

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993
COMMISSION FILE NUMBER 1-7182

MERRILL LYNCH & CO., INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

WORLD FINANCIAL CENTER
NORTH TOWER
250 VESEY STREET
NEW YORK, NEW YORK
(Address of principal executive
offices)

10281
(Zip Code)

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

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

| TITLE OF EACH CLASS ----- | NAME OF EXCHANGE ON WHICH REGISTERED ----- |
|---|---|
| Common Stock-par value \$1.33 1/3 | New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange and The Tokyo Stock Exchange |
| Rights to Purchase Series A Junior Preferred Stock | New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange and The Tokyo Stock Exchange |
| S&P 500 Market Index Target-Term Securities ("MITTS") due August 29, 1997; S&P 500 MITTS due July 31, 1998; European Portfolio MITTS due June 30, 1999; Global Telecommunications Portfolio MITTS due October 15, 1998; Stock Market Annual Reset Term Notes ("SMART Notes") due December 31, 1997; SMART Notes due December 31, 1999 (Series A); Global Bond Linked Securities ("GloBLS") due December 31, 1998; Equity Participation Securities with Minimum Return Protection due June 30, 1999; Currency Protected Notes ("CPNs") due December 31, 1998 | New York Stock Exchange |
| Constant Maturity U.S. Treasury Yield Increase Warrants, expiring August 25, 1995; Japan Index Equity Participation Securities with Minimum Return Protection due January 31, 2000; AMEX Hong Kong 30 Index Call Warrants with Optional Reset, expiring December 15, 1995; U.S. Dollar/Deutsche Mark Put Currency Warrants, expiring March 15, 1995 | American Stock Exchange |

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

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

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

As of February 23, 1994, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$8.89 billion.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: 212,582,125 shares of Common Stock (as of February 23, 1994) which includes 8,932,332 shares held by Merrill Lynch & Co., Inc. Employee Stock Ownership Plan that are not considered outstanding for accounting purposes.*

DOCUMENTS INCORPORATED BY REFERENCE

1. Certain portions of the Merrill Lynch & Co., Inc. 1993 Annual Report to Stockholders (for the fiscal year ended December 31, 1993) are incorporated in Parts I and II by reference.
2. Certain portions of the Merrill Lynch & Co., Inc. Proxy Statement for its 1994 Annual Meeting of Stockholders dated March 14, 1994 are incorporated in Parts III and IV by reference.

*All amounts of shares of Common Stock presented herein reflect the two-for-one common stock split, effected in the form of a 100% stock dividend, paid on November 24, 1993.

PART I

ITEM 1. BUSINESS

OVERVIEW

Merrill Lynch & Co., Inc., a Delaware corporation ("ML & Co."),/*/ is a holding company that, through its subsidiaries and affiliates, provides investment, financing, insurance and related services. Such services include securities underwriting, trading and brokering, investment banking and other corporate finance advisory activities, investment advisory services, trading of foreign exchange, commodities and derivatives, banking and lending, and insurance sales and underwriting services.

ML & Co.'s principal subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), which traces its origin to a brokerage business founded in 1820, is one of the largest securities firms in the world. MLPF&S is a broker in securities, options contracts, and commodity and financial futures contracts, an underwriter of selected insurance products, a dealer in options and in corporate and municipal securities, and an investment banking firm.

Merrill Lynch International Incorporated ("MLI"), through its branches, subsidiaries and affiliates, provides investment, financing, and related services on a global basis outside the United States and Canada. The principal subsidiaries and affiliates providing such services are Merrill Lynch International Limited ("MLIL"), Merrill Lynch Japan Incorporated ("MLJ") and Merrill Lynch Capital Markets A.G. ("ML Capital Markets"). In addition, Merrill Lynch International Bank Limited ("MLIB, Ltd."), Merrill Lynch Bank A.G. ("ML BAG") and other subsidiaries and affiliates of MLI engage in international banking and foreign exchange activities. Merrill Lynch Canada Inc. ("MLC"), a subsidiary of MLPF&S, provides institutional securities and futures contracts sales, trading and financing, corporate finance, and mergers and acquisitions services in Canada.

Merrill Lynch Government Securities Inc. ("MLGSI") is a primary dealer in obligations issued by the U.S. Government or guaranteed or issued by Federal agencies or instrumentalities. Merrill Lynch Asset Management, L.P. and its affiliates ("MLAM") manage mutual funds and provide investment advisory services. Merrill Lynch Capital Services, Inc. ("MLCS") and Merrill Lynch Derivative Products, Inc. ("MLDP") are ML & Co.'s primary derivative product dealers and act as intermediaries and principals in a variety of interest-rate, currency and other derivative contracts. ML & Co.'s insurance operations consist of the underwriting of life insurance and annuity products by Merrill Lynch Life Insurance Company ("MLLIC") and ML Life Insurance Company of New York ("ML Life"), and the sale of life insurance and annuities through Merrill Lynch Life Agency Inc. and other life insurance agencies associated with MLPF&S.

ML & Co. and certain subsidiaries engage in lending activities, including bridge financing, and extend credit in the form of senior term and subordinated debt to leveraged companies. The Corporation also provides investment, financing and related services through Merrill Lynch Business Financial Services Inc. ("MLBFS"), Merrill Lynch Money Markets Inc. ("MLMMI"), Merrill Lynch Mortgage Capital Inc.

/*/ For the purpose of convenient presentation, the term "Corporation," as it appears in the Consolidated Financial Statements and related Notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in this description of ML & Co.'s business, refers to Merrill Lynch & Co., Inc. and its consolidated subsidiaries. In addition, where the context requires, the term "ML & Co." includes such consolidated subsidiaries.

("MLMCI"), ML Futures Investment Partners Inc. ("MLFIP"), Merrill Lynch Credit Corporation ("MLCC"), Merrill Lynch Capital Partners, Inc. ("MLCP"), Merrill Lynch Interfunding Inc. ("MLIF"), Merrill Lynch, Hubbard Inc. ("MLH") and other subsidiaries of ML & Co. ML & Co. undertakes specialist activities through Merrill Lynch Specialists Inc. ("MLSI").

Financial information concerning ML & Co. for each of the three fiscal years ended on the last Friday in December of 1993, 1992 and 1991 set forth on page 30 of the 1993 Annual Report to Stockholders (the "Annual Report") is incorporated herein by reference. Financial information with respect to ML & Co. by revenue category, including the amount of total revenue contributed by classes of similar products or services that accounted for 10% or more of ML & Co.'s consolidated revenues in any one of ML & Co.'s last three fiscal years, set forth on page 68 of the Annual Report is incorporated herein by reference. In addition, financial information with respect to ML & Co.'s operations by geographic area set forth in the Notes to Consolidated Financial Statements under the caption "Industry and Global Operations" on pages 66-67 of the Annual Report is incorporated herein by reference.

On December 31, 1993, ML & Co. had approximately 41,900 full-time employees, compared to approximately 40,100 full-time employees on December 25, 1992. Of these full-time employees, as of year-end 1993 (1992 year-end numbers being indicated parenthetically), there were approximately 750 (675) employees in Canada and Latin America, 2,450 (2,160) employees in Europe and the Middle East, 1,200 (1,200) employees in the Asia/Pacific region and Australia, and 37,530 (36,045) employees in the United States.

The financial services industry is highly competitive and highly regulated. The industry is also directly affected by general economic conditions, trends in business and finance and investor sentiment, as well as by interest rate changes, both domestically and internationally. Financial services revenues are particularly sensitive to the volume of securities transactions and securities price levels. Also, ML & Co.'s business activities are subject to varying degrees of risk and profitability depending upon the nature of the activity and the extent to which ML & Co. has placed its capital at risk. Capital is typically placed at risk in dealer transactions, investment banking and related transactions (including leveraged buyouts). The discussion on highly leveraged transactions set forth on pages 39-40 of the Annual Report under the caption "Non-Investment Grade Holdings and Highly Leveraged Transactions" and the information in the Notes to Consolidated Financial Statements under the caption "Concentrations of Credit Risk" on pages 65-66 of the Annual Report is incorporated herein by reference. In addition, the business of ML & Co. is subject to foreign exchange rate fluctuations, restrictive regulations by foreign governments and other factors inherent in international operations.

While the discussion set forth below is organized by ML & Co. entity, the business activities involving these entities are highly integrated, frequently requiring multiple affiliates to participate in a single transaction.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

As of December 31, 1993, there were at MLPF&S approximately 6.9 million retail and institutional customer accounts worldwide (as compared to 7.0 million in 1992). In the United States, these accounts were served by approximately 12,100 financial consultants, including trainees (as compared to approximately 11,700 at year-end 1992), in approximately 470 retail branch and institutional offices in 49 states, the District of Columbia, Guam, the Virgin Islands, Puerto Rico, Canada (through its

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affiliate, MLC) and Taiwan. The discussion of international financial consultants and offices is set forth below under the caption "Merrill Lynch International Incorporated".

BROKERAGE TRANSACTIONS

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

MLPF&S has established commission rates for all brokerage services it performs. However, for accounts that are actively traded, including institutional accounts, MLPF&S's policy is to negotiate commissions based on economies of size and the complexity of the transaction and, for institutional customers, the competitive climate and trading opportunities. Also, under the Blueprint/SM/ program, due to order processing efficiencies, individual customers can receive commission discounts on small transactions in equity securities, mutual funds and precious metals.

MLPF&S also acts as a broker for investors in the purchase and sale of options contracts to purchase or sell common stocks, non-U.S. Government securities and currencies, as well as in the purchase and sale of options contracts on various indices. These options contracts are currently traded on the Chicago Board Options Exchange, the American Stock Exchange, the New York Stock Exchange, the Philadelphia Stock Exchange, the Pacific Stock Exchange and in the over-the-counter market.

MLPF&S is a futures commission merchant that introduces to its affiliate, Merrill Lynch Futures Inc. ("MLF"), customer business for the purchase and sale of futures contracts and options on such futures contracts in substantially all exchange-traded commodity and financial futures products. All futures and futures options transactions are cleared through and carried by MLF, which holds memberships on all major commodity and financial futures exchanges in the United States. MLF also carries positions reflecting trades executed on exchanges outside of the United States. Memberships on certain of these exchanges are held by other affiliated companies, including Merrill Lynch, Pierce, Fenner & Smith (Brokers and Dealers) Limited and Merrill Lynch Futures (S) Pte. Ltd. As with any margin transaction, the risk of loss to MLF and its customers from the trading of futures contracts is greater than the risk in cash securities transactions, primarily as a result of the low initial margin requirements (good faith deposits) relative to the nominal value of the actual futures contracts. MLF may have financial exposure if a customer fails to meet a margin call. However, net worth requirements, financial reviews, margin procedures and other credit standards established for MLF customer futures accounts are intended to limit this exposure. Futures contracts and options thereon are traded in the various futures markets, including the Chicago Board of Trade and the Chicago Mercantile Exchange and exchanges outside of the United States, such as the London International Financial Futures Exchange and the Singapore International Monetary Exchange. MLPF&S and certain of its affiliates, including MLGSI and MLCS, may also take proprietary market positions in the futures and futures options markets in certain instances.

As a result of its membership in the clearing associations of various futures exchanges, MLF or any other futures clearing affiliates of the Corporation have potentially significant financial exposure in the event that other members of futures clearing houses default materially in their obligations to such clearing houses.

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DEALER TRANSACTIONS

MLPF&S regularly makes a market in approximately 1,015 domestic common stocks and approximately 350 foreign securities traded in the over-the-counter market. Its market-making activities are conducted with customers and with other dealers. In addition, as a block positioner, MLPF&S regularly acts as a market maker in certain listed securities. MLPF&S is a dealer in municipal, mortgage-backed, asset-backed and corporate fixed-income securities, which are traded primarily in the over-the-counter market.

As an adjunct to its trading activities, MLPF&S places its capital at risk by engaging in block positioning to facilitate transactions for customers in large blocks of listed and over-the-counter securities and by engaging, from time to time, in arbitrage transactions for its own account. In block positioning, MLPF&S purchases securities, including options, or sells such securities short for its own account without full commitments for their resale or covering purchase, thereby employing its capital to effect large transactions. Positions typically are liquidated as soon as practicable and are not taken without an analysis of a given security's marketability. In addition, MLPF&S facilitates various trading strategies involving the purchase and sale of financial futures contracts and options, in connection with which it may establish positions for its own account and risk.

MLPF&S engages as principal in certain commodity-related transactions, such as purchase and repurchase transactions and precious metals consignments. Other subsidiaries of ML & Co. also engage in interest rate and foreign currency swaps, and other derivative products transactions with third parties on a principal or an intermediary basis, and act as foreign exchange dealers. For further information on dealer transactions, see discussions set forth below under the captions "Merrill Lynch Government Securities Inc.," "Merrill Lynch Capital Services, Inc.," "Merrill Lynch Derivative Products, Inc." and "Banking and Trust Activities."

MARGIN LENDING

Securities transactions with customers are executed on either a cash or a margin basis. In a margin transaction, MLPF&S extends credit to the customer for a portion of the dollar value of the securities in the customer's account up to the limit imposed by internal MLPF&S policies and applicable margin regulations. The margin loan is collateralized by securities in the customer's margin account. Interest on margin debit balances is an important source of revenue to MLPF&S; the rates charged are higher than the rates paid on the funds that finance those loans. To finance margin loans, MLPF&S uses both funds on which it pays interest, which include borrowings from ML & Co., and funds on which it does not pay interest, which include its own capital and, to the extent permitted by regulations, customers' free credit balances. Also, funds derived from securities loaned may be used for making margin loans.

INVESTMENT BANKING

MLPF&S is a major investment banking firm that participates in every aspect of investment banking and acts in principal, agency and advisory capacities. It underwrites the sale of securities to the public and arranges for the private placement of securities with investors. MLPF&S also provides a broad range of financial and corporate advisory services, including advice on mergers and acquisitions, project financing, mortgage and lease financing, capital structure and specific financing opportunities.

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MLPF&S and its affiliates provide advice, valuations, and financing assistance, including the underwriting and private placement of high-yield securities, in connection with leveraged buyouts and other related transactions. MLPF&S and its affiliates have, from time to time, taken principal positions in such transactions, which vary in amount and form. In addition, the Corporation may provide substantial funds to clients on a temporary basis until permanent financing is obtained. Before MLPF&S and its affiliates take such positions, analysis is performed to establish the underlying creditworthiness of the client and to determine the likelihood of refinancing the transaction within a reasonable period. Additionally, MLPF&S and its affiliates occasionally retain equity interests in the subject companies in connection with their non-investment grade underwriting and merchant banking activities. The information set forth on pages 39-40 of the Annual Report under the caption "Non-Investment Grade Holdings and Highly Leveraged Transactions" and in the Notes to Consolidated Financial Statements under the caption "Concentrations of Credit Risk" on pages 65-66 of the Annual Report are incorporated herein by reference. See also discussions set forth below under the captions "Merrill Lynch Capital Partners, Inc." and "Merrill Lynch Interfunding Inc."

SECURITIES AND ECONOMIC RESEARCH

To provide its institutional and retail sales forces and customers with current information on investments and securities markets, MLPF&S maintains a Global Securities Research and Economics Group. It provides equity, fixed income, and economic research services on a global basis. The Securities Research Division includes a U.S. fundamental equity research staff of 90 analysts (as compared with 70 analysts in 1992) who follow companies in 57 major industry categories.

The Global Securities Research and Economics Group provides fundamental equity research on a worldwide basis, with 35 analysts (as compared with 34 analysts in 1992) in London, Hong Kong, Tokyo, Singapore and Seoul. Fixed-income research professionals and economists are also located in London, Tokyo, Singapore and Frankfurt.

By means of a computer-based opinion retrieval system available in each MLPF&S office or, if outside of the United States, in each affiliate office, current information and investment opinions on the common stocks of approximately 1,485 corporations worldwide are readily available to all MLPF&S customers through their financial consultants.

The Securities Research Division also provides technical market and quantitative analysis, investment and fixed income strategy and credit research on municipal securities, preferred stock and corporate bonds, as well as futures research.

OTHER ACTIVITIES

In 1993, MLPF&S sold over \$36.6 billion of mutual funds, including income, balanced and growth funds, of which approximately \$19.4 billion represented sales of mutual funds that are advised by MLAM and its affiliates.

MLPF&S also sponsors series of funds under the name Defined Asset Funds/SM/ that are unit investment trusts registered under the Investment Company Act of 1940. These funds consist of municipal obligations, corporate fixed-income securities, U.S. Government obligations, equity securities, or foreign debt

The Merrill Lynch Consults (Registered Trademark) service, introduced in 1988, offers individual and institutional clients with \$100,000 or more to invest, a convenient way to select and retain a discretionary investment manager from a pre-selected roster of investment managers participating in the service. The professional portfolio managers within the Merrill Lynch Consults service have been screened for many factors, including risk adjusted performance (generally for a period of ten years), depth of management experience and consistent application of investment style. The roster of more than twenty-five investment managers manages portfolios in seven risk categories consisting of equity, balanced and fixed-income accounts. For an annual fee, MLPF&S, through the Merrill Lynch Consults service, assists clients in identifying their investment objectives, selecting an investment manager based on those stated objectives, and periodically providing performance reports on their managed account. Merrill Lynch financial consultants and the investment manager are available to clients for ongoing consultation and can respond to questions clients may have regarding their portfolios. At the end of 1993, over \$16 billion was held in accounts of clients subscribing to the Merrill Lynch Consults service.

MLPF&S provides the Cash Management Account (Registered Trademark) ("CMA (Registered Trademark) account") financial service, which is offered in all MLPF&S retail offices. Through Visa (Registered Trademark) cards issued by Merrill Lynch National Financial and Merrill Lynch Bank & Trust Co. and checking services provided by Bank One, Columbus, N.A., the CMA service allows participating customers to access the assets in their securities accounts, including the redemption value of shares, if any, owned by the participating customer in various CMA money market funds and any balances maintained in certain money market deposit accounts maintained by one or more banks or savings associations (which may include Merrill Lynch National Financial and Merrill Lynch Bank & Trust Co.) through the Insured Savings/SM/Account and, if the account is a margin account, the loan value of margin securities in such account. It also provides a vehicle for the automatic investment of free credit balances in shares of the CMA money market funds, or the automatic deposit of funds through the Insured Savings Account. MLPF&S domestically had over 1,442,000 CMA accounts at the close of 1993, with aggregate assets of approximately \$320 billion. MLPF&S also offers the Capital Builder/SM/Account ("CBA (Registered Trademark) account") service, which was developed to meet the needs of the emerging investor, through all MLPF&S retail offices. At the close of 1993 MLPF&S had approximately 294,000 CBA accounts with assets of over \$11.7 billion.

Through its subsidiary Broadcort Capital Corp. ("BCC"), MLPF&S provides security clearing services to approximately 70 unaffiliated broker-dealers, primarily on a basis that is fully disclosed to their customers. Introducing firms may also execute transactions through BCC's fixed-income desk and participate in unit investment trust fund underwritings sponsored by MLPF&S. While the introducing firm retains all sales functions, the customers of the introducing firm have their accounts serviced by BCC, and BCC handles all settlement and credit aspects of transactions.

Wagner Stott Clearing Corp. ("WSCC"), also a subsidiary of MLPF&S, engages in professional clearing and other businesses similar to that of BCC. It clears transactions for specialists and market makers on the New York Stock Exchange, the American Stock Exchange, the Chicago Board Options Exchange, the Philadelphia Stock Exchange and the Pacific Stock Exchange, clears commodities futures transactions for its clients through a divisional clearing arrangement with MLF and other futures commissions merchants, and clears transactions of arbitrageurs, customers and other professional trading entities. WSCC, which is a futures commissions merchant, also clears commodity futures transactions for its clients on the Philadelphia Board of Trade through the Intermarket Clearing Corporation.

MLC, another subsidiary of MLPF&S, provides institutional securities and futures sales, trading and financing, corporate finance, and mergers and acquisitions services in Canada.

MERRILL LYNCH INTERNATIONAL INCORPORATED

MLI provides comprehensive investment, financing and related services to governments, corporations, other institutions and individuals on a global basis outside the U.S. and Canada through MLIL, MLJ, ML Capital Markets and other subsidiaries and affiliates. Information on international banking and foreign exchange activity is set forth below under the caption "Banking and Trust Activities."

MLI's worldwide trading operations, through its subsidiaries and affiliates, particularly in London and Tokyo, make it one of the largest dealers and secondary market makers in Eurobonds and other internationally traded

securities and futures. Subsidiaries and affiliates of MLI also engage in foreign exchange transactions (including options on foreign currencies) as a dealer, and, consequently, assume principal positions in numerous currencies and related options. Subsidiaries and affiliates of MLI are members of stock exchanges in Frankfurt, Hong Kong, London, Luxembourg, Montreal, Sydney, Tokyo, Toronto, Vancouver and Zurich among others.

The investment, financing and market-making operations of MLI and its affiliates are conducted through a network of offices located in 29 countries outside the U.S. and Canada. This office system serves major "money center" institutions as well as thousands of smaller regional institutions and individual investors. As of December 31, 1993, these offices, and a small number of U.S. offices with international responsibilities, were staffed by approximately 1,010 retail and institutional financial consultants (which was the same number of financial consultants as in 1992) who were linked with the communications and trading network of MLPF&S.

MERRILL LYNCH GOVERNMENT SECURITIES INC.

MLGSI is a primary dealer in obligations issued or guaranteed by the U.S. Government or guaranteed or issued by Federal agencies or other government-sponsored entities including Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC"). It is one of 39 primary dealers in Government securities that reports its positions and activity daily to the Federal Reserve Bank of New York. It is also a dealer in GNMA, FNMA and FHLMC mortgage-backed-pass-through certificates.

MLGSI's transactions in obligations of the U.S. Government, Federal agencies and government-sponsored entities involve large dollar amounts and small dealer spreads. It also deals in futures, options and forward contracts for its own account, to hedge its own risk and to facilitate customers' transactions. As an integral part of its business, MLGSI enters into repurchase agreements wherein it obtains funds by pledging its own securities as collateral. The repurchase agreements provide financing for MLGSI's dealer inventory, and serve as short-term investments for MLGSI's customers.

MLGSI also enters into reverse repurchase agreements wherein it lends funds against the pledge of collateral by customers; such agreements provide MLGSI with needed collateral and provide MLGSI's customers with temporary liquidity for their investments in U.S. Government and agency securities. MLGSI enters into reverse repurchase agreements at an interest rate that generally is fractionally higher than that of repurchase agreements.

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MERRILL LYNCH ASSET MANAGEMENT, L.P.

MLAM, the investment management arm of ML & Co., is one of the largest mutual fund managers in the world. Effective January 1, 1994, MLAM was restructured as a limited partnership. In 1993, sales of equity and bond funds managed by MLAM approximated \$19.4 billion, as compared with \$16.8 billion in 1992. MLAM's other major activity is separate account management. In this area, assets under management increased to \$22.3 billion at the end of 1993 (which amount included approximately \$6.0 billion of general account assets managed on behalf of insurance companies affiliated with MLAM) from approximately \$20.2 billion in 1992 (which amount included approximately \$7.7 billion of general account assets managed on behalf of insurance companies affiliated with MLAM). By the end of 1993, total assets under management approximated \$160 billion, as compared with \$138 billion at year-end 1992.

MERRILL LYNCH CAPITAL SERVICES, INC.

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

MERRILL LYNCH DERIVATIVE PRODUCTS, INC.

MLDP intermediates certain derivative products (e.g., interest rate and currency swaps) between MLCS and highly-rated counterparties, addressing the increasing trend by swap customers to limit their trading to dealers with the highest credit quality. MLDP has been assigned an Aaa, AAA and an AAA counterparty rating by the rating agencies, Moody's, Standard & Poor's and Fitch, respectively. Customers meeting certain credit criteria enter into swaps with MLDP, and, in turn, MLDP enters into offsetting mirror swaps with MLCS. However, MLCS is required to provide MLDP with collateral to meet certain exposures MLDP may have to MLCS.

MERRILL LYNCH MONEY MARKETS INC.

MLMMI provides a full range of origination, trading and marketing services with respect to money market instruments such as commercial paper, bankers' acceptances and certificates of deposit. MLMMI also originates medium-term notes issued by domestic and non-U.S. corporations and financial institutions, and, through its affiliate, MLPF&S, trades and markets such notes. It is a commercial paper dealer for domestic and non-U.S. corporations and financial institutions. MLMMI also acts as a dealer in connection with the purchase of certificates of deposit from Federally-insured depository institutions; such instruments are resold to certain institutional customers such as thrift institutions, banks, insurance companies, pension plans and state and local governments. MLMMI, in cooperation with MLPF&S, originates the placement of additional certificates of deposit issued by such depository institutions that are sold to a broad range of retail customers of MLPF&S. MLMMI is a dealer for domestic and non-U.S. financial institutions in the certificate of deposit and bankers' acceptance markets.

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MERRILL LYNCH MORTGAGE CAPITAL INC.

MLMCI is a dealer in whole loan mortgages and mortgage servicing. MLMCI, through its CMO Passport (Registered Trademark) service, provides dealers and investors with general indicative information and analytic capability with respect to collateralized mortgage obligations (CMOs) and asset-backed securities. As an integral part of its business, MLMCI enters into repurchase agreements wherein it obtains funds by pledging its own whole loans as collateral. The repurchase agreements provide financing for MLMCI's inventory, and serve as short-term investments for MLMCI's customers. MLMCI also enters into reverse repurchase agreements wherein it lends funds against the pledge of whole loan collateral by customers; such agreements provide MLMCI's customers with temporary liquidity for their investments in secured whole loans. MLMCI enters into reverse repurchase agreements at an interest rate that is fractionally higher than that of repurchase agreements.

MERRILL LYNCH SPECIALISTS INC.

MLSI acts as a specialist on the New York Stock Exchange and the Pacific Stock Exchange in equities that are allocated to MLSI by such exchanges. In addition, through arrangements with other organizations, it acts as a specialist in equities on the Boston Stock Exchange and in options on equities on the American Stock Exchange and Philadelphia Stock Exchange.

MERRILL LYNCH CAPITAL PARTNERS, INC.

MLCP acts as the general partner of two leveraged buyout funds, whose limited partners are institutional investors. The investment period for the first fund has expired and the investment period for the second fund will expire no later than June 30, 1994. During the investment periods, MLCP identifies, initiates, and completes, as the principal equity investor, acquisitions of companies or divisions of companies. Investments made by MLCP are funded by the limited partners. For each investment made by an MLCP-sponsored partnership, ML & Co. (through an affiliate) makes a co-investment of up to 20%. Total funds under management in the two funds now approximate \$1.6 billion. The primary investment objective of the funds is to realize long-term capital appreciation. To further this objective, MLCP representatives assist in the development and implementation of corporate strategy and financial policy, and are involved in overall corporate governance through participation on the boards of directors of portfolio companies.

On May 11, 1993, ML & Co. announced that, consistent with its desire to reduce the level of new commitments in long-term illiquid investments, MLCP would not act as the general partner of another leveraged buyout fund. As a result of this determination, ML & Co. stated that the principal employees of MLCP announced their intention to leave MLCP and ML & Co. and start a new fund. To better protect the interests of the investors in the two existing leveraged buyout funds for which MLCP acts as general partner, ML & Co. has entered into agreements with the principal employees of MLCP providing that ML & Co. will participate in the new fund as a limited partner with up to a \$50 million contribution and will act as placement agent. In addition, at the time of the initial closing of the new fund, the principal employees of MLCP will cease being employees of MLCP, and will become consultants to MLCP under long-term contracts and as consultants will provide advice with respect to the management of the portfolio of investments in the two existing leveraged buyout funds.

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MERRILL LYNCH INTERFUNDING INC.

MLIF has been a participant in middle-market leveraged acquisitions. Utilizing ML & Co.'s capital, MLIF has, as principal, provided senior and subordinated ("mezzanine") financing to, and acquired equity interests in, a

portfolio consisting of approximately 50 companies. Currently, MLIF is not seeking new investment opportunities.

ML FUTURES INVESTMENT PARTNERS INC.

MLFIP serves principally as the general partner and commodity pool operator of commodity pools for which MLF acts as commodity broker and MLPF&S as selling agent. MLFIP also structures and sponsors managed futures investments to meet a variety of client objectives. MLFIP is one of the largest managed futures sponsors in the world as measured by assets under management and financial and personal resources. As of December 31, 1993, there was approximately \$1.296 billion in equity invested or to be invested in 35 domestic and international commodity futures funds (as compared to \$852 million in equity invested in 26 commodity futures funds at the end of 1992) which it has sponsored or has been selected to manage. MLFIP is an integrated business, whose capabilities include research, trading, finance, systems, operations, sales and marketing. MLFIP's responsibilities include selecting and monitoring trading advisors, as well as allocating and reallocating capital among them. Additionally, MLFIP is responsible for control of and accounting for the transactions and settlements for its funds, calculating net asset values on a daily basis, and providing monthly and annual fund reports to investors.

MERRILL LYNCH INSURANCE GROUP, INC.

Operations in insurance services consist of the underwriting of life insurance and annuities by MLLIC and ML Life, wholly-owned subsidiaries of Merrill Lynch Insurance Group, Inc. ("MLIG"), and the sale of life insurance and annuity products by insurance agencies affiliated with MLIG or otherwise associated with MLPF&S.

MLLIC is an Arkansas stock life insurance company authorized to underwrite life insurance, annuities and accident and health insurance in 49 states, the District of Columbia, Guam and the U.S. Virgin Islands. MLLIC underwrites life insurance and annuities that are marketed to customers of MLPF&S; however, it does not presently underwrite accident and health insurance. At year-end 1993, MLLIC had approximately \$10.9 billion of life insurance in force, as compared with \$10.6 billion at year-end 1992. At year-end 1993, MLLIC had annuity contracts in force of approximately \$6.1 billion in value as compared with \$6.0 billion at year end 1992.

ML Life is a New York stock life insurance company authorized to underwrite life insurance, annuities and accident and health insurance in nine states; however, it does not presently underwrite accident and health insurance. At year-end 1993, ML Life had approximately \$850 million of life insurance in force, compared to \$802 million of life insurance in force at year-end 1992. At year-end 1993, ML Life had annuity contracts in force of approximately \$533 million in value, as compared with \$637 million at year-end 1992.

MLIG, through licensed affiliate insurance agencies and other insurance agencies associated with MLPF&S, sells life and health insurance and annuities. On a selective basis, such entities have entered into agency agreements with certain insurance

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companies for the sale of various life and health insurance and annuity products. A significant portion of these sales consists of products underwritten by MLLIC and ML Life.

MERRILL LYNCH CREDIT CORPORATION

MLCC provides real estate-based lending products enabling clients to finance their residences, as well as to manage other personal credit needs. MLCC's PrimeFirst (Registered Trademark) mortgage is an adjustable rate first mortgage. As of December 31, 1993, the PrimeFirst program was available throughout the U.S., the Virgin Islands and the District of Columbia. MLCC also provides jumbo fixed-rate mortgages, as well as conventional fixed and adjustable rate mortgages, in all 50 states. MLCC's ParentPower (Registered Trademark) and Mortgage 100/SM/ products provide mortgage financing that is secured in part by securities in a client's MLPF&S brokerage account in lieu of the amount normally required as a down payment; these programs were available in 17 and 19 states, respectively as of December 31, 1993. MLCC's OMEGA/SM/ account provides financing secured by securities in an MLPF&S account. This program was introduced in 1993 and was available in 14 states as of December 31, 1993.

Through the Equity Access (Registered Trademark) credit account service, MLCC provides to clients a revolving credit line, which is secured by their residential properties and may be accessed by check, and in most states, by a VISA (Registered Trademark) card. As of December 31, 1993, the Equity Access program was available in 48 states, the District of Columbia and the Virgin Islands. MLCC also acquires and services home equity credit lines and other mortgage loans for affiliated and unaffiliated financial institutions. MLCC also purchases mortgage servicing rights. MLCC uses a variety of financing

techniques to fund its loan portfolio, including securitizing its mortgages for sale into the secondary marketplace.

MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.

MLBFS is engaged in providing financing services to small- and medium-sized businesses in conjunction with the Working Capital Management/SM/ account ("WCMA (Registered Trademark) account") which MLPF&S provides to business customers. The WCMA account combines business checking, borrowing, investment and electronic funds transfer services into one account for participating business customers. As of December 31, 1993, including those offering Merrill Lynch Consults services, there were over 108,000 WCMA accounts which in the aggregate have investment assets of over \$33 billion. In addition to providing qualifying customers with short-term working capital financing through the WCMA Commercial Line of Credit, MLBFS offers assistance to business customers with their term lending, equipment and other asset-based financing needs. In 1993, MLBFS originated over \$495 million in new commercial loans for business customers. As of December 31, 1993, total outstanding loans were \$535.2 million. Of this total, 97% were secured by tangible assets pledged by the businesses.

MERRILL LYNCH, HUBBARD INC.

MLH and its various subsidiaries are responsible for managing real estate investment programs that they sponsored and that were purchased by individual and institutional investors. As of December 31, 1993, a subsidiary of MLH functioned as the managing general partner of 9 public real estate limited partnerships with approximately 220,000 investors and managed, commercial and residential real estate investments, with an aggregate approximate value of \$1.0 billion.

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BANKING AND TRUST ACTIVITIES

Merrill Lynch Bank & Trust Co., a New Jersey state chartered institution insured by the Federal Deposit Insurance Corporation issues certificates of deposit and money market deposit accounts (including the Insured Savings Account for the CMA service), makes Equity Access and other secured consumer loans and issues CMA Visa (Registered Trademark) cards. Merrill Lynch National Financial, a Utah state chartered institution insured by the Federal Deposit Insurance Corporation, issues certificates of deposit and money market deposit accounts (including the Insured Savings Account for the CMA service), issues CMA Visa (Registered Trademark) Gold cards, and through a wholly-owned subsidiary, provides Equity Access loans.

MLIB, Ltd., a United Kingdom bank, with branch offices in Singapore, Bahrain and Luxembourg, provides foreign exchange trading and collateralized lending services and accepts deposits. Merrill Lynch International Bank, an Edge Act corporation, provides foreign exchange trading services to corporations and institutions. Merrill Lynch Bank (Suisse) S.A., a Swiss bank, provides portfolio management and individual client services to international private banking clients. Merrill Lynch Bank A.G., a German bank (with a branch office in Japan), engages in capital markets activities, such as underwriting, foreign exchange and swap and other derivative transactions.

The Merrill Lynch Trust Companies (Merrill Lynch Trust Company, a New Jersey trust company; Merrill Lynch Trust Company, a Florida trust company; Merrill Lynch Trust Company of America, an Illinois trust company; Merrill Lynch Trust Company of California; and Merrill Lynch Trust Company of Texas) provide personal trust, employee benefit trust and custodial services in certain states. Trust services outside of the United States are provided by Merrill Lynch Bank and Trust Company (Cayman) Limited.

OTHER ACTIVITIES

Other subsidiaries develop investments for ML & Co. and for marketing to others, and are engaged in leasing transactions, venture capital investments, providing funds in connection with private placements, project financings, the origination and master servicing of hospital/health care facility mortgages and serving as a recordkeeping and dividend disbursing agent.

COMPETITION

All aspects of ML & Co.'s business are intensely competitive. Through its subsidiaries, it competes directly, both in the United States and internationally, with other domestic and foreign investment banking and securities firms, and with brokers and dealers in securities and commodities. Competition has also come from other sources, such as commercial banks and insurance companies and has included numerous international competitors, many having competitive advantages in their home markets. ML & Co., through its subsidiaries, also competes indirectly for investment funds with mutual fund management companies, insurance companies, finance and investment advisory companies, and banks. ML & Co.'s competitive position depends to an extent on prevailing world-wide economic conditions and domestic and foreign

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

U.S. judicial and regulatory actions in recent years concerning, among other things, the authority of bank affiliates to engage in securities underwriting and brokerage activities have resulted in increased competition in those aspects of MLPF&S's business. In addition, domestic legislative proposals are made from time to time which, if enacted, would also result in increased competition from banks and their affiliates.

The insurance businesses of MLLIC and ML Life are highly competitive. Many companies, both stock and mutual, are older and larger and have more substantial financial resources and larger agency relationships than MLLIC and ML Life.

REGULATION

The securities and futures businesses conducted by subsidiaries of ML & Co. are subject to stringent regulation by the Securities and Exchange Commission ("SEC"), the Commodity Futures Trading Commission ("CFTC"), and other Federal and state agencies. MLPF&S, BCC, MLSI, and WSCC are also subject to regulation by the National Association of Securities Dealers, Inc. (the "NASD") and by the securities exchanges of which each is a member. They are further regulated as broker-dealers under the laws of the jurisdictions in which they operate. MLF, MLPF&S and WSCC are futures commission merchants regulated by the CFTC, the National Futures Association ("NFA") and the commodity exchanges of which each is a member. The CFTC and the NFA impose net capital requirements on MLF, MLPF&S and WSCC. MLGSI is a registered government securities dealer under the Government Securities Act of 1986 and is also subject to regulation by the NASD and the Chicago Board of Trade. The securities industry is one of the most highly regulated industries, and violations can result in the revocation of broker-dealer licenses, the imposition of censures or fines and the suspension or expulsion from the securities business of a firm, its officers or employees. With the enactment of the Insider Trading and Securities Fraud Enforcement Act of 1988, the SEC and the securities exchanges have intensified their regulation of broker-dealers, emphasizing in particular the need for supervision and control by broker-dealers of their employees. In addition, the SEC, various banking regulators, the Financial Accounting Standards Board and Congressional committees, among others, are considering increased regulation of, and disclosure for, the derivatives business.

As broker-dealers registered with the SEC and as members of U.S. exchanges, MLPF&S, MLSI, BCC and WSCC are subject to the SEC Uniform Net Capital Rule, designed to measure the general financial condition and liquidity of a broker-dealer. They are required to maintain minimum net capital deemed necessary to meet broker-dealers' continuing commitments to customers and others. Under certain circumstances, this rule limits the ability of ML & Co. to make withdrawals of capital from such broker-dealers. MLGSI, as a government securities dealer, is required to maintain minimum net capital pursuant to rules of the U.S. Department of the Treasury. Additional information regarding net capital requirements set forth in the Notes to Consolidated Financial Statements under the caption "Regulatory Requirements and Dividend Restrictions" appearing on page 58 of the Annual Report is incorporated herein by reference.

In 1992 the SEC adopted its temporary risk assessment rules under the Market Reform Act of 1990. These rules require brokers and dealers to maintain and preserve

records and other information concerning their material associated persons, as defined by the SEC. The rules also require such brokers and dealers to file with the SEC quarterly reports containing detailed financial information with respect to such affiliates. MLPF&S is the reporting broker and dealer for BCC and WSCC under these risk assessment rules; MLSI and Merrill Lynch Funds Distributor, Inc. are exempt from these rules; and MLGSI is not subject to these rules.

MLPF&S and MLAM are registered with the SEC as investment advisers, as they are with certain states that require such registration.

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

MLFIP is a commodity pool operator and commodity trading adviser registered

with the CFTC, and is a member of the NFA in such capacities.

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

Merrill Lynch Bank & Trust Co. is regulated by the State of New Jersey and by the Federal Deposit Insurance Corporation. Merrill Lynch National Financial is regulated by the State of Utah and by the Federal Deposit Insurance Corporation.

Merrill Lynch Trust Company (New Jersey), and its wholly-owned subsidiaries, MLBFS and MLCC, are regulated by the New Jersey Department of Banking. Merrill Lynch Trust Company (Florida) is regulated by the Florida Office of the Comptroller, Department of Banking and Finance. Merrill Lynch Trust Company of America is regulated by the Illinois Office of the Commissioner of Banks and Trust Companies. Merrill Lynch Trust Company of California is regulated by the California State Banking Department. Merrill Lynch Trust Company of Texas is regulated by the Texas State Banking Department.

MLIB, Ltd. is regulated by the Bank of England and by the New York State Banking Department. The Bahrain branch of MLIB, Ltd. is supervised by the Bahrain Monetary Authority and the Bank's branch in Luxembourg is supervised by the Institute Monetaire Luxembourgeois. The Singapore branch of this bank is also regulated by the Monetary Authority of Singapore. Merrill Lynch International Bank is regulated by the Federal Reserve Bank of New York. Merrill Lynch Bank (Suisse) S.A. is regulated by the Swiss Federal Banking Commission. Merrill Lynch Bank A.G. is regulated by the Federal Banking Supervisory Agency of the Federal Republic of Germany, and its branch in Japan is regulated by the Ministry of Finance of Japan. Merrill Lynch Bank and Trust Company (Cayman) Limited is regulated by the Cayman Islands Bank Examiner.

MLJ is regulated by the Ministry of Finance of Japan. The Corporation's business in the United Kingdom is governed by investment business regulations adopted in the United Kingdom pursuant to The Financial Services Act 1986, in particular by regulations administered by The Securities and Futures Authority Limited, a self-regulatory organization of financial services companies. ML Capital Markets is regulated by the Swiss Federal Banking Commission.

ITEM 2. PROPERTIES

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The executive offices and a significant portion of ML & Co.'s business activities are located in a building on 250 Vesey Street (the "North Tower") in the World Financial Center ("WFC") in New York City. Additional offices, operations and functions are located at 225 Liberty Street (the "South Tower") in the WFC.

An ML & Co. affiliate is a partner in the partnership that holds the ground lessee's interest (including the right to grant occupancy and possession to tenants) in the North Tower. Another affiliate of ML & Co. holds separate long term leases in each of the North Tower and the South Tower.

The rent commitments of the ML & Co. affiliate holding the leases in the North Tower and South Tower aggregate approximately \$122 million per year for the first 15 years and approximately \$179 million per year for the remaining 10 years of the leases, which commenced in 1988. The aforesaid rent commitments do not include offsetting rental income for approximately two-thirds of the South Tower which is subleased. In addition to the rent commitment, the affiliate holding the leases is generally responsible for all expenses incurred by the lessee in operating the buildings.

Additional principal locations for ML & Co.'s business activities are held by affiliates of ML & Co. at the following facilities located in New Jersey: a fee-owned facility on 275 acres of property in Plainsboro; a fee-owned facility on 35 acres at 300 Davidson Avenue, Somerset (which is the replacement facility for a leased location in Somerset where the leases are expiring in 1994 and 1995); a leased facility in Piscataway (lease expiring in 2005); and a facility at 101 Hudson Street in Jersey City in which an ML & Co. affiliate holds an interest in partnerships that own the land and the building and in which another ML & Co. affiliate holds a long-term lease for office space housing support functions. Other significant properties used by the Corporation are at three New York City locations held by MLPF&S under leases expiring in 2000, 2007 and 2024, all exclusive of extensions. Affiliates of ML & Co. own in fee the regional service centers in Lakewood, Colorado and Somerset, New Jersey.

Insurance activities are conducted by insurance subsidiaries of ML & Co. at

locations in Plainsboro, New Jersey, Jacksonville, Florida (lease expiring in 1994), New York City (lease expiring in 2000), Springfield, Massachusetts (sublease expiring in 1997) and at additional locations at MLPF&S branch offices throughout the United States.

Merrill Lynch Europe Limited leases a building with approximately 250,000 square feet at Ropemaker Place, London. The lease commenced in 1987 and continues for 25 years with a right to cancel in the year 2002. This building serves as the headquarters for ML & Co.'s European and Middle Eastern operations.

