounts as of such date, (i) increased by the positive and decreased by the negative excess of (A) additions and contributions (other than reinvestments of distributions) actually funded to such account after the Base Date and on or prior to the Closing Measurement Date over (B) terminations, withdrawals, redemptions and repurchases actually funded out of such account after the Base Date and prior to the Closing Measurement Date and (ii) increased, with respect to any new account of such Person opened prior to the Closing Measurement Date, by the amount of additions and contributions (net of terminations, withdrawals, redemptions and repurchases) actually funded to such account after the Base Date and on or prior to the Closing Measurement Date; *provided* in each case that:

(I) additions and contributions shall be taken into account only when actually funded, and withdrawals, redemptions and repurchases shall be taken into account when they are actually funded out of such account or, if earlier, the date on which the Person in question receives notice

communicating an intention to withdraw any assets from or terminate an existing account (unless such notice has been revoked prior to the applicable date);

(II) any assets under management for any account for which the Person in question or an Affiliate acts as investment adviser and sub-adviser shall be counted only once;

(III) any assets under management for any set of accounts one of which invests in the other shall be counted only once if the Person in question or an Affiliate acts as investment adviser to both; and

(IV) the amount of any adjustment made pursuant to subsection (b)(i) above for any account included in the Base Revenue Run-Rate that has not been terminated or become a Contingent Account shall be further adjusted by multiplying such adjustment by a fraction the numerator of which is the value of such account as of the Base Date and the denominator of which is the value such account would have had as of the Base Date if the assets in the account as of the Base Date had been valued at the values therefor as of the Closing Measurement Date.

"Adjustment Report" has the meaning set forth in Section 5.16(e).

"Advisers Act" means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder by the SEC.

"Affiliate" means any Person that directly or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, the first Person.

"Affiliate Arrangement" means any BlackRock Affiliate Arrangement or any MLIM Affiliate Arrangement, as the case may be.

"Agreement" means this Transaction Agreement, including the Schedules and any Annexes and Exhibits hereto, as such may hereunder be amended or restated from time to time.

"Allocation" has the meaning set forth in Section 8.10(a).

"Ancillary Agreements" means the Stockholder Agreement, the BlackRock Distribution Agreement, the Transition Services Agreement and the MLIM Parent Registration Rights Agreement.

"Applicable Date" has the meaning set forth in Section 4.8(a).

"Applicable Law" means any Law applicable to any of the parties to this Agreement or the Ancillary Agreements or any of their respective Affiliates, directors, officers, employees, properties or assets or, if applicable to a party, any of the Funds.

"Assets" has the meaning set forth in Section 3.11.

"Assumed Benefit Plan" has the meaning set forth in Section 3.21(a).

"Balance Sheet Adjustment Amounts" means the Stockholder's Equity Adjustment Amount and the Working Capital Adjustment Amount.

"Base Date" means December 31, 2005.

"Base Revenue Run Rate" means, for any Person, the Revenue Run-Rate as of the Base Date.

"BlackRock" has the meaning set forth in the introductory paragraph to this Agreement and includes any permitted successor or assign.

"BlackRock Affiliate Arrangement" has the meaning set forth in Section 4.16(a).

"BlackRock Balance Sheet" has the meaning set forth in Section 4.9.

"BlackRock Benefit Plan" has the meaning set forth in Section 4.13.

"BlackRock Broker Dealer Subsidiaries" has the meaning set forth in Section 4.12(e).

"BlackRock Class A Common Stock" has the meaning set forth in the recitals to this Agreement.

"BlackRock Class B Common Stock" has the meaning set forth in the recitals to this Agreement.

"BlackRock Common Stock" has the meaning set forth in the recitals to this Agreement.

"BlackRock Companies" means BlackRock and the Controlled Affiliates of BlackRock.

"BlackRock Deductible" has the meaning set forth in Section 7.6.

"BlackRock Disclosure Letter" means the Schedule attached to the Disclosure Letter delivered preamble to Art IV.

"BlackRock Distribution Agreement" means the Global Distribution Agreement between New BlackRock and MLIM Parent in the form attached hereto as Exhibit A-1.

"BlackRock Employee" means any individual who is, on the date of this Agreement, an employee of any BlackRock Company.

"BlackRock Employment Contract" has the meaning set forth in Section 4.13(a).

"BlackRock Financial Statements" has the meaning set forth in Section 4.8(d).

"BlackRock Indemnified Party" has the meaning set forth in the Section 7.2.

"BlackRock Investment Adviser Subsidiaries" has the meaning set forth in Section 4.12(d).

"BlackRock Market Price" means the average of the volume weighted sales prices per share of BlackRock Class A Common Stock as reported on the consolidated transaction reporting system for securities traded on the NYSE (as reported in Bloomberg Financial Markets or, if not reported thereby, an authoritative source as the parties shall agree in writing) for the 10 consecutive full trading days ending on the trading day prior to the Closing Date.

"BlackRock Material Adverse Effect" means any change, effect, event, matter, occurrence or state of facts that (a) has a material adverse effect on the business, condition (financial or otherwise), or assets and properties of BlackRock, or (b) materially impairs the ability of BlackRock to consummate the Transactions, other than, in the case of clause (a) or (b), any change, effect, event, matter, occurrence or state of facts to the extent resulting from (i) any change or development in economic or business conditions in general or in the investment management industry in particular (including any such change or development resulting from armed hostilities or terrorist actions), (ii) any change in Law or GAAP or the enforcement thereof, (iii) any adverse change in the assets under management in the business of the BlackRock Companies if and to the extent such change is reflected in a reduction in the Revenue Run-Rate between the Base Date and the calculation date of the Closing Revenue Run-Rate, and (iv) the public announcement in and of itself of this Agreement and the Transactions, except, in case of clause (i) or (ii), to the extent that such change, effect, event, matter, occurrence or state of facts has a materially disproportionate effect on the BlackRock, taken as a whole, relative to Persons engaged in the investment management industry generally.

"BlackRock Merger Sub Common Stock" has the meaning set forth in the recitals to this Agreement.

"BlackRock Party" has the meaning set forth in the introductory paragraph to this Agreement.

"BlackRock Preferred Stock" has the meaning set forth in the recitals to this Agreement.

"BlackRock Private Fund" has the meaning set forth in Section 4.12(h).

"BlackRock Public Fund" has the meaning set forth in Section 4.12(g).

"BlackRock Real Property Leases" has the meaning set forth in Section 4.17.

"BlackRock Registration Statement" has the meaning set forth in Section 5.15(a).

"BlackRock Savings Plan" has the meaning set forth in Section 5.14(c).

"BlackRock SEC Reports" has the meaning set forth in the introductory paragraph of Article IV.

"BlackRock Shares" has the meaning set forth in the recitals to this Agreement.

"BlackRock Stockholders Meeting" has the meaning set forth in Section 5.15(d).

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Cap" has the meaning set forth in Section 7.4.

"Certificate of Merger" has the meaning set forth in Section 1.1(b).

"Client" of a Person means any other Person to which such Person or any of its Controlled Affiliates provides investment management or investment advisory services, including any sub-advisory services, relating to securities or other financial instruments, commodities, real estate or any other type of asset, pursuant to an Investment Advisory Arrangement.

"Closing" has the meaning set forth in Section 1.3.

"Closing Date" has the meaning set forth in Section 1.3.

"Closing Measurement Date" means such day as close as practicable, but in any event not more than ten calendar days prior to, the scheduled Closing Date as to which MLIM Parent and BlackRock shall agree.

"Closing Revenue Run-Rate" means, for any Person or any Specified Client Accounts, the Revenue Run-Rate for such Person as of the Closing Measurement Date.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Common Stock Cap" has the meaning set forth in Section 1.2(b).

"Confidentiality Agreement" means the confidentiality agreement, by and between MLIM Parent and BlackRock, executed and delivered prior to the date of this Agreement.

"Consent" means any consent, approval, authorization, waiver, permit, license, grant, agreement, exemption or order of, or registration, declaration or filing with, any Person, including any Governmental Authority, that is required in connection with (a) the execution and delivery by BlackRock, PNC, MLIM Parent and the MLIM Companies of this Agreement or any Ancillary Agreement or (b) the consummation by BlackRock, PNC, MLIM Parent and the MLIM Companies of the Transactions.

"Contingent Account" means, in reference to the Client account of any Person as of the Closing Measurement Date, (i) the portion (which may be 100%) of any Client account of such Person as to which the Client or any representative of the Client has indicated orally or in writing through any statement, notice or other communication on or prior to the Closing Measurement Date that such portion is or will be under review for possible withdrawal, redemption or termination and as to which the Client or such representative has not withdrawn such indication and (ii) any Client account of such Person which is required by Applicable Law or the terms of the Investment Advisory Arrangement applicable thereto, in order for such Person to continue providing investment advisory services to such account after the Closing, to provide consent to the Transaction, to enter into a new Investment Advisory Arrangement or to obtain investor approval of a new Investment Advisory Arrangement in order for such new Investment Advisory Arrangement to remain in effect beyond a temporary period and which, as of the Closing Measurement Date, has not granted such consent (which, in the case of a negative consent to the extent expressly permitted by this Agreement or otherwise agreed by MLIM Parent and BlackRock, will be deemed granted if the condition set forth in Section 5.8(b)(ii)(B) or Section 5.19(b)(ii)(B), as applicable, is met with respect to the relevant Investment Advisory Arrangement), entered into a new Investment Advisory Arrangement or obtained such investor approval, as the case may be.

"Continuing Employee" has the meaning set forth in Section 5.14(a).

"Contract" means, whether written or oral, any loan agreement, indenture, letter of credit (including related letter of credit application and reimbursement obligation), mortgage, security agreement, pledge agreement, deed of trust, bond, note, guarantee, surety obligation, warrantee, license, franchise, permit, power of attorney, purchase order, lease, and other agreement, contract, instrument, obligation, offer, commitment, arrangement and understanding, in each case as amended, supplemented, waived or otherwise modified.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether

through the ownership of voting securities, by contract or otherwise (and "Controlled" shall have a correlative meaning). For purposes of this definition, a general partner or managing member of a Person shall always be considered to Control such Person; *provided, however,* that a Person shall not be treated as having control over any Fund to which it provides services unless it has a proprietary economic interest exceeding 25% of the equity interest in such Fund.

"DCL" means dual consolidated loss as defined in Section 1503(d)(2) of the Code and Treasury Regulation Section 1.1503-2(c)(5).

"Deductible" has the meaning set forth in Section 7.3.

"DGCL" has the meaning set forth in Section 1.1(a).

"Dispute Notice" has the meaning set forth in Section 5.16(c).

"Distribution Agreement" means any Contract for the distribution or sales of shares or units of a Fund.

"Effective Time" has the meaning set forth in Section 1.1(b).

"Environmental Law" means any Law, code, license, permit, authorization, approval, consent, common law, legal doctrine, requirement or agreement with any Governmental Authority, relating to (i) the protection, preservation or restoration of the environment (including air, water, vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or to human health or safety, or (ii) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of hazardous substances, in each case as amended and as now in effect.

"Equity Right" has the meaning set forth in Section 3.2(b).

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended, and the rules, regulations and class exemptions of the U.S. Department of Labor thereunder.

"ERISA Client" has the meaning set forth in Section 3.19(a).

"Estimated Closing Balance Sheet" has the meaning set forth in Section 5.16(b).

"Estimated Stockholder's Equity Adjustment" means the excess, if any, of (a) the Stockholder's Equity Target over (b) the amount of Stockholder's Equity as set forth in the Estimated Closing Balance Sheet.

"Estimated Working Capital Adjustment" means the excess, if any, of (a) the Working Capital Target over (b) the amount of Working Capital as set forth in the Estimated Closing Balance Sheet.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder by the SEC.

"Fiduciary Requirement" means any requirement imposed by Applicable Law or an Investment Advisory Arrangement regarding the services performed for a Client pursuant to such Investment Advisory Arrangement including but not limited to compliance with investment guidelines.

"Filings" has the meaning set forth in Section 3.16(h).

"Final Closing Balance Sheet" has the meaning set forth in Section 5.16(d).

"Former BlackRock Employee" means any individual who is, on the date of this Agreement, a former employee, officer, director or consultant of a BlackRock Company.

"Former MLIM Employee" means any individual who is, on the date of this Agreement, a former employee, officer, director or consultant in respect of the MLIM Business or any MLIM Business Entity that, after giving effect to the MLIM Restructuring, will be a MLIM Transferred Entity or a Controlled Affiliate of a MLIM Transferred Entity.

"Fully Diluted" has the meaning ascribed to the term "Diluted" in Statement of Financial Accounting Standards No. 123.

"Fund" means any Public Fund or Private Fund. For the purposes of Article III, the term Fund shall not include any MLIM Sub-Advised Fund.

"Fund Board" means the board of directors or trustees (or Persons performing similar functions) of a Fund.

"Fund Financial Statements" means (a) with respect to each Public Fund, the audited financial statements of each such Public Fund for the three most recently completed fiscal years (or, if a shorter period, since the inception of such Public Fund), together with reports on such year-end statements by each such Fund's independent public accountants, including, in each case, for each investment portfolio thereof, a statement of net assets or statement of assets and liabilities and schedule of investments, a statement of operations and a statement of changes in net assets and (b) with respect to each Private Fund, the financial statements of each such Private Fund for the three most recently completed fiscal years (or, if a shorter period, since the inception of such Private Fund).

"GAAP" shall mean U.S. generally accepted accounting principles in effect at the time any applicable financial statements were prepared or any act requiring the application of GAAP was performed.

"Governmental Approval" means any Consent of, with or to any Governmental Authority.

"Governmental Authority" means any nation, state, territory, province, county, city or other unit or subdivision thereof or any entity, authority, agency, department, board, commission, instrumentality, court or other judicial body authorized on behalf of any of the foregoing to exercise legislative, judicial, regulatory or administrative functions of or pertaining to government, and any Self-Regulatory Organization.

"Group" means a "group" as defined under Section 13(d) of the Exchange Act.

"HRMC Agreement" has the meaning set forth in Section 5.10(d)(i).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"Indebtedness" means, without duplication, (a) all indebtedness for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), whether or not evidenced by a writing, (b) any other indebtedness that is evidenced by a note, bond, debenture, draft or similar instrument, (c) all obligations under financing or capital leases, (d) all obligations in respect of acceptances issued or created, (e) notes payable and drafts accepted representing extensions of credit, (f) all liabilities for purchase price, lease or similar payments secured by any Lien on any property, (g) letters of credit and any other agreements relating to the borrowing of money or extension of credit and (h) any guarantee of any of the foregoing obligations.

"Indemnified Party" has the meaning set forth in Section 7.10(a).

"Indemnifying Party" has the meaning set forth in Section 7.10(a).

"Information Technology" means electronic business processes, data processing, information, record keeping, communications, telecommunications and computer systems (including all computer hardware and equipment, programs, software, databases, and firmware).

"Intellectual Property" means all material (a) trademarks, service marks, trade names, trade dress, domain names, web sites, copyrights, proprietary models, processes, formulas, software (other than off-the-shelf shrink wrapped software) and databases, client lists and similar rights, including registrations and applications to register or renew the registration of any of the foregoing with any Governmental Authority in any country and (b) patent and patent applications, inventions, processes, designs, formulae, trade secrets, know-how, computer software, data and documentation and any other similar intellectual property rights, tangible embodiments of any of the foregoing (in any medium including electronic media), and licenses of any of the foregoing.

"Internal Controls" has the meaning set forth in Section 3.8(c).

"Investment Advisory Arrangement" means a Contract under which a Person acts as an investment adviser or sub-adviser to, or manages any investment or trading account of, any Client.

"Investment Company Act" means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder by the SEC.

"Law" means any domestic or foreign federal or state statute, law, ordinance, rule, administrative code, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree, policy, ordinance, decision, guideline or other requirement (including those of the SEC and any Self-Regulatory Organization).

"Lease" means any of the real estate leases, subleases, licenses or similar agreements pursuant to which a Person occupies any real property, together with all amendments, modifications, supplements and/or extensions thereof.

"LIBOR" means, with respect to any date of determination, the rate per annum (rounded upwards, if necessary, to the nearest one hundredth (1/100) of one percent (1%)) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m. (London time) two Business Days prior to such date for a term of one month. If for any reason such rate is not available, the term "LIBOR" shall mean, with respect to any date of determination, the rate per annum (rounded upwards, if necessary, to the nearest one hundredth (1/100) of one percent (1%)) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in dollars at approximately 11:00 a.m. (London time) two Business Days prior to such date for a term of one month; *provided, however,* if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

"License Agreement" means a license for the benefit of BlackRock and its Controlled Affiliates consistent with the principles set forth in Exhibit A-2.

"Lien" means, whether arising under any Contract or otherwise, any debts, claims, security interests, liens, encumbrances, pledges, mortgages, retention agreements, hypothecations, rights of others, assessments, restrictions, voting trust agreements, options, rights of first offer, proxies, title defects, and charges or other restrictions or limitations of any nature whatsoever other than restrictions on transfer imposed by Applicable Law and any related agreements and other than the Stockholder Agreement.

"Litigation" means any action, cause of action, claim, demand, suit, proceeding, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or threatened, by or before any court, tribunal, arbitrator or other Governmental Authority.