MLJ leases 90,000 square feet of office space in Tokyo. The lease, which expires in the year 2003, can be canceled at any time on six-months notice.

Substantially all other offices, including over 500 branch offices, of ML & Co.'s subsidiaries throughout the world, are located in leased premises. The information regarding lease commitments of ML & Co. (including commitments for leases of premises) set forth in the Notes to Consolidated Financial Statements under the caption "Commitment and Contingencies - Leases" on page 66 of the Annual Report is hereby incorporated by reference.

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ITEM 3. LEGAL PROCEEDINGS

ML & Co. and certain of its subsidiaries, including MLPF&S, have been named as parties in numerous civil actions, including the following, arising out of their business activities. Each of the following actions is reported as of March 28, 1994. With respect to those actions that have not been terminated, ML & Co. and its subsidiaries are vigorously contesting their alleged liabilities and have asserted denials and defenses they believe to be meritorious.

Several legal proceedings have arisen from securities trading transactions that occurred at year ends 1984-86 and 1988 between MLPF&S and MLGSI and a Florida insurance company, Guarantee Security Life Insurance Company ("GSLIC"), which is now in liquidation.

One of the proceedings was resolved on December 22, 1993, when MLPF&S, without admitting or denying any violation, settled an SEC administrative proceeding concerning violations of the SEC's recordkeeping rules with respect to the year-end securities trades with GSLIC and certain unrelated securities transactions in 1986 with Reliance Insurance Company ("Reliance"). The SEC's order, which imposed a censure, is limited to recordkeeping violations with respect to the manner in which particular GSLIC and Reliance transactions were recorded on MLPF&S's books. The settlement is described in SEC Release No. 34-33367, issued December 22, 1993.

A principal focus of the allegations in the following civil proceedings is an assertion that GSLIC's purpose in engaging in the year-end transactions was to distort its apparent financial condition. It is claimed that GSLIC's former officers and employees improperly took assets from the company and its investment portfolio declined substantially in value before its true financial condition became known to insurance regulators, GSLIC's policyholders, and the creditors of GSLIC and its parent company, Transmark USA, Inc. ("Transmark"). A complaint was brought by the Florida Department of Insurance as Receiver of GSLIC (the "Receiver") naming MLPF&S, MLGSI and a former managing director of MLPF&S among the defendants. Other defendants include former officers, directors, and shareholders of GSLIC and Transmark and GSLIC's former outside attorneys and accountants. State of Florida Department of Insurance, as Receiver of Guarantee Security Life Insurance Company v. Merrill Lynch, Pierce, Fenner & Smith Incorporated, et al. (4th Judicial Circuit, Duval County, Florida, December 20, 1991). The complaint alleges state law claims against the above-mentioned Merrill Lynch defendants for fraud, breach of fiduciary duty, conspiracy, and aiding and abetting breach of duty arising from their involvement in the year-end trades with GSLIC, alleges that GSLIC was damaged in excess of \$300 million, and seeks relief in an unspecified amount from the Merrill Lynch defendants.

Substantially the same defendants are named in two consolidated lawsuits brought in federal court in Jacksonville, Florida, on behalf of an uncertified alleged class of purchasers of GSLIC insurance policies and annuities between 1984 and 1991. Haag v. Transmark U.S.A. Inc., et al., No. 91-864-CIV-J-16 (M.D. Fla., October 15, 1991), and Levine v. Transmark U.S.A. Inc., et al., No. 92-226-CIV-J-14 (M.D. Fla., February 28, 1992). The complaint alleges substantially the same claims as the Receiver's state court action as well as claims grounded in the Racketeer Influenced and Corrupt Organizations Act ("RICO") and Section 10(b) of the Securities Exchange Act of 1934 and seeks unspecified money damages. The court has stayed the actions pending resolution of the Receiver's action.

The Resolution Trust Corporation ("RTC") as receiver for four failed savings institutions (CenTrust Association Savings Bank, Imperial Savings

April, 1993 filed civil actions in federal court in Jacksonville, Florida, seeking to recover damages as a result of purchases by the four institutions of securities issued by Transmark, GSLIC's parent corporation. The Merrill Lynch defendants had no role in the purchases and sales of the Transmark securities, but the year-end transactions with GSLIC allegedly inflated the value of the Transmark securities purchased. Resolution Trust Corporation v. Transmark U.S.A. Inc., et al., No. 93-112-CIV-J-16 (M.D. Fla.); Resolution Trust Corporation v. Merrill Lynch & Co., Inc., et al., No. 93-523-CIV-J-16 (M.D. Fla.). Resolution Trust Corporation v. Merrill Lynch & Co., Inc., et al., No. 93-524-CIV-J-16 (M.D. Fla.). The claims alleged are substantially similar to those in the Haag/Levine action mentioned above. The defendants include ML & Co., MLPF&S, MLGSI, a former MLPF&S managing director and former officers, directors and employees of Transmark and GSLIC. In April, 1993, Trans-Resources Inc., a company that alleges it also purchased Transmark securities, filed a complaint substantially following the allegations of the RTC's complaints and naming substantially the same defendants. Trans-Resources, Inc. v. Transmark U.S.A. Inc., et al., No. 93-601-CIV-J-16 (M.D. Fla.). The RTC and Trans-Resources complaints seek compensatory and punitive damages in unspecified amounts, trebling of damages under the RICO claim, rescissory relief, and reimbursement of costs of suit.

Two stockholders of ML & Co., Charles Miller and Kenneth Steiner, in October, 1991 commenced derivative actions, now consolidated, in New York State Supreme Court. (Index No. 29885/91). The plaintiffs assert claims for breach of fiduciary duties in connection with the year-end securities transactions with GSLIC against all present directors of ML & Co. who were directors at the times of those trades, and other claims against Transmark and one of Transmark's principals. The damages sought in this action are unspecified. The defendants' motions to dismiss on various grounds were denied, subject to possible further appellate review. However, the court has stayed the action for all purposes pending a resolution of the above-mentioned related litigation in Florida.

Management believes that ML & Co. and its subsidiaries have strong defenses to any allegations of wrongdoing by them in connection with all actions involving the year-end trades with GSLIC and intends to contest such claims vigorously.

The ultimate outcome of the actions described above and other civil actions, arbitration proceedings and claims pending against ML & Co. or its subsidiaries as of March 28, 1994 cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty. Nevertheless, it is the opinion of the management of ML & Co. that the resolution of these matters will not have a material adverse effect on the consolidated financial statements of ML & Co.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information concerning executive officers of ML & Co. as of March 15, 1994.

<TABLE>
<CAPTION>

| NAME AND AGE | PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH, 1989*/ |
|------------------------------------|--|
| <S> Herbert M. Allison, Jr., 50 | <C> Executive Vice President, Investment Banking Group since May, 1993; Executive Vice President, Finance and Administration from October, 1990 to April, 1993; Executive Vice President, Administration from July, 1989 to October, 1990; Senior Vice President, Human Resources from January, 1986 to July, 1989. |
| Edward L. Goldberg, 53 | Executive Vice President, Operations, Systems and Telecommunications since April, 1991 (and responsible for Corporate Real Estate and Purchasing since March, 1993); Director and Executive Vice President of MLPF&S since May, |

1991; from January, 1991 to April, 1991, performed senior management responsibilities in the Operations, Systems and Telecommunications Division; Senior Vice President of Equity Markets, Professional Securities Services Group of MLPF&S, September, 1988 to December, 1990.

Stephen L. Hammerman, 55 Vice Chairman of the Board since April, 1992; Executive Vice President from June, 1985 to April, 1992; General Counsel since October, 1984; General Counsel of MLPF&S since March, 1981.

Jerome P. Kenney, 52 Executive Vice President, Corporate Strategy, Credit and Research since May, 1993; Executive Vice President, Corporate Strategy and Research from October, 1990 to April, 1993; Executive Vice President and President of the Capital Markets Sector from September, 1984 to October, 1990.

David H. Komansky, 54 Executive Vice President, Debt and Equity Markets Group since May, 1993; Executive Vice President, Debt Markets Group from June, 1992 to April, 1993; Executive Vice President, Equity Markets Group from October, 1990 to May, 1992; Senior Vice President and National Sales Director of MLPF&S from February, 1988 to October, 1990.

Winthrop H. Smith, Jr., 44 Executive Vice President, International since June, 1992; National Sales Director of Eastern Division from November, 1990 to May, 1992; Regional Director of Mid-Atlantic Region from July, 1985 to November, 1990.

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

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<TABLE>
<CAPTION>

| NAME AND AGE | PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH, 1989/*/ |
|-----------------------------|---|
| <S> John L. Steffens, 52 | <C> Executive Vice President, Private Client Group since October, 1990; Executive Vice President of the Consumer Markets Sector from July, 1985 to October, 1990. |
| Daniel P. Tully, 62 | Chairman of the Board since June, 1993; Chief Executive Officer since May, 1992; President and Chief Operating Officer since July, 1985; Chairman of the Board, President, and Chief Executive Officer of MLPF&S since July, 1985. |
| Joseph T. Willett, 42 | Chief Financial Officer since April, 1993; Controller since April, 1992; Senior Vice President since February, 1991; Treasurer from February, 1991 to April, 1992; First Vice President of MLPF&S from January, 1988 to February, 1991. |
| Arthur H. Zeikel, 61 | Executive Vice President, Asset Management Group since October, 1990; Director, Corporate Strategy from July, 1988 to October, 1990; President and Chief Investment Officer of Merrill Lynch Asset Management since November, 1976. |

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

PART II

In response to this Item 5, the information set forth in the Notes to Consolidated Financial Statements under the caption "Regulatory Requirements and Dividend Restrictions" on page 58 of the Annual Report; the information on page 69 of the Annual Report under the caption "Dividends Per Common Share" and the caption "Stockholder Information" is incorporated herein by reference. The Common Stock of ML & Co. (trading symbol MER) is listed on the following stock exchanges: New York Stock Exchange, Chicago Stock Exchange, Pacific Stock Exchange, Paris Bourse, London Stock Exchange and Tokyo Stock Exchange.

ITEM 6. SELECTED FINANCIAL DATA

In response to this Item 6, the information contained in the financial table "Selected Financial Data" on page 30 of the Annual Report excluding the financial ratios and the other data set forth therein under the headings "Financial Ratios" and "Other Statistics" and the information set forth on page 68 of the Annual

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Report is incorporated herein by reference and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 45-67 in the Annual Report.

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

RESULTS OF OPERATIONS

In response to this Item 7, the financial information set forth under the caption "Financial Ratios--Leverage" on page 30 of the Annual Report, the discussion on pages 32-42 (up to the caption "Risk Management") of the Annual Report and the information in the Notes to Consolidated Financial Statements under the caption "Regulatory Requirements and Dividend Restrictions" on page 58 of the Annual Report is incorporated herein by reference and such information should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 45-67 in the Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

In response to this Item 8, the information set forth in the Consolidated Financial Statements and the Notes thereto on pages 45-67 in the Annual Report, the Independent Auditors' Report on page 67 in the Annual Report and the information on page 69 of the Annual Report under the caption "Quarterly Information" is incorporated by reference herein.

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

FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

In response to this Item 10, the information set forth under the caption "Election of Directors" on pages 4-7 and in the fourth paragraph on page 25 of ML & Co.'s Proxy Statement dated March 14, 1994 (the "Proxy Statement") and the information set forth in Part I hereof under the caption "Executive Officers of the Registrant" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

In response to this Item 11, the information set forth under the caption "Executive Compensation" on pages 14-27 of the Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

In response to this Item 12, the information set forth on pages 1-2 and the information set forth under the caption "Election of Directors" on

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In response to this Item 13, the information set forth on pages 24-25 of the Proxy Statement under the caption "Certain Transactions" is incorporated herein by reference.

PART IV

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

(a) DOCUMENTS FILED AS PART OF THIS REPORT:

1. Financial Statements

The financial statements are listed on page F-1 hereof by reference to the corresponding page number in the Annual Report.

2. Financial Statement Schedules

The financial statement schedules required to be filed hereunder are listed on page F-1 hereof and the schedules included herewith appear on pages F-2 through F-10 hereof.

3. EXHIBITS

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

(3) ARTICLES OF INCORPORATION AND BY-LAWS.

- (i) (a) Restated Certificate of Incorporation of ML & Co., as amended April 24, 1987 (Exhibit 3(i) to 10-K for fiscal year ended December 25, 1992 ("1992 10-K")).
- (b) Certificate of Amendment, dated April 29, 1993, of the Certificate of Incorporation of ML & Co. (Exhibit 3(i) to 10-Q for the quarter ended March 26, 1993 ("1st Quarter 1993 10-Q")).
- (c) Certificate of Designation dated March 30, 1988 for Remarketed Preferred Stock Series C (Exhibit 3(ii) to 1st Quarter 1993 10-Q).
- (d) Certificate of Designation dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).

- (e) Form of Rights Agreement dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 3(iv) to 1992 10-K).
- (ii) By-Laws of ML & Co., effective as of October 25, 1993 (Exhibit 3(i) to 10-Q for the quarter ended September 24, 1993 ("3rd Quarter 1993 10-Q")).

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

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant hereby undertakes to furnish to the Securities and Exchange Commission, upon request, copies of the instruments defining the rights of holders of long-term debt securities of the Registrant, none of which instruments, including the Exhibits listed in 4(iv) to (xxxv) below, authorize an amount of securities that exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. For convenience purposes, the Registrant hereby files as Exhibits 4(iv) through (xxxv) the form of each long-term security issued by the Registrant from January 1, 1993 through March 25, 1994.

- (i) Senior Indenture, dated as of April 1, 1983, as amended and restated, between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 99(c) to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).
- (ii) Supplemental Indenture to the Senior Indenture, dated as of March 15, 1990, between ML & Co., and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 99(c) to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).
- (iii) Senior Indenture, dated as of October 1, 1993, between ML & Co. and The Chase Manhattan Bank, N.A. (Exhibit 4 to 8-K dated October 7, 1993).
- (iv) Form of ML & Co.'s Step-Up Notes due January 26, 2000 (Exhibit 4 to 8-K dated January 26, 1993).
- (v) Form of ML & Co.'s S&P 500 (Registered Trademark) Market Index Target-Term Securities/SM/ due July 31, 1998 (Exhibit 4 to 8-K dated January 28, 1993).
- (vi) Form of ML & Co.'s Global Telecommunications Portfolio Market Index Target-Term Securities/SM/ due October 15, 1998 (Exhibit 4 to 8-K dated September 13, 1993).

 "S&P 500" is a registered service mark of Standard & Poor's Inc.

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- (vii) Form of ML & Co.'s European Portfolio Market Index Target-Term Securities/SM/ due June 30, 1999 (Exhibit 4 to 8-K dated December 30, 1993).
- (viii) Form of ML & Co.'s Currency Protected Notes due December 31, 1998 (Exhibit 4 to 8-K dated July 7, 1993).
- (ix) Form of ML & Co.'s Equity Participation Securities with Minimum Return Protection due June 30, 1999 (Exhibit 4 to 8-K dated June 28, 1993).
- (x) Form of ML & Co.'s Japan Index Equity Participation Securities with Minimum Return Protection due January 31, 2000 (Exhibit 4 to 8-K dated January 27, 1994).
- (xi) Form of ML & Co.'s Stock Market Annual Reset Term Notes/SM/, Series A, due December 31, 1999 (Exhibit 4 to 8-K dated April 29, 1993).
- (xii) Form of ML & Co.'s Global Bond Linked Securities due December 31, 1998 (Exhibit 4 to 8-K dated February 22, 1993).
- (xiii) Form of ML & Co.'s Fixed Rate Medium-Term Notes, Series B (Exhibit 4(xiii) to 3rd Quarter 1993 10-Q).
- (xiv) Form of ML & Co.'s Floating Rate Medium-Term Notes, Series B (Exhibit 4(xiv) to 3rd Quarter 1993 10-Q).
- (xv) Form of ML & Co.'s New Peso-Linked Medium-Term Notes, Series B, due February 9, 1995 (Exhibit 4(ppp) to S-3 (File No. 33-52647)).
- (xvi) Form of ML & Co.'s Italian Lira Principal Linked Medium-Term Notes, Series B, due February 3, 1995 (Exhibit 4(111) to S-3 (File No. 33-52647)).
- (xvii) Form of ML & Co.'s Multi-Currency Medium-Term Notes, Series B (Exhibit 4(fff) to S-3 (File No. 33-52647)).
- (xviii) Form of ML & Co.'s Japanese Yen Swap Rate Linked Medium-Term Notes, Series B (Exhibit 4(mmm) to S-3 (File No. 33-52647)).
- (xix) Form of ML & Co.'s Nine-Month Renewable Floating Rate Medium-Term Notes, Series B, due October 9, 1996 (Exhibit 4(ix) to 3rd Quarter 1993 10-Q).
- (xx) Form of ML & Co.'s Three Year Japanese Yen Duration Enhanced Medium-Term Notes, Series B, with JPY Exposure on Gain/Loss due November 1, 1996 (Exhibit 4(xv) to 3rd Quarter 1993 10-Q).

- (xxi) Form of ML & Co.'s Swap Spread Linked Medium-Term Notes due May 20, 1998 (Exhibit 4(vii) to 2nd Quarter 1993 10-Q).

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- (xxii) Form of ML & Co.'s Inverse Floating Rate Medium-Term Notes due September 15, 1998 (Exhibit 4(vii) to 3rd Quarter 1993 10-Q).
- (xxiii) Form of ML & Co.'s Inverse Floating Rate Medium-Term Notes, Series B, due October 19, 1998 (Exhibit 4(xii) to 3rd Quarter 1993 10-Q).
- (xxiv) Form of ML & Co.'s Step-Up Medium-Term Notes due May 20, 2008 (Exhibit 4(viii) to 2nd Quarter 1993 10-Q).
- (xxv) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Medium-Term Notes, Series B (Exhibit 4(ccc) to S-3 (File No. 33-52647)).
- (xxvi) Form of ML & Co.'s Japanese Yen Yield Curve Flattening Medium-Term Notes, Series B (Exhibit 4(ddd) to S-3 (File No. 33-52647)).
- (xxvii) Form of ML & Co.'s 4 3/4% Notes due June 24, 1996 (Exhibit 4 to 8-K dated June 24, 1993).
- (xxviii) Form of ML & Co.'s 5% Notes due December 15, 1996 (Exhibit 4 to 8-K dated December 22, 1993).
- (xxix) Form of ML & Co.'s 6 1/4% Notes due January 15, 2006 (Exhibit 4 to 8-K dated January 20, 1994).
- (xxx) Form of ML & Co.'s 6 1/4% Notes due October 15, 2008 (Exhibit 4 to 8-K dated October 15, 1993).
- (xxxi) Form of ML & Co.'s 6 3/8% Notes due September 8, 2006 (Exhibit 4 to 8-K dated September 8, 1993).
- (xxxii) Form of ML & Co.'s 6 7/8% Notes due March 1, 2003 (Exhibit 4 to 8-K dated March 1, 1993).
- (xxxiii) Form of ML & Co.'s 7% Notes due April 27, 2008 (Exhibit 4 to 8-K dated April 27, 1993).
- (xxxiv) Form of ML & Co.'s 7.05% Notes due April 15, 2003 (Exhibit 4 to 8-K dated April 15, 1993).
- (xxxv) Form of ML & Co.'s Constant Maturity Treasury Indexed Notes due March 24, 1997 (Exhibit 4 to 8-K dated March 24, 1994).

(10) MATERIAL CONTRACTS

COMPENSATION PLANS AND ARRANGEMENTS

- (i) ML & Co. 1978 Incentive Equity Purchase Plan, as amended July 27, 1992 (Exhibit 10(iv) to 2nd Quarter 1992 10-Q).
- Page 24
- (ii) Form of ML & Co. 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees (Exhibit 10(i) to 3rd Quarter 1993 10-Q).
 - (iii) ML & Co. Long-Term Incentive Compensation Plan, as amended as of October 25, 1993.
 - (iv) ML & Co. Equity Capital Accumulation Plan, as amended as of October 25, 1993 (Exhibit 10(iii) to 3rd Quarter 1993 10-Q).
 - (v) ML & Co. Executive Officer Compensation Plan (effective as of January 1, 1994 upon receipt of ML & Co. stockholder approval) (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders filed in Schedule 14A on March 14, 1994 ("Proxy Statement")).
 - (vi) Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Page 24 of ML & Co.'s Proxy Statement).
 - (vii) ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 3rd Quarter 1992 10-Q).

- (viii) Executive Annuity Agreement, dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(iii) to 2nd Quarter 1991 10-Q).
- (ix) Amendment dated April 30, 1992 to Executive Annuity Agreement, dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(ii) to 2nd Quarter 1992 10-Q).
- (x) Form of Severance Agreement between ML & Co. and certain of its directors and executive officers (Exhibit 10(i) to 3rd Quarter 1992 10-Q).
- (xi) Form of Indemnification Agreement entered into with all current directors of ML & Co. and to be entered into with all future directors of ML & Co.
- (xii) Written description of ML & Co.'s incentive compensation programs.
- (xiii) Written description of ML & Co.'s compensation policy for directors (Page 24 of ML & Co.'s Proxy Statement).
- (xiv) Merrill Lynch KECALP Growth Investments Limited Partnership 1983 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-81619)).
- (xv) Merrill Lynch KECALP L.P. 1984 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-87962)).
- (xvi) Merrill Lynch KECALP L.P. 1986 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-99800)).

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- (xvii) Merrill Lynch KECALP L.P. 1987 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-11355)).
- (xviii) Merrill Lynch KECALP L.P. 1989 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-26561)).
- (xix) Merrill Lynch KECALP L.P. 1991 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-39489)).

-- 10(xx) to (xxv) intentionally omitted --

AGREEMENTS RELATING TO THE WORLD FINANCIAL CENTER

- (xxvi) The following documents relate to the Registrant's occupation of office space in buildings at the World Financial Center, New York, New York:
 - (a) Reimbursement Agreement between Olympia & York Tower D Company ("D Company") and Merrill Lynch/WFC/L, Inc. ("WFC/L"), dated as of August 24, 1984 (Exhibit 10(i) to 8-K dated January 22, 1990).
 - (b) Reimbursement Agreement between Olympia & York Tower B Company ("B Company") and WFC/L, dated as of August 24, 1984 (Exhibit 10(ii) to 8-K dated January 22, 1990).
 - /*/(c) Agreement of Lease (with respect to Parcel D), dated as of February 26, 1988, between WFC Tower D Company (formerly known as Olympia & York Tower D Company) ("D Company") and WFC/L (Exhibit 10(xxx)(c) to 1992 10-K).
 - /*/(d) Guaranty and Assumption Agreement dated as of February 26, 1988 between ML & Co. and D Company (Exhibit 19(xxx)(d) to 1992 10-K).
 - /*/(e) Agreement of Lease (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(i) to 1st Quarter 1993 10-Q).
 - /*/(f) Guaranty and Assumption Agreement dated as of September 29, 1988 between ML & Co. and B Company (Exhibit 10(ii) to 1st Quarter 1993 10-Q).
 - /*/(g) Restated and Amended Partnership Agreement of D Company, executed on December 24, 1986 (Exhibit 10(xxx)(g) to 1992 10-K).
 - /*/(h) Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company

/*/ Confidential treatment has been requested for portions of this exhibit.

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- /*/(i) Agreement of Sublease (with respect to a portion of Parcel B) dated November 26, 1990 between WFC/L and Nomura Holding America, Inc. (Exhibit 10(xviii)(i) to Form 8 dated June 6, 1991).
 - /*/(j) Agreement of Sublease (with respect to a portion of Parcel B), dated December 17, 1993 between WFC/L and Deloitte & Touche.
- (xxvii) The following are amendments to certain of the documents that are related to ML & Co. occupation of office space in buildings at the World Financial Center, New York, New York:
- (a) First Amendment to Building D Agreement to Lease, Leasehold Improvements Agreement and Reimbursement Agreement (with respect to Parcel D) dated as of July 12, 1985 between D Company and WFC/L (Exhibit 10(iii) to 8-K dated January 22, 1990).
 - (b) First Amendment to Building B Agreement to Lease, Reimbursement Agreement Second Amendment to Leasehold Improvements Agreement (with respect to Parcel B) dated as of July 12, 1985 between B Company and WFC/L (Exhibit 10(iv) to 8-K dated January 22, 1990).
 - (c) Second Amendment to Reimbursement Agreement (with respect to Parcel D) dated as of February 26, 1988 between D Company and WFC/L (Exhibit 10(iv) to 1st Quarter 1993 10-Q).
 - /*/(d) Amended and Restated Second Amendment to Reimbursement Agreement (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(v) to 1st Quarter 1993 10-Q).
 - (e) Amendment of Agreement of Lease (with respect to Parcel D) dated as of September 29, 1988 between D Company and WFC/L (Exhibit 10(vi) to 1st Quarter 1993 10-Q).
 - (f) First Amendment to Agreement of Sublease, dated as of September 29, 1988, between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(v) to 1st Quarter 1989 10-Q).
 - (g) Letter Amendment to the Restated and Amended Partnership Agreement of WFC Tower D Company, dated as of February 26, 1988, between O&Y Tower D Holding Company I (which has succeeded to the interest of O&Y U.S. Development Corp.), O&Y Tower D Holding Company II and HQ North Company, Inc. (formerly known as O&Y Delta Corp.) ("HQ North") (Exhibit 10(vii) to 1st Quarter 1993 10-Q).

/*/ Confidential treatment has been requested for portions of this exhibit.

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- (h) Third Amendment to Restated and Amended Partnership Agreement of WFC Tower D Company, dated as of July 12, 1990, among O&Y I, O&Y II and HQ North (Exhibit 10(xxix)(i) to 1990 10-K).
- /*/(i) Second Amendment, dated as of December 26, 1990, to Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(xxix)(j) to 1990 10-K).
- /*/(j) Second Amendment, dated as of January 5, 1994 to Agreement of Sublease (with respect to a portion of Parcel B), dated November 26, 1990 between WFC/L and Nomura Holding America Inc.

In addition to the foregoing agreements, various guarantees, security agreements and related documents were granted by or to Olympia & York Developments Limited and by or to O & Y Equity Corp. to or by ML & Co. in connection with the World

Financial Center transactions. Exhibits to the documents listed in items (xxvi) and (xxvii) above have been omitted, except where such exhibits are material to the transactions.

- (11) STATEMENT RE COMPUTATION OF PER SHARE EARNINGS.
- (12) STATEMENT RE COMPUTATION OF RATIOS (Exhibit 12 to 8-K dated March 9, 1994).
- (13) 1993 ANNUAL REPORT TO STOCKHOLDERS.
- (21) SUBSIDIARIES OF THE REGISTRANT.
- (23) CONSENT OF INDEPENDENT AUDITORS.

(b) REPORTS ON FORM 8-K

The following Current Reports on Form 8-K were filed by the Registrant during the fourth quarter of 1993 with the Commission under the caption "Item 5. Other Events":

- (i) Current Report on Form 8-K dated October 7, 1993, for the purpose of filing the form of ML & Co. Indenture between ML & Co. and The Chase Manhattan Bank, N.A., dated as of October 1, 1993.
- (ii) Current Report on Form 8-K dated October 11, 1993, for the purpose of filing Preliminary Unaudited Earnings Summaries for the three- and nine-month periods ended September 24, 1993.
- (iii) Current Report on Form 8-K dated October 15, 1993, for the purpose of filing the form of ML & Co.'s 6 1/4% Notes due October 15, 2008 and the opinion of counsel relating hereto.

- -----

/*/ Confidential treatment has been requested for portions of this exhibit.

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- (iv) Current Report on Form 8-K dated October 27, 1993, for the purpose of filing ML & Co.'s Preliminary Unaudited Consolidated Balance Sheet as of September 24, 1993 and statements regarding computation of ratios.
- (v) Current Report on Form 8-K dated December 22, 1993, for the purpose of filing the form of ML & Co.'s 5% Notes due December 15, 1996 and the opinion of counsel relating thereto.
- (vi) Current Report on Form 8-K dated December 22, 1993, for the purpose of reporting the settlement of a SEC administrative proceeding.
- (vii) Current Report on Form 8-K dated December 27, 1993, for the purpose of filing the form of Warrant Agreement between ML & Co. and Citibank, N.A., dated as of December 27, 1993, including a form of the AMEX Hong Kong 30 Index Call Warrants and the opinion of counsel relating thereto.
- (viii) Current Report on Form 8-K dated December 30, 1993, for the purpose of filing the form of ML & Co.'s European Portfolio Market Index Target-Term Securities due June 30, 1999 and the opinion of counsel relating thereto.

INDEMNIFICATION

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

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

of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

DESCRIPTION OF COMMON STOCK

The authorized capital stock of ML & Co. consists of 500,000,000 shares of capital stock, par value \$1.33 1/3 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value \$1.00 per share, issuable in series ("Preferred Stock"). As of February 23, 1994, 212,582,125 shares of Common Stock were outstanding. The shares of Common Stock have no preemptive or conversion rights, redemption provisions or sinking fund provisions. The outstanding shares of Common Stock are duly and validly issued, fully paid and

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nonassessable. Each share is eligible to participate in the Rights under the Rights Plan referenced below, to the extent specified therein, to purchase certain securities upon the occurrence of certain events specified in such Rights Plan.

The Board of Directors of ML & Co., without further action by stockholders, has the authority to issue all of the 25,000,000 shares of Preferred Stock, which are currently authorized, from time to time in one or more series and, with respect to each such series, has authority to fix the powers (including voting power), designations, preferences as to dividends and liquidation, and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof. As of February 23, 1994, there were 3,000 shares of ML & Co.'s Remarketed Preferred/SM/ Stock issued of which 1,938 were outstanding, which has dividend and liquidation preferences over Common Stock and over Series A Junior Preferred Stock issuable pursuant to a Rights Agreement dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company), which is set forth herein as Exhibit 3(i)(e).

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

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 <CAPTION>

| | PAGE REFERENCE |
|--|---------------------|
| | ----- |
| | ANNUAL |
| | FORM 10-K REPORT |
| | ----- |
| | ----- |
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| FINANCIAL STATEMENTS | <C> |
| ----- | |
| Statements of Consolidated Earnings, Year Ended Last Friday in December 1993, 1992 and 1991 | 45 |
| Consolidated Balance Sheets, December 31, 1993 and December 25, 1992 | 46-47 |
| Statements of Changes in Consolidated Stockholders' Equity, Year Ended Last Friday in December 1993, 1992 and 1991 | 48 |
| Statements of Consolidated Cash Flows, Year Ended Last Friday in December 1993, 1992 and 1991 | 49 |
| Notes to Consolidated Financial Statements | 50-67 |
| Independent Auditors' Report | 67 |

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 FINANCIAL STATEMENT SCHEDULES

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| Schedule III Condensed Financial Information of Registrant | F-3-F-8 |
| Schedule IX Short-Term Borrowings (Consolidated) Years Ended December 31, 1993, December 25, | |

Schedule X Supplementary Income Statement
Information (Consolidated),
Years Ended December 31, 1993,
December 25, 1992 and December
27, 1991

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Specifically incorporated elsewhere herein by
reference are certain portions of the following
unaudited items:

| | |
|--|-------|
| (i) Selected Financial Data | 30 |
| (ii) Management's Discussion and Analysis (excluding Risk Management beginning on page 42) | 32-42 |
| (iii) Five-Year Financial Summary | 68 |
| (iv) Quarterly Information | 69 |

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Schedules not listed are omitted because of the absence of the conditions under
which they are required or because the information is included in the
consolidated financial statements and notes thereto which are incorporated
herein by reference to the Registrant's Annual Report.

F-1

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Merrill Lynch & Co.,
Inc. and subsidiaries (the "Company") as of December 31, 1993 and December 25,
1992 and for each of the three years in the period ended December 31, 1993 and
have issued our report thereon dated February 28, 1994; such consolidated
financial statements and report are included in your 1993 Annual Report to
Stockholders and are incorporated herein by reference. Our audits also included
Schedules III, IX and X, listed in the Index to Financial Statements and
Financial Statement Schedules. These financial statement schedules are the
responsibility of the Company's management. Our responsibility is to express an
opinion based on our audits. In our opinion, such financial statement
schedules, when considered in relation to the basic consolidated financial
statements taken as a whole, present fairly in all material respects the
information set forth therein.

/s/ Deloitte & Touche

New York, New York
February 28, 1994

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SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31, 1993, DECEMBER 25, 1992 AND DECEMBER 27, 1991

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

| | 1993 | 1992 | 1991 |
|--|------------|------------|------------|
| | (53 WEEKS) | (52 WEEKS) | (52 WEEKS) |
| | <C> | <C> | <C> |
| REVENUES | | | |
| Management service fees (from affiliates)... | \$ 260,156 | \$ 230,452 | \$ 223,922 |
| Interest (principally from affiliates)..... | 921,394 | 724,562 | 906,202 |
| Other..... | 4,107 | 5,231 | 4,872 |
| Total Revenues..... | 1,185,657 | 960,245 | 1,134,996 |
| Interest Expense..... | 948,223 | 856,038 | 1,108,589 |
| Net Revenues..... | 237,434 | 104,207 | 26,407 |

| | | | |
|--|-------------|------------|------------|
| NON-INTEREST EXPENSES | | | |
| Compensation and benefits..... | 205,839 | 193,032 | 204,127 |
| Other..... | 355,494 | 265,583 | 203,304 |
| | ----- | ----- | ----- |
| Total Non-Interest Expenses..... | 561,333 | 458,615 | 407,431 |
| | ----- | ----- | ----- |
| LOSS BEFORE INCOME TAX BENEFITS, EQUITY IN EARNINGS OF AFFILIATES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES..... | | | |
| | (323,899) | (354,408) | (381,024) |
| INCOME TAX BENEFITS..... | (105,243) | (153,765) | (239,129) |
| | ----- | ----- | ----- |
| LOSS BEFORE EQUITY IN EARNINGS OF AFFILIATES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES..... | | | |
| | (218,656) | (200,643) | (141,895) |
| EQUITY IN EARNINGS OF AFFILIATES..... | 1,613,015 | 1,153,048 | 838,012 |
| | ----- | ----- | ----- |
| EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES..... | | | |
| | 1,394,359 | 952,405 | 696,117 |
| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF APPLICABLE INCOME TAXES OF \$25,075 IN 1993 AND \$55,291 IN 1992)... | (35,420) | (58,580) | -- |
| | ----- | ----- | ----- |
| NET EARNINGS..... | \$1,358,939 | \$ 893,825 | \$ 696,117 |
| | ===== | ===== | ===== |
| NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS..... | | | |
| | \$1,353,558 | \$ 887,486 | \$ 678,392 |
| | ===== | ===== | ===== |

</TABLE>

See Notes to Condensed Financial Statements

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SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

CONDENSED BALANCE SHEETS

DECEMBER 31, 1993 AND DECEMBER 25, 1992

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

| | 1993 | 1992 |
|---|--------------|--------------|
| | ----- | ----- |
| ASSETS | | |
| ----- | | |
| <S> | <C> | <C> |
| Cash and cash equivalents..... | \$ 78,438 | \$ 2,564 |
| Loans to, receivables from and preference securities of affiliates..... | 31,666,915 | 22,466,212 |
| Investments in affiliates, at equity..... | 5,421,164 | 4,570,404 |
| Property, leasehold improvements and equipment (net of accumulated depreciation and amortization of \$264,090 in 1993 and \$230,774 in 1992)..... | 281,777 | 302,809 |
| Other receivables and assets..... | 740,653 | 636,844 |
| | ----- | ----- |
| TOTAL ASSETS..... | \$38,188,947 | \$27,978,833 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| ----- | | |
| LIABILITIES | | |
| Commercial paper and other short-term borrowings.... | \$15,725,247 | \$ 9,715,292 |
| Loans from and payables to affiliates..... | 1,312,214 | 1,284,160 |
| Other liabilities and accrued interest..... | 2,041,270 | 1,476,862 |
| Long-term borrowings..... | 13,624,303 | 10,933,415 |
| | ----- | ----- |
| Total Liabilities..... | 32,703,034 | 23,409,729 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY | | |
| Preferred Stockholders' Equity: | | |
| Preferred stock, par value \$1.00 per share (Liquidation preference \$100,000 per share); authorized: 25,000,000 shares; issued: 1993 and 1992--3,000 shares; outstanding: 1993 and 1992--1,938 shares... | 193,800 | 193,800 |
| | ----- | ----- |

| | | |
|---|--------------|--------------|
| Common Stockholders' Equity: | | |
| Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1993--236,330,162 shares; 1992--234,692,848 shares..... | | |
| | 315,105 | 312,922 |
| Paid-in capital..... | 1,156,367 | 1,081,469 |
| Foreign currency translation adjustment..... | (18,305) | (6,129) |
| Unrealized appreciation of investment securities available-for-sale (net of applicable income taxes of \$12,493)..... | 21,355 | -- |
| Retained earnings..... | 4,777,142 | 3,570,980 |
| | ----- | ----- |
| Subtotal..... | 6,251,664 | 4,959,242 |
| Less: Treasury stock, at cost: | | |
| 1993--23,408,139 shares; | | |
| 1992--16,288,488 shares..... | | |
| | 695,788 | 286,599 |
| Unallocated ESOP shares, at cost: | | |
| 1993-- 8,932,332 shares; | | |
| 1992--11,201,672 shares..... | | |
| | 140,684 | 176,426 |
| Employee stock transactions..... | 123,079 | 120,913 |
| | ----- | ----- |
| Total Common Stockholders' Equity..... | 5,292,113 | 4,375,304 |
| | ----- | ----- |
| Total Stockholders' Equity..... | 5,485,913 | 4,569,104 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY..... | \$38,188,947 | \$27,978,833 |
| | ===== | ===== |

</TABLE>

See Notes to Condensed Financial Statements

F-4

SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1993, DECEMBER 25, 1992 AND DECEMBER 27, 1991

(DOLLARS IN THOUSANDS)

| | | | |
|--|--------------|-------------|-------------|
| <TABLE> | | | |
| <CAPTION> | | | |
| | 1993 | 1992 | 1991 |
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| Cash flows from operating activities: | | | |
| Net earnings..... | \$ 1,358,939 | \$ 893,825 | \$ 696,117 |
| Noncash items included in earnings: | | | |
| Cumulative effect of changes in accounting principles..... | 35,420 | 58,580 | -- |
| Equity in earnings of affiliates..... | (1,613,015) | (1,153,048) | (838,012) |
| Depreciation and amortization..... | 39,448 | 40,883 | 42,426 |
| Deferred income taxes..... | (84,501) | 31,738 | (26,270) |
| Other..... | 188,470 | 70,805 | 52,632 |
| (Increase) decrease in: | | | |
| Intercompany receivables, net of payables..... | (7,808,864) | (4,022,763) | (1,768,757) |
| Investments in affiliates..... | (175,772) | (120,976) | (886,071) |
| Other operating assets, net of liabilities..... | (802,053) | (862,532) | (265,297) |
| Proceeds from dividends from affiliates..... | 913,554 | 1,067,091 | 1,253,727 |
| | ----- | ----- | ----- |
| Cash used for operating activities.... | (7,948,374) | (3,996,397) | (1,739,505) |
| | ----- | ----- | ----- |
| Cash flows from investing activities: | | | |
| Proceeds from (payments for): | | | |
| Investment securities..... | 7,774 | -- | (10,539) |
| Property, leasehold improvements and equipment..... | (21,526) | (25,146) | (4,765) |
| | ----- | ----- | ----- |
| Cash used for investing activities.... | (13,752) | (25,146) | (15,304) |
| | ----- | ----- | ----- |
| Cash flows from financing activities: | | | |
| Proceeds from (payments for): | | | |
| Commercial paper and other short-term borrowings..... | 6,009,955 | 1,562,823 | 693,822 |
| Issuance and resale of long-term | | | |

| | | | |
|---|-------------|-------------|-------------|
| borrowings..... | 7,282,252 | 5,813,405 | 5,064,726 |
| Settlement and repurchases of long-term borrowings..... | (4,590,455) | (3,032,843) | (3,729,665) |
| Repurchases of Remarketed Preferred stock..... | -- | (11,700) | (94,500) |
| Other common stock transactions..... | (510,975) | (189,301) | (54,772) |
| Dividends..... | (152,777) | (126,237) | (121,446) |
| | ----- | ----- | ----- |
| Cash provided by financing activities. | 8,038,000 | 4,016,147 | 1,758,165 |
| | ----- | ----- | ----- |
| Increase (decrease) in cash and cash equivalents..... | 75,874 | (5,396) | 3,356 |
| Cash and cash equivalents, beginning of year..... | 2,564 | 7,960 | 4,604 |
| | ----- | ----- | ----- |
| Cash and cash equivalents, end of year.. | \$ 78,438 | \$ 2,564 | \$ 7,960 |
| | ===== | ===== | ===== |

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Income taxes totaled \$1,003,871 in 1993, \$543,796 in 1992 and \$302,507 in 1991.

Interest totaled \$897,498 in 1993, \$877,817 in 1992 and \$1,102,942 in 1991.

Supplemental Disclosure of Non-Cash Investing Activities:

Unrealized appreciation of investment securities available-for-sale totaled \$21,355, net of applicable income taxes of \$12,493 in 1993.

</TABLE>

See Notes to Condensed Financial Statements

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SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS)

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

The condensed financial statements of Merrill Lynch & Co., Inc. (the "Parent Company") should be read in conjunction with the consolidated financial statements of Merrill Lynch & Co., Inc. and subsidiaries (the "Corporation") and the notes thereto incorporated elsewhere herein by reference. Where appropriate, prior years' financial statements have been reclassified to conform to the 1993 presentation.

DIVIDENDS RECEIVED FROM AFFILIATES

The Parent Company received cash dividends totaling \$913,554, \$1,067,091, and \$1,253,727 from its consolidated subsidiaries in 1993, 1992 and 1991, respectively.

LONG-TERM BORROWINGS AND GUARANTEES

Long-term borrowings included on pages 56 and 57 of the Annual Report, incorporated elsewhere herein by reference, represent borrowings of the Parent Company. At December 31, 1993, Parent Company borrowings totaling \$155,403 were held for purposes of resale by affiliates which also purchased \$672,649 and resold \$579,561 of such borrowings during the year.

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

Substantially all of the Parent Company's fixed-rate long-term borrowings are swapped into floating interest rates. These swaps, generally made with an affiliate which is a dealer in such instruments, are used to hedge interest rate and foreign currency exposures associated with long-term borrowings. At December 31, 1993 and December 25, 1992, the notional amounts of these instruments were \$11,904,797 and \$10,359,046, respectively.

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CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

ACCOUNTING CHANGES

During the fourth quarter of 1993, the Parent Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112") and SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 112 was effective as of the 1993 first quarter. The cumulative effect of this change in accounting principle, reported in the Condensed Statements of Earnings, resulted in a charge of \$35,420 (net of applicable income tax benefits), including \$31,970 (net of applicable income tax benefits) from equity in earnings of affiliates. SFAS No. 115 was effective as of the last day of the fiscal year. The effect of this change, reported in the Condensed Balance Sheet under Stockholders' Equity, was an increase of \$21,355 (net of applicable income taxes), all from equity in affiliates.

In 1992, the Parent Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109, "Accounting for Income Taxes". These accounting changes were effective as of the 1992 first quarter. The cumulative effect of these changes, reported in the Condensed Statements of Earnings, resulted in a net charge of \$58,580 (net of applicable income taxes), including a net charge of \$61,083 (net of applicable income taxes) from equity in earnings of affiliates.

Reference is made to pages 51 and 52 of the Annual Report for additional information on Accounting Changes.

NON-INTEREST EXPENSES - OTHER

The Parent Company recorded a non-recurring pretax occupancy charge totaling \$103,000 (\$59,700 after income taxes) in the 1993 first quarter. The non-recurring charge related to the Corporation's decision not to occupy certain office space at its World Financial Center Headquarters facility and, instead, to offer for sublease the unused space to third parties. An agreement to sublease this space was entered into in December 1993.

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SCHEDULE III

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(PARENT COMPANY ONLY)

NOTES TO CONDENSED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS)

STOCKHOLDERS' EQUITY

During 1993 the Corporation's Board of Directors declared a two-for-one common stock split, effected in the form of a 100 percent stock dividend. In addition, stockholders of the Corporation approved an increase in the authorized number of shares of common stock from 200 million to 500 million shares. The Corporation also issued 1,637,314 shares of common stock in connection with certain employee benefit plans. Reference is made to page 55 of the Annual Report for additional information on Stockholders' Equity.

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SCHEDULE IX

MERRILL LYNCH & CO., INC.
AND SUBSIDIARIES

SHORT-TERM BORROWINGS
YEARS ENDED DECEMBER 31, 1993, DECEMBER 25, 1992 AND DECEMBER 27, 1991
(Dollars in Thousands)

<TABLE>
<CAPTION>

| Average Category of Aggregate Short-Term Borrowings Year (1) | | Weighted Average Interest Rate at End of Year | Maximum Month-End Amount Outstanding During the Year | Average Month-End Amount Outstanding During the Year | Weighted Interest Rate During the |
|---|---------------------------|---|---|---|---|
| | Balance at End of Year | | | | |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Bank Loans | - 1991 \$ 350,893 | 7.48% | \$ 2,495,969 | \$ 1,017,554 | 6.72% |
| Bank Loans | - 1992 \$ 243,754 | 3.85% | \$ 2,852,848 | \$ 906,371 | 6.20% |
| Bank Loans | - 1993 \$ 972,159 | 3.50% | \$ 1,423,381 | \$ 609,139 | 5.44% |
| Commercial Paper | - 1991 \$ 7,682,897 | 5.16% | \$ 7,889,933 | \$ 7,388,799 | 6.18% |
| Commercial Paper | - 1992 \$ 9,578,612 | 3.49% | \$ 10,627,281 | \$ 8,582,990 | 3.82% |
| Commercial Paper | - 1993 \$ 14,895,540 | 3.16% | \$ 16,267,960 | \$ 12,660,217 | 3.10% |
| Repurchase Agreements | - 1991 \$ 24,522,275 | 4.85% | \$ 29,377,375 | \$ 23,043,860 | 6.31% |
| Repurchase Agreements | - 1992 \$ 32,410,407 | 4.05% | \$ 41,116,752 | \$ 33,336,456 | 4.37% |
| Repurchase Agreements | - 1993 \$ 56,418,148 | 5.15% | \$ 63,924,560 | \$ 48,115,189 | 4.45% |

</TABLE>

(1) Computation is based upon the total annual interest cost divided by the average daily loan balances outstanding, multiplied by the number of days in the year.

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SCHEDULE X

MERRILL LYNCH & CO., INC.

AND SUBSIDIARIES

SUPPLEMENTARY INCOME STATEMENT INFORMATION
YEARS ENDED DECEMBER 31, 1993, DECEMBER 25, 1992 AND DECEMBER 27, 1991
(Dollars in Thousands)

| Item | ...Charged to Costs and Expenses... | | |
|-------------|-------------------------------------|-----------|-----------|
| | 1993 | 1992 | 1991 |
| Advertising | \$255,495 | \$201,200 | \$164,785 |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 30th day of March, 1994.

MERRILL LYNCH & CO., INC.

By: /s/ Daniel P. Tully

Daniel P. Tully
Chairman of the Board and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities indicated on the 30th day of March, 1994.

| | |
|-----------|-------|
| Signature | Title |
| ----- | ----- |

| | |
|---|--|
| /s/ Daniel P. Tully ----- (Daniel P. Tully) | Chairman of the Board, Chief Executive Officer, President and Director |
| /s/ Joseph T. Willett ----- (Joseph T. Willett) | Senior Vice President, Chief Financial Officer and Controller |
| /s/ William O. Bourke ----- (William O. Bourke) | Director |
| /s/ Jill K. Conway ----- (Jill K. Conway) | Director |
| /s/ William J. Crowe, Jr. ----- (William J. Crowe, Jr.) | Director |
| /s/ Stephen L. Hammerman ----- (Stephen L. Hammerman) | Director |
| /s/ Robert A. Hanson ----- (Robert A. Hanson) | Director |
| /s/ Earle H. Harbison, Jr. ----- (Earle H. Harbison, Jr.) | Director |
| /s/ George B. Harvey ----- (George B. Harvey) | Director |
| /s/ Robert P. Luciano ----- (Robert P. Luciano) | Director |
| /s/ John J. Phelan, Jr. ----- (John J. Phelan, Jr.) | Director |
| /s/ Charles A. Sanders ----- (Charles A. Sanders) | Director |
| /s/ William L. Weiss ----- (William L. Weiss) | Director |

NOTE CONCERNING EXHIBITS

This Annual Report on Form 10-K is accompanied by a 1993 Annual Report to Stockholders containing the required financial statements and most of the financial statement schedules; the balance of the financial statement schedules appear on the foregoing pages F-1 through F-10. Merrill Lynch will furnish copies of any other exhibits, for which Merrill Lynch may impose a reasonable charge, to any person upon request addressed to:

Gregory T. Russo, Esq.
Secretary
Merrill Lynch & Co., Inc.
100 Church Street
12th Floor
New York 10080-6512

MERRILL LYNCH & CO., INC.

EXHIBITS TO

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

For the fiscal year
ended December 31, 1993

Commission file number 1-7182

INDEX TO EXHIBITS

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

EXHIBIT

- - - - -

- (3) Articles of Incorporation and By-Laws
 - (i) (a) Restated Certificate of Incorporation of ML & Co., as amended April 24, 1987 (Exhibit 3(i) to 10-K for fiscal year ended December 25, 1992 ("1992 10-K")).
 - (b) Certificate of Amendment, dated April 29, 1993, of the Certificate of Incorporation of ML & Co. (Exhibit 3(i) to 10-Q for the quarter ended March 26, 1993 ("1st Quarter 1993 10-Q")).
 - (c) Certificate of Designation dated March 30, 1988 for Remarketed Preferred Stock Series C (Exhibit 3(ii) to 1st Quarter 1993 10-Q).
 - (d) Certificate of Designation dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).
 - (e) Form of Rights Agreement dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 3(iv) to 1992 10-K).
 - (ii) By-Laws of ML & Co., effective as of October 25, 1993 (Exhibit 3(i) to 10-Q for the quarter ended September 24, 1993 ("3rd Quarter 1993 10-Q")).
- (4) Instruments defining the rights of security holders, including indentures
 - (i) Senior Indenture, dated as of April 1, 1983, as amended and restated, between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 99(c) to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).
 - (ii) Supplemental Indenture to the Senior Indenture, dated as of March 15, 1990, between ML & Co., and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company) (Exhibit 99(c) to ML & Co.'s Registration Statement on Form 8-A dated July 20, 1992).

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EXHIBIT

- - - - -

- (iii) Senior Indenture, dated as of October 1, 1993, between ML & Co. and The Chase Manhattan Bank, N.A. (Exhibit 4 to 8-K dated October 7, 1993).
- (iv) Form of ML & Co.'s Step-Up Notes due January 26, 2000 (Exhibit 4 to 8-K dated January 26, 1993).
- (v) Form of ML & Co.'s S&P 500 (Registered Trademark) Market Index Target-Term Securities/SM/ due July 31, 1998 (Exhibit 4 to 8-K dated January

28, 1993).

- (vi) Form of ML & Co.'s Global Telecommunications Portfolio Market Index Target-Term Securities/SM/ due October 15, 1998 (Exhibit 4 to 8-K dated September 13, 1993).
- (vii) Form of ML & Co.'s European Portfolio Market Index Target-Term Securities/SM/ due June 30, 1999 (Exhibit 4 to 8-K dated December 30, 1993).
- (viii) Form of ML & Co.'s Currency Protected Notes due December 31, 1998 (Exhibit 4 to 8-K dated July 7, 1993).
- (ix) Form of ML & Co.'s Equity Participation Securities with Minimum Return Protection due June 30, 1999 (Exhibit 4 to 8-K dated June 28, 1993).
- (x) Form of ML & Co.'s Japan Index Equity Participation Securities with Minimum Return Protection due January 31, 2000 (Exhibit 4 to 8-K dated January 27, 1994).
- (xi) Form of ML & Co.'s Stock Market Annual Reset Term Notes/SM/, Series A, due December 31, 1999 (Exhibit 4 to 8-K dated April 29, 1993).
- (xii) Form of ML & Co.'s Global Bond Linked Securities due December 31, 1998 (Exhibit 4 to 8-K dated February 22, 1993).
- (xiii) Form of ML & Co.'s Fixed Rate Medium-Term Notes, Series B (Exhibit 4(xiii) to 3rd Quarter 1993 10-Q).
- (xiv) Form of ML & Co.'s Floating Rate Medium-Term Notes, Series B (Exhibit 4(xiv) to 3rd Quarter 1993 10-Q).
- (xv) Form of ML & Co.'s New Peso-Linked Medium-Term Notes, Series B, due February 9, 1995 (Exhibit 4(ppp) to S-3 (File No. 33-52647)).

- -----

"S&P 500" is a registered service mark of Standard & Poor's Inc.

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EXHIBIT

- -----

- (xvi) Form of ML & Co.'s Italian Lira Principal Linked Medium-Term Notes, Series B, due February 3, 1995 (Exhibit 4(lll) to S-3 (File No. 33-52647)).
- (xvii) Form of ML & Co.'s Multi-Currency Medium-Term Notes, Series B (Exhibit 4(fff) to S-3 (File No. 33-52647)).
- (xviii) Form of ML & Co.'s Japanese Yen Swap Rate Linked Medium-Term Notes, Series B (Exhibit 4(mmm) to S-3 (File No. 33-52647)).
- (xix) Form of ML & Co.'s Nine-Month Renewable Floating Rate Medium-Term Notes, Series B, due October 9, 1996 (Exhibit 4(ix) to 3rd Quarter 1993 10-Q).
- (xx) Form of ML & Co.'s Three Year Japanese Yen Duration Enhanced Medium-Term Notes, Series B, with JPY Exposure on Gain/Loss due November 1, 1996 (Exhibit 4(xv) to 3rd Quarter 1993 10-Q).
- (xxi) Form of ML & Co.'s Swap Spread Linked Medium-Term Notes due May 20, 1998 (Exhibit 4(vii) to 2nd Quarter 1993 10-Q).
- (xxii) Form of ML & Co.'s Inverse Floating Rate Medium-Term Notes due September 15, 1998 (Exhibit 4(vii) to 3rd Quarter 1993 10-Q).
- (xxiii) Form of ML & Co.'s Inverse Floating Rate Medium-Term Notes, Series B, due October 19, 1998 (Exhibit 4(xii) to 3rd Quarter 1993 10-Q).
- (xxiv) Form of ML & Co.'s Step-Up Medium-Term Notes due May 20, 2008 (Exhibit 4(viii) to 2nd Quarter 1993 10-Q).
- (xxv) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Medium-Term Notes, Series B (Exhibit 4(ccc) to S-3 (File No. 33-52647)).
- (xxvi) Form of ML & Co.'s Japanese Yen Yield Curve Flattening Medium-Term Notes, Series B (Exhibit 4(ddd) to S-3 (File No. 33-52647)).
- (xxvii) Form of ML & Co.'s 4 3/4% Notes due June 24, 1996 (Exhibit 4 to 8-K dated June 24, 1993).
- (xxviii) Form of ML & Co.'s 5% Notes due December 15, 1996 (Exhibit 4 to 8-K dated December 22, 1993).

- (xxix) Form of ML & Co.'s 6 1/4% Notes due January 15, 2006 (Exhibit 4 to 8-K dated January 20, 1994).
- (xxx) Form of ML & Co.'s 6 1/4% Notes due October 15, 2008 (Exhibit 4 to 8-K dated October 15, 1993).
- (xxxii) Form of ML & Co.'s 6 3/8% Notes due September 8, 2006 (Exhibit 4 to 8-K dated September 8, 1993).

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EXHIBIT

- - - - -

- (xxxiii) Form of ML & Co.'s 6 7/8% Notes due March 1, 2003 (Exhibit 4 to 8-K dated March 1, 1993).
 - (xxxiiii) Form of ML & Co.'s 7% Notes due April 27, 2008 (Exhibit 4 to 8-K dated April 27, 1993).
 - (xxxv) Form of ML & Co.'s 7.05% Notes due April 15, 2003 (Exhibit 4 to 8-K dated April 15, 1993).
 - (xxxvi) Form of ML & Co.'s Constant Maturity Treasury Indexed Notes due March 24, 1997 (Exhibit 4 to 8-K dated March 24, 1994).
- (10) Material Contracts

Compensation Plans and Arrangements

- - - - -

- (i) ML & Co. 1978 Incentive Equity Purchase Plan, as amended July 27, 1992 (Exhibit 10(iv) to 2nd Quarter 1992 10-Q).
- (ii) Form of ML & Co. 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees (Exhibit 10(i) to 3rd Quarter 1993 10-Q).
- (iii) ML & Co. Long-Term Incentive Compensation Plan, as amended as of October 25, 1993.
- (iv) ML & Co. Equity Capital Accumulation Plan, as amended as of October 25, 1993 (Exhibit 10(iii) to 3rd Quarter 1993 10-Q).
- (v) ML & Co. Executive Officer Compensation Plan (effective as of January 1, 1994 upon receipt of ML & Co. stockholder approval) (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders filed in Schedule 14A on March 14, 1994 ("Proxy Statement")).
- (vi) Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Page 24 of ML & Co.'s Proxy Statement).
- (vii) ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10 (iv) to 3rd Quarter 1992 10-Q).

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EXHIBIT

- - - - -

- (viii) Executive Annuity Agreement, dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(iii) to 2nd Quarter 1991 10-Q).
- (ix) Amendment dated April 30, 1992 to Executive Annuity Agreement, dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(ii) to 2nd Quarter 1992 10-Q).
- (x) Form of Severance Agreement between ML & Co. and certain of its directors and executive officers (Exhibit 10(i) to 3rd Quarter 1992 10-Q).
- (xi) Form of Indemnification Agreement entered into with all current directors of ML & Co. and to be entered into with all future directors of ML & Co.
- (xii) Written description of ML & Co.'s incentive compensation programs.
- (xiii) Written description of ML & Co.'s compensation policy for directors (Page 24 of ML & Co.'s Proxy Statement).
- (xiv) Merrill Lynch KECALP Growth Investments Limited Partnership 1983 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-

81619)).

- (xv) Merrill Lynch KECALP L.P. 1984 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-87962)).
- (xvi) Merrill Lynch KECALP L.P. 1986 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 2-99800)).
- (xvii) Merrill Lynch KECALP L.P. 1987 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-11355)).
- (xviii) Merrill Lynch KECALP L.P. 1989 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-26561)).
- (xix) Merrill Lynch KECALP L.P. 1991 (Exhibit 1(b) to Registration Statement on Form N-2 (File No. 33-39489)).

-- 10(xx) to (xxv) intentionally omitted --

Agreements Relating to the World Financial Center

- (xxvi) (a) Reimbursement Agreement between Olympia & York Tower D Company ("D Company") and Merrill Lynch/WFC/L, Inc. ("WFC/L"), dated as of August 24, 1984 (Exhibit 10(i) to 8-K dated January 22, 1990).

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EXHIBIT

- (b) Reimbursement Agreement between Olympia & York Tower B Company ("B Company") and WFC/L, dated as of August 24, 1984 (Exhibit 10(ii) to 8-K dated January 22, 1990).
- /*(c) Agreement of Lease (with respect to Parcel D), dated as of February 26, 1988, between WFC Tower D Company (formerly known as Olympia & York Tower D Company) ("D Company") and WFC/L (Exhibit 10(xxx) (c) to 1992 10-K).
- /*(d) Guaranty and Assumption Agreement dated as of February 26, 1988 between ML & Co. and D Company (Exhibit 19(xxx) (d) to 1992 10-K).
- /*(e) Agreement of Lease (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(i) to 1st Quarter 1993 10-Q).
- /*(f) Guaranty and Assumption Agreement dated as of September 29, 1988 between ML & Co. and B Company (Exhibit 10(ii) to 1st Quarter 1993 10-Q).
- /*(g) Restated and Amended Partnership Agreement of D Company, executed on December 24, 1986 (Exhibit 10(xxx) (g) to 1992 10-K).
- /*(h) Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(iii) to 1st Quarter 1993 10-Q).
- /*(i) Agreement of Sublease (with respect to a portion of Parcel B) dated November 26, 1990 between WFC/L and Nomura Holding America, Inc. (Exhibit 10(xviii) (i) to Form 8 dated June 6, 1991).
- /*(j) Agreement of Sublease (with respect to a portion of Parcel B), dated December 17, 1993 between WFC/L and Deloitte & Touche.
- (xxvii) (a) First Amendment to Building D Agreement to Lease, Leasehold Improvements Agreement, and Reimbursement Agreement (with respect to Parcel D) dated as of July 12, 1985 between D Company and WFC/L (Exhibit 10(iii) to 8-K dated January 22, 1990).
- (b) First Amendment to Building B Agreement to Lease, Reimbursement Agreement, Second Amendment to Leasehold Improvements Agreement (with respect to Parcel B) dated as of July 12, 1985 between B Company and WFC/L (Exhibit 10(iv) to 8-K dated January 22, 1990).

*/ Confidential treatment has been requested for portions of this exhibit.

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EXHIBIT

- (c) Second Amendment to Reimbursement Agreement (with respect to Parcel D) dated as of February 26, 1988 between D Company and WFC/L (Exhibit 10(iv) to 10-Q to 1st Quarter 1993 10-Q).
- /*/(d) Amended and Restated Second Amendment to Reimbursement Agreement (with respect to Parcel B) dated as of September 29, 1988 between B Company and WFC/L (Exhibit 10(v) to 1st Quarter 1993 10-Q).
- (e) Amendment of Agreement of Lease (with respect to Parcel D) dated as of September 29, 1988 between D Company and WFC/L (Exhibit 10(vi) to 1st Quarter 1993 10-Q).
- (f) First Amendment to Agreement of Sublease, dated as of September 29, 1988, between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(v) to 1st Quarter 1989 10-Q).
- (g) Letter Amendment to the Restated and Amended Partnership Agreement of WFC Tower D Company, dated as of February 26, 1988, between O&Y Tower D Holding Company I (which has succeeded to the interest of O&Y U.S. Development Corp.), O&Y Tower D Holding Company II and HQ North Company, Inc. (formerly known as O&Y Delta Corp.) ("HQ North") (Exhibit 10(vii) to 1st Quarter 1993 10-Q).
- (h) Third Amendment to Restated and Amended Partnership Agreement of WFC Tower D Company, dated as of July 12, 1990, among O&Y I, O&Y II and HQ North (Exhibit 10(xxix) (i) to 1990 10-K).
- /*/(i) Second Amendment, dated as of December 26, 1990, to Agreement of Sublease dated as of September 29, 1988 between WFC/L and Olympia & York Tower B Lease Company (Exhibit 10(xxix) (j) to 1990 10-K).
- /*/(j) Second Amendment, dated as of January 5, 1994 to Agreement of Sublease (with respect to a portion of Parcel B), dated November 26, 1990 between WFC/L and Nomura Holding America Inc.

In addition to the foregoing agreements, various guarantees, security agreements and related documents were granted by or to Olympia & York Developments Limited and by or to O & Y Equity Corp. to or by ML & Co. in connection with the World Financial Center transactions. Exhibits to the documents listed in items (xxvi) and (xxvii) above have been omitted, except where such exhibits are material to the transactions.

- - - - -
/*/ Confidential treatment has been requested for portions of this exhibit.

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EXHIBIT
- - - - -

- (11) Statement re computation of per share earnings
- (12) Statement re computation of ratios (Exhibit 12 to 8-K dated March 9, 1994).
- (21) Subsidiaries of the Registrant
- (23) Consent of Independent Auditors

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As amended
as of
October 25, 1993

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

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| (b) "Code"..... | 1 |
| (c) "Company"..... | 1 |
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MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

ARTICLE I - GENERAL

SECTION 1.1 PURPOSE.

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

SECTION 1.2 DEFINITIONS.

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

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

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

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

(d) "COMMITTEE" shall mean the Management Development and Compensation Committee of the Board of Directors, or its functional successor, unless some other Board committee has been designated by the Board of Directors to administer the Plan. The Committee shall be constituted so that at all relevant times it meets the then applicable requirements of Rule 16b-3 (or its successor) promulgated under the Securities Exchange Act of 1934, as amended.

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

(f) "DISABILITY," unless otherwise provided herein, shall mean any physical or mental condition that, in the opinion of the Director of Human Resources of Merrill Lynch & Co., Inc. (or his functional successor), renders an employee incapable of engaging in any employment or occupation for which he is suited by reason of education or training, provided that, in the case of any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, such determination shall be made by the Committee following recommendation by the Director of Human Resources.

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

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

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

(i) "OTHER ML & CO. SECURITY" shall mean a financial instrument issued pursuant to Article VI.

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

(k) "PERFORMANCE PERIOD" shall mean, in relation to Performance Shares or Performance Units, any period, for which performance objectives have been

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established, of not less than one nor more than ten consecutive ML & Co. fiscal years, commencing with the first day of the fiscal year in which such Performance Shares or Performance Units were granted.

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

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

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

of shorter duration than the Vesting Period applicable to the same Restricted Shares.

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

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

(q) "RETIREMENT" shall mean the cessation of employment by the Company after reaching age 55 and having completed at least 5 years of service, including approved leaves of absence of one year or less.

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

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

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

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

(v) "VESTING PERIOD" shall mean, in relation to Restricted Shares or Restricted Units, any period of not less than 12 nor more than 60 consecutive months, beginning with the first day of the month in which Restricted Shares or Restricted Units are granted, during which such shares or units may be forfeited if the Participant terminates employment.

SECTION 1.3 ADMINISTRATION.

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

- (i) subject to Section 1.5 hereof, select Participants after receiving the recommendations of the management of the Company;
- (ii) determine the number of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Appreciation Rights, or Other ML & Co. Securities subject to each grant;
- (iii) determine the number of shares of Common Stock subject to each Stock Option grant;
- (iv) determine the time or times when grants are to be made or are to be effective;
- (v) determine the terms and conditions subject to which grants may be made;
- (vi) extend the term of any Stock Option;
- (vii) provide at the time of grant that all or any portion of any Stock Option shall be canceled upon the Participant's exercise of any Stock Appreciation Rights;
- (viii) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan;
- (ix) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan;
- (x) construe and interpret the Plan and all rules, regulations, and instruments utilized thereunder; and
- (xi) make all determinations deemed advisable or necessary for the administration of the Plan.

All determinations by the Committee shall be final and binding.

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

SECTION 1.4 SHARES AND UNITS SUBJECT TO THE PLAN.

The total number of shares of Common Stock that may be distributed under the Plan shall be 80,000,000* (whether granted as Restricted Shares or reserved for distribution upon grant of Performance Shares, Stock Options, Stock Appreciation

*The net number of shares that remain available for distribution and reserved for issuance under the Plan as of October 22, 1993 was 59,001,220, adjusted (as of such date) for ML & Co.'s 2 for 1 stock split, effected in the form of a stock dividend.

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Rights (to the extent they may be paid out in Common Stock), or Other ML & Co. Securities), subject to adjustment as provided in Article VII hereof. Shares of

Common Stock distributed under the Plan may be treasury shares or authorized but unissued shares. The total number of units payable in cash under the Plan, including Performance Units, Restricted Units, and Stock Appreciation Rights (to the extent they are paid out in cash) shall be 80,000,000.* To the extent that awards of Other ML & Co. Securities are convertible into Common Stock or are otherwise equity securities (or convertible into equity securities) of ML & Co., they shall be subject to the limitation expressed above on the number of shares of Common Stock that can be awarded under the Plan; otherwise, they shall be treated as if they were awards of units payable in cash under the Plan and subject to the foregoing limitation thereon. Any shares of Common Stock that have been granted as Restricted Shares or that have been reserved for distribution in payment for Performance Shares but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of grants under the Plan. If any Stock Option, Stock Appreciation Right, or Other ML & Co. Security granted under the Plan expires or terminates, or any Stock Appreciation Right is paid out in cash, the underlying shares of Common Stock may again be made the subject of grants under the Plan. Units payable in cash that are later forfeited or for any reason are not payable under the Plan may again be the subject of grants under the Plan.

SECTION 1.5 ELIGIBILITY AND PARTICIPATION.

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

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

SECTION 2.1 PERFORMANCE PERIODS AND RESTRICTED PERIODS.

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

*The net number of units that remain available for distribution under the Plan, as of October 22, 1993, was 70,157,928, adjusted (as of such date) for ML&Co.'s 2 for 1 stock split, effected in form of a stock dividend.

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SECTION 2.2 PERFORMANCE OBJECTIVES.

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

made under the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period, the Committee shall determine both a minimum performance level, below which no Performance Shares or Performance Units shall be payable, and a full performance level, at or above which 100% of the Performance Shares or Performance Units shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares or Performance Units shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 2.5 and 2.6 and Article VII hereof.

SECTION 2.3 GRANTS OF PERFORMANCE SHARES AND PERFORMANCE UNITS.

The Committee may select employees to become Participants subject to the provisions of Section 1.5 hereof and grant Performance Shares or Performance

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

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Stock authorized for distribution under the Plan a number of shares equal to the number of Performance Shares so granted.

SECTION 2.4 RIGHTS AND BENEFITS DURING PERFORMANCE PERIOD.

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

SECTION 2.5 ADJUSTMENT WITH RESPECT TO PERFORMANCE SHARES AND

PERFORMANCE UNITS.

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

SECTION 2.6 PAYMENT OF PERFORMANCE SHARES AND PERFORMANCE

UNITS.

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

(a) Performance Shares:

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

Performance Shares:

(A) At the end of the applicable Performance Period, one or more

certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable shall be registered in the name of the Participant but shall be held by the Company for the account of the employee. Such shares will be nonforfeitable but restricted as to transferability during the applicable Restricted Period. During the Restricted Period, the Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights,

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and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (1) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; and (2) none of such shares of Common Stock or Rights may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period. Any shares of Common Stock or other securities or property received with

respect to such shares shall be subject to the same restrictions as such shares; provided, however, that the Company shall not be required to register any

fractional shares of Common Stock payable to any Participant, but will pay the value of such fractional shares, measured as set forth in Section 2.6(b) below, to the Participant.

(B) At the end of the applicable Restricted Period, all restrictions

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

(ii) If a Restricted Period has not been established in relation to

the Performance Shares, at the end of the applicable Performance Period, one or more stock certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable, free of restrictions, shall be registered in the name of the Participant and delivered to the Participant, or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Performance Units: At the end of the applicable Performance Period, a

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

SECTION 2.7 TERMINATION OF EMPLOYMENT.

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

(i) Death: If a Participant ceases to be an employee of the Company

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

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shall be deemed to end as of the end of the fiscal year in which the Participant's death occurred.

(ii) Disability or Retirement: The Disability or Retirement of a

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

(iii) Other Terminations: If a Participant ceases to be an employee

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

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

(i) Death, Disability, or Retirement: If a Participant ceases to be

an employee of the Company by reason of death or in the case of the Disability or Retirement of a Participant, the Restricted Period shall be deemed to have ended and shares held by the Company shall be paid as soon as practicable in the manner set forth in Section 2.6(a) (i) (B).

(ii) Other Terminations: Terminations of employment for any reason

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

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

SECTION 2.8 DEFERRAL OF PAYMENT.

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

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

SECTION 3.1 VESTING PERIODS AND RESTRICTED PERIODS.

The Committee shall establish one or more Vesting Periods applicable to Restricted Shares and Restricted Units and one or more Restricted Periods applicable to Restricted Shares, at its discretion. Each such Vesting Period shall have a duration of not less than 12 or more than 60 consecutive months, measured from the first day of the month in which Restricted Shares or Restricted Units are granted with respect to such Vesting Period. Each such Restricted Period shall have a duration of 12 or more consecutive months, measured from the first day of the month in which Restricted Shares are granted with respect to such Restricted Period, but in no event shall be of shorter duration than the Vesting Period applicable to the same Restricted Shares.

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SECTION 3.2 GRANTS OF RESTRICTED SHARES AND RESTRICTED UNITS.

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

Subject to the provisions of Section 3.7 hereof, a grant of Restricted Shares or Restricted Units shall be effective for the entire applicable Vesting and Restricted Periods and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Restricted Shares granted, the Vesting Period, the Restricted Period, the restrictions applicable to such Restricted Shares, the nature and terms of payment of consideration, if any, and the consequences of forfeiture that will apply to such Restricted Shares, and any other terms, conditions, and rights with respect

to such grant. Each grant to a Participant of Restricted Units shall be evidenced by a written instrument stating the number of Restricted Units granted, the Vesting Period, and all other terms, conditions and rights with respect to such grant.

SECTION 3.3 RIGHTS AND RESTRICTIONS GOVERNING RESTRICTED

SHARES.

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

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SECTION 3.4 RIGHTS GOVERNING RESTRICTED UNITS.

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

SECTION 3.5 ADJUSTMENT WITH RESPECT TO RESTRICTED SHARES AND RESTRICTED

UNITS.

Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time shorten any Vesting Period or Restricted Period, if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

SECTION 3.6 PAYMENT OF RESTRICTED SHARES AND RESTRICTED

UNITS.

(a) Restricted Shares: At the end of the Restricted Period, all

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

(b) Restricted Units: At the end of the Vesting Period applicable to

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

SECTION 3.7 TERMINATION OF EMPLOYMENT.

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

(i) Death: If a Participant ceases to be an employee of the Company

prior to the end of a Vesting Period by reason of death, all Restricted Shares

and Restricted Units granted to such Participant are immediately payable as set forth in Section 3.6.

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(ii) Disability or Retirement: The Disability or Retirement of a

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

(iii) Other Terminations: If a Participant ceases to be an employee

prior to the end of a Vesting Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares and Restricted Units previously granted with respect such Vesting Period in accordance with the provisions of Section 3.2 hereof, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and allows a Participant whose employment has so terminated to retain any or all of the Restricted Shares or Restricted Units granted to such Participant.

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

(i) Death, Disability, or Retirement: If a Participant ceases to be

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

(ii) Other Terminations: Terminations of employment for any reason

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

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

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SECTION 3.8 DEFERRAL OF PAYMENT. -----

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

ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS.

SECTION 4.1 GRANTS OF STOCK OPTIONS. -----

The Committee may select employees to become Participants (subject to Section 1.5 hereof) and grant Stock Options to such Participants at any time; provided, however, that Incentive Stock Options shall be granted within 10 years of the earlier of the date the Plan is adopted by the Board or approved by the stockholders. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of the Plan, the Committee

shall also determine the number of shares of Common Stock to be covered by each Stock Option. The Committee shall have the authority, in its discretion, to grant "Incentive Stock Options" or "Nonqualified Stock Options," or to grant both types of Stock Options. Furthermore, the Committee may grant a Stock Appreciation Right in connection with a Stock Option, as provided in Article V.

SECTION 4.2 OPTION DOCUMENTATION.

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

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SECTION 4.3 EXERCISE PRICE.

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

SECTION 4.4 EXERCISE OF STOCK OPTIONS.

(a) EXERCISABILITY. Stock Options shall become exercisable at such times and in such installments as the Committee may provide at the time of grant. The Committee may, however, in its sole discretion accelerate the time at which a Stock Option or installment may be exercised. A Stock Option may be exercised at any time from the time first set by the Committee until the close of business on the expiration date of the Stock Option. Stock Options are not transferable by a Participant except by will or the laws of descent and distribution and are exercisable during his lifetime only by him. Notwithstanding the foregoing, in no event may a Participant exercise a Stock Option during the 12-month period following a hardship withdrawal by the Participant of Elective 401(k) Deferrals as defined under the Merrill Lynch & Co., Inc. Savings & Investment Plan.

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

(c) EXERCISE IN THE EVENT OF TERMINATION OF EMPLOYMENT.

(i) Death: If a Participant ceases to be an employee of the Company

by reason of death prior to the exercise or expiration of a Stock Option outstanding in his name on the date of death, such Stock Option may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant or under the terms of Section 4.4(a) hereof, by his estate or beneficiaries, as the case may be, at any time and from time to time, but in no event after the expiration date of such Stock Option.

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Disability or Retirement such

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Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company, and such Participant may exercise any Stock Option outstanding in his name at any time and from time to time, but in no event after the expiration date of such Stock Option. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be competition with business engaged in by the Company shall be deemed to have terminated employment. In the case of Incentive Stock Options, Disability shall be as defined in Code Section 22(e)(3).

(iii) Other Terminations: If a Participant ceases to be an employee

prior to the exercise or expiration of a Stock Option for any reason other than death, all outstanding Stock Options granted to such Participant shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, finds that

the circumstances in the particular case so warrant and determines that the Participant may exercise any such outstanding Stock Option (to the extent that he was entitled to do so at the date of such termination of employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Option (the "Extended Period"). If a Participant dies during the Extended Period and prior to the exercise or expiration of a Stock Option, his estate or beneficiaries, as the case may be, may exercise such Stock Option (to the extent that the Participant was entitled to do so at the date of termination of employment) at any time and from time to time, but in no event after the end of the Extended Period.

SECTION 4.5 PAYMENT OF PURCHASE PRICE UPON EXERCISE AND

DELIVERY OF SHARES.

The purchase price of the shares as to which a Stock Option is exercised shall be paid to the Company at the time of exercise (i) in cash, (ii) by delivering freely transferable shares of Common Stock already owned by the employee having a total Fair Market Value on the day prior to the date of exercise equal to the purchase price, (iii) a combination of cash and shares of Common Stock equal in value to the exercise price, or (iv) by such other means as the Committee, in its sole discretion, may determine. Upon receipt by the Company of the purchase price, stock certificate(s) for the shares of Common Stock as to which a Stock Option is exercised shall be delivered to the Participant, or such shares shall be credited to a brokerage account or otherwise delivered, in such manner as the Participant may direct.

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SECTION 4.6 LIMITATION ON FAIR MARKET VALUE OF SHARES OF COMMON STOCK

RECEIVED UPON EXERCISE OF INCENTIVE STOCK OPTIONS.

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

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

SECTION 5.1 GRANTS OF STOCK APPRECIATION RIGHTS.

The Committee may select employees to become Participants (subject to the provisions of Sections 1.5 hereof) and grant Stock Appreciation Rights to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. The Committee shall have the authority to grant Stock Appreciation Rights in connection with a Stock Option or independently. The Committee may grant Stock Appreciation Rights in connection with a Stock Option, either at the time of grant or by amendment, in which case each such right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right granted in connection with a Stock Option shall entitle the holder to surrender to the Company the related Stock Option unexercised, or any portion thereof, and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of one share of the Common Stock on the day preceding the surrender of such Stock Option over the Stock Option exercise price times the number of shares underlying the Stock Option, or portion thereof, that is surrendered. A Stock Appreciation Right granted independently of a Stock Option shall entitle the holder to receive upon exercise an amount equal to the excess of the Fair Market Value of one share of Common Stock on the day preceding the exercise of the Stock Appreciation Right over the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant, which shall in no event be less than 50% of the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted. Stock Appreciation Rights are not transferable by a Participant except by will or the laws of descent and distribution and are exercisable during his lifetime only by him.

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SECTION 5.2 STOCK APPRECIATION RIGHTS GRANTED IN CONNECTION WITH

INCENTIVE STOCK OPTIONS.

(a) Stock Appreciation Rights granted in connection with Incentive Stock

Options must expire no later than the last date the underlying Incentive Stock Option can be exercised.

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

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

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

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

SECTION 5.3 PAYMENT UPON EXERCISE OF STOCK APPRECIATION RIGHTS.

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

SECTION 5.4 TERMINATION OF EMPLOYMENT.

(a) Death: If a Participant ceases to be an employee of the Company prior

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

(b) Disability: The Disability of a Participant shall not constitute a

termination of employment for purposes of this Article IV, provided that following the Disability such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole

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discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(c) Retirement: The Retirement of a Participant shall not constitute a

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

(d) Other Terminations: If a Participant ceases to be an employee prior

to the exercise or expiration of a Stock Appreciation Right for any reason other than death, all outstanding Stock Appreciation Rights granted to such Participant shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, determines that he may exercise any such outstanding Stock Appreciation Right (to the extent that he was entitled to do so at the date of such termination of such employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Appreciation Right.

ARTICLE VI - PROVISIONS APPLICABLE TO OTHER ML & CO. SECURITIES.

SECTION 6.1 GRANTS OF OTHER ML & CO. SECURITIES.

Subject to the provisions of the Plan and any necessary action by the Board of Directors, the Committee may select employees to become Participants (subject

to the provisions of Section 1.5 hereof) and grant to Participants Other ML & Co. Securities or the right or option to purchase Other ML & Co. Securities on such terms and conditions as the Committee shall determine, including, without limitation, the period such rights or options may be exercised, the nature and terms of payment of consideration for such Other ML & Co. Securities, whether such Other ML & Co. Securities shall be subject to any or all of the provisions of Article III of the Plan applicable to Restricted Shares and/or Restricted Units, the consequences of termination of employment, and the terms and conditions, if any, upon which such Other ML & Co. Securities may or must be repurchased by the Company. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Each such Other ML & Co. Security shall be issued at a price that will not

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exceed the Fair Market Value thereof on the date the corresponding right or option is granted. Other ML & Co. Securities may bear interest or pay dividends from such date and at a rate or rates or pursuant to a formula or formulas fixed by the Committee or any necessary action of the Board. Any applicable conversion or exchange rate with respect to Other ML & Co. Securities shall be fixed by, or pursuant to a formula determined by, the Committee or any necessary action of the Board at each date of grant and may be predicated upon the attainment of financial or other performance goals.

SECTION 6.2 TERMS AND CONDITIONS OF CONVERSION OR EXCHANGE.

Each Other ML & Co. Security may be convertible or exchangeable on such date and within such period of time as the Committee, or the Board if necessary, determines at the time of grant. Other ML & Co. Securities may be convertible into or exchangeable for (i) shares of Preferred Stock of ML & Co. or (ii) other securities of ML & Co. or any present or future subsidiary of ML & Co., whether or not convertible into shares of Common Stock, as the Committee, or the Board if necessary, determines at the time of grant (or at any time prior to the conversion or exchange date).

ARTICLE VII - CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, or, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions, divestitures, distributions, or other unusual or extraordinary items have disproportionately and materially affected the value of shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in (a) the maximum number of shares of Common Stock available for distribution under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance Share, Restricted Share, and Stock Option grants; (c) the performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full performance levels and portion of payments related thereto; and (d) any other terms or provisions of any outstanding grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, in order to preserve the full benefits of such grants for the Participants, taking into account inflation, interest rates, and any other factors that the Committee, in its sole discretion, considers relevant. In the event of a change in the presently

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authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan. In the event of any other change affecting the shares of Common Stock, Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

ARTICLE VIII - PAYMENTS UPON TERMINATION OF EMPLOYMENT AFTER A CHANGE IN CONTROL.

SECTION 8.1 VALUE OF PAYMENTS UPON TERMINATION AFTER A CHANGE

IN CONTROL.

Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall be paid the value of his Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, and Other ML & Co. Securities in a lump sum in cash, promptly after termination of his employment but, without limiting the foregoing, in no event later than 30 days thereafter. Payments shall be calculated as set forth below:

(a) Performance Shares and Performance Units.

Any payment for Performance Shares and Performance Units pursuant to this Section 8.1(a) shall be calculated by applying performance objectives for any outstanding Performance Shares and Performance Units as if the applicable Performance Period and any applicable Restricted Period had ended on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(a) shall be reduced by the amount of any payment previously made to the Participant with respect to the Performance Shares and Performance Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Performance Shares and Performance Units payable pursuant to this Section 8.1(a) shall be the amount equal to the number of Performance Shares and Performance Units payable in accordance with the preceding sentence multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher, the highest Fair Market Value of a share of the Common Stock on any day during the 90-day period ending on the date of the Change in Control (the "Pre-CIC Value").

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(b) Restricted Shares and Restricted Units.

Any payment under this Section 8.1(b) shall be calculated as if all the relevant Vesting and Restricted Periods had been fully completed immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(b) shall be reduced by the amount of any payment previously made to the Participant with respect to the Restricted Shares and Restricted Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Restricted Shares and Restricted Units payable pursuant to this Section 8.1(b) shall be the amount equal to the number of the Restricted Shares and Restricted Units outstanding in a Participant's name multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher, the Pre-CIC Value.

(c) Stock Options and Stock Appreciation Rights.

Any payment for Stock Options and Stock Appreciation Rights pursuant to this Section 8.1(c) shall be calculated as if all such Stock Options and Stock Appreciation Rights, regardless of whether or not then fully exercisable under the terms of the grant, became exercisable immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(c) shall be reduced by the amount of any payment previously made to a Participant with respect to the Stock Options and Stock Appreciation Rights, exclusive of any ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Stock Options and Stock Appreciation Rights payable pursuant to this Section 8.1(c) shall be

(i) in the case of a Stock Option, for each underlying share of Common Stock, the excess of the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the per share exercise price for such Stock Option;

(ii) in the case of a Stock Appreciation Right granted in tandem with a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC value, over the Stock Option exercise price; and

(iii) in the case of a Stock Appreciation Right granted independently of a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC value, over the Fair Market Value of one share of Common Stock

date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant.

(d) Other ML & Co. Securities.

Any payment for Other ML & Co. Securities under this Section 8.1(d) shall be calculated as if any relevant Vesting or Restricted Periods or other applicable conditions dependent on the passage of time and relating to the exercisability of any right or option to purchase Other ML & Co. Securities, or relating to the full and unconditional ownership of such Other ML & Co. Securities themselves, had been met on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(d) shall be reduced by the amount of any payment previously made to the Participant with respect to the Other ML & Co. Securities, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Other ML & Co. Securities payable pursuant to this Section 8.1(d) shall be

(i) in the case of an option or right to purchase such Other ML & Co. Security, for each underlying Other ML & Co. Security, the excess of the Fair Market Value of such Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC value, over the exercise price of such option or right; and

(ii) in the case of the Other ML & Co. Security itself (where there is no outstanding option or right relating to such Other ML & Co. Security), the Fair Market Value of the Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC value.

SECTION 8.2 A CHANGE IN CONTROL.