"Loss" means any liability, damage, claim, demand, obligation, loss, fine, cost, expense, royalty, or deficiency (whether known, unknown, disclosed, undisclosed, absolute, contingent, accrued or otherwise, whether or not resulting from Third-Party Claims), including interest and penalties with respect thereto and reasonable out-of-pocket expenses and reasonable attorneys' and accountants' fees and expenses incurred in the investigation or defense of any of the same or in asserting, preserving or enforcing any of the respective rights in connection with or under this Agreement or under any Ancillary Agreement.

"Material Contract" means any Contract to which any MLIM Business Entity or any MLIM Transferor is a party or by which it or any of its properties or assets or any properties or assets of the Business is bound of the type listed below:

(a) any License Agreement material to the MLIM Business;

(b) any Lease material to the MLIM Business;

(c) any Contract relating to any Indebtedness in excess of $10,000,000, other than (i) any mortgage or similar Indebtedness secured by specific property owned by or on behalf of a Client and (ii) any intercompany Indebtedness;

(d) other than Rule 12b-1 plans or service fees, any joint venture, strategic alliance, exclusive distribution, partnership or similar Contract involving a sharing of profits or expenses or payments based on revenues, profits or assets under management of any MLIM Business Entity or any MLIM Fund that accounts for revenue to the MLIM Business in excess of $5,000,000 on an annual (or annualized) basis;

(e) other than in the case of a Contract relating to the acquisition or sale of any real property by a Fund or other Person on behalf of a Client, stock purchase agreements, asset purchase agreements and other acquisition or divestiture agreements;

(f) any Affiliate Arrangement;

(g) any Contract providing for future payments by a MLIM Business Entity or the acceleration or vesting of payments by a MLIM Business Entity, in each case in an aggregate amount in excess of $10,000,000 that will be triggered, in whole or in part, by the consummation of the Transactions;

(h) any Contract that cannot be terminated by a MLIM Business Entity or an MLIM Fund without the incurrence of any payment or other economic penalty or cost in excess of $5,000,000 within 60 days of the date of termination; and

(i) any other Contract that is material to the MLIM Business.

"Merger" has the meaning set forth in Section 1.1(a).

"Minor Losses" has the meaning set forth in Section 7.2.

"MLIHL" means ML Invest Holdings Limited.

"MLIM Affiliate Arrangement" has the meaning set forth in Section 3.15(a).

"MLIM Balance Sheet" has the meaning set forth in Section 3.8(g).

"MLIM Business" means the business that is conducted by the MLIM Business Entities and their Subsidiaries and is described under the caption "MLIM Investment Managers" on page 11 of MLIM Parent's Annual Report on Form 10K for the fiscal year ended December 31, 2004 filed with the SEC, with the results of operations and financial position of such businesses being reflected in the MLIM Financial Statements.

"MLIM Business Entities" means each of the MLIM Companies that conducts any non-*de minimis* portion of the MLIM Business, provided that for the purposes of Section 3.20 and Article VIII, MLIM Business Entities means each of the MLIM Companies that conducts any portion of the MLIM Business. For the purposes of Article III (other than Section 3.20), the term "MLIM Business Entities" includes each MLIM Transferor.

"MLIM Company" means MLIM Parent and each Controlled Affiliate thereof.

"MLIM Consideration" has the meaning set forth in Section 1.2(b).

"MLIM Contribution" has the meaning set forth in Section 1.2(a).

"MLIM Controlled Affiliate" means a Controlled Affiliate of MLIM Parent.

"MLIM Employee" means any individual who is, on the date of this Agreement, an employee of MLIM Business.

"MLIM Employment Agreement" has the meaning set forth in Section 3.21(a).

"MLIM Financial Statement Principles" means the principles and policies set forth in Exhibit A-4.

"MLIM Financial Statements" has the meaning set forth in Section 3.8.

"MLIM Fund" means any MLIM Public Fund or any MLIM Private Fund.

"MLIM Material Adverse Effect" means any change, effect, event, matter, occurrence or state of facts that (a) has a material adverse effect on the busi-

ness, condition (financial or otherwise), or assets and properties of the MLIM Business, taken as a whole, or (b) materially impairs the ability of MLIM Parent to consummate the Transactions, other than, in the case of clause (a) or (b), any change, effect, event, matter, occurrence or state of facts to the extent resulting from (i) any change or development in economic or business conditions in general, or in the investment management industry in particular (including any such change or development resulting from armed hostilities or terrorist actions), (ii) any change in Law or GAAP or the enforcement thereof, (iii) any adverse change in the assets under management in the MLIM Business if and to the extent such change is fully reflected in a reduction in the Revenue Run-Rate between the Base Date and the calculation date of the Closing Revenue Run-Rate, (iv) the public announcement in and of itself of this Agreement and the Transactions, and (v) any Proceeding or other matter for which, after the Closing, the BlackRock Indemnified Parties would be entitled to indemnification pursuant to Section 7.2(d), except, in case of clause (i) or (ii), to the extent that such change, effect, event, matter, occurrence or state of facts has a materially disproportionate effect on the MLIM Business, taken as a whole, relative to Persons engaged in the investment management industry generally.

"MLIM Parent" has the meaning set forth in the introductory paragraph to this Agreement.

"MLIM Parent Benefit Plan" has the meaning set forth in Section 3.21(a).

"MLIM Parent Disclosure Letter" has the meaning set forth in the preamble to Article III.

"MLIM Parent Registration Rights Agreement" means the Registration Rights Agreement, between MLIM Parent and BlackRock, which shall contain terms and conditions consistent with the principles set forth in Exhibit A-3.

"MLIM Private Fund" means any pooled investment vehicle for which a MLIM Company acts as investment advisor, general partner, managing member, manager or sponsor that is not registered as such with any Governmental Authority.

"MLIM Public Fund" means any pooled investment vehicle (including each portfolio or series thereof, if any) for which a MLIM Company acts as investment adviser, investment sub-adviser, sponsor or manager and which is registered as such with any Governmental Authority.

"MLIM Restructuring" has the meaning set forth in Section 5.18.

"MLIM Sub-Advised Fund" means any MLIM Private Fund or MLIM Public Fund other than any Fund sponsored or managed by any MLIM Company.

"MLIM Transferred Entities" means the Subsidiaries of MLIM Parent to which MLIM Parent assigns, conveys, transfers and delivers all of the Assets in accordance with Exhibit 5.18 hereto.

"MLIM Transferred Interests" means all of the issued and outstanding capital stock (or other equity interest) of the MLIM Transferred Entities.

"MLIM Transferors" means each MLIM Company that is contributing assets (including interests of certain MLIM Controlled Affiliates) or liabilities to the MLIM Transferred Entities in connection with the MLIM Restructuring.

"MLIM VAT Group" has the meaning set forth in Section 8.11(a).

"Negative Consent Notice" has the meaning set forth in Section 5.8(b)(ii).

"New BlackRock Common Stock" has the meaning set forth in the recitals to this Agreement.

"New BlackRock Preferred Stock" means Preferred Stock, par value $0.01 per share of, New BlackRock.

"New BlackRock Series A Preferred Stock" has the meaning set forth in Section 1.2(b).

"New BlackRock Shares" means the New BlackRock Common Stock and the New BlackRock Preferred Stock.

"New Plan" has the meaning set forth in Section 5.14(b).

"Non-Affiliate Interest" has the meaning set forth in Section 3.3(a).

"Notice" has the meaning set forth in Section 5.8(b)(i).

"NYSE" means the New York Stock Exchange.

"Organizational Documents" means, with respect to any Person that is a corporation, its articles or certificate of incorporation or memorandum and articles of association, as the case may be, and bylaws; with respect to any Person that is a partnership, its certificate of partnership and partnership agreement; with respect to any Person that is a limited liability company, its certificate of formation and limited liability company or operating agreement; with respect to any Person that is a trust or other entity, its declaration or agreement of trust or constituent document; and with respect to any other Person, its comparable organizational documents, in each case, as has been amended or restated.

"Payee Party" has the meaning set forth in Section 7.13.

"Payor Party" has the meaning set forth in Section 7.13.

"Permits" has the meaning set forth in Section 3.16(b).

"Permitted Liens" means all Liens that are:

(a) for Taxes or assessments that are not yet due and payable or which are being contested in good faith and by appropriate proceedings and for which adequate reserves have been established on BlackRock's and its Subsidiaries' books and records in accordance with GAAP;

(b) Liens or pledges to secure payments of workmen's compensation and other payments, unemployment and other insurance, old-age pensions or other social security obligations, or the performance of bids, tenders, leases, contracts, public or statutory obligations, surety, stay or appeal bonds, or other similar obligations arising in the ordinary course of business, and in each case for which adequate reserves have been established on a Person's books and records in accordance with GAAP;

(c) workmen's, repairmen's, warehousemen's, vendors', mechanics' or carriers' Liens or other similar Liens arising in the ordinary course of business and securing sums that are not past due, or deposits or pledges to obtain the release of any such Liens, and in each case for which adequate reserves have been established on a Person's books and records in accordance with GAAP;

(d) statutory landlords' Liens under Leases to which a Person or a Controlled Affiliate of such Person is a party;

(e) zoning restrictions, easements, rights of way, licenses and restrictions on the use of real property, minor irregularities or imperfections in title thereto and other minor encumbrances in property that do not materially impair the use of such property in the normal operation of the business or the value of such property for the purpose of such business; and

(f) Liens created by or consented to in writing by, in the case of a Lien to which BlackRock or a BlackRock Controlled Affiliate is subject, MLIM Parent and, in the case of a Lien to which a MLIM Business Entity is subject, BlackRock.

"Person" means any natural person or any firm, partnership, limited liability partnership, association, corporation, limited liability company, joint venture, trust, business trust, sole proprietorship, Governmental Authority or other entity or any division thereof.

"Plan" means each material bonus, deferred compensation, material incentive compensation, stock purchase, stock option, stock appreciation right or other stock-based incentive, severance, change-in-control, or termination pay, hospitalization or other medical, disability, life or other insurance, supplemental unem-

ployment benefits, profit-sharing, pension, or retirement plan, program, agreement or arrangement and each other material employee benefit plan, program, agreement or arrangement, sponsored, maintained or contributed to or required to be contributed to by MLIM Parent or BlackRock or any Controlled Affiliate for the benefit of any MLIM Employee or BlackRock Employee or former employee with respect to services to either company or any of the Subsidiaries of either company.

"PNC" has the meaning set forth in the recitals to this Agreement.

"Private Fund" means a MLIM Private Fund or a BlackRock Private Fund, as the case may be.

"Proceeding" means any action, cause of action, arbitration, claim, demand, suit, proceeding, citation, summons, subpoena, examination, audit, review, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or threatened, by or before any court, tribunal, arbitrator or other Governmental Authority.

"Proposed Allocation" has the meaning set forth in Section 8.10(b).

"Public Fund" means a MLIM Public Fund or a BlackRock Public Fund, as the case may be.

"Public Fund Board" means the board of directors or trustees (or Persons performing similar functions) of a Public Fund.

"Quorum Failure" has the meaning set forth in Section 5.8(a)(ii).

"Regulatory Requirement" means any Law that is primarily related to or primarily applicable to the business, products, services, operation, financial condition, ownership, supervision or regulation of brokers, dealers, commodity pool operators, commodity trading advisors, futures commission merchants, insurance companies or agents, real estate brokers, real estate property managers, variable annuities investment companies, investment companies, banks, investment advisers, trust companies, transfer agents, securities information processors, clearing agencies, clearing corporations or securities depositories or any other financial services business or Persons engaged therein, including, for the avoidance of doubt, any such Law to which any financial services business included in the MLIM Business or the business of BlackRock is or has at anytime in the past been subject.

"Required BlackRock Stockholder Vote" has the meaning set forth in Section 5.15(a).

"Resolution Date" has the meaning set forth in Section 5.16(f).

"Resolution Period" has the meaning set forth in Section 5.16(c).

"Revenue Run-Rate" means, as of any date for any Person, the aggregate annualized investment advisory, subadvisory, administration, sub- or co-

administration, shareholder servicing and 12b-1 Plan or similar fees computed primarily by reference to assets under management that are payable to such Person or an Affiliate (limited in respect of the MLIM Companies and their Controlled Affiliates to the MLIM Companies and such Controlled Affiliates and in respect of BlackRock and its Controlled Affiliates to BlackRock and such Controlled Affiliates) in respect of all Client accounts as to which such Person provides any of the foregoing services, determined by multiplying the Adjusted Assets Under Management for each such account as of such date by the applicable annual fee rate for such account as of such date and, in the case of any Person that is not a wholly-owned Subsidiary of a MLIM Company or BlackRock, as the case may be, by multiplying the foregoing product by the direct and indirect percentage participation of a MLIM Company or BlackRock, as the case may be, in the revenues or income, as applicable, of such Person. For purposes of this definition, the "applicable annual fee rate" for each account shall not include the effect of any performance-based fees or adjustments thereto or any extraordinary revenue items, and shall be reduced to take account of any then applicable fee waiver, expense reimbursement or rebate, or any reallowance of administration or sub- or co-administration fees, shareholder servicing, 12b-1 Plan or other such fees to any Person in connection with such account. For the purposes of this definition, the term Person shall be deemed to include the MLIM Business.

"Review Period" has the meaning set forth in Section 5.16(c).

"Sarbanes-Oxley Act" means the Sarbanes-Oxley Act of 2002, as amended, and any Law enacted or promulgated pursuant or relating thereto.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder by the SEC.

"Self-Regulatory Organization" means the National Association of Securities Dealers, Inc., each national securities exchange in the United States and each other board or body, whether United States or foreign, that is charged with the supervision or regulation of brokers, dealers, commodity pool operators, commodity trading advisors, futures commission merchants, securities underwriting or trading, stock exchanges, commodities exchanges, insurance companies or agents, investment companies or investment advisers, or to the jurisdiction of which any MLIM Business Entity, any Controlled Affiliate of a MLIM Parent, any of its Controlled Affiliates or any MLIM Fund is subject.

"Specified Provisions" has the meaning set forth in Section 7.1(a).

"Specified Rate" means LIBOR *plus* 1.0% per annum.

"Stockholder Agreement" has the meaning set forth in the recitals to this Agreement.

"Straddle Period" shall mean any Tax period beginning before and ending after the Closing Date.

"Subsidiary" of a Person means an Affiliate of such Person of which 50% or more of the voting stock (or of any general partnership or other voting or controlling equity interest in the case of a Person that is not a corporation) is beneficially owned by the Person directly or indirectly through one or more other Persons.

"Surviving Entity" has the meaning set forth in Section 1.1(a).

"Tax" means any and all federal, state, local or foreign income, gross receipts, property, sales, use, license, franchise, employment, payroll, premium, withholding, alternative or added minimum, ad valorem, transfer, registration, social security, workers' compensation or net worth, value added, consumption, windfall or other profits, capital stock, unemployment excise tax, any combination or admixture of such Taxes or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever and however named (including all interest and penalties and additions thereto), including any such amounts due as a result of being a member of a consolidated, combined or unitary group, by contract or similar arrangement or as a result of being related to another Person, whether as a primary obligor or secondary obligor, jointly liable or not, or as a successor or not.

"Tax Certificate" has the meaning set forth in Section 5.17(c).

"Tax Claim" has the meaning set forth in Section 8.2(a).

"Tax Indemnity Payment" has the meaning set forth in Section 8.1(c).

"Tax Opinion" has the meaning set forth in Section 6.1(e).

"Tax Return" means any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including any information return, claim for refund, amended return or declaration of estimated Tax.

"Third Party" has the meaning set forth in Section 8.2(d).

"Third-Party Claim" has the meaning set forth in Section 7.10(b)(i).

"Transaction Expenses" means all out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, experts and consultants to a party hereto and its Affiliates) incurred by a party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement, the Ancillary Agreements and the Transactions.

"Transactions" means the transactions contemplated by this Agreement and the Ancillary Agreements.

"Transfer" means any direct or indirect sale, lease, assignment, pledge, hypothecation, encumbrance, disposition, transfer, gift or attempt to create or grant a security interest in any property or contract right or any interest therein or

portion thereof, whether voluntary or involuntary, by operation of law or otherwise, and includes any sale or other disposition in any one transaction or series of transactions (whether or not related).

"Transfer Taxes" shall mean all sales, use, privilege, transfer, documentary, gains, stamp, duties, recording and similar Taxes and fees (including any penalties, interest or additions thereto) imposed upon any party incurred in connection with the transactions contemplated by this Agreement.

"Transition Services Agreement" means the Transition Services Agreement among BlackRock, MLIM Parent and certain MLIM Controlled Affiliates, containing the terms and conditions set forth on the Summary of Terms attached hereto as Exhibit A-5.

"Treasury Regulation" shall mean the final and temporary federal income tax regulations promulgated under the Code, as the same may be amended hereafter from time to time.

"UK Company" mean MLIM Group Limited and each MLIM Business Entity which is resident in the UK for tax purposes.

"UK Entity" means each MLIM Affiliate or any of its Controlled Affiliates organized in the United Kingdom or any non-domestic branch or representative office, wherever located, of any MLIM Affiliate organized in the United Kingdom wherever located in existence on the Closing Date and transferred to New BlackRock pursuant to the MLIM Contribution.