A "CHANGE IN CONTROL" shall mean a change in control of ML & Co. of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without

limitation, a Change in Control shall be deemed to have occurred if:

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

power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

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

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

SECTION 8.3 EFFECT OF AGREEMENT RESULTING IN CHANGE IN CONTROL.

If ML & Co. executes an agreement, the consummation of which would result in the occurrence of a Change in Control as described in Section 8.2, then, with respect to a termination of employment without Cause or for Good Reason occurring after the execution of such agreement (and, if such agreement expires or is terminated prior to consummation, prior to such expiration or termination of such agreement), a Change in Control shall be deemed to have occurred as of the date of the execution of such agreement.

SECTION 8.4 TERMINATION FOR CAUSE.

Termination of the Participant's employment by the Company for "CAUSE" shall mean termination upon:

(a) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or from the Participant's Retirement or any such actual or anticipated failure resulting from termination by the Participant for Good Reason) after a written demand for substantial performance is delivered to him by the Board of Directors, which demand specifically identifies the manner in which the Board of Directors believes that he has not substantially performed his duties; or

(b) the willful engaging by the Participant in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise.

No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

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Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth above in clause (a) or (b) of the first sentence of this Section 8.4 and specifying the particulars thereof in detail.

SECTION 8.5 GOOD REASON.

"GOOD REASON" shall mean the Participant's termination of his employment with the Company if, without the Participant's written consent, any of the following circumstances shall occur:

(a) Inconsistent Duties. A meaningful and detrimental alteration in the Participant's position or in the nature or status of his responsibilities (including those as a director of ML & Co., if any) from those in effect immediately prior to the Change in Control;

(b) Reduced Salary or Bonus Opportunity. A reduction by the Company in the Participant's annual base salary as in effect immediately prior to the Change in Control; a failure by the Company to increase the Participant's salary at a rate commensurate with that of other key executives of the Company; or a reduction in the Participant's annual cash bonus below the greater of (i) the annual cash bonus that he received, or to which he was entitled, immediately prior to the Change in Control, or (ii) the average annual cash bonus paid to the Participant by the Company for the three years preceding the year in which the Change in Control occurs;

(c) Relocation. The relocation of the office of the Company where the Participant is employed at the time of the Change in Control (the "CIC Location") to a location that in his good faith assessment is an area not generally considered conducive to maintaining the executive offices of a company such as ML & Co. because of hazardous or undesirable conditions including without limitation a high crime rate or inadequate facilities, or to a location that is more than twenty-five (25) miles away from the CIC Location or the Company's requiring the Participant to be based more than twenty-five (25) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with his customary business travel obligations in the ordinary course of business prior to the Change in Control);

(d) Compensation Plans. The failure by the Company to continue in effect any compensation plan in which the Participant participates, including but not limited to this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978

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Incentive Equity Purchase Plan, Equity Capital Accumulation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, limited partnership offerings, cash incentive compensation or any other plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to

continue the Participant's participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of his participation relative to other Participants, as existed immediately prior to the Change in Control;

(e) Benefits and Perquisites. The failure of the Company to continue to

provide the Participant with benefits at least as favorable as those enjoyed by the Participant under any of the Company's retirement, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which the Participant was participating immediately prior to the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him immediately prior to the Change in Control, including, without limitation, the use of a car, secretary, office space, telephones, expense reimbursement, and club dues; or the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

(f) No Assumption by Successor. The failure of ML & Co. to obtain a

satisfactory agreement from any successor to assume and agree to perform a Participant's employment agreement as contemplated thereunder or, if the business of the Company for which his services are principally performed is sold at any time after a Change in Control, the purchaser of such business shall fail to agree to provide the Participant with the same or a comparable position, duties, compensation, and benefits as provided to him by the Company immediately prior to the Change in Control.

SECTION 8.6 EFFECT ON PLAN PROVISIONS.

In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities and no adjustments, determinations or other exercises of discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his payments under the Plan or this Article shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to the Plan. Once a Participant has received a payment pursuant to this Article VIII, shares of Common Stock that were reserved for issuance in connection with any Performance Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which

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payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares or that are restricted and held by the Company pursuant to Section 2.6(a)(i), for which payment has been made, shall no longer be registered in the name of the Participant and shall again be available for grants under the Plan. If the Participant's employment is terminated without Cause or for Good Reason after a Change in Control, any election to defer payment for Performance Shares or Performance Units pursuant to Section 2.8 hereof or Restricted Shares or Restricted Units pursuant to Section 3.8 hereof shall be null and void.

ARTICLE IX - MISCELLANEOUS.

SECTION 9.1 DESIGNATION OF BENEFICIARY.

A Participant may designate, in a writing delivered to ML & Co. before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. A Participant may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant. A Participant may designate more than one person as his beneficiary or alternate beneficiary, in which case such persons would receive payments as joint tenants with a right of survivorship. A beneficiary designation may be changed or revoked by a Participant at any time by filing a written statement of such change or revocation with the Company. If a Participant fails to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

SECTION 9.2 EMPLOYMENT RIGHTS.

Neither the Plan nor any action taken hereunder shall be construed as giving any employee of the Company the right to become a Participant, and a grant under the Plan shall not be construed as giving any Participant any right to be retained in the employ of the Company.

SECTION 9.3 NONTRANSFERABILITY.

A Participant's rights under the Plan, including the right to any amounts or shares payable, may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to his designated beneficiary or, in the absence of such a designation, by will or the laws of descent and distribution.

SECTION 9.4 WITHHOLDING.

The Company shall have the right, before any payment is made or a certificate for any shares is delivered or any shares are credited to any brokerage account, to deduct or withhold from any payment under the Plan any Federal, state, local or other taxes, including transfer taxes, required by law to be withheld or to require the

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Participant or his beneficiary or estate, as the case may be, to pay any amount, or the balance of any amount, required to be withheld.

SECTION 9.5 RELATIONSHIP TO OTHER BENEFITS.

No payment under the Plan shall be taken into account in determining any benefits under any retirement, group insurance, or other employee benefit plan of the Company. The Plan shall not preclude the stockholders of ML & Co., the Board of Directors or any committee thereof, or the Company from authorizing or approving other employee benefit plans or forms of incentive compensation, nor shall it limit or prevent the continued operation of other incentive compensation plans or other employee benefit plans of the Company or the participation in any such plans by Participants in the Plan.

SECTION 9.6 NO TRUST OR FUND CREATED.

Neither the Plan nor any grant made hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to a grant under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

SECTION 9.7 EXPENSES.

The expenses of administering the Plan shall be borne by the Company.

SECTION 9.8 INDEMNIFICATION.

Service on the Committee shall constitute service as a member of the Board of Directors so that members of the Committee shall be entitled to indemnification and reimbursement as directors of ML & Co. pursuant to its Certificate of Incorporation, By-Laws, or resolutions of its Board of Directors or stockholders.

SECTION 9.9 TAX LITIGATION.

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

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ARTICLE X - AMENDMENT AND TERMINATION.

The Board of Directors may modify, amend, or terminate the Plan at any time except that, to the extent then required by applicable law, rule, or regulation, approval of the holders of a majority of shares of Common Stock represented in person or by proxy at a meeting of the stockholders will be required to increase the maximum number of shares of Common Stock available for distribution under the Plan (other than increases due to adjustments in accordance with the Plan). No modification, amendment, or termination of the Plan shall adversely affect the rights of a Participant under a grant previously made to him without the consent of such Participant.

ARTICLE XI - INTERPRETATION.

SECTION 11.1 GOVERNMENTAL AND OTHER REGULATIONS.

The Plan and any grant hereunder shall be subject to all applicable Federal and state laws, rules, and regulations and to such approvals by any regulatory or governmental agency that may, in the opinion of the counsel for the Company, be required.

SECTION 11.2 GOVERNING LAW.

THE PLAN SHALL BE CONSTRUED AND ITS PROVISIONS ENFORCED AND ADMINISTERED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS ENTERED INTO AND PERFORMED ENTIRELY IN SUCH STATE.

ARTICLE XII - EFFECTIVE DATE AND STOCKHOLDER APPROVAL.

The Plan shall not be effective unless or until approved by a majority of the votes cast at a duly held stockholders' meeting at which a quorum representing a majority of all outstanding voting stock is, either in person or by proxy present and voting on the Plan.

AGREEMENT

AGREEMENT, effective as of _____, between Merrill Lynch & Co., Inc., a Delaware corporation (the "Company"), and _____ (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors the most capable persons available;

WHEREAS, Indemnitee is a director of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies in today's environment;

WHEREAS, basic protection against undue risk of personal liability of directors and officers heretofore has been provided through insurance coverage providing reasonable protection at reasonable cost, and Indemnitee is relying on the availability of such coverage; but as a result of substantial changes in the marketplace for such insurance it has become increasingly more difficult to obtain such insurance on terms providing reasonable protection at reasonable cost; and the Company cannot be assured that it will be able to renew its present insurance policies, that the cost thereof will not become prohibitive, or, if its present coverage is not renewed or does become prohibitively expensive, that similar coverage will be available elsewhere;

WHEREAS, the Restated Certificate of Incorporation (the "Certificate") of the Company requires the Company to indemnify and advance expenses to its directors to the full extent authorized or permitted by law and the Indemnitee has agreed to serve and will continue to serve as a director of the Company in part in reliance on the Certificate.

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, the increasing difficulty in obtaining satisfactory directors' and officers' liability insurance coverage, and Indemnitee's reliance on the Certificate, and in part to provide Indemnitee with specific contractual assurance that the protection promised by the Certificate will be available to Indemnitee (regardless of, among other things, any amendment to or revocation of the Certificate or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the full extent (whether partial or complete) authorized or permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued

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coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the premises and of Indemnitee continuing to serve the Company directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. BASIC INDEMNIFICATION ARRANGEMENT.

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the full extent authorized or permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim; provided, however, that, except for

proceedings to enforce rights to indemnification, the Company shall not be obligated to indemnify Indemnitee in connection with a proceeding (or part thereof) initiated by Indemnitee unless such proceeding (or part thereof) was authorized in advance, or unanimously consented to, by the Board of Directors of the Company. If so requested by Indemnitee, the Company shall advance (within two business days of such request) any and all Expenses to Indemnitee (an "Expense Advance").

(b) Notwithstanding the foregoing, (i) the obligations of the Company under Section 1(a) shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 2 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law, and (ii) the obligation of the Company to make an Expense Advance pursuant to Section 1(a) shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change in Control, the

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Reviewing Party shall be selected by the Company's Board of Directors, and if there has been such a Change in Control, the Reviewing Party shall be the Independent Legal Counsel referred to in Section 2 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the States of New York or Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

2. CHANGE IN CONTROL. The Company agrees that if there is a Change in Control

of the Company, then with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement, or any Certificate or by-law provision now or hereinafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee would be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

3. ESTABLISHMENT OF TRUST. In the event of a Potential Change in Control, the

Company shall, upon written request by Indemnitee, create a trust for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund such trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for and defending any Claim relating to an Indemnifiable Event, and any and all judgments, fines, penalties and settlement amounts of any and all Claims relating to an Indemnifiable Event from time to time actually paid or claimed, reasonably anticipated or proposed to be paid. The amount or amounts to be deposited in the trust pursuant to the foregoing funding obligation shall be determined by the Reviewing Party, in any case in which the Independent Legal Counsel referred to above is involved. The terms of the trust shall provide that upon a Change in Control (i) the trust shall not be revoked or the principal thereof invaded, without the written consent of the Indemnitee, (ii) the trustee shall advance, within two business days of a request by the Indemnitee, any and all Expenses to the Indemnitee (and the Indemnitee hereby agrees to reimburse the trust under the circumstances under which the Indemnitee would be required to reimburse the Company under Section 1(b) of this Agreement), (iii) the trust shall continue to be

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funded by the Company in accordance with the funding obligation set forth above, (iv) the trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise, and (v) all unexpended funds in such trust shall revert to the Company upon a final determination by the Reviewing Party or a court of competent jurisdiction, as the case may be, that Indemnitee has been fully indemnified under the terms of this Agreement. The trustee shall be chosen by Indemnitee. Nothing in this Section 3 shall relieve the Company of any of its obligations under this Agreement.

4. INDEMNIFICATION FOR ADDITIONAL EXPENSES. The Company shall indemnify

Indemnitee against any and all expenses (including attorneys' fees) and, if requested by Indemnitee, shall (within two business days of such request) advance such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for (i) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement, or any Certificate or by-law provision now or hereafter in effect relating to Claims for Indemnifiable Events and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be.

5. PARTIAL INDEMNITY, ETC. If Indemnitee is entitled under any provision of

this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

6. BURDEN OF PROOF. In connection with any determination by the Reviewing

Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

7. NO PRESUMPTIONS. For purposes of this Agreement, the termination of any

claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual

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determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. NONEXCLUSIVITY, ETC. The rights of the Indemnitee hereunder shall be in

addition to any other rights Indemnitee may have under the Certificate or the Delaware General Corporation Law or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Certificate and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. LIABILITY INSURANCE. To the extent the Company maintains an insurance

policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

10. PERIOD OF LIMITATIONS. No legal action shall be brought and no cause of

action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. AMENDMENTS, ETC. No supplement, modification or amendment of this

Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or

shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

12. SUBROGATION. In the event of payment under this Agreement, the Company

shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

13. NO DUPLICATION OF PAYMENTS. The Company shall not be liable under this

Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under

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any insurance policy, the Certificate or otherwise) of the amounts otherwise indemnifiable hereunder.

14. BINDING EFFECT, ETC. This Agreement shall be binding upon and inure to the

benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director of the Company.

15. SEVERABILITY. The provisions of this Agreement shall be severable in the

event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the full extent permitted by law.

16. GOVERNING LAW. This Agreement shall be governed by and construed and

enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

17. CERTAIN DEFINITIONS:

(a) Change in Control: a change in control of a nature that would be

required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided that, without limitation, a Change in Control shall be

deemed to have occurred if (i) 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 a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), 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 the Company representing 30% or more of the total voting power represented by the Company's then outstanding Voting Securities; or (ii) during any period of two (2) consecutive years, 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 Company's stockholders was approved by a vote of at least three quarters (3/4) of the directors then still in office who either were

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directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least 80% of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the

Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of transactions) all or substantially all the Company's assets.

(b) Claim: any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether instituted by the Company or any other party, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

(c) Expenses: include attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in any Claim relating to any Indemnifiable Event.

(d) Indemnifiable Event: any event or occurrence related to the fact that Indemnitee is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer or trustee of another corporation, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(e) Independent Legal Counsel: an attorney or firm of attorneys, selected in accordance with the provisions of Section 2, who shall not have otherwise performed services for the Company or Indemnitee within the last two years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(f) Potential Change in Control: shall be deemed to have occurred if (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; (ii) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control; (iii) any person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, who is or becomes the beneficial owner, directly or indirectly, of securities of the

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Company representing 9.5% or more of the combined voting power of the Company's then outstanding Voting Securities, increases such person's beneficial ownership of such securities by three percentage points (3%) or more over the percentage so owned by such person; or (iv) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

(g) Reviewing Party: any appropriate person or body consisting of a member or members of the Company's Board of Directors or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

(h) Voting Securities: any securities of the Company which vote generally in the election of directors.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the ___th day of _____.

MERRILL LYNCH & CO., INC.

By: _____

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Written Description of ML & Co.'s
Incentive Compensation Programs

Cash incentive compensation programs are maintained for key employees of Merrill Lynch & Co., Inc. ("ML & Co.") and its participating subsidiaries. The individuals who are to receive awards and the amount of such awards are determined or approved each year by the Management Development and Compensation Committee of the Board of Directors of ML & Co. based on the recommendations of the management of ML & Co. Annual cash incentive awards are based on the overall performance of ML & Co. or groupings of one or more subsidiaries or units thereof, and on an employee's rank and performance, during the most recently completed fiscal year.

AGREEMENT OF SUBLEASE

between

MERRILL LYNCH/WFC/L, INC.,

as Landlord,

and

DELOITTE & TOUCHE,

as Tenant,

Made as of December __, 1993,

Demising

[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable
Square Feet
on Floors C1, C2, 2, 3, 8, 9, 10 and 15
of Two World Financial Center
in New York, New York.

SULLIVAN & CROMWELL
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Of Counsel

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- A-2: List of Plans for Tenant's Signage
- A-3: Floor Plan of First Expansion Option Space

- B: Form of Overlandlord's Consent to Sublease

- C: Alternate Electricity Rent Inclusion

- D-1: Rules and Regulations
- D-2: Rules and Regulations for Alterations

- E: Specifications for Base Building HVAC

- F: Base Cleaning Specifications

- G: Exclusive Services

- H: Cost of Extra Personnel

- I: Temporary Certificate of Occupancy

- J: Preferential Rights of Other Subtenants

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AGREEMENT OF SUBLEASE (this "Sublease"), made as of December __, 1993,

between MERRILL LYNCH/WFC/L, INC., a New York corporation having an office at
c/o Merrill Lynch & Co., Inc., Merrill Lynch World Headquarters, North Tower,

World Financial Center, 250 Vesey Street, New York, New York 10281-1219
("Landlord"), and DELOITTE & TOUCHE, a partnership organized under the laws of

the State of New York having an office at 1633 Broadway, New York, New York
10019 ("Tenant");

T O W I T N E S S T H A T:

WHEREAS, under an Agreement of Lease (the "Overlease") between Olympia

& York Tower B Company ("Overlandlord"), as lessor, and Landlord, as lessee,

dated as of September 29, 1988, Overlandlord leased to Landlord the parcel of
land (the "Land") known and more particularly described as Parcel B on Exhibit

"A-1" to the Overlease together with all of the building (the "Building") known

as "Building B" and "Two World Financial Center" located on the Land
(collectively, except for the portions thereof referred to as the Retail
Premises in and described on Exhibit "A-2" to the Overlease, the "Premises");

and

WHEREAS, subject to the terms and conditions set forth in this
Sublease, Landlord desires to demise and sublease to Tenant, and Tenant desires
to hire and sublease from Landlord, [MATERIAL OMITTED AND FILED SEPARATELY WITH
SEC]/2/ Rentable Square Feet of space on floors C1, C2, 2 (the lobby-level), 3,
8, 9, 10 and 15 of the Building on the terms and conditions hereinafter set
forth;

NOW, THEREFORE, in consideration of the mutual promises set forth
herein, it is mutually covenanted and agreed as follows:

ARTICLE I
PARTICULAR TERMS AND DEFINITIONS

SECTION 1.01 Particular Terms. As used herein, the following terms

shall have the particular meanings respectively set forth below:

"Base Operating Year" shall mean the calendar year commencing on

January 1, 1994 and expiring December 31, 1994 unless

/2/ [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] = [MATERIAL OMITTED AND
FILED SEPARATELY WITH SEC] for floor C1 + [MATERIAL OMITTED AND FILED
SEPARATELY WITH SEC] for floor C2 + [MATERIAL OMITTED AND FILED SEPARATELY
WITH SEC] for floor 2 + [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for
floor 3 + [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for floor 8 +
[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for floor 9 + [MATERIAL
OMITTED AND FILED SEPARATELY WITH SEC] for floor 10 + [MATERIAL OMITTED AND
FILED SEPARATELY WITH SEC] for floor 15.

the Base Rent Commencement shall be deferred to a date later than January 1,
1996, in which case the commencement and expiration of the Base Operating Year
shall both be deferred by one (1) full year to January 1, 1995 and December 31,
1995, respectively.

"Base PILOT Amount" shall mean the sum of [MATERIAL OMITTED AND FILED

SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH
SEC])/3/ unless the Base Rent Commencement Date shall be deferred to a date
later than January 1, 1996, in which case the Base PILOT Amount shall mean the
greater of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL
OMITTED AND FILED SEPARATELY WITH SEC]), or PILOT Charges for the deferred Base
Tax Year commencing January 1, 1995 and ending December 31, 1995, during the
initial Term; and zero (\$0.00) during any Renewal Term.

"Base Rent" shall mean [MATERIAL OMITTED AND FILED SEPARATELY WITH

SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) per annum for
the period from the Base Rent Commencement Date through [MATERIAL OMITTED AND
FILED SEPARATELY WITH SEC], inclusive, [MATERIAL OMITTED AND FILED SEPARATELY
WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) per annum
for the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through
[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, [MATERIAL OMITTED
AND FILED SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY
WITH SEC]) per annum for the period from [MATERIAL OMITTED AND FILED SEPARATELY
WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive,
and thereafter [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS
(\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC])/4/ per annum for the period

- -----
/3/ This amount equals \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of the Building.

/4/ These amounts equal \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per year, respectively, times the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of Rentable Square Feet of the Sublease Premises on floors 2 (minus the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet shown as Area B on the plan of floor 2 attached as Exhibit A-1-3), 3, 8, 9, 10 and 15 of the

Building, plus \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and \$[Material Omitted and Filed Separately with SEC] per year, respectively, times the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of Rentable Square Feet of the Sublease Premises on floors C1 and C2 of the Building, from the Base Rent Commencement Date through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through the Expiration Date, respectively; plus \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per year for each Roof Antenna Area prorated and paid for the duration of Tenant's use thereof.

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from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through the Expiration Date, inclusive, subject to possible change as a result of the exercise by Tenant of one or more of the options provided for in Article VII.

"Base Rent Commencement Date" shall mean [MATERIAL OMITTED AND FILED] -----
SEPARATELY WITH SEC], subject to postponement as provided in Subsection 2.03(d) and/or 2.04(e) and/or to reflect any abatement which would otherwise be due prior to the Base Rent Commencement Date pursuant to Section 23.02.

"Base Tax Year" shall mean the twelve (12) month period commencing -----
January 1, 1994 and ending December 31, 1994 unless the Base Rent Commencement Date shall be deferred to a date later than January 1, 1996, in which case the commencement and expiration of the Base Tax Year shall both be deferred by one (1) full year to January 1, 1995 and December 31, 1995, respectively.

"Building" shall mean the building known as "Building B" and "Two -----
World Financial Center" located on the Land in New York, New York, except for the portions thereof referred to as the Retail Premises in and described on Exhibit "A-2" to the Overlease.

- -----
"Cancellation Option Space" shall mean all the space subleased by -----
Tenant on floor 8, 9 or 7 (if Tenant subleases all of floor 7 pursuant to Section 7.01), or all the space subleased by Tenant on any combination of floors C1, C2, 3 and 15 of the Subleased Premises or on any other floor or floors of the Building containing any Expansion Option Space or Offer Premises which may be subleased by Tenant pursuant to Section 7.01 before June 1, 2008 comprising no more than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet, provided that such space shall be contiguous to other floors occupied or -----
subleased to third Persons by Landlord or one of its Affiliates.

"Cancellation Payment" shall mean, with respect to any Cancellation -----
Option Space, the cost to Landlord of the Base Rent concession (which shall be assumed to be \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per Rentable Square Foot for the Cancellation Option Space included in the initial Sublease Premises), Tenant's Allowance (which shall be assumed to be \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per Rentable Square Foot for the Cancellation Option Space included in the initial Sublease Premises) and/or brokerage commissions (which shall be assumed to be \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per Rentable Square Foot for the Cancellation Option Space included in the initial Sublease Premises) payable by Landlord in connection with such Cancellation Option Space that shall not have been amortized (on a level-payment basis with interest at nine (9) percent per annum over a period commencing on the Base Rent commencement date applicable to the space and ending on the Expiration Date) as of the date of any partial

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cancellation of this Sublease with respect to such space pursuant to Section 7.02, plus Landlord's expected loss on any reletting of such space for a term shorter than ten (10) years and three (3) months (which shall be assumed to be

six (6) times total monthly Rents as of June 1, 2003, nine (9) times total monthly Rents as of June 1, 2004, twelve (12) times total monthly Rents as of June 1, 2005, fifteen (15) times total monthly Rents as of June 1, 2006, and eighteen (18) times total monthly Rents as of June 1, 2007.

"Expansion Option Space" shall mean (a) as to Tenant's first expansion

option, approximately [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of space on floor 7 (located in the gate-house area of floor 7 as shown on the plan attached hereto as Exhibit A-3) of the Building; (b) as to

Tenant's second expansion option, either the remainder of the space on floor 7 of the Building (if Tenant shall have previously occupied the portion of floor 7 located as shown on Exhibit A-3 in connection with the exercise of its first

expansion option), or the portion of floor 7 of the Building located as shown on Exhibit A-3 (if Tenant shall not have previously occupied any portion of floor 7

in connection with the exercise of its first expansion option); and (c) as to Tenant's third expansion option, either the remainder of the space on floor 7 of the Building (if Tenant shall have previously occupied the portion of floor 7 located as shown on Exhibit A-3 in connection with the exercise of its first or

second expansion option), or the portion of floor 7 of the Building located as shown on Exhibit A-3 (if Tenant shall not have previously occupied any portion

of floor 7 in connection with the exercise of its first or second expansion option), or floor 11, 12 or 14 of the Building (if Tenant shall have previously occupied all of floor 7 in connection with the exercise of its first and second expansion options), to be selected by Landlord based on what in Landlord's reasonable judgment would be best for both Landlord and Tenant.

"Expiration Date" shall mean [MATERIAL OMITTED AND FILED SEPARATELY

WITH SEC], or such earlier date on which this Sublease shall be cancelled or terminated pursuant to any of the conditions or covenants of this Sublease, or pursuant to the Overlease (except as provided in Section 10.19 thereof or in any separate non-disturbance agreement among Overlandlord, Landlord and Tenant entered into pursuant thereto) or pursuant to law.

"Free of violations" shall have the meaning given such term in

Subsection 2.03(c).

"Ground Rent" shall have the meaning given such term in the Overlease,

but Ground Rent (as used herein) shall expressly exclude Retail Rent (as defined in the Ground Lease) and other amounts in excess of \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1993, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1994, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1995,

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\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1996, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1997, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1998, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 1999, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 2000 and \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for 2001 and later years during the initial Term of this Sublease.

"Independent Auditor" shall mean a certified public accountant who is

not an Affiliate of Landlord or Tenant, who has practiced for at least ten (10) years and who is selected by Tenant and reasonably approved by Landlord.

"Messenger Reception Station" shall mean Landlord's existing messenger

reception facility on the street level of the Building, as the size and/or location of such existing facility may be changed by Landlord from time to time pursuant to Section 17.09.

"Offer Premises" shall mean all or any portion of the space in the

Building other than the Sublease Premises.

"Renewal Term" shall have the meaning this term is given in Section

7.03.

"Rentable Square Feet", with respect to each full floor of the

Building included in the Sublease Premises, shall mean the Rentable Square Feet for the floor of the Building as set forth on Exhibit "I-1" to the Overlease; and with respect to each partial floor of the Building included in the Sublease Premises, shall mean a proportionate share of the total Rentable Square Feet for

the floor of the Building as set forth on Exhibit "I-1" to the Overlease such that the aggregate of the Rentable Square Feet of all portions of the whole floor of the Building shall be equal to the Rentable Square Feet for the whole floor as set forth on Exhibit "I-1" to the Overlease. The rentable square footage of all space Landlord has subleased to other subtenants in the Building has been (and in the future will continue to be) defined and calculated as set forth above. Except as provided herein, Tenant hereby acknowledges that it has independently determined the space being leased hereunder, that no representation, express or implied, has been or is being made by Landlord with respect to square footage (rentable or otherwise) contained in the Sublease Premises and that the term "Rentable Square Footage" is being defined and employed herein only for purposes of making certain Rent calculations in the express manner set forth herein.

"Roof Antenna Areas" shall mean one or more areas on the roof of the

Building which Tenant may be permitted to use from time to time, subject to availability and approval by the Ground Lessor and Overlandlord, for the installation and operation of one or more microwave dish antennas.

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"Stairway" shall mean any private stairway connecting floors 8 and 9

of the Building.

"Sublease Premises" shall mean [MATERIAL OMITTED AND FILED SEPARATELY

WITH SEC] Rentable Square Feet of space on floors C1, C2, 2 (the lobby level), 3, 8, 9, 10 and 15 of the Building as shown on the plans of floors C1, C2, 2, 3, 8, 9, 10 and 15 attached hereto as Exhibit A-1 together with any Stairway and

Visitor Reception Areas, and any Expansion Option Space or Offer Premises which may hereafter be added to the Sublease Premises pursuant to Section 7.01.

"Tenant's Allowance" shall mean [MATERIAL OMITTED AND FILED SEPARATELY

WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC])./5/

"Tenant's Electricity Charge" shall mean an amount equal to (i)

1/365th of \$1.00 multiplied by the Rentable Square Feet of the Sublease Premises per day for each day from the dates Tenant takes possession of each portion of the Sublease Premises for the actual performance of Tenant's Work until the dates Tenant takes possession of such portions of the Sublease Premises for the operation of its business, and (ii) 1/365th of \$2.00 multiplied by the Rentable Square Feet of the Sublease Premises per day for each day from and after Tenant takes possession of such portions of the Sublease Premises for the operation of its business until Tenant's Submeters for such portions of the Sublease Premises are installed.

"Tenant's Electricity Costs" shall mean an amount equal to (i)

Landlord's Average Cost Per Kilowatt Hour for any relevant billing period, multiplied by (ii) the total kilowatt hours of electricity used in the Sublease Premises during such billing period, as measured by (x) Tenant's Submeters, and (y) a survey of Tenant's electricity usage in any Nonmetered Space in the Sublease Premises made in accordance with Subsection 5.02(c).

- -----

/5/ This amount equals \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] times the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of Rentable Square Feet of the Sublease Premises on floors 2 (minus the 420 Rentable Square Feet shown as Area B and the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet included in the Visitor Reception Areas shown as Areas D and E on Exhibit A-1-3), 3, 8, 9, 10 and 15 of the Building plus

[\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] times the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of Rentable Square Feet of the Sublease Premises on floors C1 and C2 of the Building and the further sums of \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for Tenant's improvements to the Visitor Reception Areas, etc. on the lobby level (floor 2) of the Building, \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for demolition work as provided in Subsection 2.03(a) and \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for demising walls, ADA compliance, etc., throughout the Sublease Premises.

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"Tenant's Proportionate Share" shall mean the result, expressed as a

percentage, obtained by dividing the Rentable Square Feet of the Sublease Premises on floors 3, 8, 9, 10 and 15 of the Building plus any Expansion Option

Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01 by the Rentable Square Feet of the Office Premises and rounding the result to the fifth (5th) significant digit, as such result may be decreased or increased solely by reason of Casualty, Condemnation or the exercise of Tenant's options set forth in Article VII of this Sublease. The proportionate shares of all other subtenants of Landlord in the Building who have subleases from Landlord have been (and in the future will continue to be)defined and calculated as set forth above. From the date hereof, Tenant's Proportionate Share will mean [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent/6/ (except as the same may be decreased by reason of Casualty or Condemnation).

"Tenant's Signage" shall mean the signs more particularly described

and shown on the list of plans attached as Schedule A-2 hereto which Tenant

desires to install on the lobby level (floor 2) and at the West Street entrance to the Building.

"Term" shall mean the period of time commencing on the Possession Date

applicable to each portion of the Sublease Premises according to Section 2.03 and expiring at 11:59 p.m. on the Expiration Date, plus any Renewal Term which may be elected by Tenant pursuant to Section 7.03.

"Term Fraction" shall have the meaning given to such term in

Subsubsection 7.01(b) (ii).

"Untenantable" and "Untenantable Space" shall have the meanings given

such terms in Section 22.01.

"Visitor Reception Areas" shall mean approximately 518 square feet of

space on the lobby level (floor 2) of the Building located in the areas shown as Areas D and E on the plan of floor 2 attached as Exhibit A-1-3 to this

Sublease.

SECTION 1.02 Other Defined Terms. As used herein, the following

other terms shall have the respective meanings set forth below:

- -----

/6/ This percentage equals the quotient of the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of Rentable Square Feet of the Sublease Premises on floors 3, 8, 9, 10 and 15 of the Building divided by the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of the Office Premises (set forth on Exhibit "I-1" to the Overlease) and rounded to the fifth (5th) significant digit.

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"Additional Rent" shall have the meaning given such term in Section

3.02.

"Affiliate", when used with respect to any Person, shall mean a Person

that, directly or indirectly, controls, is controlled by or is under common control with such Person. When used with respect to Tenant, the term shall also mean any partnership, association, limited liability company or partnership or other business entity which succeeds to and continues the operation of Tenant's business following any reorganization or reformation of Tenant's present legal structure as a result of the death or withdrawal of Tenant's existing partners, the admission of new partners, the change of the Tenant's legal domicile, the merger or consolidation of Tenant with another business entity, or any other similar event. For purposes of the foregoing definition, "control" (including "control by" and "under common control with"), when used with respect to a Person that is a corporation, shall be deemed to exist by reason of ownership of not less than fifty-one percent (51%) in voting points of all classes of authorized and outstanding voting stock of a corporation, and when used with respect to a Person that is a partnership, tenancy-in-common or other business entity, not less than fifty-one percent (51%) of all of the legal and equitable interests in a partnership, tenancy-in-common or other business entity (determined without regard to cash flow preferences and similar items).

"Alterations" shall have the meaning given such term in Section 14.01.

"Applicable Engineer of Record", as used herein, shall mean Flack &

Kurtz Consulting Engineers with respect to mechanical, electrical, fire and life safety and plumbing issues, and Lev Zetlin Associates, Inc. with respect to

structural engineering issues, and any other company or companies mutually agreed upon by Landlord and Overlandlord, provided that if the issue in question appears not to affect any of the foregoing issues or systems, then Flack & Kurtz Consulting Engineers or the successor thereto mutually agreed-upon by Landlord and Overlandlord (it being acknowledged by Landlord that Tenant shall not be obligated to use the Applicable Engineer of Record for the actual performance of architectural or contractor services in connection with Tenant's Work or any Alterations hereunder).

"Assignment Profit" shall have the meaning given such term in

Subsection 10.11(a)(i).

"Base Operating Amount" shall have the meaning given such term in

Subsection 4.01(b) during the initial Term of this Sublease; and shall mean zero (\$0.00) during any Renewal Term.

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"Building Systems" shall mean the following systems servicing the

Building: life safety (including Class E and emergency generator); base Building HVAC; base Building electric; base Building plumbing and standpipes; base Building management systems; and service and passenger elevators.

"Business Days" shall have the meaning given such term in Section

17.01.

"Business Hours" shall have the meaning given such term in Section

17.01.

"Cafeteria" shall have the meaning given such term in Section 17.13.

"Casualty" shall have the meaning given such term in Section 23.01.

"Charges" shall have the meaning given such term in Section 3.07 of

the Overlease.

"Communications" shall have the meaning given such term in Section

28.01.

"Condemnation" shall have the meaning given such term in Section

23.01.

"Consumer Price Index" shall mean the Consumer Price Index for All

Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor, New York, N.Y. - Northeastern N.J. Area. All Items (1982-84 = 100), or any successor index thereto, appropriately adjusted. If the Consumer Price Index is converted to a different standard reference base or otherwise revised, then whenever the determination of a Consumer Price Index figure is called for herein, the Consumer Price Index shall be converted in accordance with the conversion factors published by the United States Department of Labor, Bureau of Labor Statistics, or, if said Bureau shall not publish the same, as the same may be published by Prentice-Hall, Inc. or any other nationally recognized publisher of similar statistical information mutually satisfactory to Landlord and Tenant. If the Consumer Price Index ceases to be published, and there is no successor thereto, such other index as the Landlord and the Tenant shall agree upon in writing shall be substituted for the Consumer Price Index.

"CPI Adjustment" shall mean an adjustment of a numerical quantity

which shall be made by first multiplying the number to be adjusted by the Consumer Price Index in effect as of the date the adjustment is to be made and then dividing the resulting product by the Consumer Price Index in effect as of the date of this Sublease

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or as of such other date as may otherwise be specified herein as the base date to be used for the purpose of making such adjustment.

"Contractor" shall have the meaning given such term in Section 11.03.

"Deficiency" shall have the meaning given such term in Subsection (e)

of Section 20.04.

"Electricity Billing Period" shall have the meaning given such term in

Subsection 5.01(c).

"Electricity Rent Inclusion Factor" and "ERIF" shall, if they become

operative, have the meanings given to these terms on Exhibit C hereto.

"Event Beyond Landlord's Control" shall mean strikes, labor troubles,

acts of God, enemy action, civil commotion, unavailability of materials and
supplies, or any similar cause whatsoever (not including Landlord's insolvency
or financial condition) reasonably beyond Landlord's control despite use of
Landlord's Reasonable Efforts, including but not limited to any governmental
preemption in connection with an emergency, any Legal or Insurance Requirement,
or any inability of Landlord, despite use of Landlord's Reasonable Efforts, to
take any action which Landlord is required to take under this Sublease due to
any requirement of the Overlease or other Superior Instrument or any actions by
any Superior Party.

"Event of Default" shall have the meaning given such term in Section

20.01.

"Exclusive Services" shall have the meaning given such term in Section

16.01.

"Extra Personnel" shall have the meaning given such term in Subsection

2.05(e).

"Governmental Authority" shall mean the United States of America, the

State of New York, New York City and any agency, department, commission, board,
bureau, instrumentality or political subdivision of any of the foregoing, now
existing or hereafter created, having jurisdiction over the Premises or any
portion thereof, other than Battery Park City Authority or its successor or
assign acting in its capacity as landlord under the Ground Lease.

"Ground Lease" shall mean, at the time in question, the Agreement of

Severance Lease demising the Land and the Building made as of June 15, 1983 by
Battery Park City Authority as landlord to Olympia & York Battery Park Company
as tenant, a Memorandum of which lease was recorded in the Office of the
Register of New York City

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(New York County) on June 20, 1983 on Reel 696 at Page 495, and which was
assigned by Olympia & York Battery Park Company to Overlandlord by an Assignment
and Assumption of Severance Lease dated as of October 7, 1983 and recorded in
said Register's Office on October 7, 1983 on Reel 724 at Page 1258, (a) as the
same hereafter may be extended, renewed, modified or amended from time to time,
or (b) as the same may hereafter be superseded or replaced by any lease entered
into pursuant to Subsection 10.09(d) or Section 10.15 of the Severance Lease
described above in this definition; and any reference in this Sublease to an
Article or Section of the Ground Lease shall mean the particular Article or
Section of such Severance Lease or any lease entered into pursuant to said
Subsection 10.09(d) or Section 10.15 of such Severance Lease, as the case may
be.

"Ground Lessor" shall mean the lessor at the time in question under

the Ground Lease.

"HVAC" shall have the meaning given this term in Subsection 17.01(a).

"Impositions" shall mean all of the following items (which are imposed

by any entity other than Battery Park City Authority or any corporate successor
to or subsidiary of Battery Park City Authority and which are not applicable
solely to Battery Park City or properties which are exempt from the payment of
Tax, or lessees of the foregoing): (a) real property assessments (not including
Taxes or Charges except as otherwise provided in Section 4.03 of the Overlease),
(b) personal property taxes, (c) occupancy and rent taxes, (d) water, water
meter and sewer rents, rates and charges, (e) excises, (f) levies, (g) license
and permit fees, (h) service charges with respect to police protection, fire
protection, street and highway maintenance, construction and lighting,
sanitation and water supply, if any, (i) fines, penalties and other similar or
like governmental charges applicable to the foregoing and any interest or costs

with respect thereto, except to the extent incurred by reason of Landlord's wrongful act or omission or Landlord's failure fully and promptly to comply with its obligations under the Overlease, (j) any and all other governmental levies, fees, rents, assessments, taxes and charges required to be paid by Landlord as tenant under Article 4 of the Overlease, and (k) any interest or costs with respect thereto (except to the extent such interest or costs are incurred by reason of Landlord's wrongful act or omission or Landlord's failure fully and promptly to comply with its obligations under the Overlease), to the extent that

such items listed in clauses (a) through (j) of this definition are during the Term, or would be if the Premises or any part thereof or the owner thereof were not exempt therefrom, (i) assessed, levied, confirmed, imposed upon, payable out of or in respect of, or charged with respect to, the Premises or the use and occupancy thereof, and are or would also be (ii) encumbrances or liens (except to the extent created or resulting from any indebtedness of Landlord or Overlandlord, including any

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indebtedness for mortgage tax) on (v) the Premises, (w) any vault, passageway or space in or under the sidewalks or streets in front of or adjoining the Premises which is not a Civic Facility (as defined in the Overlease) or an easement created under the Port Authority Easement Agreement (as defined in the Overlease), (x) any other appurtenances of the Premises, (y) any personal property, equipment or other facility used in the operation thereof, or (z) the rental (or any portion thereof) payable by Landlord under the Overlease. Impositions shall not include, however, any New York City Rent or Occupancy Taxes imposed on or payable by Landlord or Overlandlord.

"Insurance Requirements" shall have the meaning given such term in

Section 12.02.

"Land" shall mean the parcel of land known and more particularly

described as Parcel B on Exhibit "A-1" to the Overlease.

"Landlord" shall mean, on the date hereof, Merrill Lynch/WFC/L, Inc.,

and thereafter shall mean only the holder of the Landlord's interests as tenant under the Overlease and as Landlord under this Sublease at the time in question.

"Landlord's Average Cost Per Kilowatt Hour" shall mean an amount

equal to the total dollar amount billed by the public utility servicing the Building for the relevant Electricity Billing Period (including any taxes, fuel rate adjustments, demand charges and surcharges), divided by the total kilowatt hours of electricity used at the Building for such billing period determined by reference to the utility company meter or meters measuring the same, carried to six (6) decimal places, plus a "line loss" factor of two and one-half (2.5) percent (so long as such "line loss" factor shall be charged to and payable by all other submetered subtenants of Landlord in the Building).

"Landlord's Reasonable Efforts" shall mean that (i) Landlord shall

make reasonable good faith efforts to timely enforce its rights under the Overlease or other agreement in question that are applicable to the matter in question (without, however, incurring thereby any liabilities or out-of-pocket third-party expenses not otherwise provided for in this Sublease unless Tenant agrees to reimburse Landlord as Additional Rent for such costs and expenses, including reasonable attorneys' fees and disbursements, in which case Landlord shall incur such liabilities or expenses on Tenant's behalf upon Tenant's written request), and (ii) in connection with an action to be taken that is not the enforcement of rights under the Overlease or another agreement, shall mean that Landlord shall make reasonable good faith efforts to accomplish the action in question (without, however, incurring thereby any liabilities or out-of-pocket third-party expenses not otherwise provided for in this Sublease unless Tenant agrees to reimburse Landlord as Additional Rent for such costs and expenses, including

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reasonable attorneys' fees and disbursements, in which case Landlord shall incur such liabilities or expenses on Tenant's behalf upon Tenant's written request).

"Late Charge" shall have the meaning given such term in Section 3.04.

"Late Charge Rate" shall have the meaning given such term in Section

3.04.

"Legal Requirements" shall have the meaning given such term in

Subsection 11.01(b).

"Management Fees", with respect to each Sublease Year, shall mean

Tenant's Proportionate Share of the actual costs paid by Landlord to any third-party manager of the Office Premises that is not an Affiliate of Landlord (it being agreed that the management by Overlandlord of certain portions of the common areas of the Building does not constitute third-party management of the Office Premises), provided, however, if no such non-Affiliated third-party

manager of the Office Premises shall be employed by Landlord, then Management Fees shall be three percent (3%) of the other Operating Expenses for such Sublease Year (so long as such three percent (3%) fee shall be charged to and payable by all other subtenants of Landlord in the Building that pay a management fee based on a percentage of other Operating Expenses).

"Nonmetered Space" shall have the meaning given such term in Section

5.02.

"Nondisturbance Agreements" shall mean (a) the Non-Disturbance,

Recognition and Attornment Agreement dated as of September 29, 1988 between Battery Park City Authority and Merrill/Lynch/WFC/L, Inc. recorded on October 4, 1988, on Reel 1473 at Page 2226 in the Office of the Register of the City of New York (New York County); and (b) the Nondisturbance, Recognition and Attornment Agreement dated as of September 29, 1988 between Bankers Trust and Merrill Lynch/WFC/L, Inc. recorded on October 4, 1988 on Reel 1473 at Page 2205 in the Office of the Register of the City of New York (New York County).

"Notice Date" shall have the meaning given such term in Subsection

23.03(b).

"Occupancy Date" shall have the meaning given such term in Section

17.13.

"Office Premises" shall mean floors numbered three (3) through forty-

four (44) in the Building.

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"Operating Expenses" shall have the meaning given such term in

Subsection 4.01(b).

"Operating Estimate" shall have the meaning given such term in Section

4.04.

"Operating Statement" shall have the meaning given such term in

Subsection 4.05(a).

"Overlandlord" shall mean, on the date hereof, Olympia & York Tower B

Company, and thereafter shall mean only the holder of the landlord's interest under the Overlease at the time in question.

"Overlease" shall mean the Agreement of Lease between Olympia & York

Tower B Company, as lessor, and Landlord, as lessee, dated as of September 29, 1988.

"Overtime Period" shall have the meaning given such term in Subsection

17.01(a).

"Payment Date" shall have the meaning given such term in Subsection

3.01(b).

"Person" shall mean and include an individual, corporation,

partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department, authority or agency thereof.

"PILOT" shall have the meaning given such term in the Overlease.

"PILOT Charges" shall have the meaning given such term in Subsection

4.01(d).

"PILOT Payment Date" shall have the meaning given such term in

Subsection 4.06(a).

"PILOT Statement" shall have the meaning given such term in Subsection

4.06(a).

"Possession Date" shall have the meaning given such term with respect

to various portions of the Subleased Premises and the Expansion Option Space on floor 7 of the Building in Subsections 2.03(a), 2.03(c) and 7.01(a).

"Premises" shall mean the Land and the Building.

"Prime Rate" shall mean the average, at the time in question, of the

rates announced as their respective prime rates by Citibank, N.A. and Chemical Bank or their respective successors, and if such prime rates shall cease to be so announced, then the term

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"Prime Rate" shall mean the prime rate for large commercial banks reported in the WALL STREET JOURNAL. Any interest payable with reference to the Prime Rate shall be adjusted on a daily basis, based upon the Prime Rate in effect at the time in question, and shall be calculated with respect to the actual number of days elapsed on the basis of a 365-day year.

"Project" shall mean the "World Financial Center" project of which the

Building is a part, which comprises, inter alia, Buildings A, B, C and D (respectively, the Dow Jones/Oppenheimer Building, the Building, the American Express Building, and Merrill Lynch World Headquarters (North Tower)), as well as the Wintergarden, the pedestrian bridges and the cove.

"Project Operating Agreement" shall mean the Project Operating

Agreement dated as of June 15, 1983, among Battery Park City Authority, Olympia & York Battery Park Company, American Express Company, Shearson/American Express, Inc., American Express International Banking Corporation, and American Express Travel Related Services Company, Inc., recorded in the Office of the Register of New York City (New York County) on June 20, 1983, in Reel 696, at Page 597, as the same may hereafter be amended.

"Project Operating Charges" shall mean any amounts payable or costs

incurred by Landlord in the performance of its obligations under the Overlease with respect to the Project Operating Agreement (excluding amounts directly attributable to defaults by Landlord in compliance with the terms of the Project Operating Agreement which are not directly attributable to defaults by Tenant under this Sublease).

"Rent" shall have the meaning given such term in Section 3.03.

"Rentable Square Feet of the Retail Premises" shall have the meaning

given such term in the Overlease and the Amended and Restated Retail and Storage Lease between Overlandlord, as lessor, and affiliate of Overlandlord, as lessee.

"Repairs" shall have the meaning given such term in Section 16.01.

"Retail Premises" shall mean certain portions of the Building as shown

on the drawings referred to on Exhibit H-1-X to the Overlease.

"Rules and Regulations" shall have the meaning given such term in

Section 13.01.

"Subject to CPI Adjustment", with reference to a specified amount,

means the specified amount, multiplied by a fraction, the

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numerator of which shall be the Consumer Price Index for the calendar month preceding the date on which such amount is to be adjusted under the provision in question, and the denominator of which is the Consumer Price Index for December

1, 1993.

"Sublease Year" shall mean each calendar year that shall include any

part of the Term.

"Substantial Completion" shall mean, with respect to the completion of

Landlord's or Tenant's Work, completion of substantially all of such work in
substantial accordance with approved plans or specifications for such work
except for minor or insubstantial items or elements of such work the
incompletion of which does not preclude the issuance of a temporary certificate
of occupancy for or the practical use and occupancy of the space in which such
work was performed.

"Subsubleasing Profit" shall have the meaning given such term in

Subsection 10.11(a)(ii).

"Subsublease" shall have the meaning given such term in Section 10.12.

"Subtenant" shall have the meaning given such term in Section 10.03.

"Superior Instrument" shall have the meaning given such term in

Subsection 8.01(a).

"Superior Interest" shall have the meaning given such term in

Subsection 8.01(a).

"Superior Mortgage" shall have the meaning given such term in

Subsection 8.01(a).

"Superior Mortgagee" shall have the meaning given such term in

Subsection 8.01(a).

"Superior Party" shall have the meaning given such term in Subsection

8.01(a).

"Tax Year" shall mean the 12-month period commencing on July 1 and

ending on the next following June 30, or any portion thereof, and each
succeeding 12-month period, or any portion thereof, prior to the end of the
Term.

"Taxes" shall have the meaning given such term in the Overlease.

"Tenant" shall mean the Person named as Tenant on the cover page and

in the introductory paragraph hereof, and any

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successor and assign thereof (provided that nothing in this definition shall be
construed as permitting any assignment or subletting otherwise prohibited by the
terms of this Sublease).

"Tenant's Contractors" shall have the meaning given such term in

Subsection 2.05(a).

"Tenant's Electricity Bill" shall have the meaning given such term in

Section 5.01.

"Tenant's Electricity Payment" shall have the meaning given such term

in Subsection 5.01(c).

"Tenant's Operating Payment" shall have the meaning given such term in

Section 4.03.

"Tenant's PILOT Payment" shall have the meaning given such term in

Subsection 4.06(a).

"Tenant's Plans" shall have the meaning given such term in Subsection

2.04(a).

"Tenant's Property" shall have the meaning given such term in Section

15.02.

"Tenant's Submeters" shall mean the electricity submeters to be

installed by Landlord pursuant to Subsection 5.02(a) and any additional
electricity submeters which Tenant may be required to install in accordance with
Subsection 5.02(b) hereof.

"Tenant's Users" shall have the meaning given such term in Section

17.13.

"Tenant's Work" shall have the meaning given such term in Subsection

2.04(a).

"Unavoidable Delays" shall mean delays incurred by Tenant due to (i)

strikes, labor troubles, acts of God, enemy action, civil commotion, or the
inability to obtain materials and supplies, (ii) the wrongful failure of
Landlord (as determined by arbitration pursuant to this Sublease) to grant any
consent or approval to Tenant, (iii) fire or other casualty, (iv) other causes
beyond the reasonable control of Tenant (not including Tenant's insolvency or
financial condition), including, but not limited to, any governmental preemption
in connection with an emergency, any Legal Requirement, Insurance Requirement,
or Landlord's inability to act due to any requirement of the Overlease or other
Superior Instrument, and (v) the breach or default of Landlord in the
performance of its obligations under this Sublease, which, in each instance,
unreasonably interferes with Tenant's proceeding to perform an obligation of
Tenant hereunder.

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SECTION 1.03 General Terms. (a) The terms "hereof," "herein" and

"hereunder," and words of similar import, shall be construed to refer to this
Sublease as a whole (including the annexed Exhibits), and not to any particular
Article, Section, Exhibit or provision, unless expressly so stated.

(b) All words or terms used in this Sublease, regardless of the
number or gender in which they are used, shall be deemed to include any other
number and any other gender, as the context may require.

(c) The terms "including," "include" and words of similar import
shall be deemed to be followed by the words "without limitation."

ARTICLE II
PREMISES; TERM OF SUBLEASE

SECTION 2.01 Premises Demised. Landlord hereby demises and subleases

to Tenant, and Tenant hereby hires and subleases from Landlord, the Sublease
Premises, together with rights and easements to use, in common with Landlord and
various other subtenants of Landlord, the Messenger Reception Station for the
receipt of packages and other deliveries, Landlord's security turnstiles or
other devices installed by Landlord for control access to the elevators in the
main and mini-core lobbies, Landlord's mail-conveyor and dumbwaiter apparatus
for the receipt, processing and distribution of mail and files, and various
portions of the common areas and facilities of the Premises for ingress, egress
and other purposes, all as may be reasonable and necessary for the proper use
and enjoyment of the Sublease Premises, upon and subject to all of the terms,
covenants, rentals and conditions provided for herein (and/or in separate
agreements between Landlord and Tenant which may be entered into from time to
time with regard to the use of special facilities and apparatus such as
Landlord's security turnstiles, mail-conveyor and/or dumbwaiter).

SECTION 2.02 Term. This Sublease shall have a Term commencing as to

the Sublease Premises and the first Expansion Option Space (if Tenant exercises
its option to sublease such space pursuant to Section 7.01) on the respective
Possession Dates specified in Subsections 2.03(a), 2.03(c) and 7.01(a) and
expiring at 11:59 p.m. on the Expiration Date.

SECTION 2.03 Delivery of the Sublease Premises. (a) Subject to

Subsection 2.03(b) and Section 2.06, Landlord shall deliver the portions of the
Sublease Premises on floors C1, C2, 2, 3, 10 and 15 of the Building to Tenant
broom clean and free of violations of any Legal or Insurance Requirements but in
their current "as-is" condition on the date (the "Possession Date" for said

its consent to this Sublease (in substantially the form attached as Exhibit B -----
hereto) and to Tenant's Signage for the West Street entrance to the Building. Landlord shall use Landlord's Reasonable Efforts (and shall pay the costs of the reasonable efforts of Landlord's legal counsel) to obtain Overlandlord's consent to this Sublease. If Overlandlord shall fail to execute and deliver such consent within sixty (60) days after the execution and delivery of this Sublease, then either Landlord (provided it shall have used Landlord's Reasonable Efforts to obtain Overlandlord's consent to this Sublease) or Tenant shall have a right, by written notice to the other, to terminate this Sublease and all of Landlord's and Tenant's respective rights and obligations hereunder (except under Section 18.01), upon the giving of fifteen (15) days' written notice and the failure of such consent to be executed and delivered by Overlandlord prior to the expiration of such 15-day period. If either party shall terminate this Sublease in the manner provided above in this Subsection 2.03(a), then this Sublease and all of the rights and obligations of the parties hereunder shall terminate and neither party shall have any liability to the other (except pursuant to Section 18.01).

(b) The failure of Overlandlord to execute and deliver Overlandlord's consent to this Sublease because of any acts or omissions of Landlord (other than a failure by Landlord to use Landlord's Reasonable Efforts to obtain Overlandlord's consent to this Sublease in the manner required under Subsection 2.03(a)), Overlandlord or their respective agents, or for any other reason whatsoever (including the occurrence of any of the events described in Section 25.01 hereof), shall not subject Landlord to any liability; and, unless this Sublease is terminated by Landlord or Tenant as specifically provided in Subsection 2.03(a), the validity of this Sublease shall not be impaired under such circumstances. Except as provided in Subsection 2.03(d), Landlord shall not be liable to Tenant for any loss, claim, damage, cost or expense Tenant may incur or suffer by reason of Landlord's inability to deliver possession (including any additional rent or holdover charges incurred by reason of Tenant's space needs).

(c) Provided that the Possession Date shall have occurred with respect to the portions of the Sublease Premises on floors C1, C2, 2, 3, 10 and 15 of the Building and subject to Section 2.06, Landlord shall deliver the balance (floors 8 and 9) of the Sublease Premises to Tenant broom clean and free of violations of Legal and Insurance Requirements but in their current "as is" condition on or before [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (the "Possession Date" for said portions of the Sublease Premises). "Free of -----
violations" of Legal and Insurance Requirements shall require among other things - -----
that, at the time possession of each portion of the Sublease Premises is delivered by Landlord to Tenant, there shall not exist any uncured notices of any violations of any Legal or Insurance Requirements and that a valid temporary certificate of

occupancy for such portion of the Sublease Premises shall be in effect. "As is" -----
condition shall mean the condition of the Sublease Premises (including the equipment therein which shall be left in place by Landlord) on the date of this Sublease, subject to ordinary wear and tear between the date hereof and the date of delivery to Tenant of actual possession of each portion of the Sublease Premises (but not casualty damage or deterioration resulting from failure by Landlord to perform maintenance and repairs which Landlord is required to perform pursuant to Subsection 16.01(a) and Section 16.02); but such condition shall not mean that any furniture or below-ceiling-height movable partitions currently located in any portion of the Sublease Premises shall be subleased or otherwise made available by Landlord to Tenant pursuant to this Sublease. Tenant shall demolish and remove partitions and other tenant improvements currently existing in the Sublease Premises according to Tenant's demolition Plans in consideration of the amount included in Tenant's Allowance (as specified in the footnote to the definition of Tenant's Allowance in Section 1.01) for demolition work throughout the Sublease Premises.

(d) The Base Rent Commencement Date for the entire Sublease Premises and/or the commencement and expiration of the Base Operating and Tax Years shall be subject to postponement in certain circumstances as follows:

(i) If the Possession Date for floors C1, C2, 2, 3, 10 and 15 of the Sublease Premises does not occur within ninety (90) days after the date of this Sublease, or if Landlord fails to deliver to Tenant actual possession of floors C1, C2, 2, 3, 10 and 15 of the Sublease Premises in the manner required by Section 2.03(a) one (1) Business Day after the Possession Date specified in Subsection 2.03(a), or if Landlord fails to deliver to Tenant actual possession of floors 8 and 9 of the Sublease Premises by the Possession Date and in the manner specified in Subsection 2.03(c), then the

Base Rent Commencement Date for the entire Sublease Premises shall be postponed by the least whole number of days equal to or greater than the sum of the product(s) of (A) the number(s) of days occurring not more than ninety (90) days after the Possession Date specified in Subsection 2.03(a) for floors C1, C2, 2, 3, 10 and 15 of the Sublease Premises, or on or before [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] for floors 8 and 9 of the Sublease Premises, that delivery of possession of each such portion of the Sublease Premises is delayed multiplied by (B) the number(s) of Rentable Square Feet of floors 2, 3, 8, 9, 10 and/or 15 of the Sublease Premises or (C) one-half (1/2) of the number(s) of Rentable Square Feet of floors C1 and/or C2 of the Sublease Premises, respectively, as to which delivery of

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possession of any parts of such floors is delayed, and then divided by (D) the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of the entire Sublease Premises.

(ii) If Landlord fails to deliver actual possession of floors C1, C2, 2, 3, 10 and 15 of the Sublease Premises to Tenant in the manner specified in Subsection 2.03(a) within ninety (90) days after the Possession Date for such floors specified in Subsection 2.03(a) or any one or more of floors 8 and 9 of the Sublease Premises to Tenant in the manner specified in Subsection 2.03(c) by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], the Base Rent Commencement Date for the entire Sublease Premises shall be further postponed for the whole number of days that delivery of possession of any one or more of floors 8 and 9 shall be delayed beyond July 1, 1994.

(iii) If the Base Rent Commencement Date for the entire Sublease Premises shall be postponed to a date later than January 1, 1996, the commencement and expiration of the Base Operating and Tax Years shall both be deferred by one (1) full year to January 1, 1995 and December 31, 1995, respectively.

(iv) If any casualties or other events shall occur prior to the Base Rent Commencement Date for the Sublease Premises as a result of which Tenant would have been entitled to an abatement of Rents pursuant to Article XXII or XXIII if the Base Rent Commencement Date for the Sublease Premises had already occurred, then the Base Rent Commencement Date for the entire Sublease Premises shall be further postponed by the least whole number of days equal to or greater than the sum of the product(s) of the number(s) of days that Tenant would otherwise have been entitled to an abatement of Rents with respect to each floor of the Sublease Premises multiplied (A) by the number(s) of Rentable Square Feet of the floors 2, 3, 8, 9, 10 and/or 15 of the Sublease Premises or (B) one-half (1/2) of the number(s) of Rentable Square Feet of floors C1 and/or C2 of the Sublease Premises, respectively, as to which Tenant would otherwise have been entitled to such an abatement of Rents, and (C) divided by the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of the entire Sublease Premises.

(v) If Landlord fails to cause any of Landlord's work described in Subsection 2.06(a) that is performed by Landlord (and not by Tenant at Landlord's expense) to be substantially completed no later than the date of Substantial Completion of Tenant's Work on each floor of

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the Sublease Premises on which such Landlord's work is to be done or if the performance of such Landlord's work delays the Substantial Completion of such Tenant's Work, then the Base Rent Commencement Date for the entire Sublease Premises shall be postponed even further by the least whole number of days equal to or greater than the sum of the product(s) of the number(s) of days that (X) Substantial Completion of such work to be done by Landlord on each floor of the Sublease Premises is delayed beyond the date of Substantial Completion of Tenant's Work on each floor of the Sublease Premises on which such Landlord's work is to be done and (Y) Substantial Completion of such Tenant's Work is delayed by performance of such Landlord's work, multiplied by (A) the number(s) of Rentable Square Feet of floors 2, 3, 8, 9, 10 and/or 15 of the Sublease Premises or (C) one-half (1/2) of the number(s) of Rentable Square Feet of floors C1 and/or C2 of the Sublease Premises, respectively, as to which Substantial Completion of such Landlord's work is delayed, and divided by (C) the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of the entire Sublease Premises.

The provisions of this Subsection 2.03(d) are intended to constitute "an express provision to the contrary" within the meaning of Section 223-a of the Real Property Law of the State of New York.

SECTION 2.04 Tenant's Plans. (a) Tenant shall, at Tenant's sole

cost and expense, cause a licensed architect and/or licensed engineer to prepare detailed plans and specifications, including layout, architectural, mechanical,

electrical and structural drawings, for all facilities, materials and work that Tenant requires to render the Sublease Premises suitable for Tenant's initial occupancy. (The plans and specifications caused to be prepared by Tenant pursuant to this Subsection 2.04(a), and any changes therein, are herein called "Tenant's Plans", and the facilities, materials and work shown or described in

Tenant's Plans together with Tenant's Signage are herein called "Tenant's

Work".) The plans and specifications for the mechanical, electrical and structural engineering aspects of Tenant's Work shall be subject to prior review and approval by Landlord, Overlandlord (to the extent required pursuant to Article 13 of the Overlease) and Ground Lessor (to the extent required pursuant to Article 11 of the Ground Lease). In applying for such approvals, Tenant shall submit to Landlord for signature one set of sepia transparencies and four sets of prints of each portion of Tenant's Plans and any changes therein, including any plans, specifications or applications for work to be done that are to be filed with the Department of Buildings of the City of New York and any other Governmental Authorities having jurisdiction thereover and any other plans and specifications reasonably requested by

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Landlord (but the same shall not be so filed without the above-described approvals and signature).

(b) Landlord shall not unreasonably withhold its approval of Tenant's Plans or Signage (or any changes therein subsequent to such approval), and any disapproval by Landlord shall specify in reasonable detail the grounds for such disapproval. Provided that Tenant's Plans and Signage comply with the provisions of this Sublease with respect to the submission of Tenant's Plans (including Exhibit D-2), Landlord agrees that its failure to notify Tenant of

Landlord's disapproval of such Tenant's Plans and Signage on or before the twentieth (20th) Business Day after the same have been so submitted shall constitute Landlord's deemed approval of such Tenant's Plans and Signage except to the extent that the same do not comply with Legal Requirements (but such deemed approval shall not be deemed approval by Overlandlord or Ground Lessor). Without limiting the grounds on which Landlord may reasonably withhold its approval of Tenant's Plans and Signage but subject to Subsection 2.04(c), it shall be deemed reasonable for Landlord to withhold such approval if Tenant's Plans or Signage or any changes therein are disapproved by Overlandlord (to the extent its approval is required pursuant to Article 13 of the Overlease) and Ground Lessor (to the extent its approval is required pursuant to Article 11 of the Ground Lease).

(c) No approval by Landlord of Tenant's Plans shall in any way be deemed to be an agreement by Landlord that the work contemplated thereby complies with applicable Legal Requirements or Insurance Requirements or that Tenant's Plans or Signage will be approved by the Department of Buildings of the City of New York or any other Governmental Authority having jurisdiction thereover or constitutes any approval required to be obtained from Overlandlord and Ground Lessor. Landlord may deliver to Tenant a statement or statements specifying any reasonable architectural, engineering and other out-of-pocket costs and expenses incurred by Landlord in reviewing Tenant's Plans and Signage and supervising through an outside architect or engineer any portions of Tenant's Work which may affect Building structures or systems and any changes thereto; and Tenant shall reimburse Landlord for such costs and expenses within twenty (20) days after the receipt of any such statement together with such supporting documentation as Tenant may reasonably request.

(d) Landlord shall use Landlord's Reasonable Efforts to obtain approval of Tenant's Plans and Signage by Overlandlord (to the extent required pursuant to Article 13 of the Overlease) and Ground Lessor (to the extent required pursuant to Article 11 of the Ground Lease) if Landlord has no reasonable objections to Tenant's Plans and Signage. If Overlandlord and Ground Lessor approve Tenant's Plans and/or Signage, Tenant shall reimburse each of Overlandlord and Ground Lessor for any reasonable costs and expenses incurred in reviewing Tenant's Plans and Signage and any changes thereto (to the

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extent that Landlord is obligated to pay such costs and expenses under a Superior Instrument), within twenty (20) days after demand therefor from Landlord.

(e) If (i) Tenant's Plans comply with the provisions of this Sublease with respect to the manner of submission of Tenant's Plans (including Exhibit

D-2) and (ii) Landlord has no reasonable objections to Tenant's Plans based on

their conformity with the requirements of Subsubsections 14.01(a)(i) to (iv) below, Landlord will immediately submit Tenant's Plans to Overlandlord for approval. If Tenant shall make and resubmit any corrections or changes to Tenant's Plans for Tenant's Work on any of floors C1, C2, 2, 3, 8, 9, 10 and 15 of the Building which may reasonably be required by Overlandlord or Ground

Lessor promptly after receipt of any notice of disapproval from Overlandlord, then the Base Rent Commencement Date for the entire Sublease Premises will be postponed by the least whole number of days equal to or greater than the sum of the products of the numbers of days that Overlandlord's and Ground Lessor's approvals of Tenant's Plans for Tenant's Work on any of such floors of the Sublease Premises shall be delayed for more than twenty (20) Business Days after first submission by Landlord and any necessary resubmission by Tenant to Overlandlord as to any such floor multiplied by the numbers of Rentable Square Feet of the portions of the Sublease Premises as to which Overlandlord's and Ground Lessor's approvals of Tenant's Plans are delayed and divided by the 323,869 Rentable Square Feet of the entire Sublease Premises.

(f) Once Tenant has complied with Subsection 2.04(a) above as to any floor of the Sublease Premises, Tenant shall, at its sole cost and expense, file Tenant's Plans as to any floor of the Sublease Premises with the Department of Building of the City of New York and any other Governmental Authorities having jurisdiction thereover, and take whatever action shall be reasonably necessary to obtain and maintain all necessary approvals, permits and certificates from such Department and such other Governmental Authorities for Tenant's Work on such floor of the Sublease Premises. Landlord shall make Landlord's Reasonable Efforts to assist Tenant in making such filings to the extent necessary; and Landlord shall reimburse Tenant for any costs or expenses of obtaining necessary approvals, permits and certificates for Landlord's Work referred to in clause (ii) of Subsection 2.06(a).

SECTION 2.05 Tenant's Work and Allowance. (a) All of Tenant's Work

shall be performed by one or more reputable contractors selected by Tenant, qualified to perform the same, and all contractors and subcontractors shall use labor compatible with the labor used by Landlord and Overlandlord in the Building (collectively, "Tenant's Contractors"). The general contractor of

Tenant's Work and contractors working on building systems in connection with Tenant's Work shall be approved in writing in advance

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by Landlord which approval shall not be unreasonably withheld or delayed.

(b) All of Tenant's Work shall be performed in substantial accordance with Tenant's Plans that have been approved by or deemed approved by Landlord (and to the extent required, by Overlandlord and Ground Lessor), in a good and workmanlike manner with reasonable diligence, using materials and equipment of first quality, and in accordance with all Legal Requirements and Insurance Requirements.

(c) Except as provided in Subsection 2.05(i), Tenant's Contractors shall not commence Tenant's Work with respect to any portion of the Sublease Premises until the Possession Date for such portion of the Sublease Premises and delivery to Landlord of certificates showing that the insurance coverages required by Subsection 14.01(b) are in effect.

(d) Landlord shall contribute an amount equal to Tenant's Allowance toward the third-party out-of-pocket costs and expenses incurred by Tenant in connection with Tenant's Work (which for purposes of this Subsection 2.05(d) shall be limited to labor, materials, equipment, machinery, fixtures and apparatus which are incorporated into the Sublease Premises and constitute property of the Ground Lessor pursuant to Subsection 15.01(a) together with related architectural and engineering services required for the preparation of Tenant's Plans and supervision of such Tenant's Work) in the Sublease Premises. Landlord shall pay Tenant's Allowance to Tenant in three (3) equal bi-monthly installments. The first such installment of Tenant's Allowance shall be paid on the Possession Date for floors C1, C2, 2, 3, 10 and 15 of the Sublease Premises, and the second and third installments shall be paid on the first days of the third (3rd) and fifth (5th) succeeding months immediately thereafter, without the need for any supporting documentation to be delivered to Landlord as a condition to Landlord paying such installments. Any late payments by Landlord to Tenant shall bear interest from the due date thereof to the date of payment to Tenant at the Late Charge Rate.

(e) If Tenant's Contractors shall work overtime on Tenant's Work, Tenant shall pay the overtime cost of any Extra Personnel (as defined below) that may reasonably be required (such cost, and any other charges for Extra Personnel for which Tenant shall be required to pay under this Subsection 2.05(e), to be at the rates provided for in Exhibit H). Further, if because of

Tenant's Work, more Extra Personnel shall be required at the Building than are otherwise currently employed or contracted for by Landlord at the Building, Tenant shall pay the cost of such Extra Personnel. Landlord shall, promptly after becoming aware of the need for such Extra Personnel, notify Tenant or its designated project representative (which notice need not be in writing) of the

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anticipated numbers and type of Extra Personnel that will be required because of

such Tenant's Work, and Tenant shall have the right, subject to the terms of this Sublease, to reschedule or rearrange Tenant's Work to eliminate or minimize the need for Extra Personnel. Notwithstanding the foregoing, if such overtime or such additional Extra Personnel shall simultaneously be required by Landlord or any other tenant in connection with the performance of any other work by or on behalf of Landlord or any other tenant in the Building, then the cost of such Extra Personnel shall be appropriately apportioned between Landlord, Tenant and such other tenant. "Extra Personnel" shall mean operating engineers, elevator

operators and mechanics, loading dock guards, master mechanics, maintenance mechanics, teamster foremen, dock masters, electricians, security personnel and other support personnel in each case contracted for or employed by or on behalf of Landlord. Notwithstanding the foregoing, Landlord shall provide for and pay for Extra Personnel required in connection with the work described in Subsection 2.06(a).

(f) Tenant, at Tenant's expense, shall each day remove and dispose of all debris and rubbish caused by or resulting from Tenant's Work (as arranged in advance with Landlord). Upon substantial completion of Tenant's Work, Tenant shall remove all temporary structures, surplus materials, debris and rubbish of whatever kind remaining in the Sublease Premises, and Tenant shall promptly notify Landlord that Tenant's Work has been substantially completed.

(g) Tenant shall indemnify, defend and hold Landlord harmless, in the manner provided in Section 26.03, from and against any loss, liability, damages, costs and expenses (including reasonable counsel fees) arising out of or resulting from the performance of Tenant's Work or any access to or inspections of the Sublease Premises pursuant to this Section 2.05 by Tenant, Tenant's Contractors, and Tenant's architect(s), engineer(s), designer(s), consultant(s) and space planner(s); provided, however, such indemnification shall not be

applicable where Landlord's damages, costs or expenses are caused by the negligence or misconduct of Landlord or Landlord's officers, employees, agents, contractors, licensees and invitees.

(h) Tenant shall have the right to use, in connection with Tenant's actual move into the Sublease Premises, available service elevators and loading-dock facilities (provided such move-in shall be scheduled, on not fewer than two (2) Business Days' prior notice to Landlord) during non-Business Hours on Business Days, and on non-Business Days, at mutually convenient times and to minimize interference with other uses being made of such elevators and facilities. Tenant shall pay to Landlord in connection therewith such costs and expenses as Landlord shall incur in connection therewith for the cost of Extra Personnel required to operate such loading-dock facilities as described in Exhibit H, in the proportion that the time such personnel are required for

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Tenant's move into the

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Sublease Premises bears to the total time such personnel work during the period in question. Landlord shall submit a statement to Tenant with respect to such charges and costs incurred, and Tenant shall pay the amount of each such statement within twenty (20) days after receipt thereof. Notwithstanding anything herein that may be construed to the contrary (including Subsection 2.05(e)), Tenant (and not Landlord) shall be responsible for arranging for elevator personnel, as well as all other categories of construction trades, that may be required in connection with the performance of Tenant's Work or Tenant's initial move-in into the Building.

(i) Tenant and its respective architects, engineers, designers, consultants, space planners and contractors shall have access to each portion of the Sublease Premises prior to the Possession Date for each portion of the Sublease Premises, solely for the purpose of preparing Tenant's Plans, provided,

however, such access shall be on reasonable notice to Landlord and, at

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Landlord's option, only with representatives of Landlord, and the same shall not unreasonably interfere with Landlord's operation of the Building or any other work being performed in the Building or any other part of the Project. The access provided to Tenant under this Subsection 2.05(i) and the performance of Tenant's Work shall be deemed to be subject to and upon all of the provisions of this Sublease (including Article XIV and Exhibit D-2) applicable to Tenant's

Work. In the course of any such access, and during the performance of Tenant's Work, Tenant and its architects, engineers, designers, consultants, space planners and contractors (or their respective officers, employees and agents) shall at all times display badges identifying their relationship with Tenant.

(j) Tenant may not perform or permit to be performed any Tenant's Work (other than Tenant's Signage which has been approved by Landlord, Overlandlord and Ground Lessor outside the Sublease Premises) which would (i) involve a structural revision to the existing columns, foundations or footings of the Building, (ii) materially and adversely affect, in Landlord's judgment, the appearance of the Building (other than the interior of the Sublease

Premises), (iii) materially and adversely affect the strength or structural integrity of the Building, (iv) materially and adversely affect the functioning of the mechanical, electrical, plumbing or other systems of the Building or the Project, (v) alter Landlord's halon-gas fire-protection system currently existing in the portion of the Sublease Premises on floor 10 of the Building (which shall remain in place), or (vi) violate any Legal Requirement or Insurance Requirement with which Tenant is otherwise required by this Sublease to comply. Landlord, in its reasonable discretion, may withhold its approval to any Tenant's Plans that propose to do any of the foregoing.

SECTION 2.06. Landlord's Work. (a) In addition to contributing

Tenant's Allowance, Landlord will install electricity

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submeters to serve floors C1, C2, 3, 8, 9, 10 and 15 of the Sublease Premises as more particularly provided in Subsection 5.02(a). Otherwise, Landlord will not be required to perform any work to prepare the Sublease Premises or any Expansion Option Space for Tenant's use and Occupancy.

(b) Any Landlord's work described in Subsection 2.06(a) that is actually performed by Landlord (and not by Tenant at Landlord's expense) shall be done diligently in a good and workmanlike manner and so as not to interfere with or delay the performance of Tenant's Work; and Landlord shall cause any such work that it performs to be substantially completed no later than the date of Substantial Completion of Tenant's Work on each floor of the Sublease Premises on which such Landlord's work is to be done.

ARTICLE III
RENT

SECTION 3.01 Base Rent. (a) Tenant shall pay to Landlord Base Rent

for the Sublease Premises during the Term in equal monthly installments in advance, commencing on the Base Rent Commencement Date and thereafter on the first (1st) day of each month in respect of which Base Rent is due and payable (a "Payment Date"). If the day on which Base Rent is payable is a Saturday or

Sunday, or a holiday on which the banks in New York City are closed, Base Rent shall be due and payable on the next immediately succeeding day on which such banks are open.

(b) Base Rent shall be due and payable without notice or demand and without any abatement, set-off, deduction or counterclaim (except as provided in Article II, XXII and/or XXIII), by check drawn by Tenant to the order of Landlord, or such person as Landlord shall designate in writing, against an account at a member bank of the New York Clearing House Association (or any successor body of similar function) and delivered to the office of Landlord set forth above or at such other address in New York City as Landlord shall direct by notice to Tenant, or at Tenant's election upon notice to Landlord, in immediately available federal funds by wire transfer directly to a bank account designated by Landlord.

SECTION 3.02 Additional Rent. All amounts other than Base Rent

required under this Sublease to be paid by Tenant, including any fine, penalty or interest that may be imposed for nonpayment or late payment thereof, shall constitute "Additional Rent" and shall be paid when due in accordance with the

terms of this Sublease, without any abatement, set-off, deduction or counterclaim (except as provided in Article II, XXII and/or XXIII). Unless otherwise provided herein, Additional Rent shall be paid by Tenant within twenty (20) days after notice is delivered to Tenant that such Additional Rent is due, by the same payment means as are specified in Subsection 3.01(b) with respect to the payment of Base Rent. If

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Tenant shall fail to pay any Additional Rent when the same shall be due and payable in accordance with the terms hereof (after any applicable notice and cure period), Landlord shall have all rights, powers and remedies with respect thereto as are provided herein or by law in the case of nonpayment of any rent.

SECTION 3.03 Survival of Rent Obligation. Tenant's obligation to pay

Base Rent and Additional Rent (collectively, "Rent") as provided in this

Sublease shall survive the expiration or earlier termination of this Sublease.

SECTION 3.04 Late Charge. In the event that any payment of Rent

(which term, for purposes of this Section 3.04, shall exclude any charges imposed under this Section 3.04) is not paid (a) if a due date is specified therefor in this Sublease, on such due date, or (b) if no due date is specified

but a number of days is expressly provided within which the item of Rent in question shall be paid, within such number of days, or (c) if no due date or number of days for payment is set forth in this Sublease with respect to the item of Rent in question, within fifteen (15) days after the date upon which demand therefor is made, then a late charge (the "Late Charge") on the sums so

overdue at a rate per annum (the "Late Charge Rate") equal to three percent

(3.0%) per annum in excess of the Prime Rate, in each case for the period from the day following the date or period referred to in clause (a), (b) or (c) (whichever is applicable) to the date of actual payment, shall become due and payable to Landlord as liquidated damages for the administrative costs and expenses incurred by Landlord by reason of Tenant's failure to make prompt payment, and the Late Charge shall be payable by Tenant on demand by Landlord therefor. No failure by Landlord to insist upon the strict performance by Tenant of its obligations to pay any Late Charge shall constitute a waiver by Landlord of its right to enforce the provisions of this Section 3.04 in any instance thereafter occurring. The provisions of this Section 3.04 shall not be construed in any way to extend any grace periods or notice periods that may be provided for in Article XX.

SECTION 3.05 Payment of Lesser Amounts. (a) In the event Tenant

elects to prepay its Base Rent (which it may do for any period not exceeding the lesser of seven (7) months or the number of months remaining in any calendar year at the time of any such prepayment), Tenant may pay to Landlord the discounted value on the date the prepayment is made of the Base Rent Payments which are being prepaid calculated using a discount factor equal to the 90-day commercial paper rate published in the WALL STREET JOURNAL on the date that such prepayment is made.

(b) Except as provided in Subsection 3.05(a), no payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct amount of any Rent shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any

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check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy provided for in this Sublease or at law.

SECTION 3.06 Legal Rent Restrictions. If any portion of the Rent

payable under the terms and provisions of this Sublease shall be or become uncollectible, reduced or required to be refunded because of any rent control or similar act or law enacted by a Governmental Authority, Tenant shall enter into such agreements and take such other steps (without any additional expense or liability to Tenant) as Landlord may reasonably request and as may be legally permissible to permit Landlord to collect the maximum rents which from time to time during the continuance of such legal rent restriction may be legally permissible (and not in excess of the amounts reserved therefor under this Sublease). Upon the termination of such legal rent restriction, (a) the Rent in question shall become and thereafter be payable in accordance with the amounts reserved herein for the periods following such termination, and (b) Tenant shall pay to Landlord, to the maximum extent legally permissible, an amount equal to (i) the amount of the Rent in question which would have been paid pursuant to this Sublease but for such legal rent restriction less (ii) the amounts with respect to such Rent paid by Tenant during the period such legal rent restriction was in effect plus interest at the Prime Rate from the date the Rent in question would have been paid to the date on which such amount is paid.

ARTICLE IV
OPERATING EXPENSES; PILOT

SECTION 4.01 Definitions. (a) "Base Operating Amount" shall mean

the amount equal to the Operating Expenses for the Base Operating Year.

(b) "Operating Expenses" shall mean those costs and expenses (and

taxes thereon, if any) accrued or incurred by Landlord or on behalf of Landlord in accordance with generally accepted accounting principles and sound real estate management practices generally applicable to office buildings of the type and in the locality of the Building with respect to, the operation, cleaning, repair, safety (including fire safety), management, security and maintenance of the Premises (exclusive of the Retail Premises) and the entranceways, access and egress points, sidewalks, curbs, plazas and other Common and/or Shared Expense Areas (as defined in the Overlease) forming a part of and servicing the Premises (exclusive of the Retail Premises), the services provided to Landlord's subtenants of the Office Premises (which shall, for purposes of this Article IV, include Landlord, Landlord's Affiliates and other entities related to Landlord who may from time to time occupy or lease space in the Office Premises for their own purposes, whether or not such occupancy is pursuant to a lease, license or

occupancy agreement to the extent such services are not greater or more frequent than services provided to all Landlord's other subtenants), consisting of the following:

(i) Salaries, wages, bonuses and termination payments as required by any union contracts paid to, and the cost of any hospitalization, medical, surgical, union and general welfare benefits (including group life insurance), any pension, retirement or life insurance plans and other benefits or similar expenses relating to, the Building manager, his staff and other employees of Landlord or its Affiliates;

(ii) Social security, unemployment and other payroll taxes, and the cost of providing disability and workers' compensation coverage imposed by any Legal Requirement, union contract or otherwise with respect to said employees;

(iii) Costs of electricity (other than that furnished to or reserved for space in the Building intended for occupancy by Landlord or other subtenants of Landlord), gas, hot water for heating, steam, water, chilled water, air conditioning and other fuel and utilities furnished to all subtenants of Landlord in reasonably proportionate amounts without express cost to such subtenants of Landlord or to the Building (or any common area thereof);

(iv) Costs of casualty, rent, liability, fidelity and any other insurance required to be carried by Landlord under the Overlease and such other insurance (of a type customary for buildings similar to the Building) as Landlord carries or hereafter carries with respect to the Building, as equitably allocated to the Office Premises in accordance with Landlord's current practices;

(v) Costs of maintenance and painting;

(vi) Costs of or rents for building and cleaning supplies, tools, materials and equipment;

(vii) Costs of uniforms, work clothes and dry cleaning;

(viii) Costs and expenses attributable to window cleaning, concierge, security and fire safety personnel, services or systems;

(ix) Management Fees and any management fees paid to Overlandlord (or its successor) pursuant to Section 3.07 of the Overlease in connection with Overlandlord's (or its successor's) management of certain common areas of the Building;

(x) Charges of independent contractors rendering services or materials contemplated by this Sublease to the Building;

(xi) Costs of telephones and stationery;

(xii) Legal, accounting and other professional fees and disbursements (including those incurred in the calculation and collection of Operating Expenses, PILOT Charges and electricity payments owed by subtenants of Landlord pursuant to provisions comparable to Article V hereof and in the enforcement of the Ground Lease or Overlease on behalf of Landlord's subtenants generally of the Office Premises); provided, however, -----
such fees and disbursements shall not be included to the extent that they are incurred by Landlord in connection with its enforcement of a lease against a defaulting subtenant;

(xiii) Ground Rents and Impositions payable under the Overlease and the Ground Lease;

(xiv) Project Operating Charges, less any reimbursements received by Landlord or to which Landlord is entitled to receive a credit under the terms of the Project Operating Agreement (to the extent any such reimbursements or credits were for amounts included in Operating Expenses for any prior Sublease Year);

(xv) Costs of common-area decorations (exclusive of works of art);

(xvi) Costs of repairs, replacements, improvements, machinery, equipment and alterations necessary to maintain or operate the Building in accordance with the terms of this Sublease and as a first-class office building, except that where any such costs should be treated (in accordance -----

with generally accepted accounting principles) as capital expenditures, such costs shall be amortized (on a level-payment basis with interest at nine (9) percent per annum) over the useful lives of the items to which such costs relate as reasonably estimated by Landlord in accordance with generally accepted accounting principles, and the annual amortized amounts thereof shall be included (but only to the extent permitted by Subsubsection 4.01(c)(2)) in Operating Expenses for the Sublease Year in which such costs are incurred and in subsequent Sublease Years which include a portion of the useful lives of the relevant items;

(xvii) Costs and expenses of performing services contemplated by this Sublease allocated by Landlord to areas in the Building that are used for offices, storage areas, workshops or similar purposes in connection with the Office

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Premises, including any rent payable with respect thereto under the Overlease and the Ground Lease; and

(xviii) Any other costs and expenses properly allocated by Landlord to the operation, cleaning, repair, safety (including fire safety), management, security and maintenance of the Premises (exclusive of the Retail Premises), and the entranceways, access and egress points, sidewalks, curbs, plazas and other Common and/or Shared Expense Areas (as defined in the Overlease) forming a part of and servicing the Premises (exclusive of the Retail Premises), in accordance with generally accepted accounting principles and sound real estate management practices generally applicable to office buildings of the type and in the locality of the Building.