"U.S. BlackRock Public Fund Board" shall mean the board of directors, trustees, managers or other similar governing board of a U.S. BlackRock Public Fund.

"U.S. MLIM Public Fund Board" shall mean the board of directors, trustees, managers or other similar governing board of a U.S. MLIM Public Fund.

"Valuation Expert" has the meaning set forth in Section 8.10(b)(ii).

"VAT" means such Tax as may be levied in accordance with (but subject to derogations from) the European Directive 77/338/EEC.

"Wire Transfer" means a payment in immediately available funds by wire transfer in lawful money of the United States of America, to such account or accounts as shall have been designated by notice to the paying party.

Annex B

Form of Certificate of Designation for New BlackRock Series A Preferred Stock

EXHIBIT 3.20

B. UK TAX WARRANTIES

B1. General and Compliance Matters

(1) Tax Returns, Corporation Tax Self Assessment and Records

(a) All information, notices, computations and returns required by law to have been made or given (in respect of Corporation Tax, VAT, PAYE or other Tax) have been properly and before the expiry of any relevant time limit submitted by the UK Companies to HM Revenue & Customs and any other relevant Taxation authority whether of the United Kingdom or elsewhere and all information, notices, computations and returns submitted to HM Revenue & Customs and such other authority were and remain true and accurate in all material respects and are not the subject of any material dispute nor are likely to become the subject of any material dispute with such authorities;

(b) The UK Companies have preserved records required for the delivery of correct and complete returns as required by Schedule 18 Finance Act 1998 or the computation of any Tax (including without limitation any tax arising on the disposal or deemed disposal of any asset and records required for VAT and PAYE purposes);

(c) All returns made by the UK Companies have been agreed with HM Revenue & Customs or other appropriate authority;

(d) All material agreements between the UK Companies and HM Revenue & Customs or any foreign tax authorities allowing the UK Companies to depart from what would otherwise be their legal obligations have been disclosed in the Disclosure Letter and no such agreement disclosed in the Disclosure Letter is liable to be withdrawn for any reason; and

(e) The UK Companies have never been served with a notice under section 20 of the Taxes Management Act 1970.

(2) Taxation Liabilities and Instalment Payments

(a) All taxation of any nature whatsoever whether of the United Kingdom or elsewhere for which the UK Companies are liable or for which they are liable to account has been duly paid insofar as such taxation

is required by law to have been paid (including but not limited to payments under the Corporation Tax (Instalment Payments) Regulation 1998 which have been paid in the correct amount on or before the due date).

(3) Penalties and interest

The UK Companies have not within the past three years paid or become liable to pay, nor are there any circumstances by reason of which the UK Companies are likely to become liable to pay, any penalty, fine, surcharge or interest whether charged by virtue of the provisions of the Taxes Management Act 1970, VATA 1994, Corporation Tax (Instalment Payments) Regulations 1998 or otherwise.

(4) Investigations

The UK Companies have not within the past three years suffered any investigation audit or visit by HM Revenue & Customs, or any other Taxation authority, and the UK Companies are not aware of any such investigation audit or visit planned for the next twelve months.

(5) Agreement with Tax Authorities

The UK Companies have not, for any period commencing after the Accounts Date taken any action which has had the result of prejudicing for any period commencing after the Accounts Date any arrangement or agreement which they have previously negotiated with any Taxation Authority and the Disclosure Letter contains details of such arrangements or agreements.

(6) Details of Outstanding Matters

The UK Companies have made and submitted each claim, disclaimer, election, notice and consent assumed to have been made for the purposes of the Accounts and there are set out in the Disclosure Letter with express reference to this paragraph full details of all matters relating to Taxation in respect of which the UK Companies (either alone or jointly with any other person) have an outstanding entitlement:

(a) to make any claim (including a supplementary claim) for relief under any Taxation statute;

(b) to make any election for one type of relief, or one basis, system or method of Taxation as opposed to another;

(c) to make any appeal (including a further appeal) against any assessment to Taxation;

(d) to make any application for the postponement of Taxation; or

(e) to make any claim for the repayment of Taxation.

(7) Secondary Liabilities

The UK Companies are not liable to pay any Taxation for which they are not primarily liable in consequence of the failure by any other person (other than an Affiliate of the UK Company acquired under this Agreement) to discharge that taxation within any specified period or otherwise, where such Taxation relates to a profit, income or gain, transaction, event, omission or circumstances arising, occurring or deemed to arise or occur (whether wholly or partly) prior to Closing.

B2. Distributions and other payments

(1) Interest treated as distributions

No securities (within the meaning of Part VI of the Taxes Act 1988) issued by the UK Companies remaining in issue at the date of this Agreement were issued in such circumstances that any interest or other distribution out of assets in respect thereof falls to be treated as a distribution under s.209 Taxes Act 1988, nor have the UK Companies agreed to issue securities (within that meaning) in such circumstances.

(2) Deductibility of Payments

All rents, annual payments and other sums of an income nature paid or payable by the UK Companies and since the Accounts Date (other than entertainment expenditure or other categories of expenditure incurred in the ordinary course of business that are not generally deductible for corporation tax purposes) are wholly allowable as deductions or charges in computing income for the purposes of Corporation Tax.

B3. Capital allowances

(1) Balancing Charges

No balancing charge under the Capital Allowances Act 2001 (or other legislation relating to any capital allowances) would be made on the UK Companies on the disposal of any pool of assets (that is to say all those assets expenditure relating to which would be taken into account in computing

whether a balancing charge would arise on a disposal of any other of those assets) or of any asset not in such a pool, on the assumption that the disposals are made for a consideration equal to the book value shown in or adopted for the purpose of the Accounts for the assets in the pool or (as the case may be) for the asset is provided in the Accounts.

B4. Capital gains

(1) Claims for roll-over and hold-over of gains

The Disclosures set out full particulars of all claims and elections made (or assumed in the Accounts to be made) under s.23, s.24, s.247, s.248, s.152 to s.158, s.16l, s.165, s.171A or s.280 TCGA 1992 (indicating which claims are provisional) insofar as they could affect the chargeable gain or allowable loss which would arise in the event of a disposal after the Accounts Date by the UK Companies are of any of its assets.

(2) Transactions not at arm's length

The UK Companies have not disposed of nor acquired any asset in circumstances such that the provisions of s.17 or s.18 TCGA 1992 could apply to such disposal or acquisition nor given or agreed to give any consideration for any holding of shares or securities to which s.128(2)(b) TCGA 1992 could apply.

B5. Employees

(1) Compensation for loss of office

The UK Companies are not under an obligation to pay nor have they since the Accounts Date paid or agreed to pay to any employee any compensation for loss of office not deductible in computing their income for the purposes of Corporation Tax.

(2) Dispensations

The Disclosure Letter sets out details of all current dispensations or notices granted by HM Revenue & Customs to the UK Companies in respect of their respective employees.

(3) Pension contributions

Since the Accounts Date the UK Companies have not made any payment to a pension fund which is wholly or partially disallowed as an expense or expense of management in the accounting period in which it was made.

(4) PAYE

The UK Companies have properly operated the Pay As You Earn ("PAYE") system in all material respects deducting income tax from all payments to, or treated as made to, employees and ex-employees of it and have accounted to HM Revenue & Customs for all tax so deducted and all tax chargeable on benefits provided to their employees and all returns have been punctually made and were at the time of submission and remain accurate and complete in all material respects and the UK Companies has not been subject to a PAYE audit in the last six years.

(5) Employment Related Securities

The UK Companies do not have any shares in issue to which either Part 7 of ITEPA 2003 (or Chapter II, Part III of the Finance Act 1988) has applied.

B6. Close companies

The UK Companies are not and have not at any time within the last seven years been close companies as defined in s.414 Taxes Act 1988.

B7. Groups of companies

(1) Acquisitions from group members

No asset of the UK Companies shall be deemed under either, s.179 TCGA 1992 paragraphs 58-60 of Schedule 29 Finance Act 2002, or paragraph 12A Finance Act 1996 to have been disposed of (or, as the case may be, realised) and reacquired by virtue of or in consequence of the entering into or performance of this Agreement.

B8. Overseas interests

(1) UK Residence

The UK Companies are and have throughout the past seven years been resident in the United Kingdom for corporation tax purposes. The UK Companies do not have nor have had a branch, agency or permanent establishment outside the United Kingdom.

(2) Treasury consent for migration of companies, etc.

The UK Companies have not carried out or caused or permitted to be carried out any of the transactions (i) specified at the relevant time in s.765(1) Taxes

Act 1988 otherwise than with the prior consent of H.M. Treasury and (in the case of a special as opposed to general consent) full particulars of which are contained in the Disclosure Letter or (ii) specified at the relevant time in s.765A Taxes Act 1988 without having duly provided the required information to the Board of Inland Revenue.

B9. Tax Avoidance

(1) Transfer Pricing

No transactions or arrangements involving the UK Companies have taken place or are in existence which are such that any of the provisions of Schedule 28AA Taxes Act 1988 have been applied to them.

(2) Pension scheme refunds

Since the Accounts Date no payment has been made to the UK Companies to which s.601 Taxes Act 1988 applies.

B10. Stamp duty, stamp duty reserve tax and Stamp Duty Land Tax

(1) Stamp duty

All original documents in the enforcement of which the UK Companies may be interested, to which any of them is a party and which is in its possession or in the possession of an affiliate have been duly stamped and no such document has been stamped by reason of it being executed and retained abroad.

(2) Stamp duty reserve tax

The UK Companies have not since the Accounts Date incurred any liability to or been accountable for any stamp duty reserve tax and there has been no conditional agreement within s.87(1) Finance Act 1986 which could lead to the Company incurring such a liability or becoming so accountable.

(3) Stamp Duty Land Tax

(g) The UK Companies have duly filed all land transaction returns required by law to be filed and have paid all stamp duty land tax properly payable in respect of such land transactions; and

(h) No intra group transfer involving the UK Companies has taken place in the three years prior to the date of this Agreement in respect of which relief under section 42 Finance Act 1930 may be withdrawn

pursuant to section 111 Finance Act 2002.

B11. Value Added Tax

(1) Registration

The UK Companies are duly registered for the purposes of Value Added Tax and their registrations are not subject to any conditions imposed by or agreed with HM Revenue & Customs including any requirement to provide security and the UK Companies are not under a duty to make monthly payments on account under the Value Added Tax (Payments on Account) Order 1993.

(2) VAT group

The Disclosure letter provides full details of the VAT group (for the purposes of section 43 VATA 1994) of which the UK Companies are members.

(3) Exemption

The UK Companies are partially exempt for VAT purposes, operate a special method specially agreed with HM Revenue & Customs of which the Disclosure Letter contains full and accurate particulars and have recovered Value Added Tax strictly in accordance with this method. There are no circumstances by reason of which regulation 107 Value Added Tax Regulations 1995 has since the Accounts Date applied to the UK Companies.

B12. Application of UK Tax Warranties

(a) All references in Warranties B1 to B11 to HM Revenue & Customs shall be deemed to include a reference to the Inland Revenue, HM Customs & Excise and the Department of Social Security.

Exhibit 5.10(d)

Form of MLIHL HMRC Deed

ML INVEST HOLDINGS LIMITED GROUP OF COMPANIES
DEED WITH HM REVENUE AND CUSTOMS
[FEBRUARY] 2006

This Deed is made on [DATE] by (i) ML Invest Inc, Merrill Lynch International Holdings Inc and Merrill Lynch Cayman Holdings Inc (collectively the 100% shareholders of ML Invest Holdings Limited (MLIHL) (ii) MLIHL and its UK subsidiaries as referred to below and (iii) HM Revenue and Customs (HMRC). It is the intention of the parties that it should be binding, in perpetuity, on MLIHL, the shareholders of MLIHL, each subsidiary that is affected, the shareholders of each company and all departments of HMRC. It is confirmed that, by signing this Deed, all the parties have the power and authority to agree the matters set out below on the terms set out.

1. Included in this Deed are a number of estimated figures for, for example, trading losses and capital allowances. It is not possible to set out final and agreed figures because HMRC has not yet carried out its review of the companies' 2004 tax returns, because the companies have not yet finalised their 2005 statutory accounts and tax returns and because the results for the current accounting period are not yet known.

2. Notwithstanding any uncertainty caused by the use of estimated figures it is the intention of the parties that the underlying principles, which are clearly and unequivocally set out in this Deed, should be binding on both parties. The precise numerical consequences of these principles will be determined with certainty once the various figures have been finalised.

Accounting periods

3. All the UK companies in the MLIHL group prepared accounts for the year to 31 December 2004 and they are all currently in the course of preparing accounts for the 364 days to 30 December 2005. This change resulted from a decision in January 2006 to adopt a mean accounting date of the last Friday in December, which is consistent with other UK companies in the Merrill Lynch & Co, Inc group.

4. Merrill Lynch Investment Managers Limited (MLIM), Merrill Lynch Investment Managers Group Services Limited (MLIMGS) and Merrill Lynch Investment Managers (Finance) Limited (MLIM(F)) [have each recently decided/will each shortly decide] to shorten their current accounting period so that they close on [30 June] 2006. As a result, in due course they will prepare audited statu-

tory accounts as at that date and will prepare tax returns for the [five] month period ending on that date.

Background

5. MLIM. The 2004 tax return of MLIM shows trading losses carried forward of £111,652,522. This amount has not yet been agreed by HMRC. It is expected that approximately £65m of these trading losses will be used against trading profits arising in the accounting period to 30 December 2005. As a result, it is expected that MLIM will have trading losses carried forward at the end of 2005 of approximately £46m.

6. MLIM. The 2004 tax return of MLIM shows a plant or machinery capital allowances pool carried forward of £36,514. This amount has not yet been agreed by HMRC.

7. MLIMGS. The 2004 tax return of MLIMGS shows a plant or machinery capital allowances pool carried forward of £24,623,742. This amount has not yet been agreed by HMRC. Assuming there are no fixed asset acquisitions or disposals in 2005 and that MLIMGS claims its full entitlement of plant or machinery capital allowances in 2005, it is expected that the plant or machinery capital allowance pool will be as shown below as at the end of 2005 and as at [30 June] 2006. Acquisitions and disposals information, when it is available in due course, will affect the figures.

	End 2004	End 2005	[30 June] 2006
P or M pool	24,623,742	18,467,807	16,544,077

8. Merrill Lynch Investment Managers Group Limited (MLIMG). The 2004 tax return of MLIMG shows non-trading loan relationship debits carried forward of £2,217,420. This amount has not yet been agreed by HMRC. It is expected that this amount will be utilised by set off against taxable income arising during the 2005 accounting period such that the amount carried forward as at 30 December 2005 is nil.

9. Merrill Lynch Pensions Limited (MLP). The 2004 tax return of MLP shows capital losses carried forward of £9,894,545. This amount has not yet been agreed by HMRC. It is expected that none of this amount will have been utilised by set off against chargeable gains arising during the 2005 accounting period.

10. MLIM(F). The 2004 tax return of MLIM(F) shows capital losses carried forward of £469,806. This amount has not yet been agreed by HMRC. In addition it is expected that further capital losses of around £1m will have arisen in the 2005 accounting period. It is expected that some or all of the capital losses will have been utilised by set off against chargeable gains arising during either the 2005 accounting period or the accounting period ending [30 June] 2006.

11. Long term incentive compensation plan (LTICP). Merrill Lynch Investment Managers Holdings Limited is the company that employs the staff and is charged, by a US affiliate, for the cost of LTICP awards. This cost is recharged, at cost, to MLIMGS which on-charges, again at cost, to MLIM. With effect from the start of the 2005 accounting period, any tax relief that is available with respect to LTICP awards is claimed by MLIM in accordance with separate procedures agreed with HMRC.

Principles Agreed

12. It is hereby recorded that the matters set out in paragraphs 13 to 21 below are irrevocably agreed by all parties to this Deed.

MLIM

13. MLIM will not claim a tax deduction, under the general principles of S.74 ICTA 1988 or otherwise, for such amount of the service fee expense charged by MLIMGS and debited to MLIM's profit and loss account in the accounting period ending [30 June] 2006 as is required (after taking into account any surrenders of reliefs) in order to ensure that MLIM has no trading losses available to be carried forward under S.393 ICTA 1988 to the accounting period beginning on [1 July] 2006. This will not affect the tax status of the service fee income in the hands of MLIMGS.

14. In its tax return and computation for the accounting period ending [30 June] 2006 MLIM will include, in its plant or machinery capital allowances computation, deemed fixed asset sale proceeds of £36,514 or such other amount as is required to reduce to nil its unrelieved qualifying expenditure available to be carried forward on [30 June] 2006. As there will be no unrelieved qualifying expenditure, no plant or machinery capital allowance will be available to be claimed by MLIM for the accounting period ending [30 June] 2006.

MLIMGS

15. MLIMGS will make a claim for plant or machinery capital allowances for the accounting period ending on [30 June] 2006 in the normal way in accordance with S.3 and S.56 CAA 2001. Immediately following the making of this claim, and effectively as the last event occurring in that accounting period, MLIMGS will write down to nil its unrelieved qualifying expenditure available to be carried forward on [30 June] 2006. Based on the data set out in paragraph 7 above, this write down would be in the order of £16,544,077. This write-down will be supported by a specific and irrevocable commitment, evidenced by this Deed, that MLIMGS will, at no time either now or in the future, make any claim under S.3 CAA 2001 (or any superseding legislation) for plant or machinery capital allowances with respect to the amount written off on [30 June] 2006.

MLIMG

16. In its tax return and computation for the accounting period ending 30 December 2005 MLIMG will include deemed non-trading profits of such amount as is required to reduce to nil any remaining unrelieved non-trading loan relationship debits available to be carried forward on 30 December 2005.

MLP

17. In its tax return and computation for the accounting period ending 30 December 2005 MLP will include deemed chargeable gains of such amount as is required to reduce to nil any unrelieved capital losses available to be carried forward on 30 December 2005.

MLIM(F)

18. In its tax return and computation for the accounting period ending [30 June] 2006 MLIM(F) will include deemed chargeable gains of such amount as is required to reduce to nil any remaining unrelieved capital losses available to be carried forward on [30 June] 2006.

MLIM, MLIMGS and MLIMG

19. MLIM, MLIMGS and MLIMG hereby make a specific and irrevocable commitment, evidenced by this Deed, that none of them will, at any time either now or in the future, make any claim to utilise or to carry forward for future tax relief any trading losses, non-trading loan relationship debits, surplus management expenses, surplus capital allowances or any other tax deficit or relief that may be eligible for surrender as group relief arising in the accounting period ending [30 June] 2006 which have not been surrendered as group relief to other group companies.

MLIMGS and MLIM - LTICP

20. None of MLIMGS and MLIM will make any claim to utilise in any way any tax relief in any accounting period beginning on or after [1 July] 2006 with respect to any LTICP awards granted on or prior to [transaction date] whether such relief would otherwise arise by virtue of an existing or future statutory provision, the procedures set out in TB63 or any other procedures agreed from time to time with HMRC.

Goodwill

21. For the avoidance of doubt the parties to this Deed acknowledge that neither MLIHL nor any of its shareholders nor subsidiaries has ever had, nor will ever have, any entitlement to tax relief in the UK with respect to the ac-

counting goodwill which arose solely on MLIHL's purchase of 100% of the share capital of MLIMG in 1997.

EXECUTED by the parties as a deed on the date specified at the beginning of this Deed.

Executed as a deed by:

.....

..... Date: .....

For and on behalf of
ML Invest Inc

Executed as a deed by:

.....

..... Date: .....

For and on behalf of
ML International Holdings Inc

Executed as a deed by:

.....

..... Date: .....

For and on behalf of
Merrill Lynch CHI [*correct and full name required*]

Executed as a deed by:

.....

..... Date: .....

For and on behalf of

ML Invest Holdings Limited

Executed as a deed by:

.....

..... Date: .....
For and on behalf of
Merrill Lynch Investment Managers Limited

Executed as a deed by:

.....

..... Date: .....
For and on behalf of
Merrill Lynch Investment Managers Group Services Limited

Executed as a deed by:

.....

..... Date: .....
For and on behalf of
Merrill Lynch Investment Managers Group Limited

Executed as a deed by:

.....

..... Date: .....
For and on behalf of

Merrill Lynch Pensions Limited

Executed as a deed by:

.....

..... Date: .....

For and on behalf of
Merrill Lynch Investment Managers
(Finance) Limited

Executed as a deed by:

.....

..... Date: .....

For and on behalf of
HM Revenue & Customs

Exhibit 5.16(i)

Closing Financial Information

The Closing Financial Information shall include the items necessary to determine the Closing Adjustment Amounts under Section 5.16 of the Transaction Agreement, including separate line item information, in each case that can be reconciled to the information in the Estimated Closing Balance Sheet or the Final Closing Balance Sheet, as applicable, as to the following items:

1. Non-cash amortization and depreciation expense.
2. Incentive compensation expense, subdivided into separate line items for stock based and other and for non-recurring expense and compensation based severance costs.
3. Available for sale liquid securities of the type referred to in Section 5.16 of the Transaction Agreement.
4. Accrued compensation, disclosed separately from other payables and subdivided into stock based, non-stock based and severance (if any).
5. Investments and other payables associated with VIE's to be consolidated under EITF 04-05, disclosed separately.

Exhibit 5.18

MLIM Restructuring

Prior to the MLIM Contribution, MLIM Parent shall, and shall cause each of its Controlled Affiliates to, take all necessary and appropriate actions to effect the following transactions:

(a) MLIM Parent shall cause each of the MLIM Business Entities to assign, convey, transfer and deliver to a Subsidiary of MLIM Parent other than the MLIM Transferred Entities or any of their respective Controlled Affiliates all liabilities of the MLIM Business Entities to the extent not related to the MLIM Business.

(b) MLIM Parent shall and shall cause each of its Controlled Affiliates to assign, convey, transfer and deliver all of the Assets (other than Assets in respect of which rights or services are to be provided to New BlackRock or its Controlled Affiliates pursuant to the Transition Services Agreement or the License Agreement), the liabilities of the MLIM Business reflected in the MLIM Balance Sheet, the liabilities reflected on Schedule 7.2(f) of the MLIM Parent Disclosure Letter to the extent they arise on or after January 1, 2007 and obligations arising after the Closing under all Contracts being assigned to the MLIM Transferred Entities and their Subsidiaries in the MLIM Restructuring to one or more Subsidiaries of MLIM Parent the equity interests of which are to be transferred directly or indirectly to New BlackRock in the MLIM Contribution.

MLIM Parent may effectuate such actions in a manner which is most tax efficient to it; *provided* that there shall be incorporation of any domestic Assets, only with the prior written consent of BlackRock, such consent not to be unreasonably withheld.

Exhibit 5.21

Certain Disclosure Obligations

(i) Complete and correct copies of the Organizational Documents of each MLIM Transferred Entity (to be delivered within 90 Business Days after the date of this Agreement).

(ii) The Information required pursuant to Section 3.12 to be provided in Schedule 3.12, without giving effect to any materiality qualifiers.

(iii) The information required pursuant to Section 3.13 to be provided in Schedule 3.13(c), without giving effect to any qualifiers or exceptions as to "ordinary course of business" or substantial equivalent of such phrase; provided that all such Contracts that are investment advisory Contracts are to be delivered within 30 Business Days after the date of this Agreement.

(iv) A complete and correct list of all Permits described in the first sentence of Section 3.16(b).

(v) Complete and correct copies of (i) all filings with a Governmental Authority made within the past three years by MLIM Business Entities and MLIM Public Funds (other than Sub-Advised Funds), (ii) all audit or inspection reports received by any MLIM Company or MLIM Fund (other than Sub-Advised Funds) regarding a MLIM Business Entity or any MLIM Fund during the past three years, (iii) all inspection reports provided to any MLIM Company or any MLIM Fund (other than Sub-Advised Funds), by any Governmental Authority regarding a MLIM Business Entity or any MLIM Fund during the past three years and (iv) all correspondence relating to any investigation of a MLIM Business Entity or any MLIM Fund provided to any MLIM Company or any MLIM Fund (other than Sub-Advised Funds) by any Governmental Authority during the past three years.

(vi) A complete and correct list of each MLIM Public Fund that is not registered with any U.S. Governmental Authority.

(vii) A complete and correct description of the "market timing" policy to which Section 3.17(h) refers (except to the extent that such policy is described in any prospectus or statement of additional information of a MLIM U.S. Public Fund).

(viii) A complete and correct list, as of the Base Date, of the information in respect of each MLIM Client and each Fund, reasonably acceptable to BlackRock, necessary for the computation of the Base Revenue Run Rate.

(ix) A complete and correct list of written notices received since January 1, 2003 from any Client expressing its intention to, and, to the knowledge of MLIM Parent, a description of each oral statement by a Client made since January 1, 2003 of its intention to, (i) terminate, or to place under review for possible termination, any of its existing accounts, (ii) to initiate a search for a replacement distributor, fund manager or investment adviser, as the case may be, or (iii) other than in the case of a Client that is a Public Fund, to withdraw more than the greater of $1,000,000 or 10% of the assets under management in any of its accounts.

(x) A complete and correct list of each ERISA Client of the MLIM Business (to be delivered within 30 Business Days after the date of this Agreement).

(xi) Complete and correct copies of all information, dated later than three years prior to the date of this Agreement, including all studies, analyses and test results, in the possession, custody or control of or otherwise known to the MLIM Companies relating to the environmental conditions on, under or about that certain property in Plainsboro, New Jersey that is used in the conduct of the MLIM Business and any other real property now or previously owned by the MLIM Business Entities.

(xii) Any Material Contract that contains any change in control provision or other terms or conditions that will become applicable or inapplicable as a result of the consummation of the Transactions.

Exhibit 6.1(c)

Certain Agreements and Investments

1. First Amendment to Share Surrender Agreement, substantially in the form attached as Annex A to this Exhibit 6.1(c).
2. Registration Rights Agreement, between PNC Parent and BlackRock, having substantially the terms set forth in the Summary of Terms attached as Annex B to this Exhibit 6.1(c).
3. Implementation and Stockholder Agreement.
4. Instrument effecting the termination of the Amended and Restated Stockholders Agreement dated as of September 30, 1999, by and among BlackRock, PNC Asset Management, Inc. and certain employees of BlackRock and its Controlled Affiliates.

Exhibit 6.2(d)

Certain Governmental Approvals (BlackRock)

1. U.K. Financial Services Authority consent.
2. Germany-BaFin consent.
3. Canada-OSC consent.
4. Hong Kong-SFC consent
5. NASD consents with respect to BlackRock Investments, Inc. and SS Research Investment Services, Inc.
6. Interlock waivers from Federal Reserve Board and/or Office of Thrift Supervision based on the MLIM Companies' status as a savings and loan holding company and BlackRock's status as a subsidiary of a bank holding company.

Exhibit 10.3-A

Knowledge of MLIM Parent

R. Fairbairn

Q. Price

J. Fosina

R. Doll

B. Fullerton

F. Porcelli

A. Donohue

N. Hall

Exhibit 10.3-B

Knowledge of BlackRock

L. Fink

S. Buller

S. Wagner

R. Connolly

Table of Contents

Exhibit A-1

Form of BlackRock Distribution Agreement

Exhibit A-2

License Agreement Principles

Parties:	Licensors: MLIM Parent and its relevant Controlled Affiliates Licensees: the BlackRock Parties and their Controlled Affiliates, including the MLIM Business Entities
Licensed Marks:	All marks owned by MLIM Parent or its Controlled Affiliates and used in connection with both the MLIM Business and any retained businesses as of the Closing Date including, but not limited to, Merrill Lynch, MLIM, ML and variations thereof (collectively, the "Licensed Marks").
Scope of License:	Licensors shall grant Licensee a limited, non-exclusive license to use the Licensed Marks in substantially the same manner as such marks were used in the 12 months prior to Closing. The parties acknowledge that the scope of the license will reflect its transitional nature.
Term:	With respect to usage in the US: a maximum of 12 months following the Closing Date. With respect to usage outside the US: a mutually agreeable maximum time period that takes into account he regulatory requirements of jurisdictions outside the US, which period shall not be less than three years following the Closing Date. During such period, the Licensees will transition away from and allow to expire the four domain names currently owned by MLIM and incorporating the

	"MLIM" mark.
Fees:	The license will be royalty-free.
Miscellaneous:	The License Agreement shall contain such other terms and provisions as are typical of an agreement of this nature in this type of transaction, including appropriate quality control standards and appropriate restrictions on transferability.

Exhibit A-3

MLIM Parent Registration Rights Agreement Principles

The terms and conditions of the MLIM Parent Registration Rights Agreement will be substantially consistent with and no less favorable, in the aggregate, to MLIM Parent than the terms and conditions set forth in Exhibit 5.5 to the Implementation and Stockholder Agreement.

Exhibit A-4

MLIM Financial Statement Principles

This exhibit describes the general principles for the construction of the MLIM Balance Sheet.

(a) The MLIM Balance Sheet gives pro forma effect as if the MLIM Restructuring was effected as of December 31, 2005.

(b) The MLIM Balance Sheet was derived from the legal books and records of Merrill Lynch at year end 2005, which were prepared in accordance with GAAP and represented the consolidation of legal entity balance sheets, adjusted balance sheets, or net assets, depending upon the nature of the contribution of each entity.

(c) The MLIM Balance Sheet encompasses in all material respects, the assets liabilities and legal entities that were contemplated to be contributed, after adjustment for agreed changes to the scope of the business to be transferred.

(d) The MLIM Balance Sheet will be adjusted for additions or deletions to the MLIM Restructuring contemplated by the Agreement either at the signing or between signing and the Closing. Those changes will be incorporated into the Estimated Closing Balance Sheet and the Final Closing Balance Sheet.

Exhibit A-5

Transition Services Agreement Principles

Parties:	Service Providers: MLIM Parent and its Controlled Affiliates Service Recipients: the BlackRock Parties
Services Provided:	All services provided by Service Providers to the MLIM Business in the ordinary course in the twelve months immediately prior to the Closing Date, and all services reasonably related to transitioning the foregoing services to a BlackRock entity or a third party provider (collectively, the "TSA Services").
Service Standard:	The TSA Services will be provided at levels and with at least the same degree of care, diligence, priority, frequency and volume as such services were provided prior to the Closing Date.
Term:	The TSA Services shall be provided for a mutually agreeable period of time, taking into account the Service Recipients' reasonable business requirements and the Service Providers' resources.
Pricing:	The TSA services will be priced in a manner broadly consistent with historical practices as currently reflected in the MLIM Financial Statements and be based on the historical methodology for assessing charges for services provided by the Service Providers to the MLIM Business. For purposes of information, in 2005 corporate allocated expenses for the MLIM Business were $49.7 million, in-

	direct support services expenses for the MLIM Business were $57.6 million, and MLIM Parent believes that a reasonable basis for calculating carve-out expenses would be 100% of corporate allocated expenses and 25% of indirect support services expenses. No representation or warranty is made whether these figures will be indicative of actual operating expense of the MLIM Business on a stand-alone basis.
Miscellaneous:	The TSA shall contain such other terms and provisions as are typical of an agreement of this nature in this type of transaction. BlackRock and MLIM Parent will negotiate in good faith regarding whether the Private Investors business in the U.K. should be separated from MLIM's European business and, if so, the provision of appropriate transition services and any necessary modifications to the information to be provided pursuant to Section 5.16.

Exhibit 10.1

PARTICIPATION UNITS

This **Grant Document** sets forth the terms and conditions of your grant of Participation Units ("**Participation Units**") under the Merrill Lynch & Co., Inc. ("ML&Co.") Long-Term Incentive Compensation Plan (the "**Plan**") granted under the Managing Partners Incentive Program ("**MPP**") and convertible into Restricted Shares under the Plan.

1. **THE PLAN**

This grant is made under the Plan, the terms of which are incorporated into this Grant Document. Capitalized terms used in this Grant Document that are not defined, shall have the meanings as used or defined in the Plan, which is included in the Prospectus sent to you with this grant. **Merrill Lynch**, as used in this Grant Document, shall mean ML&Co., its subsidiaries and affiliates. References in this Grant Document to any specific Plan provision shall not be construed as limiting that provision or the applicability of any other Plan provision.

2. **GRANT CONDITIONS**

By accepting this grant, you acknowledge that you understand that the grant is subject to all of the terms and conditions contained in the Plan and in this Grant Document and that you consent to all grant terms and conditions, including without limitation, the covenants set forth in paragraph 4 of this Grant Document.

PARTICIPATION UNITS

(a) **General.** Participation Units represent a conditional right to shares of ML & Co. Common Stock, dependent upon the attainment of certain goals for the Corporation's ROE (defined below), as determined on the Conversion Dates (defined below).

(b) **Voting-Dividends**. Your Participation Units do not have voting rights. Prior to the Conversion Dates for the relevant Participation Units, a holder of a Participation Unit will be paid cash amounts equal to dividends paid on a share of ML&Co. Common Stock, which shall cease when the Participation Units are no longer outstanding.

(c) **Conversion of Participation Units into Restricted Shares**. One-third of the Participation Units shall convert into Restricted Shares (described under "**RESTRICTED SHARES**" below) on each of January 31, 2007, January 31, 2008 and January 31 2009 (each a "**Conversion Date**"), based on ROE determined for the most recently completed fiscal year. Participation Units converted on the Conversion Date will cease to be outstanding immediately following conversion.

(d) **Conversion Ratio.** The ratio for conversion of Participation Units to Restricted Shares shall be as set forth in Schedule 1 to this Grant Document as may be

adjusted from time to time as necessary to reflect any normalization of ROE confirmed by the Management Development and Compensation Committee of the Board of Directors ("MDCC")

(e) **Determination of ROE.** In each of January 2007, January 2008 and January 2009, the MDCC shall review and confirm ROE, as defined below, for the immediately proceeding fiscal year.

"**ROE"** with respect to any fiscal year shall mean the Return on Equity as reported by the Corporation in its earnings press release in January with respect to the relevant fiscal year subject to adjustments, if any, deemed appropriate in order to normalize ROE to emphasize operating results. The MDCC's review and confirmation of the ROE and the Conversion Ratio for a particular performance period shall be final and binding on Participants.