(c) Notwithstanding anything to the contrary contained in Subsection 4.01(b), "Operating Expenses" shall exclude or have deducted from them, as ----- applicable, all the following items:

(1) Salaries, wages and bonuses (and the benefits and other expenses described in clauses (i) and (ii) of Subsection 4.01(b)) for employees above the grade of building manager and for employees who perform billing and other functions covered by Management Fees or by Landlord's ten (10) percent fee added on to certain charges or expenses payable by Tenant as expressly provided in this Sublease;

(2) Capital expenditures (and rents and related expenses for leasing capital items) except those (A) that are undertaken by reason of any Legal -----

or Insurance Requirements (including any requirements for the replacement of chlorofluorocarbons in Building HVAC systems) that arise (or as to which the period for compliance is established) in the future applicable to the Building generally or any common areas or common facilities of the Premises shall be amortized (on a level-payment basis with interest at nine (9) percent per annum) over the useful lives of the equipment or improvements, as reasonably estimated in accordance with generally accepted accounting principles and sound real estate management practices generally applicable to office buildings of the type and in the locality of the Building, and such amortized costs shall be included in Operating Expenses for the Sublease Year in which the costs are incurred and in subsequent Sublease Years which include a portion of the useful lives of the equipment or improvements (but only to the extent that such included amounts do not exceed two (2) percent of other Operating Expenses for each such Sublease Year); or (B) that reduce the expenses that would otherwise be included in Operating Expenses, in which event (x) in the case of a purchase of such equipment or improvement, the purchase price thereof plus an interest factor equal to nine (9) percent per annum on the unrecovered portion of such

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purchase price shall be included in Operating Expenses for the Sublease Year in which the costs are incurred and subsequent Sublease Years (in an amount not greater than the savings in Operating Expenses effected by the equipment or improvement for the Sublease Year in question), and (y) in the case of a lease of such equipment or improvement, the rental and any other costs paid in connection with such lease shall be included in Operating Expenses for the Sublease Year in which they are incurred (in an amount not greater than the savings in Operating Expenses effected by the equipment or improvement for the Sublease Year in question);

(3) Amounts received or receivable (or that would be receivable but for increases in the amounts of insurance-policy deductibles after the Base Operating Year) by Landlord through proceeds of insurance, or condemnation proceedings, or warranties or warranties from manufacturers, suppliers or contractors, to the extent they are or would be compensation for sums otherwise included in Operating Expenses;

(4) Costs of complying with Landlord's obligations in delivering the Sublease Premises to Tenant pursuant to Section 2.04 or under any comparable provision in subleases or workletters between Landlord and Landlord's other subtenants of the Building;

(5) Costs incurred in installing, operating or maintaining special facilities or items (such as Landlord's Cafeteria, TV studio and roof antennas, and any observatory, helicopter pad, health club, broadcasting facility, sculpture, paintings, works of art, etc.), or in performing special work for or furnishing special services to any subtenant or occupant of the Office Premises, including any work or other allowance to any subtenant for its installation, whether at such subtenant's or occupant's or Landlord's expense, to the extent that such special work or services are in excess of any work or services that Landlord is obligated to perform for or furnish to Tenant at no extra cost to Tenant;

(6) Depreciation, except as provided above in Subsubsection 4.01(c)(2);

(7) Brokerage commissions, advertising expenses and legal or other fees and expenses incurred in leasing or attempting to lease any portion of the Premises or any sale of the Premises;

(8) Costs of electricity furnished to and payable by Tenant pursuant to Article V and chilled water furnished to and payable by Tenant pursuant to Article XVII, and costs of electricity or chilled water furnished to and payable expressly

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by Landlord or any other subtenant or other occupant of portions of the Office Premises intended for occupancy by Landlord or such other subtenant or occupant under its sublease or occupancy arrangements, plus any taxes thereon of the kind referred to in Section 5.04;

(9) Refinancing costs, and principal and interest payments (except as otherwise provided in this Subsection 4.01(c));

(10) Any ground rents not included in Ground Rents or any Impositions or other amounts included in PILOT Charges or allocable to the Retail Premises;

(11) The amounts of any items described in Subsection 4.01(b) above (A) directly allocable or otherwise related to Tenant's use of floors C1 and C2 of the Sublease Premises for purposes other than storage or Tenant's use of floor 2 for other than lobby purposes, and/or (B) to the extent that Landlord is entitled to be reimbursed by a subtenant or any other party, other than by payment of such subtenant's share under provisions comparable to this Article IV;

(12) Income, franchise, capital, payroll (other than as are described in Subsubsection 4.01(b)(ii)) and doing-business taxes payable by Landlord;

(13) Legal fees, brokerage commissions and other transaction costs and expenses incurred by Landlord in connection with any transfer of its interest herein;

(14) Fees paid to any Affiliate of Landlord to the extent the same are in excess of market rates (subject, however, to Subsection 4.01(b)(ix));

(15) Costs of any repairs, replacements or modifications to the Premises (A) to the extent Landlord is entitled to be reimbursed or compensated therefor by Overlandlord, net insurance proceeds or net condemnation awards, or (B) for which Landlord would have been compensated by insurance had Landlord carried all the coverages required to be carried by Landlord hereunder or under the Overlease; and

(16) Fines, penalties, interest, late charges and legal fees incurred by Landlord due to violations of Superior Instruments or Legal Requirements; rent and bad-debt losses suffered by Landlord and reserves therefor; costs incurred by Landlord as a result of negligence or wilful misconduct of Landlord or its agents, contractors, employees, managers or officers; Negligence Payments owed by Landlord under the Project Operating Agreement; Consumed Utilities (as defined in

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the Project Operating Agreement), except to the extent properly allocable to the Office Premises or the spaces described in Subsection 4.01(b)(xvii); any late charges or other costs or expenses imposed under the Project Operating Agreement by reason of Landlord's failure timely to comply with its obligations thereunder; charges incurred in removing equitable liens properly imposed on the Premises under Subsection 4.11(b) of the Project Operating Agreement by reason of Landlord's failure to pay the amounts

described in said Subsection 4.11(b), to the extent such charges exceed those that would otherwise have been payable absent such failure; and any Project Operating Charge (or portion thereof) to the extent that the same would not otherwise be included in Operating and Ground Lease Expenses if it were incurred directly by Landlord.

(d) "PILOT Charges" shall mean the aggregate of PILOT, Taxes and

Charges allocable to the Office Premises and any costs and expenses (including reasonable attorneys' fees) incurred in attempting to reduce PILOT, Taxes and Charges, as the same are reduced by the aggregate of (i) a portion of any offset allocable to the Office Premises entitled to be taken by Landlord against its obligations under the Overlease to pay Ground Rent or PILOT by reason of Landlord's payment of Taxes and Charges, to the extent such Taxes and Charges were otherwise included in PILOT Charges for the Sublease Year in question, and (ii) a portion of any refund of Taxes, Charges or PILOT allocable to the Office Premises that results from a reduction in the real property assessment of the Premises (after deducting the costs and expenses, including reasonable attorneys' fees, incurred in connection with the obtaining of such reduction not already included in PILOT Charges), to the extent such Taxes, Charges or PILOT were included in PILOT Charges for the Sublease Year in question. Tenant shall have no right to contest the real property assessment of all or any portion of the Premises unless the conditions for the exercise by Tenant of its option to partially cancel this Sublease specified in Section 7.02 shall have occurred and Tenant shall have obtained permission from other subtenants of Landlord in the Building subleasing, together with Tenant, at least fifty one (51) per cent of the Rentable Square Feet of the Building. For purposes of this Subsection 4.01(d), the portion of PILOT, Taxes, Charges, offsets and refunds that is allocable to the Office Premises shall be determined by multiplying the amount in question by a fraction, the numerator of which is the number of Rentable Square Feet of the Office Premises and the denominator of which is the sum of the number of Rentable Square Feet of the Retail Premises and Office Premises.

SECTION 4.02 Adjustments to Operating Expenses. (a) If during any

Sublease Year (i) more than 5% of the Office Premises shall be vacant or unoccupied, and/or (ii) the subtenant or occupant of any space in the Office Premises (other than Tenant) undertook to perform work or services therein in lieu of having Landlord (or

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Landlord's Affiliates) perform the same and the cost thereof would have been included in Operating Expenses, then, in any such event(s), the Operating Expenses for such period shall be increased by an amount equal to the additional Operating Expenses that would reasonably have been incurred if such space had been 95% occupied or if Landlord (or Landlord's Affiliates) had performed such work or services, as the case may be; it being the intent of the parties that Tenant's liability for Operating Expenses shall be determined by reference to the assumed operation and maintenance of the Premises at 95% occupancy with respect to both the Sublease Year used to determine the Base Operating Amount and each subsequent Sublease Year.

(b) If for any Sublease Year new items of Operating Expenses are incurred by Landlord which are not in substitution for other items previously included in Operating Expenses for the Base Operating Year, the amount of those items (discounted back to the Base Operating Year using the Consumer Price Index) which are not in substitution for other items previously included in Operating Expenses for the Base Operating Year shall be added to Operating Expenses for the Base Operating Year for the purpose of calculating Tenant's Operating Payment for the initial Sublease Year and each subsequent Sublease Year for which such new items of Operating Expenses are incurred by Landlord.

SECTION 4.03 Operating Payment. For each Sublease Year, or portion

thereof, commencing with the Base Rent Commencement Date, Tenant shall pay a sum ("Tenant's Operating Payment"), or a portion thereof prorated pursuant to

Section 4.07, equal to the sum of (a) Tenant's Proportionate Share of the amount, if any, by which Operating Expenses for such Sublease Year exceed the Base Operating Amount plus (b) one hundred (100) percent of the aggregate amounts excluded from Operating Expenses pursuant to Subsection 4.01(c) (11) (A) because they are directly related to Tenant's use of floors C1 and C2 of the Sublease Premises for purposes other than storage or floor 2 for other than lobby purposes.

SECTION 4.04 Estimates of Operating Payments. For each Sublease

Year (or portion thereof) commencing after the Base Rent Commencement Date, Landlord shall furnish to Tenant a written state-ment setting forth Landlord's estimate of Tenant's Operating Payment (an "Operating Estimate") for such

Sublease Year. Upon request, Landlord shall also provide Tenant with such supporting documentation as Tenant may reasonably require for any Operating

Estimate. Tenant shall pay to Landlord on each Payment Date during each Sublease Year an amount equal to one-twelfth (1/12th) of the Operating Estimate for such Sublease Year. If Landlord shall have not furnished an Operating Estimate prior to the Base Rent Commencement Date or prior to the commencement of each Sublease Year thereafter, as applicable, then (a) assuming an Operating Estimate had been furnished with respect to a previous Sublease Year, until the first Payment Date

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following the month in which a current Operating Estimate is furnished to Tenant, Tenant shall pay to Landlord on each Payment Date an amount equal to the monthly sum payable by Tenant to Landlord under this Section 4.04 in respect of the last month of the preceding Sublease Year; and (b) regardless of whether an Operating Statement had been previously furnished, promptly after an Operating Estimate is furnished to Tenant or together therewith, Landlord shall give notice to Tenant stating whether the aggregate amount of the installments of Tenant's Operating Payment previously made for such Sublease Year (if any) is more or less than the aggregate amount of the installments of Tenant's Operating Payment to be made for such Sublease Year in accordance with such Operating Estimate; and (i) if there shall be a deficiency, Tenant shall pay the amount thereof, together with any interest payable under Section 4.08, within twenty (20) days after delivery of such Operating Estimate, or (ii) if there shall have been an overpayment, Landlord shall refund to Tenant the amount thereof, together with any interest payable under Section 4.08, within twenty (20) days after the delivery of such Operating Estimate; and (iii) on the first Payment Date following the month in which such Operating Estimate is furnished to Tenant, and monthly thereafter throughout the remainder of such Sublease Year, Tenant shall pay to Landlord an amount equal to one-twelfth (1/12th) of Tenant's Operating Payment shown on such Operating Estimate. Once during each Operating Year, Landlord may furnish to Tenant a revised Operating Estimate and, in such case, Tenant's Operating Payment for such Sublease Year shall be adjusted and paid or refunded, as applicable, substantially in the same manner as provided in the preceding sentence.

SECTION 4.05 Landlord's Annual Operating Statement. (a) Within one

hundred and eighty (180) days after the end of each Sublease Year (or portion thereof) commencing after the Base Rent Commencement Date, Landlord shall furnish to Tenant Landlord's statement in respect of Operating Expenses for such Sublease Year (an "Operating Statement"). With the first Operating Statement,

Landlord shall also furnish to Tenant an Operating Statement showing Landlord's computation of the Base Operating Amount. Upon request, Landlord shall also provide Tenant with such supporting documentation as Tenant may reasonably require for any Operating Statement. If any Operating Statement shall show that the sums paid by Tenant under Section 4.04 exceeded Tenant's Operating Payment owed for such Sublease Year, Landlord shall refund to Tenant the amount of such excess (together with any interest payable under Section 4.08) within twenty (20) days after the delivery of such Operating Statement. If any Operating Statement shall show that the sums so paid by Tenant were less than Tenant's Operating Payment owed for such Sublease Year, Tenant shall pay the amount of such deficiency (together with any interest payable under Section 4.08) within twenty (20) days after the delivery of such Operating Statement.

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(b) Landlord's failure to render an Operating Statement with respect to any Sublease Year at the end thereof shall not prejudice Landlord's right to thereafter render an Operating Statement with respect thereto or with respect to any subsequent Sublease Year.

(c) Each Operating Statement shall be conclusive and binding upon Tenant unless within three (3) years after receipt thereof Tenant shall notify Landlord that it disputes the correctness of the Operating Statement, specifying those respects in which it is claimed to be incorrect, and except as so specified, the Operating Statement shall be conclusive and binding upon Tenant. During such three-year period, Landlord shall allow Tenant or its representative to inspect and copy Landlord's books and records relating to Operating Expenses and shall provide and make available to Tenant such information relating to the calculation of Operating Expenses as Tenant may reasonably request. Any dispute as to which Tenant has timely notified Landlord pursuant to the above provisions of this Subsection 4.05(c) that is not resolved within three and one-half (3-1/2) years after the giving of such Operating Statement may be submitted for resolution to an Independent Auditor by either Tenant or Landlord. Landlord and Tenant shall share the cost of an Independent Auditor in resolving such dispute and the decision of an Independent Auditor shall be final and binding on Landlord and Tenant. Until such time as any Independent Auditor may otherwise determine, Tenant shall be obligated to pay Additional Rent pursuant to Subsection 4.05(a) in accordance with the applicable Operating Statement, without prejudice to Tenant's position. If the Independent Auditor determines that Tenant has overpaid, then Landlord shall refund to Tenant the amount so determined, together with any interest payable pursuant to Section 4.08, in accordance with the procedure set forth in Subsection 4.05(a) in the event of an overpayment of Tenant's Operating Payment.

thereof) subsequent to the Base Rent Commencement Date, Tenant shall pay to
Landlord a sum ("Tenant's PILOT Payment") equal to Tenant's Proportionate Share

of the amount by which PILOT Charges payable for or allocable to such Tax Year
exceeds the Base PILOT Amount (the first and last of such payments to be
prorated in accordance with Section 4.07(b)).

(b) Landlord shall attempt to furnish Tenant, on or before the tenth
(10th) day prior to the first PILOT Payment Date (as hereinafter defined) in
each Tax Year (or portion thereof) occurring on or after the Base Rent
Commencement Date, with a written statement (a "PILOT Statement") setting forth

the amount of the PILOT charges payable for or allocable to the Base Tax Year
and Tenant's Pilot Payment for such later Tax Year. Tenant shall pay the amount
set forth in the PILOT Statement, in equal quarterly installments if Landlord
pays quarterly, or in equal semi-annual installments if

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Landlord pays semi-annually, in advance on each date ("PILOT Payment Date") that

is twenty (20) days prior to the first day of July, October, January and April
in the case of quarterly payments, or of July and January in the case of semi-
annual payments, of the Tax Year (or portion thereof) in question. If Landlord
shall have not furnished Tenant with a PILOT Statement for a particular Tax Year
on or before such tenth day, then (i) with respect to any Tax Year (or portion
thereof) subsequent to the Base Tax Year, until the first PILOT Payment Date
following the date on which a PILOT Statement is furnished for such Tax Year to
Tenant, Tenant shall pay to Landlord on each PILOT Payment Date an amount equal
to the quarterly or semi-annual installment payable by Tenant to Landlord under
this Section 4.06 in respect of the last quarter or half of the preceding Tax
Year, as the case may be, and (ii) with respect to any Tax Year (or portion
thereof) after the Base Tax Year, promptly after any PILOT Statement is
furnished to Tenant or together therewith, Landlord shall give notice to Tenant
stating whether the aggregate amount of the installments of Tenant's PILOT
Payment previously made for such Tax Year (if any) is more or less than the
aggregate amount of the installments of Tenant's PILOT Payment to be made for
such Tax Year in accordance with such PILOT Statement, and (x) if there shall be
a deficiency, Tenant shall pay the amount thereof, together with any interest
payable under Section 4.08, within twenty (20) days after demand therefor, or
(y) if there shall have been an overpayment, Landlord shall refund to Tenant the
amount thereof, together with any interest payable under Section 4.08, within
twenty (20) days after the delivery of such notice, and (z) on the first PILOT
Payment Date following the date on which such PILOT Statement is furnished to
Tenant, and on each PILOT Payment Date thereafter during the remainder of such
Tax Year, Tenant shall pay to Landlord an amount equal to either one-quarter
(1/4) or one-half (1/2), as the case may be, of Tenant's PILOT Payment shown on
such PILOT Statement. Landlord may at any time or from time to time furnish to
Tenant a revised PILOT Statement and, in such case, Tenant's PILOT Payment for
such Tax Year shall be adjusted and paid or refunded, as the case may be,
substantially in the same manner as provided in the preceding sentence.

(c) Landlord's failure to render a PILOT Statement with respect to
any Tax Year at the times contemplated herein shall not prejudice Landlord's
right to thereafter render a PILOT Statement with respect thereto or with
respect to any subsequent Tax Year. Each PILOT Statement shall be conclusive
and binding upon Tenant unless within three (3) years after receipt thereof
Tenant shall notify Landlord that it disputes the correctness of the PILOT
Statement, specifying those respects in which it is claimed to be incorrect (it
being agreed, however, that Tenant's right to dispute such statement shall be
limited to the arithmetic accuracy thereof, and that, without limitation, Tenant
shall have no right to dispute or contest the assessed value of the Building),
and except as so specified, the PILOT Statement shall be conclusive and binding
upon

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Tenant. During such three-year period, Landlord shall allow Tenant to inspect
and copy Landlord's books and records relating to PILOT Charges and shall
provide and make available to Tenant such information relating to the
calculation of PILOT Charges as Tenant may reasonably request. Any dispute as
to which Tenant has timely notified Landlord pursuant to the above provisions of
this Subsection 4.06(c) that is not resolved within three and one-half (3-1/2)
years after the giving of such PILOT Statement may be submitted for resolution
to an Independent Auditor by either Tenant or Landlord. Landlord and Tenant
shall share the cost of an Independent Auditor in resolving such dispute and the
decision of an Independent Auditor shall be final and binding on Landlord and
Tenant. Until such time as any such Independent Auditor may otherwise
determine, Tenant shall be obligated to pay Additional Rent pursuant to
Subsection 4.06(a) in accordance with the applicable PILOT Statement, without
prejudice to Tenant's position. If the Independent Auditor determines that
Tenant has overpaid, then Landlord shall refund to Tenant the amount so
determined, together with any interest payable pursuant to Section 4.08, in

accordance with the procedure set forth in Subsection 4.06(a) in the event of an overpayment of Tenant's PILOT Payment.

SECTION 4.07 Prorations. (a) If the Base Rent Commencement Date or -----

the Expiration Date shall occur on a date other than January 1 or December 31, respectively, any Additional Rent owed under Section 4.03 for the first Sublease Year in which a Tenant's Operating Payment is owed or the last Sublease Year shall be apportioned in that percentage which the number of days in the period from the Base Rent Commencement Date to December 31 (with respect to such first Sublease Year) or from January 1 to the Expiration Date (with respect to the last Sublease Year), both inclusive, shall bear to the total number of days in such Sublease Year (assuming a year of twelve 30-day months).

(b) If the Base Rent Commencement Date or the Expiration Date shall occur on a date other than July 1 or June 30, respectively, any Additional Rent owed under Section 4.06 for the first Tax Year in which a Tenant's PILOT Payment is owed or the last Tax Year shall be apportioned in that percentage which the number of days in the period from the Base Rent Commencement Date to June 30 (with respect to such first Tax Year) or from July 1 to the Expiration Date (with respect to such last Tax Year), both inclusive, shall bear to the total number of days in such Tax Year (assuming a year of twelve 30-day months).

(c) In the event of a termination of this Sublease, any such Additional Rent owed or to be refunded under this Article IV shall be paid within ten (10) days after submission of an Operating Statement or PILOT Statement, as the case may be, and the rights and obligations of Landlord and Tenant under the provisions of this Article IV with respect to any Additional Rent (including Tenant's

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rights under Subsection 4.05(c) and Subsection 4.06(c) shall survive the termination of this Sublease for a period of one (1) full year.

SECTION 4.08 Interest on Adjustments. If any amount that is to be -----

paid or refunded pursuant to clause (i) or (ii) of Section 4.04, Subsection 4.05(a) or (c), clause (x) or (y) of Subsection 4.06(b), Subsection 4.06(c) or Subsection 5.01(e) shall be more or less than the amount previously paid by Tenant for the item in question for the relevant billing period, then interest at the Prime Rate shall be added to the amount to be paid, refunded or credited, as the case may be, calculated from the commencement of such billing period to the date on which the amount is paid by Tenant or the date the amount is refunded by Landlord, as applicable, on the assumption that a pro-rata portion of the amount under-paid or over-paid was required to have been paid or refunded, respectively, on each installment date within the relevant billing period.

ARTICLE V
ELECTRICITY

SECTION 5.01 Tenant's Electricity Costs. (a) Subject to Subsection -----

5.02(a), Tenant covenants and agrees to obtain electricity for the Sublease Premises on a submetered basis from Landlord or Landlord's designated agent on the terms and conditions set forth in this Article V. Commencing on the date on which submetered electricity becomes available to the Sublease Premises, Tenant shall pay to Landlord monthly in accordance with Subsection 5.01(c), as Additional Rent, Tenant's Electricity Costs for electricity used in the Sublease Premises.

(b) From the Possession Date or, if later, the date on which Landlord delivers actual possession of each portion of the Sublease Premises to Tenant and until Tenant's Submeters are installed for each such portion, Tenant shall pay Tenant's Electricity Charge to Landlord for electricity used in such portion of the Sublease Premises.

(c) Landlord shall deliver to Tenant a monthly bill ("Tenant's -----

Electricity Bill") of Tenant's Electricity Costs (based on Tenant's aggregate ----- consumption and Landlord's Average Cost Per Kilowatt Hour, as shown on Tenant's Submeters and, to the extent herein provided, as surveyed in accordance with the terms hereof) for the period commencing with the day following the last day covered in any previous bill ("Electricity Billing Period") delivered by -----

Landlord under this Subsection 5.01(c), and Tenant shall pay as Addi-
tional Rent the amount set forth in such bill ("Tenant's Electricity Payment") -----

within twenty (20) days after such bill and any supporting documentation which Tenant may promptly and reasonably request is delivered to Tenant.

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(d) Landlord's failure to render Tenant's Electricity Bill with respect to any Electricity Billing Period at the end thereof shall not prejudice Landlord's right to thereafter render Tenant's Electricity Bill with respect to such Electricity Billing Period or with respect to any subsequent Electricity Billing Period.

(e) Each Tenant's Electricity Bill shall be conclusive and binding upon Tenant unless within three (3) years after receipt thereof Tenant shall notify Landlord that it disputes the correctness of Tenant's Electricity Bill, specifying those respects in which it is claimed to be incorrect and, except as so specified, the Tenant's Electricity Bill shall be conclusive and binding upon Tenant. During such three-year period, Landlord shall provide Tenant with such information relating to the calculation of Tenant's Electricity Payment as Tenant may reasonably request. Landlord will establish a schedule based on the electric utility company's schedule for the Building on which Tenant's Submeters shall be read by Landlord. Any dispute as to which Tenant has timely notified Landlord pursuant to the above provisions of this Subsection 5.01(e) that is not resolved within three and one-half (3-1/2) years after the giving of such Tenant's Electricity Bill may be submitted for resolution to the Applicable Engineer of Record by either Tenant or Landlord. Landlord and Tenant shall share the cost of the Applicable Engineer of Record in resolving such dispute and the decision of the Applicable Engineer of Record shall be final and binding on Landlord and Tenant. If it is determined that Tenant has overpaid or underpaid, then Landlord or Tenant, respectively, shall refund to the other the amount so determined, together with any interest payable pursuant to Section 4.08, in accordance with the procedure set forth in Subsection 5.01(b) in the event of an overpayment of Tenant's Electricity Payment.

SECTION 5.02 Submeters. (a) Within thirty (30) days after receipt

and approval by Overlandlord of Tenant's Plans, Landlord shall install, at its expense, submeters on floors C1, C2, 3, 8, 9, 10 and 15 of the Sublease Premises (and on each floor of any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01) for connection to the electricity distribution system to be installed on those floors of the Sublease Premises according to Tenant's Plans, subject to Subsection 5.02(d) and Section 5.05.

(b) As a condition to Tenant's occupancy and use of floors 3, 8, 9, 10 and 15 of the Sublease Premises (and of each floor of any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01), Tenant shall, at its expense, connect any new electricity distribution system into the submeters to be installed by Landlord and will increase the capacity of the submeters or add new submeters, as required. The location and type of submeters installed by Tenant shall be subject to Landlord's prior approval (which approval shall not be unreasonably withheld).

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Tenant shall, at its sole cost and expense, maintain, repair and replace, as necessary, Tenant's Submeters. If the area of the Sublease Premises shall be increased or decreased, Landlord shall pay as Additional Rent, within twenty (20) days after Landlord's demand therefor, all reasonable costs and expenses in rewiring, furnishing and installing such submeters as may be necessitated thereby.

(c) Tenant shall pay to Landlord, within twenty (20) days after being given a bill therefor together with a reasonably detailed statement, Tenant's pro-rata share of the cost of the electricity usage for the air-handler units serving in common any partial floor of the Building included in the Sublease Premises and the remainder of such floor of the Building (including space located in the nonrentable areas of the core of the floor such as the restrooms, communications and electrical closets and the elevator lobby). Such pro-rata share shall be determined by the percentage that the Rentable Square Feet of the portion of the Sublease Premises on such floor bears to the total Rentable Square Feet of such floor as set forth in Exhibit "I-1" to the Overlease, and the terms of Exhibit C shall be applicable to the determination of electricity

usage in such areas.

(d) With respect to Tenant's electricity usage in those portions of the Sublease Premises (such as electrical closets), if any, that Landlord determines, in its reasonable discretion, cannot practically be measured by Tenant's Submeters to be installed by Landlord in accordance with Subsection 5.02(a) ("Nonmetered Space"), Landlord may from time to time but not more often

than every six (6) months appoint an independent electrical engineer or consultant to survey Tenant's electricity usage in such Nonmetered Space, and such engineer's or consultant's determination of Tenant's usage shall be deemed the same for purposes of this Article 5 as Tenant's usage which is determined by Tenant's Submeters.

SECTION 5.03 Legal Constraints. (a) If at any time Landlord is not

legally permitted to charge to Tenant, or Tenant ceases to be legally liable to

pay Landlord, for submetered electricity as provided in Section 5.01, in whole or in part, then Landlord shall have the right, upon ten (10) days' written notice to Tenant, to discontinue supplying electricity to Tenant in accordance with the provisions of Section 5.01; provided that, in the event of any such

discontinuance, Landlord shall instead furnish electricity to Tenant on a rent inclusion basis in accordance with Exhibit C annexed hereto. In the event that

Landlord shall exercise the option contained in this Subsection 5.03(a), Tenant may elect within fifteen (15) days thereafter, at its sole cost and expense, to arrange to obtain electricity directly from the public utility company furnishing electricity to the Building; failing such election (and until such arrangements have been implemented) Landlord shall furnish electricity to Tenant on a rent-inclusion basis and Base Rent as set forth in Section 3.01 shall be increased by the Electricity Rent

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Inclusion Factor determined in accordance with Exhibit C. Recourse by Landlord

to the right afforded it pursuant to this Section 5.03 to discontinue supplying electricity in accordance with Section 5.01 shall not prevent Landlord at any time thereafter from furnishing electricity to Tenant in accordance with Section 5.01; provided that Landlord shall again give Tenant not less than ten (10)

days' written notice of such change, and provided further that Landlord shall

not have the right to so submeter if prior to such notice Tenant shall have elected to obtain electricity directly from the public utility company in accordance with the above provisions of this Section 5.03 and expended any sums in connection therewith.

(b) If pursuant to any Legal Requirement the charges to Tenant pursuant to Subsection 5.01(a) shall be reduced below that to which Landlord is entitled under such Subsection 5.01(a), then, to the extent permitted by law, Landlord shall have the right, as an alternative to that provided for in Subsection 5.03(a) to elect to have the amount of any such reduction paid by Tenant as Additional Rent within ten (10) days after being billed therefor by Landlord as compensation for the operation and maintenance of the electricity distribution system of the Building.

SECTION 5.04 Additional Taxes. If any tax (not included in

Landlord's Average Cost per Kilowatt Hour) is imposed by any federal, state or municipal authority upon Landlord's receipt of moneys from the furnishing of electricity to Tenant hereunder, Tenant shall pay such taxes to Landlord as Additional Rent within twenty (20) days after Landlord's demand therefor (provided, however, Tenant shall not be obligated under the foregoing to pay any

income taxes payable by Landlord to the extent that such income taxes arise from Landlord having profited on the furnishing of electricity to Tenant).

SECTION 5.05 Usage. (a) Tenant's use of electricity in the Sublease

Premises shall not at any time exceed the capacity of the electrical conductors and equipment in or otherwise serving the Sublease Premises. In no event shall Tenant connect to the Building's electricity distribution system electrical equipment capable of drawing more than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] watts of connected electrical load per Rentable Square Foot on floors C1, 3, 8, and 15, or more than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] watts of connected electrical load per Rentable Square Foot on floors C2 and 9, or more than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] watts of connected electrical load per Rentable Square Foot on floor 10 of the Sublease Premises (exclusive of electricity used for base Building HVAC to be supplied to the Sublease Premises pursuant to Subsubsection 17.01(a)(i) of this Sublease). Without limiting the foregoing agreement on the part of Tenant, Landlord hereby represents that Landlord will supply (subject to Section 5.07), and that the Sublease Premises are served by risers and other equipment sufficient to supply, at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] watts of connected electrical load per

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Rentable Square Foot to floors C1, C2, 3, 8, and 15, at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] watts of connected electrical load on floor 9, and at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] watts of connected electrical load per Rentable Square Foot on floor 10 of the Sublease Premises for power and lighting (exclusive of electricity used for base Building HVAC to be supplied to such floors of the Sublease Premises pursuant to Subsubsection 17.01(a)(i)).

(b) After completion of Tenant's Work and except as shown on Tenant's Plans, Tenant shall not make or perform, or permit the making or performing of, any alterations to wiring installations or other electrical facilities in or serving the Sublease Premises or add any substantial electrical equipment (other

than ordinary and usual office equipment) in the Sublease Premises without Landlord's prior written approval of the plans and specifications for such work (which approval shall not be unreasonably withheld). Should Landlord grant any such approval, all additional risers or other equipment required therefor (including additions to or the rewiring of Tenant's Submeters) shall be installed by Tenant at Tenant's sole cost and in accordance with the other terms and conditions of this Sublease.

SECTION 5.06 Emergency Power. (a) Landlord will, at Tenant's expense

and written request given to Landlord within thirty (30) days after the first Possession Date, furnish Tenant with connections to Landlord's emergency electric power generator on floor 10 of the Building sufficient to provide Tenant with a backup supply of up to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] KW's of electric power for use in emergencies by Tenant's electronic equipment (other than emergency lighting) located in the Sublease Premises. Landlord may install switches to protect Landlord's electric power generator by automatically reducing power and/or disconnecting Tenant's load in case of generator malfunction or overloading by Tenant and/or others.

(b) Landlord's charge to Tenant for connecting the Sublease Premises (other than floors C1 and C2) to such emergency electric power as a part of Tenant's Work will be \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per KW of emergency power which Landlord shall be requested to reserve for and make available to Tenant in addition to the costs of installing cabling and switches to transmit emergency electric power from Landlord's emergency electric power generators on floor 10 of the Building to Tenant's electrical equipment on floor 10 and any other floors of the Sublease Premises to be served by such emergency electric power. In addition, Tenant will also be required to pay to Landlord, as Additional Rent twenty (20) days after being billed therefor by Landlord, a pro rata share of Landlord's costs of operating and maintaining Landlord's emergency electrical power generator on the tenth (10th) floor of the Building and the related power distribution cabling and switches.

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SECTION 5.07 Failure or Defect in Supply. Except as provided in

Article XXII, Landlord shall not be liable in any way to Tenant for any failure or defect in the supply or character of electricity furnished to the Sublease Premises by reason of any requirement, act or omission of the public utility furnishing the Premises with electricity, or emergency electric power generator malfunction, or for any other reason not attributable primarily to gross negligence or willful misconduct of Landlord or its agents, contractors, employees, managers or officers.

SECTION 5.08 Replacement of Lamps and Bulbs. Tenant shall, at

Tenant's own cost and expense, furnish and install all replacement lighting tubes, lamps, bulbs and ballasts which Tenant shall require in the Sublease Premises.

ARTICLE VI
USE OF SUBLEASE PREMISES

SECTION 6.01 Permitted Use. (a) Subject to the other terms of this

Sublease, the Sublease Premises shall be used and occupied solely for administrative, executive and general offices, and for any lawful use incidental thereto that is in keeping with the character, reputation and appearance of a first-class office building in the Borough of Manhattan, and Tenant shall not use or occupy the Sublease Premises for any other use or purpose.

(b) Tenant shall not use or occupy the Sublease Premises or any part thereof, or permit or suffer the Sublease Premises or any part thereof to be used or occupied, as a trading floor or headquarter facilities for the New York Stock Exchange or for any purpose whatsoever by the Federal Reserve Bank of New York, nor shall it use or occupy, or permit or suffer the Sublease Premises or any part thereof to be used or occupied for any unlawful business, use or purpose, or in an unlawful manner or such manner as to constitute in law or in equity a nuisance of any kind (public or private), or for any dangerous or noxious trade or business, or for any purpose or in any way in violation of any temporary certificate of occupancy for the Sublease Premises to be obtained and maintained in effect (as provided in Section 6.02) from time to time during the Term or in violation of any Legal Requirement or Insurance Requirement applicable to Tenant's use or occupancy of the Sublease Premises which with Tenant is otherwise obligated to comply pursuant to the terms of this Sublease, or which may make void or voidable any insurance then in force on the Premises. Tenant shall not at any time use or occupy the Sublease Premises, or suffer or permit anyone to use or occupy, the Sublease Premises, or do anything in the Sublease Premises or the Premises, or permit anything to be done in the Sublease Premises, in any manner (i) which violates the restrictions as to use and occupancy set forth herein, (ii) which causes or will cause injury to the Premises or any equipment, facilities or systems therein, (iii) which unreasonably impairs the character or appearance

of the Building as a first-class office building, (iv) which unreasonably impairs the proper maintenance, operation and repair of the Building or its equipment, facilities or systems, or (v) which violates any of Tenant's other obligations under this Sublease. Further, Tenant shall not use, or suffer or permit anyone to use, the Sublease Premises or any part thereof, for or by (A) a restaurant and/or bar and/or the sale of confectionery and/or soda and/or beverages and/or sandwiches and/or ice cream and/or baked goods (but the foregoing shall not exclude cafeterias, lunch rooms, executive and other dining rooms, food service or food vending machines for the partners, officers, employees and business guests of Tenant and its Subsubtenants), (B) the business of photographic reproductions and/or offset printing, except that the foregoing shall not prohibit such reproductions or printing to the extent incidental to Tenant's business and its office use of the Sublease Premises, (C) an agency, department or bureau of the United States Government, any state or municipality within the United States or any foreign government, or any political subdivision of any of them, (D) an employment agency, (E) any union or religious organization, (F) as offices for any charitable or other not-for-profit organization or (G) any retail operation or travel agency that deals directly with the public from the Sublease Premises. Nothing in this Subsection 6.01(b) shall be deemed to limit the general prohibitory terms of Subsection 6.01(a).

(c) Immediately upon the discovery of any use prohibited hereunder, Tenant shall take all reasonably necessary steps, legal and equitable, to cause the discontinuance of such use.

(d) Landlord represents that attached hereto as Exhibit I is a true

and complete copy of the existing temporary certificate of occupancy for the Sublease Premises which permits the occupancy of the Sublease Premises for offices as specified therein; and that, after a temporary certificate of occupancy is first issued for the Sublease Premises covering Tenant's Work and any other Alterations undertaken by Tenant, Landlord will cause such temporary certificate of occupancy to be timely renewed (without change as it relates to the Sublease Premises) until the end of the Term or the issuance of a permanent certificate of occupancy for the Sublease Premises.

(e) Notwithstanding anything herein that may be construed to the contrary and provided Landlord has not done so, Tenant shall not use the Sublease Premises in a manner that would cause the same or any part thereof to be characterized as a place of "public accommodation", as such term is used in the federal American with Disabilities Act, unless: (i) Tenant shall perform, at its sole cost and expense, all Alterations required in connection with use, and (ii) such use shall not require any changes to any portion of the Building (including any entranceways or other appurtenances thereto) other than the Sublease Premises.

SECTION 6.02 Licenses, Permits. If any licenses, permits and/or

authorizations (other than temporary certificates of occupancy for the core and shell of the Building and temporary certificates of occupancy for the Sublease Premises which must be renewed or obtained after a temporary certificate of occupancy is first issued for the Sublease Premises covering Tenant's Work and any other Alterations undertaken by Tenant) of any Governmental Authorities shall be required for the proper and lawful conduct in the Sublease Premises or any part thereof of the business of Tenant or the permitted use by Tenant of the Sublease Premises or any part thereof (or, in each case, any Person claiming by, through or under Tenant), then Tenant, at its expense, shall duly procure and thereafter maintain such licenses, permits and authorizations (including a change to the certificate of occupancy, if necessary as a result of Tenant's use) and submit the same to Landlord for inspection. Landlord shall use Landlord's Reasonable Efforts to cooperate in the procuring and maintenance of such licenses, permits and authorizations. Tenant shall at all times comply with the terms and conditions of each such license, permit and authorization.

ARTICLE VII
EXPANSION, FIRST OFFER, CANCELLATION AND RENEWAL OPTIONS

SECTION 7.01 Expansion and First Offer Options. (a) Tenant is hereby

granted three options to sublease Expansion Option Spaces on the same terms and conditions as are provided herein with respect to the Sublease Premises, except as otherwise stated herein. Tenant's first option shall expire and be of no further force and effect unless Tenant shall exercise the same by a written notice delivered to Landlord at some time not earlier than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] nor later than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], which notice shall specify a "Possession Date" for and an effective

date for the sublease of such Expansion Option Space that shall be [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]. Tenant's second option shall expire and be of no further force and effect unless Tenant shall exercise the same by

delivery to Landlord of a written notice, which shall specify an effective date for the sublease of such Expansion Option Space that shall be no earlier than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] nor later than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], at least eighteen (18) months prior to such effective date. Tenant's third option shall expire and be of no further force and effect unless Tenant shall exercise the same by delivery to Landlord of a written notice, which shall specify an effective date for the sublease of such Expansion Option Space that shall be no earlier than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] nor later than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], at least eighteen (18) months prior to such effective date. No such exercise shall, however, be effective if, at the time of such exercise or at the date as of which the sublease of the Expansion Option Space would otherwise have been

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effective, any monetary Event of Default shall have occurred and be continuing.

(b) If Tenant shall exercise its option to sublease any Expansion Option Space, then within ninety (90) days after the delivery of Tenant's acceptance described in Subsection 7.01(a) Tenant and Landlord shall execute and deliver either an amendment of this Sublease relating to the Expansion Option Space or, at Landlord's option, a separate sublease of the Expansion Option Space (which shall be cross-defaulted to Tenant's obligations under this Sublease) to embody the terms of this Sublease of the Premises (including the provisions for Tenant's Work and Allowance and Landlord's work set forth in Sections 2.05 and 2.06). However, the Base Rent, Base Rent commencement date and Tenant's allowance for Alterations provided for in any such amendment or sublease shall be as follows:

(i) In the case of Tenant's first option to sublease the Expansion Option Space on floor 7 of the Building, the Base Rent shall be the same as the Base Rent in effect for floors 3, 8, 9, 10 and 15 of the Sublease Premises on the Base Rent commencement date of the new sublease multiplied by the number of Rentable Square Feet of the Expansion Option Space and divided by the number of Rentable Square Feet of space on floors 3, 8, 9, 10 and 15 of the Sublease Premises. In all other cases, the Base Rent for Expansion Option Space shall be equal to the greater of (a) the Base Rent in effect for floors 3, 8, 9, 10 and 15 of the Sublease Premises on the Base Rent commencement date of the new sublease multiplied by the number of Rentable Square Feet of the Expansion Option Space and divided by the number of Rentable Square Feet of space on floors 3, 8, 9, 10 and 15 of the Sublease Premises, or (b) the fair market rental value of the Expansion Option Space for the remainder of the Term appropriately adjusted (on a net effective basis) to take into account the Base Rent commencement date and Tenant's allowance provided for below and the continuation of Operating and PILOT Payments as contemplated by Article IV of this Sublease (without any change in the Base Operating Amount or the Base Tax Year).

(ii) In the case of Tenant's first option to sublease the Expansion Option Space on floor 7 of the Building, the Base Rent commencement date shall be twelve (12) months after the date on which Landlord actually delivers possession of the Expansion Option Space on floor 7 of the Building to Tenant. In all other cases, the Base Rent commencement date for any such sublease (or amendment) with respect to such space shall be the number

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of days after the effective date (i.e., [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) of the sublease (or amendment) that is equal to the number of days from the estimated Possession Date to the Base Rent Commencement Date (which shall be assumed to be seventeen (17) months) multiplied by a fraction (the "Term Fraction") equal to the term of

such a sublease (or amendment) divided by the full Term of this Sublease, plus any additional number of days that Landlord's delivery of possession of the Expansion Option Space shall be delayed beyond [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], as the case may be, through no fault of Tenant.

(iii) If any casualty or other event shall occur prior to the Base Rent commencement date for any Expansion Option Space as a result of which Tenant would have been entitled to an abatement of Rents pursuant to Article XXII or XXIII if the Base Rent commencement date for such Expansion Option Space had already occurred, then the Base Rent commencement date for such Expansion Option Space shall be postponed by the number of days that Tenant would otherwise have been entitled to an abatement of Rents with respect to each floor of the Building on which such Expansion Option Space is located.

(iv) If Landlord fails to cause any of Landlord's work described in Subsection 2.06(a) that is performed by Landlord (and not by Tenant at Landlord's expense) with respect to any Expansion Option Space to be substantially completed no later than the date of Substantial Completion of Tenant's Work for any such Expansion Option Space or if performance of any

such Landlord's work delays Substantial Completion of such Tenant's Work, then the Base Rent commencement date for such Expansion Option Space shall be postponed by the number of days that (X) Substantial Completion of such work to be done by Landlord for such Expansion Option Space is delayed beyond the date of Substantial Completion of Tenant's Work for any such Expansion Option Space and (Y) Substantial Completion of such Tenant's Work is delayed by the performance of such Landlord's work.