(f) **Issuance of Restricted Shares.** Upon confirmation by the MDCC, the Company shall issue the appropriate number of Restricted Shares in accordance with the Conversion Ratio on January 31 of the relevant year and the corresponding Participation Units shall cease to be outstanding, immediately following conversion.

(g) **Conversion of Participation Units in Connection with a Change-in-Control**. In the event of a Change-in-Control of the Corporation as defined in LTICP, then immediately prior to the consummation of the Change-in-Control, one third of the Participation Units (relating to the year in which the transaction occurs) shall be converted into Restricted Shares (or Restricted Units) at a ratio of 2.5:1 and the remaining outstanding Participation Units (relating to subsequent years) shall be converted at a ratio of 1:1. The vesting and payment of the converted Restricted Shares shall occur in accordance with paragraph 5 hereof.

(h) **Termination of Your Rights to Participation Units under Certain Circumstances.** Except as provided in paragraph 3 hereof, if, prior to the Conversion Date for the relevant Participation Units, (1) your employment terminates for any reason other than death, Career Retirement (as defined in paragraph 3) or Disability (as defined in paragraph 3) or as a result of a job elimination (as determined by Merrill Lynch), (2) you violate any of the covenants outlined in paragraph 4 of this Grant Document (the "**Covenants**"), or (3) following termination for Career Retirement, you fail to deliver the Annual Certification described below, your right to outstanding Participation Units shall terminate and they will be cancelled.

RESTRICTED SHARES

(a) **General**. A Restricted Share is a share of ML&Co. Common Stock that is beneficially owned by you but held by ML&Co. on your behalf until the end of the Vesting Period described below. Your Restricted Shares have voting rights and pay quarterly dividends, when regular dividends are paid on ML & Co. Common Stock**.**

(b) **Vesting Period**. Except as described in paragraph 3, of this Grant Document, your rights to Restricted Shares shall terminate and the Restricted Shares will be cancelled if you terminate employment or otherwise violate any of the terms and conditions of your grant during the Vesting Period ending on January 31, 2010 ("Vesting Date"). Restricted Shares may not be sold, transferred, assigned, pledged or otherwise encumbered during the Vesting Period. Following the end of the Vesting Period, Restricted Shares will be delivered to you, subject to the Company's right to reduce the number of shares to be delivered by an amount of shares necessary to satisfy Merrill Lynch's applicable tax withholding requirements.

(c) **Termination of Your Rights to Restricted Shares under Certain Circumstances.** Except as provided in paragraph 3 hereof, if (1) your employment terminates for any reason other than death, Career Retirement (as defined in paragraph 3) or Disability (as defined in paragraph 3) or as a result of a job elimination, (2) you violate any of the covenants outlined in paragraph 4 of this Grant Document (the "**Covenants**"), (3) following termination for Career Retirement, you fail to deliver the Annual Certification described in sub-paragraph (b) under "**Effect of Termination of Employment on Restricted Shares"** in paragraph 3, your right to unvested Restricted Shares shall terminate, Restricted Shares will be cancelled and will not be delivered to you.

(d) **Delivery — Merrill Lynch Account Designation.**

(i) Once your Restricted Shares have vested in accordance with the terms of this Grant Document, you will be entitled to have those shares delivered, as soon as practicable, to a Merrill Lynch account.

(ii) As a participant in the Plan, you must designate a Merrill Lynch account into which shares of ML&Co. Common Stock will be deposited when they are released to you. This account cannot be a Trust Account, Individual Retirement Account or other tax-deferred account. You may use a joint account if you are the primary owner of the account. Account designations can be made on the Payroll Self Service Web Site at http://hr.worldnet.ml.com/edf2. (From the HR Intranet homepage, click on Payroll Self Service.) If you do not designate an account, Merrill Lynch will mail certificates representing shares released to you.

3. **EFFECT OF TERMINATION OF EMPLOYMENT.**

Prior to Conversion of Participation Units.

In general, if, prior to the conversion of your Participation Unit for your grant, your employment terminates or you fail to comply with the covenants contained in paragraph 4 of this Grant Document, your rights to your Participation Units will cease and they will be cancelled. In the case of termination of employment, if your termination occurs in connection with the limited circumstances outlined below a portion of your grant will convert to Restricted Shares (as described below) and

continue to vest notwithstanding termination, provided that you continue to satisfy the conditions described below. If you fail to comply with these conditions, your rights to your Restricted Shares will cease and they will be cancelled.

(a) **Death**. One-third of the Participation Units (relating to the year in which Death occurs) will be converted into Restricted Shares at a 1:1 Conversion Ratio and the resulting Restricted Shares will vest immediately and shares will be delivered to a designated beneficiary or estate as soon as possible. Any unconverted Participation Units will be cancelled.

(b) **Disability, Career Retirement; Job Elimination**. If (1) employment is terminated as a result of Disability, (2) upon termination, you qualify for Career Retirement (as defined below) or (3) you are terminated due to a job elimination then a portion of the Participation Units representing your annual contribution for the year in which the termination occurs will be converted at a Conversion Ratio of 1:1, effective upon termination provided that, (1) following termination that qualifies for Career Retirement, you do not compete with the business of, or recruit employees from, Merrill Lynch, (2) you do not violate the covenants contained in paragraph 4; (3) you sign and return an Agreement and Release in the form prescribed by Merrill Lynch and comply thereafter with the terms of the Agreement and Release and (4) following termination for Career Retirement, you to deliver the Annual Certification described in sub-paragraph (b) under "**Effect of Termination of Employment on Restricted Shares"**. All unconverted Participation Units will be cancelled effective upon termination of employment.

(c) **Termination of Employment for Other Reasons**. In the event employment is terminated for any other reason, rights to Participation Units that have not converted shall terminate and they will be cancelled effective upon termination of employment.

Effect of Termination of Employment on Restricted Shares

In general, if, prior to the end of the Vesting Period for your grant, your employment terminates or you fail to comply with the covenants contained in paragraph 4 of this Grant Document, your rights to your unvested Restricted Shares will cease and they will be cancelled. In the case of termination of employment, if your termination occurs in connection with the limited circumstances outlined below your grant will continue to vest notwithstanding termination, provided that you continue to satisfy the conditions described below. If you fail to comply with these conditions, your rights to your Restricted Shares will cease and they will be cancelled:

(a) **Death.** If your death occurs prior to the Vesting Date for your Restricted Shares, any unvested Restricted Shares will vest immediately and shares (net of any withholding requirements) will be delivered to your designated beneficiary or estate as soon as possible.

(b) **Disability or Career Retirement.** If your employment is terminated as a result of Disability or if you qualify for Career Retirement (as defined below), your Restricted Shares will continue to vest notwithstanding your termination provided that, (1) you do not compete with, or recruit employees from, Merrill Lynch and provide Merrill Lynch with a certification upon your termination and at least annually thereafter (the "Annual Certification") that you are not engaged in or employed by a business which is in competition with Merrill Lynch and have not solicited or recruited employees from Merrill Lynch and (2) you do not violate the covenants contained in paragraph 4. If you compete with the business of or recruit employees from Merrill Lynch, fail to return the Annual Certification to Merrill Lynch or violate the covenants contained in paragraph 4 during the Vesting Period for your Restricted Shares, your rights to your unvested Restricted Shares will terminate and the Restricted Shares will be cancelled.

(c) **Termination of Employment Due to Job Elimination.** If your employment is terminated in connection with a job elimination, your Restricted Shares will continue to vest notwithstanding your termination; provided that, (i) you sign and return an Agreement and Release in the form prescribed by Merrill Lynch and (ii) you comply thereafter with its terms and with the covenants contained in this Grant Document.

(d) **Termination of Employment for Other Reasons:** In the event your employment is terminated for any other reason than those specified in subparagraphs (a), (b) or (c) under the heading "Effect of Termination on Your Restricted Shares" **,** your rights to your unvested Restricted Shares shall terminate and the Restricted Shares will be cancelled.

Definitions:

To be eligible for "**Career Retirement"** treatment, you must fulfill the following requirements:

- No determination shall have been made that there was **Cause** (as defined below) to disqualify you from Career Retirement treatment; and
- You must have completed at least 5 years of service with Merrill Lynch; and
- You (1) must be at least 45 years of age or (2) your age and service combined and computed as full years and completed months must total at least 60; or
- Your grant is approved by the Head of Reward and Recognition Planning as eligible for Career Retirement and at the request of Merrill Lynch, you become an employee (upon termination with Merrill Lynch) of a non-consolidated joint venture of Merrill Lynch, a spin-off or a new joint venture company in which Merrill Lynch has made a substantial investment.

- You will **not** be eligible for **Career Retirement** if: (1) following your termination, you engage in any business that is in competition with the business of Merrill Lynch, (2) prior to or following your termination you solicit or recruit any Merrill Lynch employees, (3) you fail to complete and return the Annual Certification, that you are in compliance with conditions 1 and 2 or (4) prior to or following your termination, you violate any of the covenants contained in paragraph 4 hereof.

"Disability" shall mean a physical or mental condition that, in the opinion of the Head of Rewards and Recognition Planning of Merrill Lynch (or his or her functional successor), renders you incapable of engaging in any employment or occupation for which you are suited by reason of education or training.

"Cause" shall mean a determination by a committee appointed by the Head of Rewards and Recognition Planning of Merrill Lynch (or his or her functional successor), that in its sole, absolute, and un-reviewable discretion: (i) at the time of the termination of your employment, you had committed: a) any violation of Merrill Lynch's rules, regulations, policies, practices and/or procedures; b) any violation of the laws, rules or regulations of any governmental entity or regulatory or self-regulatory organization, applicable to Merrill Lynch; or c) criminal, illegal, dishonest, immoral, or unethical conduct reasonably related to your employment; and (ii) as a result of such conduct, it is appropriate to disqualify you from Career Retirement treatment with respect to the Participation Units or Restricted Shares covered by this Grant Document.

4. CONDITIONS.

(a) **Notice Period.** You agree that for the remainder of your employment, you shall provide ML&Co. with at least six months advance written notice (the **"Notice Period"**) prior to the termination of your employment. During this Notice Period, you shall remain employed by Merrill Lynch (and receive base salary and certain benefits, but will not receive any payments or distributions or accrue any rights to a bonus or any payments or distributions under the Variable Incentive Compensation Program, pro-rata or otherwise) and shall not commence employment with any other employer. You further agree that during the Notice Period, you shall not directly or indirectly induce or solicit any client of Merrill Lynch to terminate or modify its relationship with Merrill Lynch.

(b) **Employment by a Competitor.** You agree that, during the period beginning on the date of the termination of your employment and ending on the Vesting Date for Restricted Shares issued upon conversion of the Participation Units, you will not, without prior written consent from ML&Co., engage in any employment, accept or maintain any directorship or other position, own an interest in, or, as principal, agent, employee, consultant or otherwise, provide any services to anyone, whether or not for compensation, in any business that is engaged in competition with the business of the ML&Co. or its affiliates (a "**Competitive Business**").

(c) **Non-Solicitation.** You agree that you will not directly or indirectly solicit for employment any person who is or was an employee of ML&Co. or any of its affiliates at any time during the six-month period immediately preceding the date of such solicitation.

(d) **No Hire.** You agree that during a period of six months following your termination, you will not hire or otherwise engage, directly or indirectly (including, without limitation, through an entity with which the you are associated), as an employee or independent contractor, any person who is or was an employee of the ML&Co. or any of its affiliates and who, as of the date of your termination of employment, had the title First Vice President or Managing Director or higher and reported directly to the Executive or to the Chief Executive Officer or President of the Company ("Executive, CEO or President Direct Reports") or any person with the title First Vice President or Managing Director or higher who, at the time of your termination, reported directly to the Executive, CEO or President Direct Reports, *provided*, *however*, that this paragraph 4(iv) shall not apply to you, if at the time of your termination you are not a direct report to the CEO, or, the President, if any, of ML&Co. and *provided further* that the hiring of any person whose employment was involuntarily terminated by ML&Co. or any of its affiliates shall not be a violation of this covenant.

(e) **Non-Disparagement.** You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, ML&Co. or any of its affiliates, or any of its or their current or former directors, officers or employees, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or intranet-related sites; provided however, that this Grant Document will not apply to the extent you are making truthful statements required by law or by order of a court or other legal body having jurisdiction or when responding to any inquiry from any governmental agency or regulatory or self-regulatory organization.

(f) **Confidential Information.** You agree that following any termination of employment, you will not without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information (as defined below) to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose. "Confidential Information" means any information concerning ML&Co. or any of its affiliates' business or affairs which is not generally known to the public and includes, but is not limited to, any file, document, book, account, list, process, patent, specification, drawing, design, computer program or file, computer disk, method of operation, recommendation, report, plan, survey, data, manual, strategy, financial data, client information or data, or contract which comes to your knowledge in the course of your employment or which is generated by you in the course of performing the obligations related to your employment whether alone or with others.

(g) **Confidentiality.** You also agree that in the event your employment is terminated you will not disclose the circumstances of your termination to any other party, except that you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members, or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential.

(h) **Cooperation.** You agree to (i) provide truthful and reasonable cooperation, including but not limited to your appearance at interviews and depositions, in all legal matters, including but not limited to regulatory and litigation proceedings relating to your employment or area of responsibility at Merrill Lynch or its affiliates, whether or not such matters have already been commenced and through the conclusion of such matters or proceedings, and (ii) to provide Merrill Lynch's counsel all documents in yours possession or control relating to such regulatory or litigation matters.

(i) **Injunctive Relief.** Without limiting any remedies available, you acknowledge and agree that a breach of the covenants contained in subparagraphs (a) – (d), (f) and (g) of this paragraph 4 will result in material and irreparable injury to Merrill Lynch and its affiliates for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Merrill Lynch shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining him or her from engaging in activities prohibited by subparagraphs (a) – (d), (f) and (g) of this paragraph 4 or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (a) – (d), (f) and (g) of this paragraph 4, *provided however*, that Merrill Lynch shall be entitled to seek injunctive relief for violations of subparagraph (c) of this paragraph 4 only during the period beginning on the date of your termination of employment and ending on the first anniversary of that date.

5. **EFFECT OF A CHANGE IN CONTROL OF ML&CO.**

If a Change of Control of ML&Co. (as defined in the Plan) occurs following the conversion of Participation Units **and** your employment subsequently terminates without Cause (as defined in the Plan), or for Good Reason (as defined in the Plan), you will be paid the Fair Market Value of all of your Restricted Shares in cash.

Exhibit 10.2

RESTRICTED SHARES (US)

This **Grant Document** sets forth the terms and conditions of your year-end grant of Restricted Shares under the Merrill Lynch & Co., Inc. ("**ML&Co.**") Long-Term Incentive Compensation Plan (the "**Plan**").

1. **The Plan**.

This grant is made under the Plan, the terms of which are incorporated into this Grant Document. Capitalized terms used in this Grant Document that are not defined shall have the meanings as used or defined in the Plan, which is included in the Prospectus sent to you with this grant. **Merrill Lynch**, as used in the Grant Document, shall mean ML&Co., its subsidiaries and its affiliates. References in this Grant Document to any specific Plan provision shall not be construed as limiting that provision or the applicability of any other Plan provision.

2. **Grant Conditions.**

By accepting this grant, you acknowledge that you understand that the grant is subject to all of the terms and conditions contained in the Plan and in this Grant Document and that you consent to all grant terms and conditions, including without limitation, the covenants set forth in paragraph 4 of this Grant Document.

(a) **General.** A Restricted Share is a share of ML&Co. Common Stock that is beneficially owned by you but held by ML&Co. on your behalf until the end of the Vesting Period described below. Your Restricted Shares have voting rights and pay quarterly dividends, when regular dividends are paid on ML&Co. Common Stock.

(b) **Vesting Period**. Except as described in paragraph 3 of this Grant Document, your rights to Restricted Shares shall terminate and the Restricted Shares will be cancelled if you terminate employment or otherwise violate any of the terms and conditions of your grant during the Vesting Period specified in your grant. Restricted Shares may not be sold, transferred, assigned, pledged or otherwise encumbered during the Vesting Period. Following each Vesting Date specified in your grant (each, a " **Vesting Date**"), substantially one quarter of your original number of Restricted Shares will be delivered to you, subject to a reduction of the number of shares to be delivered of an amount of shares necessary to satisfy Merrill Lynch's applicable tax withholding requirements.

(c) **Termination of Your Rights to Restricted Shares under Certain Circumstances.** Except as provided in paragraph 3 hereof, if (1) your employment terminates for any reason other than death, Career Retirement (as defined in paragraph 3) or Disability (as defined in paragraph 3) or as a result of a job elimination (determined in accordance guidelines established by Leadership and Talent Management and Finance) (2) you violate any of the covenants outlined in paragraph 4 of this Grant Document (the "**Covenants**") or (3) following termination for Career Retirement, you fail to deliver the Annual Certification and or certification at exit described in paragraph 3(b), your right to the Restricted Shares that remain unvested prior to your date of termination or the date of

the violation of the Covenants set for in paragraph 4 shall terminate and the Restricted Shares will be cancelled and will not be delivered to you.

(d) **Delivery — Merrill Lynch Account Designation.**

(i) Once your Restricted Shares have vested in accordance with the terms of this Grant Document, you will be entitled to have those shares delivered, as soon as practicable, to a Merrill Lynch account.

(ii) As a participant in the Plan, you must designate a Merrill Lynch account into which shares of ML&Co. Common Stock will be deposited when they are released to you. This account cannot be a Trust Account, Individual Retirement Account or other tax-deferred account. You may use a joint account if you are the primary owner of the account. Account designations can be made on the Payroll Self Service Web Site at http://hr.worldnet.ml.com/edf2. (From the HR Intranet homepage, click on Payroll Self Service.) If you do not designate an account, Merrill Lynch will mail certificates representing shares released to you.

3. Effect of Termination of Employment.

In general, if, prior to the end of the Vesting Period for your Restricted Shares, your employment terminates or you fail to comply with the covenants contained in paragraph 4 of this Grant Document, your rights to your unvested Restricted Shares will terminate and they will be cancelled. In the case of termination of employment, if your termination occurs in connection with the limited circumstances outlined below, your grant will continue to vest notwithstanding termination, provided that you continue to satisfy the conditions described below. If you fail to comply with these conditions, your rights to your Restricted Shares will terminate and the Restricted Shares will be cancelled:

(a) **Death.** If your death occurs prior to the Vesting Date for your Restricted Shares, any unvested Restricted Shares will vest immediately and shares (net of any withholding requirements) will be delivered to your designated beneficiary or estate as soon as possible.

(b) **Disability or Career Retirement.** If your employment is terminated as a result of Disability or if you qualify for Career Retirement (as defined below), your Restricted Shares will continue to vest notwithstanding your termination provided that, (1) you do not compete with, or recruit employees from, Merrill Lynch and provide Merrill Lynch with a certification upon your termination and at least annually thereafter (the "Annual Certification") that you are not engaged in or employed by a business which is in competition with Merrill Lynch and have not solicited or recruited employees from Merrill Lynch and (2) you do not violate the covenants contained in paragraph 4. If you compete with the business of or recruit employees from Merrill Lynch or fail to return the Annual Certification to Merrill Lynch, or violate the covenants contained in paragraph 4 during the Vesting Period for your Restricted Shares, your rights to your unvested Restricted Shares will terminate and the Restricted Shares will be cancelled.

(c) **Termination of Employment Due to Job Elimination**. If your employment is terminated in connection with a job elimination (as determined by Merrill Lynch), your

Restricted Shares will continue to vest notwithstanding your termination; provided that, (i) you sign and return an Agreement and Release in the form prescribed by Merrill Lynch and (ii) you comply thereafter with its terms and with the covenants contained in this Grant Document.

(d) **Termination of Employment for Other Reasons:** In the event your employment is terminated for any other reason than those specified in subparagraphs 3(a), 3(b) or 3(c) above**,** your rights to your unvested Restricted Shares shall terminate and the Restricted Shares will be cancelled.

(e) **Definitions:**

To be eligible for "**Career Retirement"** treatment, you must fulfill the following requirements:

To be eligible for "**Career Retirement"** treatment, you must fulfill the following requirements:

- You shall have been employed by Merrill Lynch on March 31, 2006; and
- No determination shall have been made that there was **Cause** (as defined below) to disqualify you from Career Retirement treatment.
- You will **not** be eligible for **Career Retirement** (and your Restricted Shares, Restricted Units, Cash Units or Stock Options will be cancelled, unless you qualify for another termination exception) if: (1) following your termination, you engage in any business that is in competition with the business of Merrill Lynch or any of its subsidiaries or affiliates, (2) prior to or following your termination you solicit or recruit any Merrill Lynch employees, (3) you fail to certify, at termination, that you are in compliance with conditions 1 and 2 or fail to sign and return the Annual Certification referred to in the next resolution, or (4) prior to or following your termination, you violate any of the covenants contained in your grant document;

"Disability" shall mean a physical or mental condition that, in the opinion of the Head of Rewards and Recognition Planning of Merrill Lynch (or his or her functional successor), renders you incapable of engaging in any employment or occupation for which you are suited by reason of education or training.

"Cause" shall mean a determination by a committee appointed by the Head of Rewards and Recognition Planning of Merrill Lynch or his or her functional successor, that in its sole, absolute, and un-reviewable discretion: (i) at the time of the termination of your employment, you had committed: a) any violation of Merrill Lynch's rules, regulations, policies, practices and/or procedures; b) any violation of the laws, rules or regulations of any governmental entity or regulatory or self-regulatory organization, applicable to Merrill Lynch; or c) criminal, illegal, dishonest, immoral, or unethical conduct reasonably related to your employment; and (ii) as a result of such conduct, it is appropriate to disqualify you from Career Retirement treatment with respect to the Restricted Shares covered by this Grant Document.

4. Covenants.

(a) **Notice Period.** You agree that for the remainder of your employment, you shall provide ML&Co. with at least six months advance written notice (the **"Notice Period"**) prior to the termination of your employment. During this Notice Period, you shall remain employed by Merrill Lynch (and receive base salary and certain benefits, but will not receive any payments or distributions or accrue any rights to a bonus or any payments or distributions under the Variable Incentive Compensation Program, pro-rata or otherwise) and shall not commence employment with any other employer. You further agree that during the Notice Period, you shall not directly or indirectly induce or solicit any client of Merrill Lynch to terminate or modify its relationship with Merrill Lynch.

(b) **Employment by a Competitor.** You agree that, during the period beginning on the date of the termination of your employment and ending on the date of vesting of your Restricted Shares, you will not, without prior written consent from ML&Co., engage in any employment, accept or maintain any directorship or other position, own an interest in, or, as principal, agent, employee, consultant or otherwise, provide any services to anyone, whether or not for compensation, in any business that is engaged in competition with the business of the ML&Co. or its affiliates (a "**Competitive Business**").

(c) **Non-Solicitation.** You agree that you will not directly or indirectly solicit for employment any person who is or was an employee of ML&Co. or any of its affiliates at any time during the six-month period immediately preceding the date of such solicitation.

(d) **No Hire.** You agree that during a period of six months following your termination, you will not hire or otherwise engage, directly or indirectly (including, without limitation, through an entity with which the you are associated), as an employee or independent contractor, any person who is or was an employee of the ML&Co. or any of its affiliates and who, as of the date of your termination of employment, had the title First Vice President or Managing Director or higher and reported directly to the Executive or to the Chief Executive Officer or President of the Company ("Executive, CEO or President Direct Reports") or any person with the title First Vice President or Managing Director or higher who, at the time of your termination, reported directly to the Executive, CEO or President Direct Reports, *provided*, *however*, that this paragraph 4(iv) shall not apply to you, if at the time of your termination you are not a direct report to the CEO, or, the President, if any, of ML&Co. and *provided further* that the hiring of any person whose employment was involuntarily terminated by ML&Co. or any of its affiliates shall not be a violation of this covenant.

(e) **Non-Disparagement.** You agree that you will not disparage, portray in a negative light, or make any statement which would be harmful to, or lead to unfavorable publicity for, ML&Co. or any of its affiliates, or any of its or their current or former directors, officers or employees, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on internet- or intranet-related sites; provided however, that this Grant Document will not apply to the extent you are making truthful statements required by law

or by order of a court or other legal body having jurisdiction or when responding to any inquiry from any governmental agency or regulatory or self-regulatory organization.

(f) **Confidential Information.** You agree that following any termination of employment, you will not without prior written consent or as otherwise required by law, disclose or publish (directly or indirectly) any Confidential Information (as defined below) to any person or copy, transmit or remove or attempt to use, copy, transmit or remove any Confidential Information for any purpose. "Confidential Information" means any information concerning ML&Co. or any of its affiliates' business or affairs which is not generally known to the public and includes, but is not limited to, any file, document, book, account, list, process, patent, specification, drawing, design, computer program or file, computer disk, method of operation, recommendation, report, plan, survey, data, manual, strategy, financial data, client information or data, or contract which comes to your knowledge in the course of your employment or which is generated by you in the course of performing your obligations whether alone or with others.

(g) **Confidentiality.** You also agree that in the event your employment is terminated you will not disclose the circumstances of your termination to any other party, except that you may make such disclosure: on a confidential basis to your tax, financial or legal advisors, your immediate family members, or any prospective employer or business partner, *provided that*, in each case, such third party agrees to keep such circumstances confidential.

(h) **Cooperation.** You agree to (i) provide truthful and reasonable cooperation, including but not limited to your appearance at interviews and depositions, in all legal matters, including but not limited to regulatory and litigation proceedings relating to your employment or area of responsibility at Merrill Lynch or its affiliates, whether or not such matters have already been commenced and through the conclusion of such matters or proceedings, and (ii) to provide Merrill Lynch's counsel all documents in yours possession or control relating to such regulatory or litigation matters.

(i) **Injunctive Relief.** Without limiting any remedies available, you acknowledge and agree that a breach of the covenants contained in subparagraphs (a) – (d), (f) and (g) of this paragraph 4 will result in material and irreparable injury to Merrill Lynch and its affiliates for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Therefore, you agree that, in the event of such a breach or threat thereof, Merrill Lynch shall be entitled to seek a temporary restraining order and a preliminary and permanent injunction, without bond or other security, restraining him or her from engaging in activities prohibited by subparagraphs (a) – (d), (f) and (g) of this paragraph 4 or such other relief as may be required specifically to enforce any of the covenants in subparagraphs (a) – (d), (f) and (g) of this paragraph 4, *provided however*, that Merrill Lynch shall be entitled to seek injunctive relief for violations of subparagraph (c) of this paragraph 4 only during the period beginning on the date of your termination of employment and ending on the first anniversary of that date.

5. **Effect of a Change in Control of ML&Co.**

If a Change of Control of ML&Co. (as defined in the Plan) occurs **and** your employment subsequently terminates without Cause (as defined in the Plan), or for Good Reason (as defined in the Plan), you will be paid the Fair Market Value (as defined in the Plan) of all of your Restricted Shares in cash.

Exhibit 10.3

MERRILL LYNCH & CO., INC.
2006 DEFERRED COMPENSATION PLAN
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

DATED AS OF MAY 23, 2005

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

MERRILL LYNCH & CO., INC.
2006 DEFERRED COMPENSATION PLAN
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

Table of Contents

MERRILL LYNCH & CO., INC.
2006 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. This Plan is 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" means the notional account established on the books and records of ML & Co. for each Participant to record the Participant's interest under the Plan.

"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, the Debit Balance, (if any) any adjustments in the event of a Capital Call Default, and any payments made from the Account under Article V to the Participant prior to that date.

"Adjusted Compensation" means the financial advisor 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 2006, and payable after January 1, 2006, 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 Head of Rewards and Recognition Planning for ML & Co., or his or her functional successor, or any other person or committee designated as Administrator of the Plan by the Administrator or 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 a Participant's Account provided for in Section 3.4(g).

"Applicable Federal Rate" means the applicable federal rate for short-term (0-3 years) obligations of the United States Treasury as determined initially in the month of closing of ML Ventures and thereafter in January of each subsequent year.

"Available Balance" means amounts in a Participant's Account that are indexed to Benchmark Return Options with daily liquidity after the Account's Debit Balance has been reduced to zero.

"Average Leveraged Principal Amount" means, for each Participant, for any period, the sum of the Leveraged Principal Amounts outstanding at the end of each day in the period divided by the number of days in such period.

"Benchmark Return Options" means such 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.

"Capital Call" means the periodic demands for funds from a Participant's Account that will be equal to and occur simultaneously with capital calls made by private equity funds (including ML Ventures) chosen as a return option by the Participant.

"Capital Call Default" means that there is an insufficient Liquid Balance in the Participant's Account to fund a Capital Call.

"Capital Demand Default Adjustment" means the negative adjustment described in Section 3.4 in the number of "units" (including units acquired by "Leverage") attributed to a Private Equity Fund Return Options that will be the result of a Capital Call Default.

"Cash Compensation" means (1) (for VICP eligible employees) salary in the reference year plus VICP earned in the reference year and paid in January or February of the next calendar year or (2) (for Financial Advisors and other employees receiving Adjusted Compensation) base salary plus Adjusted Compensation paid in the reference year.

"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 or her sole discretion, may specify in a particular instance.

"Debit Balance" means, as of any date, the dollar amount, if any, representing each of: (1) the aggregate Annual Charge, accrued in accordance with Section 3.4(g)(i); and (2) any Leveraged Principal Amount (together with any pro rata Interest Amounts determined in accordance with Section 3.4(g)(ii), if applicable), as reduced by any distributions recorded from ML Ventures Units recorded in a Participant's Account in accordance with Section 3.4(e).

"Deferral Percentage" means the percentage (which, unless the Administrator, in his or her 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 2005 calendar year.

"Eligible Compensation" means (1) for persons eligible for the Variable Incentive Compensation Program or other similar programs: (A) a Participant's 2004 base earnings plus (B) any cash bonus awarded in early 2005, and (2) for persons ineligible for such bonus programs, a Participant's 2004 Adjusted Compensation.

"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).

"Initial Leveraged Amount" means the initial dollar amount by which a Participant's deferral into ML Ventures Units is leveraged as determined in accordance with Section 3.4(c).

"Interest" means the hypothetical interest accruing on a Participant's Average Leveraged Principal Amount at the Applicable Federal Rate.

"Interest Amounts" means, for any Participant, as of any date, the amount of Interest that has accrued to such date on such Participant's Average Leveraged Principal Amount, from the date on which a Participant's Leveraged Principal Amount is established, or from the most recent date that Interest Amounts were added to the Leveraged Principal Amount.

"Leveraged or Unleveraged Distributions" means the distributions to a Participant's Account attributable to the leveraged or unleveraged portion (as the case may be) of a Participant's ML Ventures Units.

"Leverage-Eligible Participants" means persons who (1) are accredited investors within the meaning of the Securities Act of 1933, and (2) received Cash Compensation of at least $300,000 in 2002, and (3) received Cash Compensation of at least $200,000 in 2001 and otherwise qualify, in accordance with standards determined by the Administrator, to select a ML Ventures Return Option on a leverage basis.

"Leveraged Principal Amount" means a Participant's Initial Leveraged Amount, if any, as adjusted to reflect the addition of Interest Amounts (or any pro rata Interest Amounts).

"Leverage Percentage" means the percentage of leverage chosen by a Leverage-Eligible Participant, which percentage shall not exceed 200%.

"Liquid Balance" means, as of any date, the Deferred Amounts credited to a Participant's Account, not including amounts that represent future commitments to Private Equity Funds, including

ML Ventures, adjusted (either up or down) to reflect: (1) the performance of the Participant's Mutual Fund Return Balances as provided in Section 3.4(f); (2) distributions with respect to ML Ventures Units made in accordance with Section 3.4(d); (3) reduction of any Debit Balance as provided in Section 3.4(e); and (4) any payments to the Participant under Article V hereof.

"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.

"ML Ventures Return Option" means the option of indexing returns hereunder to the performance of a ML Ventures limited partnership, on a leveraged or unleveraged basis.

"ML Ventures Units" means the record-keeping units credited to the Accounts of Participants who have chosen the ML Ventures Return Option.

"Mutual Fund Return Options" means the mutual funds chosen as Benchmark Return Options by the Administrator.

"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 vehicle for which such value is being determined.

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

"Plan" means this Merrill Lynch & Co., Inc. 2006 Deferred Compensation Plan for a Select Group of Eligible Employees.

"Plan Year" means the Fiscal Year ending in 2006.

"Private Fund Return Option(s)" means one or more private funds that are chosen by the Administrator to be offered – with such limitations as may be required – to eligible Participants as Benchmark Return Options.

"Private Fund Unit(s)" means the record-keeping units credited to the Accounts of Participants who have chosen one or more Private Fund Return Options.

"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) termination of employment on or after the Participant's 55th birthday if the Participant has at least 10 years of service.

"Rule of 45" means a Participant's termination of employment with the Company for reasons other than cause (1) on or after (A) having completed at least five (5) years of service and (B) reaching any age, that, when added to service with the Company (in each case, expressed as completed years and completed months), equals at least 45; or (2) as the result of (A) becoming employed by an unconsolidated affiliate of the Company (as specified by the Head of Human Resources) or (B) being

a part of a divestiture or spin-off designated by the Head of Human Resources as eligible, provided that, a Participant shall not qualify for the Rule of 45 if he or she engages in a business which the Administrator, in his or her sole discretion, determines to be in competition with the business of the Company.

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

"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.

"Undistributed Deferred Amounts" means, as of any date on which the Annual Charge is determined, a Participant's Deferred Amounts (exclusive of any appreciation or depreciation) minus, for each distribution to a Participant prior to such date, an amount equal to the product of the Deferred Amounts and a fraction the numerator of which is the amount of such distribution and the denominator of which is the combined Net Asset Value (prior to distribution) of the Participant's Account as of the date of the relevant distribution.

"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.

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 $300,000 of Eligible Compensation for the year prior to the Election Year, and (iii) has attained the title of Vice President or higher.

(b) **Individuals First Employed During Election Year or Plan Year.** Subject to the approval of the Administrator in his or her 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, together, if applicable, with the amount of any Variable Incentive Compensation that will be payable to such individual in the next annual bonus cycle pursuant to a written bonus guarantee, is greater than $300,000, and he or she is employed as or is to be nominated for the title of Vice President or higher at the first opportunity following his or her commencement of employment with the Company.