(v) In the case of Tenant's first option to sublease the Expansion Option Space on floor 7 of the Building, the Tenant's allowance for Alterations to such Expansion Option Space shall be the same as the Tenant's Allowance for floors 3, 8, 9, 10 and 15 of the Sublease Premises multiplied by the number of Rentable Square Feet of the Expansion Option Space and divided by the number of Rentable Square Feet of space on floors 3, 8, 9, 10 and 15 of the Sublease Premises. In all other cases, the

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amount of the Tenant's allowance for Alterations to the Expansion Option Space shall be equal to (X) the Tenant's Allowance for floors 3, 8, 9, 10 and 15 of the Sublease Premises divided by the number of Rentable Square Feet of such floors of the Sublease Premises/7/ and then (Y) multiplied by the Term Fraction and also by the number of Rentable Square Feet of such Expansion Option Space.

(c) If at any time or times Landlord shall decide to sublease the Offer Premises to any third Person (excluding, however, any Affiliate of Landlord or any Person named on Exhibit J in respect of floors 3 through 16 of

the Building or as to any other Person in respect of any other floors of the Building to whom Landlord shall have (as of the date hereof) previously extended a preferential right with respect to such space), then Landlord shall first give a notice to Tenant offering the Offer Premises to Tenant on the same terms and conditions as are provided herein with respect to the Sublease Premises, except as otherwise stated therein. For up to thirty (30) days after receipt of such notice, Tenant shall have an option to sublease the Offer Premises by delivering to Landlord a written acceptance of the offer contained in Landlord's notice. If Tenant shall deliver to Landlord a rejection of such offer or if Tenant shall fail to deliver to Landlord a written acceptance of such offer within such 30-day period, as applicable, then Landlord may at any time prior to the expiration of two hundred and seventy (270) days after the delivery of Landlord's notice enter into a sublease of the Offer Premises to any third Person (even though the same may still be subject to Overlandlord's approval) providing to Landlord at least ninety (90) percent, calculated on a present-value basis, of the total Rents to be paid by Tenant pursuant to Subsection 7.01(d) and otherwise on terms that are materially not less favorable to Landlord than the other terms specified in this Sublease by Landlord to Tenant. If a sublease is not entered into prior to the expiration of such 270-day period, then prior to Landlord's entry into any sublease of the Offer Premises Landlord shall again be obligated to first offer the Offer Premises to Tenant before subleasing the Offer Premises to any third Person.

(d) If Tenant shall accept Landlord's offer to sublease the Offer Premises, then within ninety (90) days after the delivery of Tenant's notice described in Subsection 7.01(c) Tenant and Landlord shall execute and deliver either a sublease of the Offer Premises (which shall be cross-defaulted to Tenant's obligations under this Sublease) or, at Landlord's option, an amendment of this Sublease relating to the Offer Premises to embody the terms of this Sublease of the Premises. In either case, the Base Rent for the

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/7/ This amount should equal \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] plus approximately \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per Rentable Square Foot.

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Offer Premises shall be equal to the fair market rental value of the Offer Premises for the remainder of the Term appropriately reduced (on a net effective basis) to take into account the continuation of Operating and PILOT Payments as contemplated by Article IV of this Sublease (without any change in the Base Operating Amount or the Base Tax Year) and any other relevant factors. The Base Rent commencement date for any such sublease (or amendment) shall be the number of days after the date of such sublease (or amendment), and the Tenant's allowance for Alterations to the Offer Premises shall be the amount, as shall then be customary for leases of comparable space in comparable buildings having the same term as such a sublease (or amendment).

(e) Landlord shall notify Tenant of its determination of the Base Rent for any sublease of the Expansion Option Space or Offer Premises just as soon as reasonably practicable after Tenant notifies Landlord of its exercise of its option to sublease the Expansion Option Space or its acceptance of Landlord's offer to sublease the Offer Premises. If Tenant disputes Landlord's determination of such Base Rent and the parties are unable to reach an agreement by the Base Rent commencement date for the Expansion Option Space or the Offer

Premises, then Tenant shall pay Base Rent at the same rate per rentable square foot payable for the Sublease Premises starting on the Base Rent commencement date for the Expansion Option Space or Offer Premises, and the dispute between Tenant and Landlord over such Base Rent shall be submitted to binding arbitration conducted by the American Arbitration Association. Landlord and Tenant shall each select one arbitrator or qualified real estate appraiser, and the American Arbitration Association shall select a third. A majority of the three arbitrators or appraisers so selected shall determine the Base Rent for the Expansion Option Space or Offer Premises and render a written determination as expeditiously as reasonably possible. In case the Base Rent for the Expansion Option Space or Offer Premises as so determined shall be greater than the Base Rent payable for the Sublease Premises during the arbitration, Tenant shall pay to Landlord on the next rent payment date after the arbitrators render a written determination one-twelfth (1/12th) of the annual Base Rent so determined by the arbitrators plus the amount of the excess for the number of months from Base Rent Commencement Date for the Expansion Option Space or Offer Premises through such next rent payment date after the arbitrators render a decision together with interest on such excess at the Prime Rate. In case the Base Rent for the Offer Premises as so determined shall be less than the Base Rent payable for the Sublease Premises during the arbitration, Landlord shall refund to Tenant on the next rent payment date after the arbitrators render a written determination the amount of any overpayment by Tenant for the number of months from Base Rent Commencement Date for the Offer Premises through such next rent payment date after the arbitrators render a decision together with interest on such overpayment at the Prime Rate. Landlord and Tenant shall each pay the fees and expenses of the arbitrator or appraiser

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appointed by it, plus one-half of the fees and expenses of the third arbitrator or appraiser appointed by the American Arbitration Association.

(f) Just as soon as Landlord and Tenant shall enter into a sublease (or amendment) of any Offer Premises, Landlord shall use Landlord's Reasonable Efforts to obtain Overlandlord's consent to such Sublease (or amendment), if then required. If Overlandlord shall fail to execute and deliver such consent within sixty (60) days after Landlord's submission of such lease (or amendment) to Overlandlord, then Landlord and Tenant shall each have the right to cancel such sublease (or amendment) and all of their respective rights and obligations hereunder, upon the giving of twenty (20) days' notice and the failure of such consent to be executed and delivered by Overlandlord prior to the expiration of such 20-day period. If such sublease (or amendment) is cancelled as aforesaid, then Tenant and Landlord shall no longer have any rights or obligations to each other under this Section 7.01 with respect to such Offer Premises, and Landlord shall be free to sublease all or any part of such portion of the Building that is not part of the Sublease Premises without regard to this Section 7.01.

SECTION 7.02 Cancellation Options. (a) Landlord shall notify Tenant

at least eighteen (18) months prior to any date not earlier than June 1, 2000 nor later than June 1, 2008 during the Term as of which Landlord expects that it and its Affiliates will cease to occupy at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of office space in the Building (for any causes other than Casualty, Condemnation or Events Beyond Landlord's Control). At any time not fewer than twelve (12) months prior to the date specified in Landlord's notice as of which Landlord expects that it and its Affiliates will cease to occupy at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of office space in the Building, Tenant shall have an option to partially cancel this Sublease as to any one piece of the Cancellation Option Space effective on the date specified in Landlord's notice to Tenant, time being of the essence. If Landlord and its Affiliates cease to occupy at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of office space in the Building (for any causes other than Casualty, Condemnation or Events Beyond Landlord's Control) at any time prior to June 1, 2007 without so notifying Tenant, Tenant shall also have an option to partially cancel this Sublease as to any one piece of the Cancellation Option Space effective on any date specified in Tenant's notice to Landlord that is not earlier than June 1, 2000 nor later than June 1, 2008 and not fewer than twelve (12) months after the date of Tenant's notice or the date Landlord's and its Affiliates' occupancy actually drops below [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of office space in the Building, whichever is later, time being of the essence, unless Landlord and its Affiliates resume occupancy of at least [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet

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of office space in the Building on or before the effective date specified in Tenant's notice of partial cancellation. In each case, however, (i) there shall be no uncured monetary Event of Default under this Sublease on the date Tenant delivers its notice to partially cancel this Sublease to Landlord, and (ii) Tenant shall pay to Landlord with Tenant's notice to partially cancel this Sublease the Cancellation Payment applicable to the effective date of such partial cancellation. At its option, Tenant may defer payment of one-half (1/2) of the Cancellation Payment to the date Tenant actually vacates and surrenders

the Sublease Premises to Landlord in accordance with Subsection 15.03(b).

(b) Tenant shall also have an option to partially cancel this Sublease as to a portion of the Sublease Premises on floor 10 of the Building containing approximately [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet and shown as Area B on the plan of floor 10 attached hereto as Exhibit A-1-7 without the payment of any cancellation payment by giving

Landlord a written notice of such partial cancellation at any time prior to December 31, 1993.

(c) Promptly after any partial cancellation of this Sublease pursuant to Subsection 7.02(a) or (b), Landlord and Tenant will enter into an amendment of this Sublease to appropriately reflect how the Sublease Premises, Base Rent and other terms of this Sublease are affected by such partial cancellation.

SECTION 7.03. Renewal Options. (a) If Landlord elects to renew the

term of the Overlease pursuant to Landlord's options to do so in the Overlease, and if Tenant is not in default under this Sublease beyond any applicable grace period, then Tenant shall also have corresponding rights to renew the Term of this Sublease for [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] commensurate terms ("Renewal Terms") of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]

years apiece (or such slightly shorter or longer periods commencing either on the day following the expiration of the initial Term or on the day following the expiration of the first Renewal Term of this Sublease as would result in the expiration of the first or second Renewal Term of this Sublease on the day immediately preceding the expiration of the correspondingly renewed term of the Overlease). If Tenant is in default under the Sublease beyond any applicable grace period on the day prior to the first day of either Renewal Term, the Renewal Term shall not go into effect unless Landlord shall elect otherwise in writing, but such election shall not constitute a waiver of the default. If any Renewal Option is not exercised on or before the time provided in Subsection 7.03(b), it shall expire and be of no further force or effect, and Tenant shall have no further right to exercise the Renewal Option or otherwise renew the term of this Sublease. Unless the context shall otherwise require, each Renewal Term shall be upon the same terms, covenants and conditions as shall be in effect immediately prior to such renewal, except that (a) there shall be no

right or option to further renew

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the Term of this Sublease for any period of time beyond the expiration of the first Renewal Term unless Landlord elects to renew the term of the Overlease for a commensurate period pursuant to Landlord's option to do so in the Overlease and Tenant is not in default under this Sublease beyond any applicable grace period, and (b) the Base Rent for each Renewal Term shall be determined as provided in Subsection 7.03(c).

(b) At least thirty-six (36) months before the Expiration Date of this Sublease or of the first Renewal Term, as the case may be, Landlord and Tenant shall begin to discuss whether Landlord intends to exercise any renewal option it may then have under the Overlease and whether Tenant intends to exercise its correlative option to renew this Sublease (a "Renewal Option"). At

least thirty (30) months before the Expiration Date of this Sublease or of the first Renewal Term, as the case may be, time being of the essence with respect to such dates, Tenant and Landlord shall advise one another as to whether they commit to exercise their respective options. If Landlord and Tenant both commit to exercise their respective options, then both parties shall be bound by their decision and the applicable Renewal Option shall be deemed exercised. If Landlord commits to exercise its renewal option under the Overlease and Tenant elects not to exercise the Renewal Option, then only Tenant shall be bound by such election. If Landlord does not commit to exercise its renewal option under the Overlease notwithstanding Tenant's willingness to exercise its Renewal Option, Landlord shall be bound by its decision not to exercise its renewal option; provided, however, that if Landlord subsequently decides to exercise its

renewal option under the Overlease, then Landlord will so advise Tenant. In that case, Tenant shall have another option, by notice given to Landlord within thirty (30) days of receiving such advice from Landlord, to exercise its Renewal Option. If Landlord and Tenant both elect not to exercise their respective options, then only Tenant shall be bound by its decision not to exercise its Extension Option. In case Landlord has committed to exercise its renewal option under the Overlease and Tenant commits to exercise its Extension Option, subject to the provisions of this Subsection 7.03(b), the Term of this Sublease shall be extended for Renewal Term without the execution of any further instrument.

(c) The Base Rent payable by Tenant during any Renewal Term shall be equal to the then current Base Rent that shall be payable by Landlord under the Overlease with respect to the floors in the Building which comprise the Sublease Premises. In addition, Tenant shall pay Landlord as Additional Rent Tenant's Proportionate Share of Landlord's Operating Expenses and PILOT Charges in excess

of Base Operating and PILOT Amounts which shall be equal to zero (\$0.00) (so that the result will be the same as though Tenant were a net lessee with respect to the Sublease Premises) during the Renewal Term, it being intended by the parties hereto that Landlord shall not incur any charges, costs or expenses, nor make any profit,

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in connection with Tenant's exercise of its Renewal Option and its occupancy of the Sublease Premises during the Renewal Term. If Tenant should wish to dispute the correctness of any amount of any Base or Additional Rent required to be paid during any Renewal Term, Landlord shall promptly make available to Tenant all available information relating to the calculation of any such charges, Operating Expenses or capital expenditures. Any dispute that is not resolved within six (6) months after a demand for payment by Landlord shall be submitted to an Independent Accountant for resolution. The fees and expenses of the Independent Accountant in resolving such dispute shall be borne by the parties, and the Independent Accountant shall apportion the fees and expenses between the parties, based on the degree of success of each party. The decision of the Independent Accountant shall be final and binding on the Landlord and Tenant.

ARTICLE VIII
SUBORDINATION AND CONSENT OF SUPERIOR PARTIES

SECTION 8.01 Superior Interests. (a) This Sublease, and all rights

of Tenant hereunder, are and shall be subject and subordinate to (i) the Overlease (subject to Section 10.19 thereof), all matters to which the Overlease is subject and subordinate, and all renewals, modifications, replacements and extensions hereafter made thereto, (ii) the Ground Lease, the Project Operating Agreement, the First Secured Loan (as defined in the Overlease) and all renewals, modifications, replacements, extensions spreaders and consolidations hereafter made thereto, (iii) each and every advance made or hereafter to be made thereunder, (iv) The Mortgage referred to in the Nondisturbance Agreement between Bankers Trust Company and Landlord, and any other mortgages (except mortgages made by Landlord as landlord under this Sublease) which may hereafter affect Landlord's interest and/or estate as tenant under the Overlease and/or of the Premises, whether or not such mortgages shall also cover other lands and/or buildings and/or leases, (v) each and every advance made or hereafter to be made under such mortgages, and (vi) all renewals, modifications, replacements, extensions spreaders and consolidations of such mortgages. (Any interest to which this Sublease is subject and subordinate is herein called a "Superior

Interest"; the instrument creating or evidencing a Superior Interest is herein

called a "Superior Instrument"; the holder of a Superior Interest is herein

called a "Superior Party"; any mortgage to which this Sublease is, at the time

referred to, subject and subordinate is herein called a "Superior Mortgage"; and

the holder of a Superior Mortgage is herein called a "Superior Mortgagee".)

(b) Landlord has given Tenant true and complete copies of the Overlease (redacted, however, to delete financial terms that Landlord has agree with Overlandlord to keep confidential), the Ground Lease (except for the amendments and related memoranda thereof referred to in the Nondisturbance Agreements and on Exhibit F to the Overlease, which are not intended to be referred where references to

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the Ground Lease or Superior Instruments are made herein), the Project Operating Agreement and the Nondisturbance Agreements.

(c) The subordination provisions of Subsection 8.01(a) shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute, acknowledge and deliver any instrument that Landlord or a Superior Party or any of their respective successors in interest may reasonably request to evidence such subordination. Notwithstanding the foregoing, nothing in this Sublease shall be construed to be in derogation of the nondisturbance rights that Landlord has been granted by the Nondisturbance Agreements, or that the Tenant may possess pursuant to Section 10.19 of the Overlease, and Landlord agrees that it shall use Landlord's Reasonable Efforts to obtain confirmation from Overlandlord that Tenant in fact is entitled to the benefit of said nondisturbance rights.

(d) Tenant shall not do anything that would constitute a default under a Superior Instrument (including any Superior Mortgage), or omit to do anything that Tenant is obligated to do under the terms of this Sublease so as to cause Landlord to be in default thereunder, provided, however, that such

action or inaction shall not be required hereunder to the extent that the same increases in any non-de-minimis respect Tenant's obligations hereunder or

decreases in any non-de-minimis respect Tenant's rights or Landlord's obligations hereunder. If, in connection with the financing of the Premises, the Building or any portion thereof, or any interest therein, any lending institution shall request modifications of this Sublease that do not increase the monetary obligations of Tenant hereunder or materially increase the nonmonetary obligations of Tenant hereunder or materially and adversely affect the rights of Tenant hereunder, Tenant shall make such modifications, provided

that any reasonable attorneys' fees or similar expenses associated therewith shall be paid for by the party requesting such modifications. Any dispute as to whether Tenant shall be required to make modifications requested of it shall be resolved by arbitration pursuant to Article XXI.

SECTION 8.02 Notice to Superior Mortgagees. If any act or omission

of Landlord would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Sublease, or to claim a partial or total eviction, Tenant shall not exercise such right (a) until it has given written notice of such act or omission to Landlord and each Superior Mortgagee whose name and address shall previously have been furnished to Tenant, and (b) until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice and following the time when such Superior Mortgagee shall have become entitled under such Superior Mortgage to remedy the same (which reasonable period, if required by any Superior Mortgagee, shall in no event be less than the period to which Landlord would be entitled under this

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Sublease or otherwise, after similar notice, to effect such remedy), provided such Superior Mortgagee shall with due diligence (i) give Tenant notice of intention to remedy such act or omission and (ii) commence and continue to remedy such act or omission to the extent it is able to do so without possession of the Building, and if unable to do so without possession, seek possession, directly or through a receiver, and upon obtaining possession of the Building, commence and continue to remedy such act or omission.

SECTION 8.03 Attornment. If at any time prior to the expiration of

the Term, the Overlease shall terminate or be terminated for any reason or any Superior Party comes into possession of the Premises or the Building or the estate created by the Overlease, by receiver or otherwise, then, subject to Section 10.19 of the Overlease, Tenant agrees, at the election and upon demand of such Person entitled to possession of the Sublease Premises, to attorn, from time to time, to such Person acquiring the interest of Landlord, upon the then-executory terms and conditions of this Sublease, for the remainder of the Term, or, at the cost and request of such Person, Tenant shall enter into a new lease on the same terms and conditions as this Sublease for the remainder of the Term. Notwithstanding the foregoing, this Sublease shall not terminate solely by reason of a termination of the Overlease without the prior written consent of the holder of the Superior Mortgage which is a first mortgage on the Premises. The provisions of this Section 8.03 shall inure to the benefit of any Superior Party, shall apply notwithstanding that, as a matter of law, this Sublease may terminate upon the termination of any such Superior Lease and shall be self-operative upon any such demand, and no further instrument shall be required to give effect to said provisions. Tenant, however, upon demand of any such Person, shall execute, from time to time, instruments in confirmation of the foregoing provisions of this Section 8.03, reasonably satisfactory to any such Person, acknowledging such attornment and setting forth the terms and conditions of its tenancy. Nothing contained in this Section 8.03 shall be construed to impair any right otherwise exercisable by any such Person. Further, any obligation of Tenant under this Section 8.03 shall apply only if, upon the performance of such obligation, Tenant would continue to enjoy the benefits accorded to Tenant hereunder, including the covenant of quiet enjoyment contained in Section 9.01 hereof.

SECTION 8.04 Modifications of Superior Instruments. No modifications

or amendments of the Overlease, Ground Lease (including any amendment of the Ground Lease referred to in the Nondisturbance Agreements and on Exhibit F to the Overlease), Nondisturbance Agreements, Project Operating Agreement or other Superior Instruments (except those which can be modified or amended without Landlord's consent) that result in an increase of Tenant's monetary obligations hereunder or affect in a non-de-minimis and

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adverse manner Tenant's rights and remedies hereunder or increase in a non-de-minimis and adverse manner Tenant's obligations hereunder shall be binding upon Tenant for purposes of this Sublease unless and until Tenant shall have consented to such modification or amendment in a writing separate from this Sublease. If there shall be any dispute between Landlord and Tenant with respect to whether Tenant's consent to a modification or amendment is required or properly withheld, and such dispute is made the subject of an arbitration between Landlord and Overlandlord pursuant to the Overlease, then such dispute between Landlord and Tenant shall be resolved by arbitration pursuant to Article

XXI, and to the extent possible, shall be consolidated with the arbitration between Landlord and Overlandlord so as to avoid inconsistent results.

SECTION 8.05 Consent of Others. If, pursuant to the terms of this

Sublease, Tenant must obtain the consent or approval of Landlord, and Landlord must, pursuant to the Overlease, obtain the consent of any Superior Party, then in the event Landlord is reasonably contemplating granting such consent or approval or in the event Landlord is obligated under this Sublease, in light of the relevant facts and circumstances, to grant such consent or approval, Landlord shall forward a copy of Tenant's request for such consent or approval, together with any relevant documents Landlord deems appropriate, to such Superior Party, and (except as otherwise provided in Subsection 2.03(a)) use Landlord's Reasonable Efforts to obtain the consent or approval of such Superior Party. If such Superior Party refuses to grant such consent or approval, and, as a result, Landlord withholds its consent to Tenant's request therefor, such withholding by Landlord shall not be deemed to be an unreasonable refusal to grant such consent or approval.

ARTICLE IX
NONDISTURBANCE AND QUIET ENJOYMENT

SECTION 9.01 Nondisturbance. (a) Nondisturbance Agreements that

protect Landlord's interest in the Premises are in full force and effect; a Memorandum of the Overlease has been recorded; Landlord's obligations under the Overlease (referred to as the "Sublease" in the Nondisturbance Agreements) have been guaranteed by Merrill Lynch & Co., Inc.; there are no Superior Instruments by reason of which Landlord's interest in the Premises under the Overlease can be cut off or disturbed except those as to which Landlord has been granted rights of nondisturbance by the Nondisturbance Agreements; and Landlord will not subordinate its leasehold interest in the Premises under the Overlease to any new Superior Mortgage or other Superior Instrument without obtaining the benefit and protection of similar nondisturbance agreements for Landlord and/or Tenant.

(b) Landlord will deliver to Overlandlord, with Landlord's submission of this Sublease to Overlandlord for its consent pursuant to Section 2.03, a certificate to the effect

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required by Section 10.19 of the Overlease in order for Overlandlord to become obligated to recognize Tenant as a direct tenant of Overlandlord in accordance with the terms of this Sublease in the event of a termination of the Overlease.

(c) From and after the first Possession Date, there will be no rights in favor of any third Persons to possession, use or occupancy of the Sublease Premises or to any Expansion Option Space which will be superior to the rights of Tenant to possession, use and occupancy of the Sublease Premises and the Expansion Option Space under this Sublease.

SECTION 9.02 Quiet Enjoyment. (a) So long as no Event of Default

shall have occurred and be continuing, Tenant shall peaceably and quietly have, hold and enjoy the Sublease Premises without hindrance, ejection or molestation by Landlord, Overlandlord, Ground Lessor or any person (including any future Superior Mortgagee from whom Landlord does not obtain a nondisturbance agreement similar in effect to the Nondisturbance Agreement by Bankers Trust Company with Landlord) lawfully claiming through or under Landlord, Overlandlord or Ground Lessor.

(b) Subsection 9.02(a) shall be construed as a covenant running with the Sublease Premises, but not as a personal covenant of Landlord except to the extent of Landlord's interest in the Premises and this Sublease and for only so long as such interest shall continue, and thereafter this covenant shall be binding only upon subsequent successors in interest of Landlord's interest in this Sublease to the extent of their respective interests, as and when they shall acquire the same and only for so long as they shall retain such interest.

(c) Landlord shall use Landlord's Reasonable Efforts (and shall pay the costs of the reasonable efforts of Landlord's legal counsel) to prevent Nomura Holding America, Inc. and its successors, assignees and subsubtenants from operating or even testing the emergency electric power generators which have been installed by Nomura Holding America, Inc. on floor 10 of the Building at any time on Business Days except in cases of interruptions in the supply of electricity to the premises subleased by Nomura Holding America, Inc. from Landlord caused by emergencies beyond the control of Landlord or Nomura Holding America, Inc. In addition, Landlord shall not permit Nomura Holding America, Inc. to employ its emergency electric power generators to participate in any electric energy abatement programs offered by the utility company which supplies electricity to the Building, and shall use Landlord's Reasonable Efforts (and shall pay the costs of the reasonable efforts of Landlord's legal counsel) to require Nomura Holding America, Inc. to give Landlord and Tenant at least three (3) days prior notice of any intended operation or testing of its emergency electric power generators on floor 10 of the Building, and to accede to any

reasonable request that Tenant may

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make for such operation or testing to be rescheduled to non-Business Hour on some non-Business Day that is no later than ten (10) days after the intended date of operation or testing announced by Nomura Holding America, Inc. in its notice to Landlord Tenant.

ARTICLE X
ASSIGNMENT, SUBLETTING AND MORTGAGES

SECTION 10.01 Consent Required. (a) Subject to the provisions of

Section 10.02 and 10.08, Tenant shall not, whether voluntarily, involuntarily or by operation of law or otherwise (i) assign or otherwise transfer this Sublease or the term and estate hereby granted, (ii) sublet the Sublease Premises or any part thereof, or allow the same to be used or occupied by anyone other than an Affiliate of Tenant (provided that such permitted use or occupancy shall create no possessory rights unless and until such Affiliate enters into a Subsublease with Tenant and Tenant delivers an executed counterpart thereof to Landlord and to Overlandlord), or (iii) mortgage, pledge, encumber or otherwise hypothecate this Sublease or the Sublease Premises or any part thereof, except as expressly provided in this Sublease.

(b) For purposes of this Section 10.01, if Tenant is not an individual and if at any time during the Term the Person which, on the date of this Sublease, controls the Tenant ceases to control the Tenant, whether by operation of law or otherwise, any such event shall be deemed to be an assignment of this Sublease for which Landlord's prior consent shall be required. However, the above provisions of this Subsection 10.01(b) and Section 10.02 shall not be applicable (x) to any corporation all the outstanding voting stock of which is listed on a national securities exchange (as defined in the Securities Exchange Act of 1934, as amended) or (y) to a transaction in which all or substantially all of the stock shares or equity interests or all or substantially all of the assets of Tenant are transferred to a Person that continues the operation of Tenant's business for a substantial period beyond such transfer, provided in each case that the going concern value and assets of

Tenant immediately after such transfer are reasonably sufficient for the continued payment of any accrued but unpaid and the estimated future Rent obligations of the Tenant under this Sublease; nor shall the death, retirement, withdrawal, resignation, incompetency or addition of partners in, from or to Tenant be treated as an assignment for purposes of this Sublease. For purposes of this Section 10.01, stock ownership shall be determined in accordance with the principles set forth in Section 544 of the Internal Revenue Code of 1986, as the same has been amended through the date hereof, and the term "voting stock" shall refer to shares of stock regularly entitled to vote for the election of directors of the corporation.

(c) For purposes of this Sublease, any Affiliate of Tenant may use or occupy the Sublease Premises without entering into

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a Subsublease with Tenant and delivering to Landlord and Overlandlord an executed counterpart thereof and, in that event, shall be deemed to be a corporate division or department of Tenant and not a separate entity; and accordingly, such Affiliate shall not be entitled to recognition by Landlord as a subtenant. Tenant shall be fully responsible for any defaults or Events of Default caused by or due to any act or omission of such Affiliate.

SECTION 10.02 Affiliate Mergers. (a) Subject to the other provisions

of this Article X, the prohibition on assignment contained in Section 10.01 shall not apply to a transaction between Tenant and an Affiliate of Tenant that is a successor to Tenant and continues the operation of Tenant's business.

(b) Provided no Event of Default shall have occurred and be continuing, Tenant shall have the right, upon notice but without Landlord's consent, to assign all of Tenant's interest in this Sublease, or to sublet all or a portion of the Sublease Premises, to an Affiliate of Tenant (subject, however, to all of the other terms of this Article X, including Sections 10.01(c), 10.03 and 10.04); provided, however, if at any time subsequent to such

assignment or subletting, the assignee or sublessee shall not remain an Affiliate of Tenant, then Tenant shall be required to obtain Landlord's consent to the continuation of such assignment or subletting as provided herein.

SECTION 10.03 Restrictions. (a) No partial assignments of this

Sublease, or of any of Tenant's rights or options hereunder, shall be permitted.

(b) If this Sublease be assigned, whether or not in violation of the provisions of this Sublease, Landlord may collect rent from the assignee. If

the Sublease Premises or any part thereof are sublet or used or occupied by anybody other than Tenant, whether or not in violation of this Sublease, Landlord may, if an Event of Default has occurred and is continuing, collect rent from the subtenant or occupant. In either event, Landlord may apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this Article X, or the acceptance of the assignee, subtenant or occupant as the tenant hereunder, or a release of Tenant from the performance of its obligations under this Sublease.

(c) The consent by Landlord to the assignment, subletting or use or occupancy by others of the Sublease Premises shall not in any way be considered to relieve Tenant (or any Subtenant) from obtaining the express written consent of Landlord to any other or further such assignment, subletting or use or occupancy not expressly permitted by this Article X.

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(d) References in this Sublease to use or occupancy by others (that is, anyone other than Tenant or an Affiliate) shall not be construed as limited to subsubtenants and those claiming under or through subsubtenants, but as also including licensees, concessionaires, operators and others claiming under or through Tenant or an Affiliate, immediately or remotely, a legal right of possession or occupancy of the Sublease Premises or any portion thereof (all such persons herein referred to as "Subsubtenants").

SECTION 10.04 Assumption Required. (a) Any assignment or other

transfer, whether made with Landlord's consent or without Landlord's consent, shall be made only if, and shall not be effective until, the assignee or transferee shall execute and acknowledge for the benefit of Landlord an agreement whereby the assignee or transferee shall assume the obligations thereafter to be performed by Tenant under this Sublease and whereby the assignee or transferee shall agree that the provisions in Section 10.01 shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect of any future assignments and other transfers.

(b) Where Landlord's consent for an assignment, sub-letting or other transfer of Tenant's interest herein is required hereunder, the original-named Tenant and each assignee thereof shall remain fully and primarily liable for the payment of all Rent and all other sums due under this Sublease and for the other obligations of this Sublease on the part of Tenant to be performed or observed throughout the Term notwithstanding (i) any assignment, subletting or other transfer, whether or not in violation of the provisions of this Sublease, (ii) the acceptance of any Rent by Landlord from an assignee, subtenant, transferee or any other party, (iii) any amendment or modification of this Sublease subsequent to the date of any assignment (provided, however, that Tenant's

liability shall not be increased or extended without Tenant's written consent by any such amendment or modification of this Sublease subsequent to the date of any assignment).

(c) Tenant shall pay all reasonable costs and expenses incurred by Landlord in connection with a proposed assignment, subletting or other transfer, including reasonable fees and expenses of Landlord's outside attorney, whether or not such transaction shall be consummated.

SECTION 10.05 Obligations Unaffected by Assignment. Except in the

case of an assignment of this Sublease permitted without Landlord's consent pursuant to Subsection 10.01(b), 10.02 (a) or 10.02(b), the liability of Tenant and any immediate or remote successor in interest of Tenant for the due performance of the obligations of this Sublease on Tenant's part to be performed or observed (a) shall be joint and several, (b) shall not be discharged, released, impaired, increased or extended in any respect by any agreement or stipulation made by Landlord extending the time of or

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modifying any of the obligations of this Sublease or by any waiver or failure of Landlord to enforce any of the obligations of this Sublease, and (c) shall not be impaired or otherwise affected by any event, proceeding, action or failure to act, with or without notice to or the knowledge or consent of Tenant, including (i) any waiver, consent, indulgence, forbearance, lack of diligence, action or inaction on the part of Landlord in enforcing this Sublease; or (ii) any bankruptcy, insolvency, reorganization, arrangement, liquidation, rehabilitation or similar or dissimilar proceeding involving or affecting any assignee or this Sublease, including any termination or rejection of this Sublease in connection with such proceedings (and any limitation on the liability of any assignee in such proceeding shall not diminish or limit the liability of Tenant), and in the event Tenant's assignee shall become a debtor under the Code, Tenant shall have no right of subrogation as against such assignee.

SECTION 10.06 Obligations Unaffected by Subsublease. Each

Subsublease pursuant to this Article X shall expressly be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Sublease and the Overlease. Notwithstanding any such subletting or acceptance of rent or additional rent by Landlord from any Subtenant, or both, Tenant shall and will remain fully liable for the payment of all Rent and other sums due and to become due hereunder and for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Sublease on the part of Tenant to be performed and all acts and omissions of any Subtenant or anyone claiming under or through any Subtenant that shall be in violation of any of the obligations of this Sublease, and any such violation shall be deemed to be a violation by Tenant. Tenant further agrees that notwithstanding any such subletting, no other or further subletting of the Sublease Premises or any part thereof by Tenant or any person claiming through or under Tenant shall or will be made except upon compliance with and subject to the provisions of this Article X.

SECTION 10.07 Listings of No Effect. The listing of any name other

than, or in addition to, that of Tenant, whether on the doors of the Sublease Premises or the directory for the Building, or otherwise, shall not operate to vest any right or interest in this Sublease or in the Sublease Premises, nor shall it be deemed to be the consent of Landlord to any assignment, subletting or other transfer of this Sublease or to any Subsublease or any part thereof or to the use or occupancy thereof by others.

SECTION 10.08 Criteria for Assignments or Subtenancies. (a) Except

for any assignment or Subsublease or use or occupancy by others permitted without Landlord's consent pursuant to Subsections 10.01(b), 10.01(c), 10.02(a) or 10.02(b), if Tenant shall at any time or times during the Term desire to assign this Sublease or sublet all or any portion of the Sublease Premises, Tenant shall

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give notice thereof to Landlord, which notice shall be accompanied by (i) a conformed or photostatic copy of the proposed Subsublease or assignment, the effective or commencement date of which shall be at least twenty (20) Business Days after the giving of such notice, and (ii) a statement setting forth in reasonable detail the identity of the proposed assignee or Subtenant, the nature of its business, its financial condition and credit standing, and its proposed use of the Sublease Premises.

(b) So long as no monetary Event of Default has occurred and is continuing, Landlord shall grant its consent to the proposed assignment or Subsublease within ten (10) Business Days after Tenant furnishes Landlord the items enumerated in clauses (i) and (ii) of Subsection 10.08(a) if in Landlord's reasonable judgment:

(i) The proposed assignee or Subtenant is engaged in a business and the Sublease Premises will be used in a manner which (1) are in keeping with the standards of a first-class office building, (2) are limited to the uses permitted under Article VI hereof, and (3) will not violate any restriction as to use specifically incorporated in this Sublease;

(ii) The proposed assignee or Subtenant is a reputable Person of good character and any proposed assignee has financial worth sufficient to meet its liabilities and obligations under the assignment;

(iii) The form of the proposed assignment or Subsublease complies with the applicable provisions of this Article X;

(iv) Any proposed Subsublease does not provide for any rental or any other payments for use, occupancy or utilization of the premises demised thereunder based in whole or in part on the net income or profits derived by any Person therefrom;

(v) Any proposed assignment or subsublease does not permit the proposed assignee or Subtenant to assign its interest in this Sublease or such Subsublease, as applicable, or sublet the premises demised thereunder, without the prior written consent of Landlord (except, with respect to an assignee of Tenant, as permitted herein) and Overlandlord as provided in this Article X;

(vi) The proposed assignee or Subtenant has not committed an act of insolvency or bankruptcy;

(vii) Neither the proposed assignee or Subtenant nor any of its Affiliates is a tenant in the Building for whose needs Landlord shall have a comparable amount of space available in the Building and with whom Landlord has still

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unresolved discussions regarding subleasing such comparable amount of space in the Building (it being agreed that Landlord shall not be regarded as having "unresolved discussions" if the last substantive contact between Landlord and Tenant shall have occurred more than six (6) months previously);

(viii) The proposed Subsublease will not result in the Sublease Premises being subject to more than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Subsubleases per floor on floors 3 and 15 or [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Subsubleases per floor on floors 8 and 9 of the Sublease Premises, or any Subsublease of less than all of the Sublease Premises on any of floors C1, C2 and 10, or any Subsublease of the Visitor Reception Areas separately from Subsubleases of all of the portions of the Sublease Premises primarily served by the elevator banks respectively served by such Visitor Reception Areas; and

(ix) Overlandlord shall have consented to such assignment or Subsublease in accordance with the provisions of Article 10 of the Overlease.

(c) Landlord shall forward to Overlandlord Tenant's request to assign or sublet and all related information required under the Overlease within five (5) Business Days after receipt of same and use Landlord's Reasonable Efforts to obtain Overlandlord's consent thereto unless Landlord shall have concluded prior to that time to reject Tenant's request. However, the forwarding of such request to Overlandlord shall be without prejudice to Landlord's right subsequently to reject the request in accordance with the terms of Subsection 10.08(b).

SECTION 10.09 Manner of Offering Space. (a) Tenant shall not

publicly advertise in any medium (except flyers to brokers that don't reveal Tenant's asking subrent) the availability of this Sublease for assignment or the availability of the Sublease Premises for subleasing without prior notice to and approval by Landlord (which approval shall not be unreasonably withheld) and Overlandlord. No advertisement shall state the then-Rent or the proposed rental or assignment consideration.

(b) Without limiting Tenant's obligations under Section 10.17, Tenant shall expressly provide in each (i) brokerage agreement, if any, (ii) letter of intent, if any, with a prospective assignee or Subtenant, and (iii) instrument of assignment or Subsublease, that the assignment or Subsublease in question shall be conditioned on and shall not be effective without the consent of Landlord, Overlandlord and the Ground Lessor, to the extent required by each under this Sublease, the Overlease or the Ground Lease, to such assignment or Subsublease.

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SECTION 10.10 Additional Requirements. With respect to each and

every Subsublease or assignment authorized or otherwise permitted by Landlord under the provisions of this Sublease, regardless of whether Landlord's express consent is necessary, it is further agreed:

(a) No subletting shall be for a term (including renewal or extension options) ending later than (1) one day prior to the expiration of the Term.

(b) No Subtenant or assignee shall take possession of the Sublease Premises or any part thereof until an executed counterpart of such Subsublease or assignment has been delivered to Landlord and Overlandlord, except as otherwise provided in Subsection 10.01(c) and any consent required hereunder shall have been obtained.

(c) Each Subsublease shall provide (i) that it is subject and subordinate to this Sublease, the Overlease and the matters to which this Sublease is or shall be subordinate, (ii) that except as provided in the next succeeding clause (iii), such Subsublease shall terminate and be of no further force and effect upon any termination, surrender or cancellation of this Sublease (including by reason of any agreed-upon termination of this Sublease by Landlord and Tenant), and (iii) that in the event of any such termination, surrender or cancellation of this Sublease or any re-entry or dispossession by Landlord under this Sublease, Landlord may, at its sole option, take over all of the right, title and interest of Tenant, as sublessor, under such Subsublease, and such Subtenant shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such Subsublease, except that Landlord shall not be (1) liable for any previous act or omission of Tenant under such Subsublease, (2) subject to any offset not expressly provided in such Subsublease which theretofore accrued to such Subtenant against Tenant, (3) liable for any security deposited by such Subtenant that has not been transferred as such to Landlord, (4) bound by any previous modification of such Subsublease not consented to in writing by Landlord or by any previous prepayment of more than one month's rent, (5) bound by any covenant to undertake or complete any construction of the premises or any portion thereof demised by such Subsublease, and (6) bound by any obligation to make any payment to or on

behalf of the Subtenant, it being expressly understood that Landlord shall not be bound by any obligation to make payment to or on behalf of a Subtenant with respect to construction performed by or on behalf of such Subtenant with regard to the premises demised under such Subsublease.

(d) All required consents of the Overlandlord and Ground Lessor under the Overlease and the Ground Lease must be obtained.

SECTION 10.11 Sharing of Profits. (a) If Landlord's consent to any assignment of this Sublease or to any Subsublease not

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permitted by Subsection 10.01(b), 10.02(a) or 10.02(b) shall be required hereunder and shall have been given, Tenant shall, in consideration therefor, pay to Landlord, as Additional Rent:

(i) In the case of any such assignment, an amount equal to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent of the excess (herein called the "Assignment Profit") of (x) all sums and other

consideration paid to Tenant and any of its Affiliates by the assignee for or by reason of such assignment of this Sublease to such assignee (including sums paid for the sale or rental of Tenant's leasehold improvements, fixtures, equipment, furniture, furnishings or other personal property, and, if such consideration is paid in installments, any interest paid by the assignee on such installments but excluding Rents to be assumed and paid by the assignee under this Sublease) over (y) the aggregate of (1) reasonable legal and advertising fees and expenses and customary brokerage commissions paid by Tenant in connection with such assignment and the collection of such consideration, (2) in the case of a sale of Tenant's fixtures, equipment, furniture, furnishings or other personal property, the then-unamortized or undepreciated cost thereof determined on the basis of Tenant's accounting records (which records shall be kept in a manner consistent with Tenant's overall practices), (3) the then-unamortized or undepreciated portion of (A) the cost of Tenant's leasehold improvements to the Sublease Premises (excluding fixtures and equipment which are removable without causing substantial damage to the Building or which are actually removed or sold, and furniture, furnishings and other personal property and decorating costs), amortized over the useful life of such improvements as determined on the basis of Tenant's accounting records (which records shall be kept in a manner consistent with Tenant's overall practices) less (B) the sum of the cost of any work with respect to such improvements which was performed by Landlord for Tenant without any charge to Tenant, whether before or after the Base Rent Commencement Date and the amounts paid by Landlord pursuant to Subsection 2.05(d), and (4) any lease-takeover, moving and other out-of-pocket expenses actually incurred by Tenant in connection with such assignment. The amounts payable to Landlord under this clause (i) shall be due and payable within twenty (20) days after Tenant's receipt of payment from its assignee (including any amounts received by Tenant as damages or other sums from such assignee on account of such assignee's default in connection with said assignment); provided, however, in the

event that the consideration for such assignment described in clause (x) above is received by Tenant from its assignee in installments, then such installments shall first be applied to reimburse Tenant for the costs of the assignment described in clause (y) above, after which such installments (representing the Assignment Profit) shall be

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apportioned equally among Tenant and Landlord promptly upon receipt by Tenant.