(c) **Disqualifying Factors.** An individual shall not 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 Article V shall be made by submitting to the Administrator such forms as the Administrator may prescribe in whatever manner that the Administrator directs. 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 or she may designate for the purpose by no later than June 30 of the Election Year or, in the event such date is not a business day, the immediately preceding business day; provided, however, that (1) an Eligible Employee's election to defer a Sign-On Bonus 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 and (2) an Eligible Employee's election to defer pursuant to Section 2.1(b) must occur no later than 30 days after his or her first day of employment with the Company.

(b) **Irrevocability of Deferral Election.** Except as provided in Section 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 or her 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) **Initial Deferrals.** 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 an Account, for the period until the Deferred Amounts are credited.

(b) **Private Fund Return Options.** Upon the closing of any Private Return Option, a Participant's Account will be credited with a number of units determined by dividing by $1,000 the sum of the following: (1) the portion of the Account Balance that the Participant has elected to allocate to the Private Return Option, as of the day prior to the closing date; and (in the case of ML Ventures only) (2) the Participant's Initial Leveraged Amount (computed in accordance with Section 3.4(c)).

3.3 Minimum Requirements for Deferral.

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, 2005, or

(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:

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) does not require a Participant's elections to result in an actual deferral of at least $15,000.

3.4 Return Options; Adjustment of Accounts.

(a) **Selection of Private Fund Return Options.** In any year that a Private Fund partnership is offered as a return option, an eligible Participant may select the Private Fund Return Option, provided that the selection of such return option is consistent with the Participant's payment election under the terms of the Plan and applicable law. **Upon the closing of a selected Private Fund Return Option, the selecting Participant will not be able to change his or her selection of such return option. In addition, upon a Capital Call Default with respect to certain Private Fund Return Options, the defaulting Participant may be penalized by having his or her Account adjusted downward in accordance with Section 3.4 (d).**

(b) **Selection of Mutual Fund Return Options.** Coincident with the Participant's election to defer Compensation, the Participant must select the percentage of the Participant's Account to be adjusted to reflect the performance of Mutual Fund Return Options, for use when a Participant's Account has a Liquid Balance. All elections shall be in multiples of 1%. 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 12 times in any calendar year), change the Selected Benchmark Return Options to be applicable with respect to his or her Account.

(c) **Selection of the ML Ventures Leverage Percentage by Eligible Participants.** In any year that a ML Ventures Return Option is offered as a return option, an eligible Participant may select the ML Ventures Return Option, provided that the selection of such return option is consistent with the Participant's payment election under the terms of the Plan and applicable law. Prior to the closing of the offering of an ML Ventures partnership, Leverage-Eligible Participants who select the ML Ventures Return Option on a leveraged basis must choose their Leverage Percentage, in accordance with standards determined by the Administrator, by submitting such forms as the Administrator shall prescribe. Prior to the closing of an ML Ventures partnership, the Administrator will determine each Leverage-Eligible Participant's Initial Leveraged Amount by applying such Participant's Leverage Percentage to the dollar value of the portion of the Participant's Account Balance allocated to the ML Ventures Return Option. The Initial Leveraged Amount will be recorded as the Leveraged Principal Amount, to which amount Interest Amounts will be added annually in accordance with Section 3.4(e).

(d) **Adjustments of ML Ventures and other Private Fund Return Options.**

(i) Whenever a distribution is paid on an actual unit of an ML Ventures partnership or other Private Fund Return Option, an amount equal to such per unit distribution times the number of units in the Participant's Account will first be applied against any Debit Balance, as provided in Section 3.4(e), and then, if any portion of such distribution remains after the Debit Balance is reduced to zero, be credited to the Participant's Account to be indexed initially to ML Retirement Reserves and then to the Mutual Fund Return Option(s) chosen by the Participant.

(ii) In the event of a Capital Call Default, a Participant's notional investment in the relevant fund will be capped. If this occurs, the number of units represented by the return option (including, in the case of ML Ventures, any leveraged units) will be adjusted downward to reflect a smaller investment and resulting lower leverage.

(iii) The ML Ventures Units and the Debit Balance will also be adjusted in accordance with Section 5.2 hereof in the event of a Participant's termination.

(e) **Adjustment of Debit Balance.** Any Debit Balance shall be reduced as soon as possible by any distributions relating to ML Ventures Units. Reductions of the Debit Balance, as provided in the foregoing sentence, shall be applied first to reduce the Debit Balance attributable to accrued Annual Charges and then, after all such accrued Annual Charges have been satisfied, to reduce any Leveraged Principal Amount. As of the last day of each Fiscal Year, Interest Amounts computed by the Administrator shall be added to the Leveraged Principal Amount. If on any date the Leveraged Principal Amount would be discharged completely as a result of distributions or chargeoffs, Interest Amounts will be computed through such date and added to the Leveraged Principal Amount as of such date.

(f) **Adjustment of Mutual Fund Return Balances.** While the Participant's Balances do not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Balances attributable to Mutual Fund Return Options shall be adjusted to reflect credits or debits relating to distributions from any Private Fund Return Options or chargeoffs against the Debit Balance and to reflect the investment experience of the Participant's Mutual Fund Return Options in the same manner as if investments or dispositions 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 Participant will give instructions to the ML Benefit Services Platform which will be reflected as credits or debits as of the weekly processing of such instructions through the ML II System. This processing shall control the timing and pricing of the notional investments in the Participant's Mutual Fund 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 or dispositions were actually to be made on the transaction processing date. In connection with the crediting of Deferred Amounts or distributions to the Participant's Account and distributions from or debits to 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 transaction processing date. Each Mutual Fund Return Option shall be valued using the Net Asset Value of the Mutual Fund Return Option as of the relevant transaction processing date; provided, that, in valuing a Mutual Fund 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 transaction processing date, 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 or her sole discretion.

All debits and charges against the Account shall be applied as a pro rata reduction of the portion of the Account Balance indexed to each of the Participant's Mutual Fund Return Options.

(g) **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 Original Deferred Amounts (exclusive of any appreciation or depreciation determined under Section 3.4 (f)) shall be applied to reduce the Account Balance.

(i) In the event that all or any portion of the Account Balance is indexed to a Benchmark Return Option with less than daily liquidity, the Annual Charge will accrue as a Debit Balance and be paid out of future amounts credited to the Account Balance.

(ii) In the event that the Participant elects to have the Account Balance paid in installments, the Annual Charge will be charged on the Remaining Deferred Amounts after giving effect to the installment payments.

(iii) In the event that the Account Balance is paid out completely during a Fiscal Year prior to the date upon which 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(f) will be followed.

(h) **Rollover Option.** In the discretion of the Administrator or a designee, additional Benchmark Return Options , including Return Options with less than daily liquidity, may be offered to all Participants under the Plan or to a more limited group of Participants. In such event, Participants will be allowed, in such manner as the Administrator shall determine, to elect that all or a portion of Account Balances be indexed to such Benchmark Return Options.

(i) With respect to Benchmark Return Options that do not provide daily liquidity: (A) except as otherwise provided under the Plan and applicable law, payments under Article V will be made in accordance with a Participant's election at the time of the Participant's original deferral; (B) Participants may be limited in their ability to elect, change or continue their Benchmark Return Options in accordance with such terms

and conditions as the Administrator or a designee may determine; and (C) the Annual Charge shall be accrued and paid, when possible, upon liquidation of all or any portion of the Benchmark Return Option, provided that no payment shall be made to a Participant under Article V hereof until all accrued Annual Charges have been paid.

(ii) In the event that such limited liquidity options include future ML Ventures Partnerships, the designated amounts shall be credited to such Participant, accounted for, adjusted and paid out to such Participant in accordance with the terms and conditions of this Plan and applicable law as they relate to the ML Ventures Return Option.

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 participate 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 Participant's Account Balance will be paid by the Company, 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 2006, or (iii) in any month in the calendar year following the Participant's Retirement; provided that, if a Participant's election would result in payment (in the case of a single payment) or commencement of payment (in the case of installment payments) after the Participant's 70th birthday, then, notwithstanding the Participant's elections, the Company will pay, or commence payment of, the Participant's Account Balance in the month following the Participant's

70th birthday unless the Participant continues to be an active full time employee at such time, in which case the Company will pay, or commence payment of, the Participant's Account Balance in the month following the Participant's cessation of active service (to the extent payment has not already been made or commenced). 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).

5.2 Termination of Employment.

(a) **Death, Retirement, Rule of 45.** Subject to Section 5.2(b)(2), upon a Participant's death or Retirement (as defined in this Plan), or termination when the Participant complies with the Rule of 45 (as defined in this Plan) 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 or to the Participant's beneficiary (in the event of death); provided, however, that (1) in the event that the Participant enters into competition with the business of Merrill Lynch, he or she will not be eligible for Retirement or Rule of 45 treatment under this Section 5.2 (a), and (2) in the event that a beneficiary of the Participant's Account is the Participant's estate or is otherwise not a natural person, the applicable portion of the Account Balance will promptly be paid in a single payment to such beneficiary notwithstanding any election of installment payments.

(b) **Other Termination of Employment; Treatment of Key Employees; Forfeiture of Leverage.**

(1) Subject to Section 5.2(b)(2), if a Participant's employment terminates at any time for any other reason than those described in Section 5.2(a), then, notwithstanding the Participant's elections hereunder, any Available Balance will be paid to the Participant in a single payment in the month following the month of the Participant's termination.

(2) If a Participant's employment terminates at any time while the Participant constitutes a specified employee within the meaning of section 409A of the Code, then, notwithstanding the Participant's elections hereunder, any Available Balance will be paid to the Participant (or to the Participant's beneficiary, in the event of death) in a single payment in the month following the earlier of (i) the six-month anniversary of the Participant's termination or (ii) the month of the Participant's death.

(3) In the event that a Participant's employment terminates at any time for any reason other than death, disability or the Participant's qualification for Retirement under this Plan, such Participant will forfeit all rights to the unvested leveraged portion of such Participant's ML Ventures Units, including any future Leveraged Distributions, unless the Administrator, in his or her sole discretion, determines that such forfeiture would be detrimental to Merrill Lynch; provided, however, that such forfeiture will not occur if (a) the Participant is terminated by ML & Co. as the result of a reduction in staff, (b) the Participant delivers to ML & Co. a release of claims (in a form approved by the Administrator and counsel) he or she may have against the corporation or any of its subsidiaries, and (3) such Participant complies with the terms of such release. In the event of such forfeiture, the Participant's Account Balance and Debit Balance will be restated, as of the date of termination, to reflect what such balances would have been had the Participant selected no leverage under Section 3.4(c). To the extent necessary, the Participant's Account Balance will also be adjusted, as of the date of the termination, to credit the Participant with the amount of any Unleveraged Distributions that were previously applied to the repayment of the Leveraged Principal Amount and any Interest Amounts and, to the extent necessary, any Leveraged Distributions paid out to the Participant will be

restated as a Debit Balance. Leveraged and Unleveraged Distributions shall be deemed to have been applied and distributed proportionately. All calculations hereunder shall be made by the Administrator and shall be final and conclusive.

(c) **Leave of Absence, Transfer or Disability.** The Participant's employment will not be considered as terminated if the Participant (1) is on an approved leave of absence; (2) transfers or is transferred but remains in the employ of the Company or an unconsolidated affiliate; or (3) is eligible to receive disability payments under the ML & Co. Basic Long-Term Disability Plan.

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 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 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 that 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.

5.5 Distributions Upon Unforeseeable Emergency.

ML & Co. has the sole discretion, but shall not be required, to pay to the Participant, on such terms and conditions as the Administrator may establish, such part or all of the Participant's Account Balance as the Administrator determines, based upon substantial evidence submitted by the Participant, is necessary to alleviate an unforeseeable emergency of the Participant. An unforeseeable emergency is defined as a severe financial hardship to the Participant (i) resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in section 152(a) of the Code, (ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The amount of the distribution shall not exceed the amount needed to satisfy the emergency plus taxes reasonably anticipated as a result of the distribution. A distribution shall not be allowed to the extent that the hardship may be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's assets (to the extent such liquidation would not itself cause a severe financial hardship). 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 or her sole discretion. The balance of the Account, if any, will continue to be governed by the terms of this Plan.

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 in a lump sum and 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.

5.7 No Actions Permitted that Would Cause Constructive Receipt or Violate Section 409A of the Code.

Notwithstanding any provision of the Plan to the contrary, no deferral election, payment election, modification of any election under the Plan or other action with respect to the Plan shall be permitted to the extent that such election, modification or other action would violate any requirement of Section 409A of the Code or would cause any Participant or Beneficiary to be in constructive receipt of any amount hereunder.

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 Participants as members 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 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.

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 No Right of Set-Off.

Unless specifically authorized by a Participant, the Company shall have no right of set-off with respect to any Participant's Account Balances or Account under the Plan and unless so authorized, the Company shall not withhold any sums owed to a Participant under the Plan.

6.4 Corporate Books and Records Controlling.

The books and records of the Company will be controlling in the event that 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.

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 Annual Charge, the Debit Balance or the Leveraged Principal Amount and Interest thereon, as set forth in Section 3.4) as of the date of such amendment or termination.

EXHIBIT 10.4

MERRILL LYNCH & CO., INC.

DEFERRED STOCK UNIT PLAN FOR NON-EMPLOYEE DIRECTORS

Article I — General

Section 1.1 Purposes.

The purposes of the Merrill Lynch & Co., Inc. Deferred Stock Unit Plan for Non-Employee Directors, as amended (the "Plan"), are (a) to provide an incentive to highly qualified individuals to serve as Directors of Merrill Lynch & Co., Inc. ("ML & Co."), and (b) to further align the interests of Non-Employee Directors with the shareholders of ML & Co.

Section 1.2 Definitions.

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

"Account" means a notional account recording a grant of Deferred Stock Units under the Plan. The Company shall maintain a separate Account for each grant of Deferred Stock Units to a Participant.

"Administrator" means the Head 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 Shareholders of ML & Co.

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

"Business Day" means any day on which the New York Stock Exchange 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, one Right (whether trading with the Common Stock or separately).

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

"Continuing Director" means, with respect to any Annual Meeting, a Director whose term of office continues for another year.

"Current Market Value" per share of Common Stock, for any date, means 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 date means: (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 in question, or (b) if shares of Common Stock are not then listed or admitted to trading on any securities exchange for which reported sales prices are available, the mean of reported high bid and low asked prices on such date, 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 Stock Unit" means a unit representing ML & Co.'s obligation to deliver one share of Common Stock in accordance with the terms of the Plan.

"Director" means a member of the Board.

"Disability" means any medically determinable physical or mental condition that renders a Director incapable of engaging in any substantial gainful activity and can be expected to result in death or to last for a continuous period of at least 12 months.

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

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Holding Period" has the meaning specified in Section 2.2.

"Junior Preferred Stock" means ML & Co.'s Series A Junior Preferred Stock, par value $1.00 per share.

"Non-Employee Director" means a member of the Board who is not employed by ML & Co. or any Affiliate of ML & Co.

"Participant" means each Non-Employee Director to whom a grant of Deferred Stock Units is made under the Plan.

"Retirement" means ceasing to serve as a Director of ML & Co. in accordance with ML & Co's retirement policy for Non-Employee Directors.

"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 Amended and Restated Rights Agreement between ML & Co. and Wells Fargo Bank, N.A, Rights Agent, as amended from time to time.

"Tender Offer" means 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.

Section 1.3 Shares Subject to the Plan.

The total number of shares of Common Stock that shall be reserved for delivery in payment of Deferred Stock Units under the Plan shall be 500,000, subject to automatic adjustment for changes in capitalization of ML & Co. as provided in Section 3.1 hereof. Shares of Common Stock distributed under the Plan may be authorized but unissued shares or shares that shall have been or may be acquired by ML & Co. in the open market, in private transactions or otherwise. The number of shares reserved for delivery in payment of Deferred Stock Units shall be increased by the number of shares remaining available under the Plan on the date that the Board of Directors determination to permit no further awards under such plan shall become effective.

Article II — Deferred Stock Units; Optional Deferral of Payment

Section 2.1 Deferred Stock Unit Grants.

(a) **Regular Grants.** Each Non-Employee Director shall, without any further action by the Board of Directors, receive as of the date of every Annual Meeting for which he or she is a Continuing Director, the number of Deferred Stock Units obtained by dividing $185,000 by the Daily Market Price per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Stock Unit. If sufficient shares of Common Stock do not remain available under Section 1.3 for each eligible Non-Employee Director to receive the full number of Deferred Stock Units calculated pursuant to the preceding sentence, then the number of Deferred Stock Units granted to each eligible Non-Employee Director will be proportionately reduced so that the Section 1.3 limit is not exceeded.

(b) **Prorated Mid-Year Regular Grants.** A Non-Employee Director who joins the Board after the date of an Annual Meeting, shall, without any further action by the Board of Directors, receive a prorated regular grant. The value of such grant shall be computed by multiplying $185,000 by a fraction the numerator of which shall be the number of full or partial calendar months (beginning with the month that follows the month in which the most recent Annual Meeting occurred) that remain until the Corporation's Annual Meeting and the denominator of which shall be 12; if the date of the next Annual Meeting has not been fixed at the time a Non-Employee Director joins the Board, it shall be assumed to be the first anniversary of the most recent Annual Meeting. The number of Deferred Stock Units to be granted shall be determined by dividing the dollar value obtained from the calculation in the previous sentence by the Daily Market Price per share of Common Stock on the date of his or her appointment to the Board. If sufficient shares of Common Stock do not remain available under Section 1.3 for the Non-Employee Director to receive the full number of Deferred Stock Units calculated pursuant to the preceding two sentences, then the number of Deferred Stock Units granted to the Non-Employee Director will be reduced so that the Section 1.3 limit is not exceeded.

Section 2.2 Payment of Awards Upon Expiration of the Holding Period

Unless deferred at the option of the Participant in accordance with Section 2.3(a) hereof, Deferred Stock Units will become payable upon the expiration of the holding period applicable thereto (the "Holding Period"), which shall expire on the earlier of: (i) the date of the fifth Annual Meeting following the date the Deferred Stock Units were granted, and (ii) a Participant's End of Service Date. Deferred Stock Units will be paid in shares of Common Stock as soon as practicable following the end of the applicable Holding Period. One share of Common Stock will be delivered for each Deferred Stock Unit to be paid, after rounding any fractional unit upwards to the nearest whole share.

Section 2.3 Optional Deferral of Payment.

(a) **Optional Deferral of Payment.** A Participant shall have the option to defer the payment of all or a portion of any Deferred Stock Unit grant upon the expiration of the relevant Holding Period in accordance

with this Section 2.3 by submitting to the Administrator or his or her designee such forms as the Administrator shall prescribe by no later than the last day of the calendar year before the year in which will occur the Annual Meeting in connection with which such Deferred Stock Units will be granted; provided, however, that with respect to Deferred Stock Units granted pursuant to Section 2.1(b), such election may be made within 30 days of the Participant's initial appointment or election to the Board. In addition, the Administrator may permit further deferrals of the receipt of Deferred Stock Units for a period that shall not be shorter than five years from the date of the expiration of the Holding Period for such Deferred Stock Units in accordance with regulations promulgated under the American Jobs Creation Act of 2004.

(b) **Irrevocability of Deferral Election.** Except as provided in Sections 2.3(c) or Section 2.5, an election to defer the payment of all or a portion of a Participant's Deferred Stock Units made pursuant to Section 2.3(a) shall be irrevocable once submitted to the Administrator or his or her designee.

(c) **Rescission of Deferral Election Caused by an Adverse Tax Determination.** Notwithstanding the provisions of Section 2.3(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 or her sole discretion, decides, upon the Participant's request and upon evidence of the occurrence of the events described in clause (i) hereof that he or she finds persuasive, to rescind the election. As provided herein, upon such rescission, the relevant Deferred Stock Units will be paid to the Participant as soon as practicable.

Section 2.4 Payment of Units Optionally Deferred.

(a) **Regular Payment Elections.** ML & Co. will pay Deferred Stock Units granted to a Participant who has made an optional deferral election pursuant to Section 2.3(a) as elected by the Participant at the time of his or her optional 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 that occurs after the scheduled expiration of the Holding Period (i.e., without taking into account the possibility of death, Disability or an End of Service Date occurring before the expiration of the Holding Period), 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 number of Deferred Stock Units credited to the Participant's Account 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) and rounding the result to the nearest whole Deferred Stock Unit or cent, as the case may be.

(b) **Form of Payment.** Deferred Stock Units payable pursuant to this Section 2.4 will be paid in shares of Common Stock.

(c) **Death Prior to Payment.** If the Participant dies prior to payment of any or all Deferred Stock Units optionally deferred, then the unpaid Deferred Stock Units 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 the Participant's 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 2.4(a), the applicable portion of the Deferred Stock Units will be paid in a single payment to such beneficiary, and (ii) if the Participant has elected installment payments, the applicable portion of the Deferred Stock Units will continue to be paid as installment payments, 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).

(d) **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 Participant's Deferred Stock Units, as the Administrator

may, in his or her sole discretion based upon substantial evidence submitted by the Participant, determine necessary to alleviate severe financial hardship to the Participant caused by an unanticipated emergency. 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 or her sole discretion. The balance of the Account, if any, will continue to be governed by the terms of this Plan. Payment pursuant to this Section 2.4(d) may be made only upon a showing of severe financial hardship resulting from an illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The amount paid pursuant to this Section 2.4(d) shall not exceed the amount necessary to satisfy such unanticipated emergency plus amount necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which the severe financial hardship to the Participant is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

Section 2.5 Beneficiary.

(a) **Designation of Beneficiary.** The Participant may designate, in writing delivered to the Administrator or his or her designee before the Participant's death, a beneficiary (which may be a charity or other entity) to receive payments under the Plan in the event of the Participant's death. The Participant may also designate a contingent beneficiary to receive payments under the 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 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 Participant's unpaid Deferred Stock Units 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 installment payments, the applicable portion of the Deferred Stock Units will continue to be paid as installment payments 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).

Section 2.6 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 Deferred Stock Units specified in a valid court order entered in a domestic relations proceeding involving the Participant's

divorce or legal separation. Any such payment will be made net of any amounts the Company may be required to withhold under applicable federal, state or local law.

Section 2.7 Withholding of Taxes.

ML & Co. will deduct 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.

Article III — Adjustment of Accounts

Section 3.1 Adjustment of Accounts.

(a) **Dividend Equivalents.** Whenever a cash dividend is paid on a share of Common Stock, a Participant's Deferred Stock Units will be adjusted by adding to Deferred Stock Units, as applicable, the number of Deferred Stock Units determined by multiplying the per share amount of the cash dividend by the number of Deferred Stock Units credited to the Participant's Account 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 Business Information Services (or their functional successor), 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 Deferred Stock Unit as the case may be (with .005 being rounded upwards).

(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 (or the Rights or Junior Preferred 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, then appropriate adjustments shall be made, without any action by the Board of Directors, to the Deferred Stock Units as shall be necessary to maintain the proportionate interest of the Participants and to preserve, without increasing, the value of the Deferred Stock Units. 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.

Article IV — Status of Accounts

Section 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 Deferred Stock Units and any Accounts to which they are credited 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.

Section 4.2 Non-Assignability.

Except as provided in Section 2.6, a Participant's right or the right of any other person to his or her Deferred Stock Units or to any Account to which they are credited 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.

Article V — Change in Control

Section 5.1 Payment upon Change in Control.

(a) **Timing of Payment.** 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 Exchange Act relating to a Tender Offer, or (ii) a Change in Control shall occur, the Participant's Deferred Stock Units will be paid to the Participant in a lump-sum promptly 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) **Manner of Payment.** Payment of Deferred Stock Units pursuant to Section 5.1(a) shall be made in cash. The amount of the cash payment shall be determined by multiplying the number of Deferred Stock Units in the Participant's Account by the Daily Market Price per share of Common Stock on the date of the event specified in Section 5.1(a)(i) or (ii), as the case may be, or, if higher, the highest Daily Market Price per share of Common Stock on any day during the 90-day period ending on such date.

Article VI — Administration of the Plan

Section 6.1 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.

Section 6.2 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 Deferred Stock Units 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.

Section 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 Deferred Stock Units or Accounts, deferral elections, beneficiary designations, or any other matters.

Article VII — Miscellaneous Provisions

Section 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.

Section 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.

Section 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.

Section 7.4 Amendment and Termination.

The Board of Directors may amend or terminate this Plan at any time,provided, that no amendment or termination may be made that would adversely affect the right of a Participant to his or her Deferred Stock Units as of the date of such amendment or termination.

Article VIII — Effective Date

The Plan shall become effective upon its adoption by the Board of Directors, subject to its approval by the shareholders of ML & Co.

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)

	For the Three Months Ended	
	March 31, 2006	**April 1, 2005[a]**
Pre-tax earnings[b]	$ 515	$ 1,592
Add: Fixed charges (excluding capitalized interest and preferred security dividend requirements of subsidiaries)	7,646	4,379
Pre-tax earnings before fixed charges	8,161	5,971
Fixed charges:		
Interest	7,588	4,327
Other[c]	58	52
Total fixed charges	7,646	4,379
Preferred stock dividend requirements	53	10
Total combined fixed charges and preferred stock dividends	$ 7,699	$ 4,389
Ratio of earnings to fixed charges	**1.07**	**1.36**
Ratio of earnings to combined fixed charges and preferred stock dividends	**1.06**	**1.36**

(a) Certain prior period amounts have been reclassified to conform to the current period presentation.
(b) Excludes undistributed earnings from equity investments.
(c) Other fixed charges consist of the interest factor in rentals, amortization of debt issuance costs and preferred security dividend requirements of subsidiaries.

Exhibit 15

May 5, 2006

Merrill Lynch & Co., Inc.
4 World Financial Center
New York, NY 10080

We have made a review, in accordance with the standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim condensed consolidated financial information of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of March 31, 2006 and for the three-month periods ended March 31, 2006 and April 1, 2005, as indicated in our report dated May 5, 2006 (which report included an explanatory paragraph regarding the change in accounting method in 2006 for share-based payments to conform to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*); because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, is incorporated by reference in the following Registration Statements, as amended:

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. 333-00863 (401(k) Savings & Investment Plan)

Registration Statement No. 333-09779 (1997 Deferred Compensation Plan for a Select Group of Eligible Employees)

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 and Producers)

Registration Statement No. 333-32209 (1998 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-33125 (Employee Stock Purchase Plan for Employees of Merrill Lynch Partnerships)

Registration Statement No. 333-41425 (401(k) Savings & Investment Plan)

Registration Statement No. 333-56291 (Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-60211 (1999 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-62311 (Replacement Options; Midland Walwyn Inc.)

Registration Statement No. 333-85421 (401(k) Savings and Investment Plan)

Registration Statement No. 333-85423 (2000 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-92663 (Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-44912 (2001 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-64676 (1986 Employee Stock Purchase Plan)

Registration Statement No. 333-64674 (Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-68330 (2002 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-99105 (2003 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-108296 (2004 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-109236 (Employee Stock Compensation Plan)

Registration Statement No. 333-118615 (2005 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-125109 (2006 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-125181 (Deferred Stock Unit Plan for Non-Employees)

Filed on Form S-3:

Debt Securities, Warrants, Common Stock, Preferred Securities, and/or Depository Shares:

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. 33-33335

Registration Statement No. 33-35456

Registration Statement No. 33-42041

Registration Statement No. 33-45327

Registration Statement No. 33-45777

Registration Statement No. 33-49947

Registration Statement No. 33-51489

Registration Statement No. 33-52647

Registration Statement No. 33-55363

Registration Statement No. 33-60413

Registration Statement No. 33-61559

Registration Statement No. 33-65135

Registration Statement No. 333-13649

Registration Statement No. 333-16603

Registration Statement No. 333-20137

Registration Statement No. 333-25255

Registration Statement No. 333-28537

Registration Statement No. 333-42859

Registration Statement No. 333-44173

Registration Statement No. 333-59997

Registration Statement No. 333-68747

Registration Statement No. 333-38792

Registration Statement No. 333-52822

Registration Statement No. 333-83374

Registration Statement No. 333-97937

Registration Statement No. 333-105098

Registration Statement No. 333-109802

Registration Statement No. 333-122639

Registration Statement No. 333-132911

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. 333-02275 (Long-Term Incentive Compensation Plan)

Registration Statement No. 333-24889 (Long-Term Incentive Compensation Plan, and Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-36651 (Hotchkis and Wiley Resale)

Registration Statement No. 333-59263 (Exchangeable Shares of Merrill Lynch & Co., Canada Ltd. re: Midland Walwyn Inc.)

Registration Statement No. 333-67903 (Howard Johnson & Company Resale)

Registration Statement No. 333-45880 (Herzog, Heine, Geduld, Inc. Resale)

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of a Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

New York, New York

Exhibit 31.1

Certification

I, E. Stanley O'Neal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merrill Lynch & Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ E. Stanley O'Neal

E. Stanley O'Neal
Chairman of the Board and
Chief Executive Officer

Dated: May 5, 2006

Exhibit 31.2

Certification

I, Jeffrey N. Edwards, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Merrill Lynch & Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jeffrey N. Edwards

Jeffrey N. Edwards
Senior Vice President and
Chief Financial Officer

Dated: May 5, 2006

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch & Co., Inc. (the "Company") on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, E. Stanley O'Neal, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ E. Stanley O'Neal

E. Stanley O'Neal
Chairman of the Board and
Chief Executive Officer

Dated: May 5, 2006

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch & Co., Inc. (the "Company") on Form 10-Q for the period ended March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey N. Edwards, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey N. Edwards

Jeffrey N. Edwards
Senior Vice President and
Chief Financial Officer

Dated: May 5, 2006

Exhibit 99.1

Merrill Lynch & Co., Inc.

Reconciliation of "Non-GAAP" Measures

Merrill Lynch adopted Statement of Financial Accounting Standards No. 123 (as revised in 2004) for stock-based employee compensation during the first quarter 2006. Additionally, as a result of a comprehensive review of the retirement provisions in its stock-based compensation plans, Merrill Lynch also modified the retirement eligibility requirements of existing stock awards in order to facilitate transition to more stringent retirement eligibility requirements for future stock awards. These modifications and the adoption of the new accounting standard required Merrill Lynch to accelerate the recognition of compensation expenses for affected stock awards, resulting in the "one-time compensation expenses." These changes represent timing differences and are not economic in substance. Management believes that while the results excluding the one-time expenses are considered "non-GAAP" measures, they depict the operating performance of the company more clearly and enable more appropriate period-to-period comparisons.

Preliminary Unaudited Earnings Summary

(dollars in millions, except per share amounts)

	For the Three Months Ended March 31, 2006		
	Excluding the Impact of One-time Compensation Expenses	**First Quarter Impact of One-time Compensation Expenses**	**GAAP Basis**
Net Revenues	$ 7,962	$ -	$ 7,962
Non-Interest Expenses			
Compensation and benefits	3,991	1,759	5,750
Non-compensation expenses	1,619	-	1,619
Total Non-Interest Expenses	5,610	1,759	7,369
Earnings Before Income Taxes	2,352	(1,759)	593
Income Tax Expense	700	(582)	118
Net Earnings	$ 1,652	$ (1,177)	$ 475
Preferred Stock Dividends	$ 43	$ -	$ 43
Net Earnings Applicable to Common Stockholders	$ 1,609	$ (1,177)	$ 432
Earnings Per Common Share			
Basic	$ 1.83	$ (1.34)	$ 0.49
Diluted	$ 1.65	$ (1.21)	$ 0.44
Average Shares Used in Computing Earnings Per Common Share			
Basic	878.0	5.7	883.7
Diluted	975.4	5.7	981.1

Financial Ratios

(dollars in millions)	For the Three Months Ended March 31, 2006	
	Excluding the Impact of One-time Compensation Expenses	**GAAP Basis**
Compensation and benefits(a)	$ 3,991	$ 5,750
Net Revenues(b)	7,962	7,962
Ratio of compensation and benefits to net revenues(a)/(b)	50.1%	72.2%
Income Tax Expense(a)	$ 700	$ 118
Earnings Before Income Taxes(b)	2,352	593
Effective Tax Rate(a)/(b)	29.8%	19.9%
Earnings Before Income Taxes(a)	$ 2,352	$ 593
Net Revenues(b)	7,962	7,962
Pre-tax Profit Margin(a)/(b)	29.5%	7.4%
Average Common Equity	$ 33,800	$ 33,800
Average impact of one-time compensation expenses	(145)	-
Average Common Equity(a)	33,655	33,800
Annualized Net Earnings Applicable to Common Stockholders(b)	6,436	1,728
Annualized Return on Average Common Equity(b)/(a)	19.1%	5.1%

Business Segment Data

(dollars in millions)	For the Three Months Ended		
	March 31, 2006	**April 1, 2005**	**% Inc/ (Dec)**
Global Markets & Investment Banking			
Total net revenues(a)	$ 4,553	$ 3,317	37%
Pre-tax earnings	212	1,124	(81)
Impact of one-time compensation expenses	1,369	-	N/M
Pre-tax earnings excluding one-time compensation expenses(b)	1,581	1,124	41
Pre-tax profit margin	4.7%	33.9%	
Pre-tax profit margin excluding one-time compensation expenses(b)/(a)	34.7%	33.9%	
Global Private Client			
Total net revenues(a)	$ 2,939	$ 2,603	13
Pre-tax earnings	365	510	(28)
Impact of one-time compensation expenses	281	-	N/M
Pre-tax earnings excluding one-time compensation expenses(b)	646	510	27
Pre-tax profit margin	12.4%	19.6%	
Pre-tax profit margin excluding one-time compensation expenses(b)/(a)	22.0%	19.6%	
Merrill Lynch Investment Managers			
Total net revenues(a)	$ 570	$ 413	38
Pre-tax earnings	113	127	(11)
Impact of one-time compensation expenses	109	-	N/M
Pre-tax earnings excluding one-time compensation expenses(b)	222	127	75
Pre-tax profit margin	19.8%	30.8%	
Pre-tax profit margin excluding one-time compensation expenses(b)/(a)	38.9%	30.8%	

N/M = Not Meaningful