(ii) In the case of any such Subsublease, an amount equal to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the amount (herein called the "Subsubleasing Profit"), determined on a monthly basis, by which

(x) any rents, additional charges or other consideration paid to Tenant and any of its Affiliates under the Subsublease (and any related instruments) by the Subtenant (including sums paid for the sale or rental of Tenant's leasehold improvements, fixtures, equipment, furniture, furnishings or other personal property) and any sums received by Tenant from the Subtenant on account of profits received by such Subtenant from an underletting), shall exceed (y) the aggregate of (1) the Rent and all other sums to be paid by Tenant hereunder in respect of the space demised under the Subsublease (at the rate per Rentable Square Foot payable by Tenant hereunder), (2) the reasonable legal and advertising fees and expenses and customary brokerage commissions paid by Tenant in connection with the subletting and the collection of such subrents, (3) net payments for any leasehold improvements made for the Subtenant by Tenant (or net allowances in lieu thereof paid by Tenant) pursuant to the terms of the Subsublease or to discharge obligations of the Subtenant under other leases taken over by Tenant, (4) the then-unamortized or undepreciated portion of (A) the cost

of Tenant's leasehold improvements to the Sublease Premises (excluding fixtures and equipment which are removable without causing substantial damage to the Building or which are actually removed, sold or subleased, and furniture, furnishings and other personal property and decorating costs), amortized over the useful life of such improvements as determined on the basis of Tenant's accounting records (which records shall be kept in a manner consistent with Tenant's overall practices) less (B) the cost of any work with respect to such improvements which was performed by Landlord for Tenant without charge to Tenant, whether before or after the Base Rent Commencement Date, and the amounts paid by Landlord pursuant to Subsection 2.05(d), and (5) any lease-takeover, moving and other out-of-pocket expenses actually incurred by Tenant in connection with such Subsublease. The Subsubleasing Profit for a Subsublease shall be amortized on a straight-line basis over the term of such Subsublease, and the amounts payable to Landlord under this clause (ii) shall be paid in equal monthly installments in arrears over the term of the Subsublease in question (not later than twenty (20) days after Tenant's receipt of such amount from its Sub-subtenant); provided, however, such amounts described in clause (x)

above shall be apportioned among Tenant and Landlord upon receipt by Tenant so that Tenant first recovers the costs of the Subsublease described in clause (y) above, after which such installments (representing the

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Subsublease Profit) shall be apportioned equally among Tenant and Landlord promptly upon receipt by Tenant. If, however, the Subsublease is terminated

by Tenant as sublandlord, Tenant's obligation to pay further sums to Landlord shall terminate except with regard to any damages or other sums thereafter received by Tenant from such Subtenant, of which Tenant shall pay to Landlord ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) percent on account of Subsubleasing Profits.

(b) If Tenant shall assign this Sublease or Subsublease the Sublease Premises or any portion thereof in a case that does not require Landlord's consent under this Article X or to an Affiliate of Tenant, then the instrument of assignment or Subsublease in question shall (i) incorporate the provisions of this Section 10.11, (ii) provide that such assignee or Subtenant shall promptly pay over to Landlord [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent of any Assignment Profit and Subsubleasing Profit received by such assignee or Subtenant, and (iii) provide that Landlord shall have the right to enforce such provisions in its own name or Tenant's name.

(c) Together with any requests for Landlord's consent to an assignment or with the notice to be given to Landlord pursuant to Subsection 10.08(a), as the case may be, Tenant shall furnish Landlord with such information and documents relating to the calculation of Assignment Profit and Subsubleasing Profit as shall be reasonably appropriate to enable Landlord to verify the same, and Tenant shall promptly furnish Landlord with such additional information or documents related thereto as Landlord may reasonably request. Any dispute arising under or in connection with any provision of this Section 10.11 shall be determined by arbitration pursuant to Article XXI but shall not be allowed to delay Landlord's consent to the Subsublease. In the event the arbitration determines that the monthly amount owed by Tenant to Landlord under this Section 10.11 exceeds the monthly amount claimed to be so owed by Tenant, then Tenant shall pay interest at the Prime Rate on the underpaid amount from the date such amount (or portion thereof) was owed to the date paid. The obligations of Tenant and the remedies of Landlord under this Section 10.11 shall survive the expiration or earlier termination of the Term.

SECTION 10.12 Tenant's Enforcement. Tenant shall use reasonable

efforts to cause any Subtenant to comply with its obligations under its Subsublease, this Sublease and all Superior Instruments. As used herein, "Subsubleases" shall include any sub-sublease or underlease made by Tenant or

any of its Subsubtenants as lessor or underlessor, and any occupancy, operating, license and concession agreement, as the case may be.

SECTION 10.13 Responsibility for Subsubtenants. The fact that

violation or breach of any of the terms, provisions or conditions of this Sublease results from or is caused by an act or

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omission by any of the Subsubtenants shall not in any respect relieve Tenant of Tenant's obligations to cure the same.

SECTION 10.14 Assignment of Subrents. To secure the prompt and full

payment by Tenant of the Rent and all other sums due hereunder and the faithful performance by Tenant of all the other terms and conditions herein contained on its part to be kept and performed, Tenant hereby assigns, transfers and sets

over unto Landlord, subject to the conditions hereinafter set forth in this Section 10.14, all of Tenant's right, title and interest in and to all Subsubleases, and hereby confers upon Landlord, its agents and representatives, a right of entry in, and sufficient possession of, the Sublease Premises to permit and ensure the collection by Landlord of the rents and other sums payable under the Subsubleases, and further agrees that the exercise of the right of entry and qualified possession by Landlord shall not constitute an eviction of Tenant from the Sublease Premises or any portion thereof. However, such assignment shall become operative and effective if but only if (a) a monetary Event of Default shall occur, or (b) this Sublease and the Term shall be canceled or terminated pursuant to the terms, covenants and conditions hereof, or (c) there occurs repossession under a dispossess warrant or other judgment, order or decree of a court of competent jurisdiction and then only as to such of the Subsubleases that Landlord may elect to take over and assume. Notwithstanding the foregoing, if the events described in clauses (b) and (c) of this Section 10.14 have not occurred and if the Event of Default which caused such assignment to become operative and effective shall have been cured by Tenant, such assignment shall cease to be operative and effective upon the written demand of Tenant, provided that this Sublease is then in effect and no

new monetary Event of Default shall have occurred and remain uncured under this Sublease, and Landlord shall cease to exercise the rights granted hereunder to Landlord with respect to the Subsubleases.

SECTION 10.15 Delivery of Subsublease Schedule. Tenant shall deliver

to Landlord, at least five (5) business days prior to the times set forth in Subsection 38.01(a)(ii) of the Overlease for the delivery of annual financial statements, a schedule of any Subsublease which shall include the name of the Subtenant, the expiration date, a description of any renewal options, rentals and any other information relating to such Subsublease which Landlord may reasonably request.

SECTION 10.16 Additional Provisions of Subsubleases. Tenant

covenants and agrees that any Subsublease shall expressly provide that (a) it is subject to this Sublease and to the Overlease, (b) the Subtenant will not pay any rent or other sums under the Subsublease for more than one (1) month in advance of the due date for any corresponding Rent obligation under this Sublease, (c) on the termination of this Sublease pursuant to Article XX, upon Landlord's request the Subtenant will promptly deliver to Landlord "as-built"

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drawings (or comparable redlined shop drawings) of any construction, alteration, renovation and/or restoration work such Subtenant performed or caused to be performed in the space demised under such Subtenant's Subsublease, and (i) if any construction, alteration, renovation and/or restoration work with respect to such space is then proposed or in progress, such Subtenant's drawings and specifications, if any, for such work, and (ii) if any construction, alteration, renovation and/or restoration work by Tenant for such Subtenant with respect to such space was performed or is then proposed or in progress, the "as-built" drawings, if any, or the drawings and specifications, if any, as the case may be, for such work in such Subtenant's possession and (d) at Landlord's option, on the termination of this Sublease pursuant to Article XX, the Subtenant will attorn to, or enter into a direct lease on identical terms with, Landlord for the balance of the unexpired term of the Subsublease.

SECTION 10.17 Indemnification by Tenant. Unless Landlord

unreasonably declines to give its consent to or to use Landlord's Reasonable Efforts to process and obtain Overlandlord's consent to any proposed assignment or Subsublease for which such consent shall be required, Tenant shall indemnify, defend and hold Landlord and its officers, employees and agents harmless, in the manner provided in Section 26.03, against and from any and all loss, liability, damages, costs and expenses (including reasonable attorneys' fees) resulting from any claims that may be made against any such persons by the proposed assignee or Subtenant or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or Subsublease.

ARTICLE XI
COMPLIANCE WITH LAWS AND SUPERIOR INSTRUMENTS

SECTION 11.01 Compliance Required. (a) Tenant and Landlord shall

give prompt notice to one another of any notice it receives of the violation of any law or requirement of any Governmental Authority with respect to the Sublease Premises or the use or occupancy thereof by Tenant together with a copy of such notice.

(b) Tenant shall, at Tenant's expense, comply with all laws, orders, ordinances, directions, regulations and requirements of any Governmental Authority, now or hereinafter in force (collectively, "Legal Requirements"), in

respect of Tenant's use, occupation or Alteration of the Sublease Premises, or the abatement of any nuisance in, on or about the Sublease Premises, provided

that the same (a) requires the installation, modification or maintenance of any gas, smoke or fire detector or alarm or any sprinkler or other system to extinguish fires not otherwise required on a Building-wide basis, or (b) imposes some violation, order or duty on Landlord or Tenant, arising from (i) Tenant's manner of use of the Sublease

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Premises (as distinguished from Tenant's mere use of the Sublease Premises as permitted by Subsection 6.01(a)), or (ii) the alteration or operation of its installations, equipment or other property therein or use of the Sublease Premises for any use not permitted by Subsection 6.01(a), or (iii) some cause or condition created by or at the instance of Tenant (other than Tenant's mere use of the Sublease Premises as permitted by Subsection 6.01(a)), or (iv) breach of one or more of Tenant's obligations hereunder; provided that the Sublease

Premises are free of violations of Legal Requirements on the date Landlord delivers possession of the Sublease Premises to Tenant; and provided further

that, where such compliance would affect in any way the structural, mechanical, electrical, sanitary, plumbing, heating, ventilating, air-conditioning, fire safety or other systems of the Building, such compliance shall be performed only by Landlord or a contractor selected by Tenant from a list of at least four (4) contractors specifically approved for such work by Landlord, at Tenant's reasonable expense. Tenant shall pay all costs, expenses, fines, penalties and damages that may be imposed upon Landlord or Overlandlord or the holder of any other Superior Interest by reason of or arising out of Tenant's failure to fully and promptly comply with and observe the provisions of this Section 11.01. Tenant shall pay as Additional Rent, within twenty (20) days after written demand therefor from Landlord, any fines, penalties or other amounts owed by Landlord or any Superior Party to the Fire Department of New York or to others resulting from alarms or violations or corrections to the fire safety system originating in the Sublease Premises from (i), (ii) or (iii).

(c) Notwithstanding the foregoing provisions of Subsection 11.01(b), Tenant shall not be required to comply with any Legal Requirement so long as Tenant is in good-faith contesting the same and has furnished (i) to Landlord the written consent of Overlandlord and Superior Mortgagees whose consent shall be necessary under the provisions of such mortgages, which consent Landlord agrees to use Landlord's Reasonable Efforts to assist Tenant to obtain, and (ii) to Landlord (or, at Landlord's option, Overlandlord) a cash deposit, an irrevocable letter of credit or a surety bond or other such security reasonably satisfactory to Landlord in an amount sufficient to pay all potential fines, penalties and other amounts referred to in Subsection 11.01(b) together with interest thereon.

SECTION 11.02 Compliance with Superior Instruments. Tenant, at its

sole cost and expense, shall perform and comply with and cause the Sublease Premises to comply with all of, and shall not do or permit anything which would violate any of, the terms, covenants and conditions (to the extent they are susceptible of performance and compliance by Tenant and arise from Tenant's manner of use of the Sublease Premises (as distinguished from the mere use of the Sublease Premises as permitted by Section 6.01) or operation of its installations, equipment or other property therein) of (a) the Overlease, (b) the Ground Lease, (c) the Project Operating Agreement,

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(d) Superior Mortgages and (e) other Superior Instruments, provided, however, -----
that such performance and compliance shall not be required hereunder to the extent that the same increases in any non-de-minimis respect Tenant's overall obligations hereunder or decreases in any non-de-minimis respect Tenant's rights or Landlord's obligations hereunder.

SECTION 11.03 No Discrimination. (a) Tenant covenants and agrees

that in its use, operation or occupancy of the Sublease Premises and employment and conditions of employment in connection therewith, or in its subleasing of the Sublease Premises or any part thereof or assignment of its interest in this Sublease, or in connection with the maintenance, repair or alteration of the Sublease Premises (i) it shall not discriminate or permit discrimination against any Person by reason of race, creed, color, religion, national origin, ancestry, sex, age, disability or marital status, and (ii) it shall comply with all applicable federal, state and local laws, ordinances, rules and regulations from time to time in effect prohibiting such discrimination or pertaining to equal employment opportunities.

(b) Tenant shall be bound by and shall include the following paragraphs (i) through (v) of this Subsection 11.03(b) in all construction agreements, agreements for the purchase of goods and services and any other

agreements relating to the operation of the Sublease Premises, in such a manner that these provisions shall be binding upon the parties with whom such agreements are entered into (any party being bound by such provisions shall be referred to in this Section 11.03 as "Contractor"):

(i) Contractor shall not discriminate against employees or applicants for employment because of race, creed, color, religion, national origin, ancestry, sex, age, disability or marital status, shall comply with all applicable federal, state or local laws, ordinances, rules and regulations from time to time in effect prohibiting such discrimination or pertaining to equal employment opportunities and shall undertake programs of affirmative action to ensure that employees and applicants for employment are afforded equal employment opportunities without discrimination. Such action shall be taken with reference to, but not limited to, recruitment, employment, job assignment, promotion, upgrading, demotion, transfer, layoff or termination, rates of pay or other forms of compensation, and selection for training or retraining, including apprenticeship and on-the-job training.

(ii) Contractor shall request each employment agency, labor union and authorized representative of workers with which it has a collective bargaining or other agreement or understanding, to furnish it with a written statement that such employment agency, labor union or representative will not

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discriminate because of race, creed, color, religion, national origin, ancestry, sex, age, disability or marital status and that such agency, union or representative will cooperate in the implementation of Contractor's obligations hereunder.

(iii) Contractor shall state in all solicitations or advertisements for employees placed by or on behalf of Contractor that all qualified applicants shall be afforded equal employment opportunities without discrimination because of race, creed, color, religion, national origin, ancestry, sex, age, disability or marital status.

(iv) Contractor shall comply with all of the provisions of the Civil Rights Law of the State of New York and the Human Rights Law (Sections 290-301 of the Executive Law) of the State of New York, furnish upon reasonable notice all information and reports deemed necessary by Landlord, and permit access to its relevant books, records and accounts for the purpose of monitoring compliance with the Civil Rights and Human Rights Laws.

(v) Contractor shall include in all agreements with subcontractors the foregoing provisions of subsections (i) through (iv) in such a manner that said provisions shall be binding upon the subcontractor and enforceable by Contractor, Tenant and Landlord. Contractor shall take such action as may be necessary to enforce the foregoing provisions. Contractor shall promptly notify Tenant and Landlord of any litigation commenced by or against it arising out of the application or enforcement of these provisions, and Tenant and Landlord may intervene in any such litigation.

(c) Notwithstanding the provisions of Article XX, but without limitation of Tenant's obligations under Article XXVI, if Tenant fails or refuses to comply with its obligations under this Section 11.03, Landlord's sole remedy shall be to apply to a court of competent jurisdiction for such equitable relief as may be available to secure the performance thereof by Tenant or to take such other similar action as may be provided by law.

(d) If Article 40 of the Ground Lease is modified, then Landlord and Tenant shall amend this Sublease to conform this Section 11.03 to such modification, provided that such modification does not increase Landlord's or Tenant's obligations or liabilities hereunder or otherwise adversely affect Landlord or Tenant.

SECTION 11.04 Landlord's Compliance. As of the date of this

Sublease, the Sublease Premises are covered by a valid temporary certificate of occupancy; and Landlord has no knowledge and has received no notice of a violation of any Insurance or Legal Requirement pertaining to the Sublease Premises (including New York

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City Local Law 58) that has not been cured. Except insofar as Tenant is expressly made responsible under this Sublease for compliance with the same Legal and Insurance Requirements and without limiting Tenant's obligations under Subsections 16.01(b) and (c), Landlord will comply with all Legal and Insurance Requirements affecting the Building or any portion thereof to the extent that noncompliance with such Legal or Insurance Requirements would adversely affect

(except to a de minimis extent) Tenant's use of the Sublease Premises for the
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uses permitted by this Sublease.

ARTICLE XII
INSURANCE

SECTION 12.01 Compliance with Requirements. Tenant shall not

violate, or permit the violation of, any condition imposed by any insurance
policy then issued in respect of the Premises or the property of any Persons
therein, or both (provided that such condition (a) is known or made known to

Tenant, (b) is not violated as of the first Possession Date, (c) is customary
for policies covering comparable buildings, and (d) is applicable to the
Landlord's other tenant's of the Building in a nondiscriminatory manner), and
shall not do, or permit anything to be done, or keep or permit anything to be
kept in the Sublease Premises which would subject Landlord, Overlandlord, Ground
Lessor or any other Superior Party to any liability or responsibility for
personal injury or death or property damage, or which would result in Landlord's
or Overlandlord's insurers refusing to insure the Premises or any property
therein in amounts required by the Overlease or such greater amounts as may
reasonably be desired by Landlord, or which would result in the cancellation of,
or the assertion of any defense by the insurer in whole or in part to claims
under any policy of insurance in respect of the Premises or the property
therein, or both.

SECTION 12.02 Obligation to Reimburse. If, by reason of Tenant's

failure to comply with those conditions and matters with which it is required to
comply under the provisions of Section 12.01 (collectively, "Insurance

Requirements"), the premiums on Landlord's insurance on the Premises and/or

equipment therein shall be higher than they otherwise would be, or Landlord's
insurers reduce the insurance coverage provided on the Building or the Premises
and Landlord must obtain additional insurance, then Tenant shall reimburse
Landlord as Additional Rent, within twenty (20) days after Landlord's written
demand, for any such premiums reasonably attributable to such failure on the
part of such party. A schedule or "make up" of rates for the Premises issued by
the New York Fire Insurance Rating Organization or other similar body making
rates for insurance for the Premises, shall be conclusive evidence of the facts
therein stated and of the several items and charges in the insurance rate then
applicable to the Premises.

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SECTION 12.03 Waiver of Subrogation. (a) Each party agrees to have

included in each of its insurance policies (insuring the Building and Landlord's
Property therein in the case of Landlord, and insuring Tenant's Property in the
Sublease Premises, in the case of Tenant, against loss, damage or destruction by
fire or other casualty) a waiver of the insurer's right of subrogation against
the other party during the term of this Sublease or, if such waiver should be
unobtainable or unenforceable, (i) an express agreement that such policy shall
not be invalidated if the insured party waives the right of recovery against any
party responsible for a casualty covered by the policy before the casualty or
(ii) any other form of permission for the release of the other party. If there
shall be a cost to the insured party for such waiver, agreement or permission,
then the other party shall pay such cost, within ten (10) days after demand
therefor, to the insured party or shall be deemed to have waived its right to
such waiver, agreement or permission. If such waiver, agreement or permission
shall not be, or shall cease to be, obtainable from either party's then current
insurance company, the insured party shall so notify the other party promptly
after learning thereof, and shall use its best efforts to obtain the same from
another insurance company described in Section 12.04.

(b) Landlord hereby releases Tenant with respect to any claim
(including a claim for negligence) which Landlord might otherwise have against
Tenant for loss, damage or destruction with respect to Landlord's property
occurring during the Term to the extent to which Landlord is required by Section
12.06 to be insured under a policy or policies containing a waiver of
subrogation or permission to release liability, as provided in the preceding
provisions of this Section 12.03 (without regard for these purposes to
Landlord's rights under Section 12.06 to self-insure). Tenant hereby releases
Landlord with respect to any claim (including a claim for negligence) which
Tenant might otherwise have against Landlord for loss, damage or destruction
with respect to Tenant's Property occurring during the Term to the extent to
which Tenant would be insured under a policy covering loss or damage to Tenant's
Property in the manner required under Section 12.04 (without regard for these
purposes to Tenant's right under Section 12.04 to self-insure) and containing a
waiver of subrogation in favor of Landlord or permission to release liability
(regardless of whether or not Tenant is so insured).

(c) If notwithstanding the recovery of insurance proceeds by either

party for loss, damage or destruction of its property, the other party is liable to the first party with respect thereto or is obligated under this Sublease to make replacement, repair or restoration or payment therefor, then, provided the first party's right of full recovery under its insurance policies is not thereby prejudiced or otherwise adversely affected, the amount of the net proceeds of the first party's insurance against such loss, damage or destruction shall be offset against the second party's liability to

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the first party therefor, or shall be made available to the second party to pay for replacement, repair or restoration, as the case may be.

(d) The waiver, agreement or permission to be obtained by Tenant pursuant to Subsection 12.03(a) shall extend to Landlord's agents, directors, employees, managers, officers and shareholders as well as to Overlandlord, Ground Lessor, Superior Mortgagee or any other Superior Party; and the waiver, agreement or permission to be obtained by Landlord pursuant to Subsection 12.03(a) shall extend to Tenant's agents, directors, employees, officers, owners and partners.

SECTION 12.04 Tenant's Insurance. Tenant, at its expense, shall

maintain at all times during the Term public liability insurance in respect of the Sublease Premises and the conduct or operation of business therein, with Landlord and its managing agent, if any, and Overlandlord, Ground Lessor, Superior Mortgagee and any other holder of a Superior Interest whose name and address shall previously have been furnished to Tenant, as additional insureds, with limits of not less than \$5,000,000 (subject to CPI Adjustment) combined single limit per occurrence for bodily injury and property damage. Tenant shall also maintain all risk of loss insurance with respect to Tenant's Property and leasehold improvements, in the full replacement value thereof. Tenant shall deliver to Landlord and any other additional insureds such certificates of insurance, issued by the insurer, in form reasonably satisfactory to Landlord, at least ten (10) days before the first Possession Date, provided that Tenant shall be permitted instead to self-insure with respect to Tenant's Property pursuant to a self-insurance program approved by Landlord on not less than an annual basis (which approval shall not be unreasonably withheld). Tenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Tenant shall deliver to Landlord and any other additional insureds a certificate thereof issued by the insurer at least thirty (30) days before the expiration of any existing policy. At Landlord's request not more often than once annually, Tenant will also furnish Landlord with evidence reasonably satisfactory to Landlord that such insurance is in effect and that the waivers of subrogation in respect of such insurance required under Section 12.03 have been obtained. All such policies shall be issued by companies of recognized responsibility licensed to do business in New York State, rated by Best's Insurance Reports at A/XII or better, and shall contain a provision whereby the same cannot be canceled or modified in a material respect unless Landlord and any other additional insureds are given thirty (30) days' prior written notice of such cancellation or modification. Tenant's policies of insurance may be maintained under "blanket policies" insuring the Sublease Premises and other property or locations of Tenant, provided that such blanket policies shall (i) set forth the amount of the insurance applicable to the Sublease Premises, (ii) otherwise comply with the provisions of this Article XII, and (iii) afford the same protection

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to Landlord and any other additional insureds as would be provided by policies individually applicable to the Sublease Premises.

SECTION 12.05 Increases in Coverage. From and after the third (3rd)

anniversary of the date of this Sublease, Landlord may from time to time, but not more frequently than annually, require that the amount of the public liability insurance to be maintained by Tenant under Section 12.04 be increased to amounts then customarily required of tenants by landlords of comparable buildings, provided Landlord requires its other subtenants in the Building to

similarly increase their public liability insurance coverages. If Tenant shall claim that Landlord's requirement is excessive, the dispute shall be determined by arbitration as provided in Article XXI. Tenant shall, thereafter, carry the insurance determined by such arbitration to be required, but in no event shall the amount of such public liability insurance be less than the amount specified in Section 12.04.

SECTION 12.06 Landlord's Insurance. Landlord will maintain all

property-loss and general liability insurance required to be maintained by Landlord under Section 7.01(a) (i) and (ii) of the Overlease. At Tenant's request not more often than once annually, Landlord will furnish Tenant with evidence reasonably satisfactory to Tenant that such insurance is in effect and that the waiver of subrogation in respect of such property-loss insurance required under Section 12.03 has been obtained.

ARTICLE XIII
RULES AND REGULATIONS

SECTION 13.01 Compliance with Rules. Tenant, and its employees,

agents, invitees and licensees, shall faithfully observe and comply with the rules and regulations annexed hereto as Exhibit D-1, and such modifications and

additions thereto as Landlord at any time and from time to time may make and communicate to Tenant which shall not increase in any non-de-minimis respect Tenant's monetary obligations hereunder or adversely affect in any non-de-minimis manner Tenant's rights hereunder or unreasonably interfere with Tenant's use of the Sublease Premises, and which, in Landlord's reasonable judgment, shall be necessary or appropriate for the reputation, safety, care and appearance of the Premises or the areas adjacent thereto, or the preservation of good order therein, or the operation or maintenance of the Premises or its equipment and fixtures (such rules and regulations, as modified or added to from time to time, the "Rules and Regulations"); provided, however, in case of any

conflict or inconsistency between the provisions of this Sublease and any of the Rules and Regulations hereafter adopted, the provisions of this Sublease shall control.

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SECTION 13.02 No Third-Party Rights. Nothing contained in this

Sublease shall be construed to impose upon Landlord any duty or obligation to enforce the Rules and Regulations against any other tenant or any employee, agent, invitee or licensee of any other tenant of the Premises, and Landlord shall not be liable to Tenant for violation of the Rules and Regulations by any other tenant or its employees, agents, invitees or licensees, provided, however,

that Landlord shall not enforce the Rules and Regulations against Tenant in a manner that is less favorable to Tenant than Landlord's enforcement generally against Landlord's other subtenants of the Building, and that this Section 13.02 shall not relieve Landlord of any of its other obligations under this Sublease.

ARTICLE XIV
ALTERATIONS; DISCHARGE OF LIENS

SECTION 14.01 Alterations by Tenant. (a) Tenant may from time to

time, at its sole cost and expense (except as provided in Section 2.05 hereof), make or cause to be made such alterations ("Alterations", which term shall

include Tenant's Work) in and to the Sublease Premises, as Tenant may reasonably consider necessary for the conduct of its business in the Sublease Premises,

provided and upon the conditions that:

- (i) The outside appearance of the Building shall not be affected.
- (ii) The strength or structure of the Building shall not be affected.
- (iii) The Alterations are to the interior of the Sublease Premises and no part of the Building outside of the Sublease Premises shall be affected, including fire-stair doors, failsafe devices and hardware.
- (iv) The proper functioning of the mechanical, electrical, sanitary, plumbing, heating, ventilation, air conditioning, fire safety and other service systems of the Building shall not be adversely affected and the usage of such systems by Tenant shall not be increased beyond any amount of capacity permitted to Tenant hereunder.
- (v) Before proceeding with any non-structural Alterations (other than painting and installation of carpeting and wall coverings) which would cost in excess of \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (subject to CPI Adjustment) per project multiplied by the number of Rentable Square Feet of the Sublease Premises on the floor of the Building on which such Alterations are to be undertaken (as reasonably estimated in writing by an independent architect or Contractor selected and paid by Tenant from a list of at least

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four (4) architects and/or contractors prepared by Landlord for such purpose), Tenant shall submit to Landlord for and obtain Landlord's approval of all plans and specifications for the work to be done that are to be filed with any Governmental Authority and any other plans and

specifications reasonably requested by Landlord.

(vi) At least twenty (20) days before proceeding with any non-structural Alterations (other than painting and installation of carpeting and wall coverings) which would cost in excess of \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (subject to CPI Adjustment) per project multiplied by the number of Rentable Square Feet of the Sublease Premises on the floor of the Building on which such Alterations are to be undertaken (as reasonably estimated in writing by an independent architect or Contractor selected and paid by Tenant from a list of at least four (4) architects and/or contractors prepared by Landlord for such purpose), Tenant shall notify Landlord of such intended Alteration and submit to Landlord for informational purposes all plans and specifications for the work to be done that are to be filed with any Governmental Authority, together with any other plans and specifications reasonably requested by Landlord.

(vii) Tenant shall pay to Landlord, within twenty (20) days after demand, as Additional Rent an amount equal to Landlord's actual and reasonable costs and expenses as reasonably estimated by Landlord with respect to in-house engineering and inspections plus one hundred and ten (110) percent of Landlord's actual and reasonable out-of-pocket costs for outside review of said plans and specifications and inspection of the Alterations to determine whether the same are being performed substantially in accordance with approved plans and specifications and in accordance with all Insurance and Legal Requirements. In connection with Tenant's Work not covered by Section 2.04 or 2.05, Tenant shall also pay the cost of all utilities (not covered by Tenant's Electricity Charge pursuant to Section 5.01) furnished in connection with the performance of Tenant's Work as shown on any meters installed in or about the Sublease Premises or as otherwise reasonably allocated to Tenant, any costs of Extra Personnel not covered by Subsection 2.05(e), any fees payable to architects and engineers retained by Landlord for the review of plans and specifications not covered by Section 2.04, any fees payable to independent security agencies, and any required reimbursements owed to Overlandlord or Ground Lessor in connection with such work not covered by Section 2.04. All such costs and expenses shall be paid within twenty (20) days after demand therefor from Landlord, provided that such payment shall not be due sooner than fifteen (15) days ----- prior to the date that the same are due and payable by Landlord.

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(viii) Before proceeding with any non-structural Alterations (other than painting and installation of carpeting and wall coverings) which would cost in excess of \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (subject to CPI Adjustment) per project multiplied by the number of Rentable Square Feet of the Sublease Premises on the floor of the Building on which such Alterations are to be undertaken (as reasonably estimated in writing by an independent architect or Contractor selected and paid by Tenant from a list of at least four (4) architects and/or contractors prepared by Landlord for such purpose), Tenant shall obtain and deliver to Landlord (to the extent required by Overlandlord or Ground Lessor) either (1) a general performance bond and a labor and materials payment bond (issued by a corporate surety licensed to do business in New York) or an irrevocable letter of credit issued by a New York Clearinghouse member with a long-term unsecured debt rating of "A" or better by Standard & Poor's Corporation, each in an amount equal to one hundred and twenty-five (125) percent of such estimate cost and in form satisfactory to Landlord, or (2) such other security as shall be reasonably satisfactory to Landlord.

(ix) Tenant shall fully and promptly comply with and observe the rules and regulations set forth in Exhibit D-2 attached hereto, as the same ----- may reasonably be amended or supplemented by Landlord from time to time in accordance with Section 13.01.

(x) Tenant shall comply with all the terms and conditions of the Overlease with respect to the Alterations in question, provided Landlord shall use Landlord's Reasonable Efforts to assist Tenant in such compliance.

(b) Notwithstanding anything that may be construed to the contrary, Tenant may not make or cause to be made any structural Alteration, or undertake any Alteration of any sort that would materially affect a building system or building facility, unless Landlord shall have given its prior written approval, which will not be unreasonably denied or delayed, in which case all of the provisions of clauses (i) through (x) of Subsection 14.01(a) shall be applicable, together with such other conditions as Landlord may reasonably impose, including the consent of Overlandlord (to the extent required pursuant to Article 13 of the Overlease) and the consent of Ground Lessor (to the extent required pursuant to Article 11 of the Ground Lease), but subject, in the case of Tenant's Plans for Tenant's Work, to Subsection 2.04(c). Tenant agrees that any review or approval by Landlord of any plans and specifications with respect to any Alterations is solely for Landlord's benefit, and without any

representation or warranty whatsoever to Tenant with respect to the adequacy, correctness or efficiency thereof or otherwise.

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(c) Tenant, at its sole cost and expense, shall obtain all necessary governmental permits and certificates for the commencement and prosecution of Alterations and for final approval thereof upon completion, and shall cause Alterations to be performed in compliance therewith and with all applicable Legal and Insurance Requirements, subject to performance by Landlord of its obligations under Subsection 6.01(d) and use by Landlord of Landlord's Reasonable Efforts to assist Tenant in obtaining such permits and certificates and effecting such compliance.

(d) Alterations shall be diligently performed in a good and workmanlike manner, using new materials and equipment at least equal in quality and class to the original tenant installations and improvements in the Sublease Premises (including those made by Tenant). All agreements with respect to Alterations shall conform to Subsection 15.01(b). Alterations shall be performed by Tenant's Contractors approved in writing in advance by Landlord (which approval shall not be unreasonably withheld or delayed), and the plans and specifications therefor shall be prepared by engineers or architects first approved by Landlord (which approval shall not be unreasonably withheld or delayed). Alterations shall be performed only at the times permitted in Exhibit D-2 except in cases of emergency or apparent emergency (as defined in Section 17.10).

(e) Throughout the performance of Alterations, Tenant, at its expense, shall carry, or cause its contractors to carry, (x) workers' compensation insurance in statutory limits, (y) general liability insurance (with completed operations endorsement) for any occurrence in or about the Sublease Premises and the Premises and (z) builder's all risk insurance (on a completed value basis), under which Landlord and, at Landlord's request to the extent required by the terms of any Superior Instrument, Overlandlord, Ground Lessor, any Superior Mortgagee and any other holder of a Superior Interest, shall be additional parties insured, in such limits as Landlord may reasonably require, with insurers reasonably satisfactory to Landlord. At or before the commencement of Alterations and, on request, at reasonable intervals thereafter during the continuance of Alterations, Tenant shall furnish Landlord with certificates of insurance evidencing that such insurance is in effect.

(f) If any Alterations shall involve the removal of any fixtures, equipment or other property in the Sublease Premises which are not Tenant's Property, such fixtures, equipment or other property shall be replaced by Tenant with fixtures, equipment or other property of equal value or utility, unless Landlord shall otherwise expressly consent, and upon such replacement shall belong to the party whose property was removed.

(g) Service elevators and loading dock services required in connection with Alterations shall be made available to Tenant, subject to scheduled availability, at Tenant's reasonable expense and

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at the rates described in Exhibit H, on not less than two Business Days' notice to Landlord.

SECTION 14.02 Discharge of Violations and Liens. Tenant, at its

expense, and with diligence and dispatch, shall procure the cancellation or discharge of all notices of violation arising from or otherwise connected with Alterations, or any other work, labor, services or materials done for or supplied to Tenant, or any person claiming through or under Tenant, which shall be issued by the Department of Buildings of the City of New York or any other Governmental Authority having or asserting jurisdiction. Tenant shall defend, indemnify and save Landlord, Overlandlord, Ground Lessor, any Superior Mortgagee and any other holder of a Superior Interest harmless, in the manner provided in Section 26.03, from and against any and all mechanics' and other liens and encumbrances filed in connection with Alterations, or any other work, labor, services or materials done for or supplied to Tenant, or any person claiming through or under Tenant, including security interests in any materials, fixtures or articles so installed in and constituting part of the Sublease Premises and against all reasonable costs, expenses and liabilities incurred in connection with any such lien or encumbrance or any action or proceeding brought thereon.

SECTION 14.03 No Liens. Except for permitted Subsubleases, Tenant

shall not create or cause, or permit or suffer to be created any lien, encumbrance or charge upon Tenant's leasehold estate in the Sublease Premises or any part thereof or upon any rents, issues or profits from subletting or occupancy thereof by others. Tenant shall not create or cause to be created any

lien, encumbrance or charge upon any assets (including, without limitation, any Rent payable hereunder) of, or funds appropriated to, Landlord, Overlandlord or Ground Lessor, or upon the estate, rights or interest in the Sublease Premises or any part thereof of Landlord, Overlandlord or the Ground Lessor in the Premises. Nothing in this Section 14.03 or Section 14.02 shall prohibit Tenant from granting a security interest in a component of Tenant's Property in connection with the leasing or purchase thereof by Tenant, and Landlord shall furnish at Tenant's expense such written confirmation thereof as may be reasonably requested by any proposed secured party.

SECTION 14.04 Discharge of Any Liens. If any mechanic's, laborer's

or materialman's lien at any time shall be filed against the Sublease Premises or any part thereof or any interest therein as a result of any act or omission of Tenant or its Subsubtenants or their respective officers, employees, agents, suppliers, materialmen, mechanics, contractors, subcontractors or sub-subcontractors, or, if any public improvement lien created or caused to be created by Tenant shall be filed against any assets of, or funds appropriated to, Landlord, Overlandlord or Ground Lessor, then Tenant, within twenty (20) days after actual notice of the filing thereof, or such shorter period after actual notice as may be required by a Superior Mortgagee

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(but not less than ten (10) days after actual notice), shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall fail to cause such lien to be discharged of record within the period aforesaid, then, in addition to any other right or remedy and after giving Tenant three (3) days prior written notice (making reference to this Section 14.04), Landlord may, but shall not be obligated to, discharge the same of record as aforesaid in any manner permitted by law; or Landlord may instead, if Landlord so elects, compel the prosecution of an action for the foreclosure of such lien by the lienor and pay the amount of the judgment in favor of the lienor with interest, costs and allowances. Any amount so paid by Landlord, including all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by Landlord in connection therewith, together with interest thereon at the Late Charge Rate, from the respective dates of Landlord's making of the payment or incurring of the costs and expenses, shall constitute Additional Rent payable by Tenant under this Sublease and shall be paid by Tenant to Landlord within twenty (20) days after Landlord's written demand. Notwithstanding the foregoing provisions of this Section 14.04, Tenant shall not be required to discharge of record any such lien if Tenant is in good faith contesting the same and has furnished (i) to Landlord the written consent of Overlandlord and Superior Mortgagees whose consent shall be necessary under the provisions of such mortgages, which consent Landlord agrees to use Landlord's Reasonable Efforts to assist Tenant to obtain, and (ii) to Landlord (or, at Landlord's option, Overlandlord) a cash deposit, an irrevocable letter of credit or a surety bond or other such security reasonably satisfactory to Landlord in an amount sufficient to pay such lien with interest and penalties.

SECTION 14.05 No Liability of Landlord or Superior Parties. Nothing

in this Sublease contained shall be deemed or construed in any way as constituting the consent or request of Landlord, Overlandlord or Ground Lessor, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration to or repair of the Sublease Premises or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of materials that would give rise to the filing of any lien against the Sublease Premises or any part thereof or any assets (including, without limitation, any Rent payable hereunder) of, or funds appropriated to, Landlord, Overlandlord or Ground Lessor.

SECTION 14.06 Delivery of Drawings to Overlandlord. On the

termination of the Overlease pursuant to Article 24 thereof, upon Overlandlord's request, Tenant, within thirty (30) days after such request, shall deliver to Overlandlord "as-built" drawings (and similar redlined shop drawings) of any material construction,

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alteration, renovation and/or restoration work Tenant performed or caused to be performed in the Sublease Premises, and (i) if any construction, alteration, renovation and/or restoration work with respect to the Sublease Premises is then proposed or in progress, Tenant's drawings and specifications, if any, for such work, and (ii) if any construction, alteration, renovation and/or restoration work by Landlord for Tenant with respect to the Sublease Premises was performed or is then proposed or in progress, the "as-built" drawings, if any, or the drawings and specifications, if any, as the case may be, for such work in Tenant's possession.

ARTICLE XV
LANDLORD'S AND TENANT'S PROPERTY

SECTION 15.01 Ground Lessor's Property. (a) Tenant acknowledges

that the Sublease Premises and all of the materials and equipment incorporated therein are the property of Ground Lessor, and Tenant agrees that all materials and equipment to be incorporated into the Sublease Premises at any time during the Term shall, upon purchase of same and at all times thereafter, constitute the property of Ground Lessor, and that legal title to the Sublease Premises and such materials and equipment shall continue in Ground Lessor; provided, however,

that Landlord, Overlandlord and Ground Lessor (i) shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier in connection with the purchase or furnishing of any such materials or equipment or the installation thereof, and (ii) shall have no obligation to pay any compensation to Tenant by reason of Ground Lessor's acquisition of title to such materials and equipment.

(b) Tenant covenants and agrees that all agreements with respect to Tenant's Work and Alterations in the Sublease Premises shall include the following provision: "[contractor] [subcontractor] [materialman] hereby agrees that immediately upon the purchase by [contractor] [subcontractor] [materialman] of any building materials to be incorporated in the Sublease Premises, or of any building materials to be incorporated in improvements made thereto, such materials shall become the sole property of [insert name of Ground Lessor], a public benefit corporation, notwithstanding that such materials have not been incorporated in, or made a part of, the Sublease Premises at the time of such purchase; and [contractor] [subcontractor] [materialman] shall look solely to [Tenant] [contractor] [subcontractor] for payment in connection with the purchase of any such materials, it being expressly understood that [insert names of Ground Lessor, Overlandlord and

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Landlord] shall have no obligation to pay any compensation to [contractor] [subcontractor] [materialman] by reason of such materials becoming the sole property of [insert name of Ground Lessor]; provided, however, that nothing contained herein shall prejudice any rights which contractor may have under the Lien Law of the State of New York."

(c) Notwithstanding the ownership by Ground Lessor of the Sublease Premises and all materials and equipment incorporated therein, Tenant shall pay or cause to be paid, to the extent required under the Ground Lease, to the Governmental Authority having jurisdiction over sales and compensating use taxes, amounts equal to the amounts of all sales and compensating use taxes which would be payable but for such ownership, on the materials and equipment purchased for incorporation into or work performed on the Sublease Premises in connection with the maintenance of and repairs, restorations, additions, alterations, improvements and replacements (including capital improvements) to the Sublease Premises. Such amounts shall be payable at the times such sales and use taxes would be payable but for such ownership.

SECTION 15.02 Tenant's Property. Notwithstanding Subsection

15.01(a), all movable partitions and all business, communications and office equipment, fixtures, machinery and other articles of personal property, whether or not attached to or built into the Sublease Premises, which are installed in the Sublease Premises by or for the account of Tenant and can be removed without damage to the Sublease Premises and the Premises, and all furniture, furnishings and other articles of movable personal property, owned by Tenant and located in the Sublease Premises (collectively, "Tenant's Property"), shall be and shall

remain the property of Tenant and may be removed by Tenant at any time during the term of this Sublease.

SECTION 15.03 Removal of Tenant's Property. (a) If any of Tenant's

Property is removed, Tenant shall repair or pay the cost of repairing any damage to the Sublease Premises or to the Building resulting from the removal thereof. In connection with such intended removal, Tenant shall give Landlord thirty (30) days' prior notice of any severance of connections to the structural, mechanical, electrical, sanitary, plumbing, heating, ventilating, air conditioning, fire safety or other systems of the Building.

(b) At or before the Expiration Date, or within fifteen (15) days after any earlier termination of this Sublease, Tenant shall, at its expense, remove from the Sublease Premises, all of Tenant's Property (including all furnishings but excluding flooring and other items of Tenant's Property that, prior to the installation thereof, Landlord agrees in writing with reference to this Section 15.03 Tenant may leave in place upon the expiration or termination of this Sublease), deliver the Sublease Premises in good

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order, working condition and repair (except for ordinary wear and tear, damage by Casualty and Condemnation and repairs which Landlord is required to make pursuant to Section 16.02), and leave the Sublease Premises in a broom-clean condition.

SECTION 15.04 Abandoned Property. After the expiration of the Term,

or after a period of fifteen (15) days following an earlier termination date, any items of Tenant's Property (excluding any cash, cash equivalents and files) which shall remain in the Sublease Premises shall be deemed to have been abandoned, and in such case such items may be retained by Landlord as its property or removed and disposed of by Landlord, without accountability, in such manner as Landlord shall determine, at Tenant's expense. Any reasonable costs so incurred by Landlord, or incurred in restoring the Sublease Premises to the condition required in Section 15.03 shall be paid by Tenant within twenty (20) days after Landlord's demand therefor and the terms of this Sublease shall continue to be in full force and effect with respect to such obligation on the part of Tenant. Landlord shall have no obligation to Tenant with respect to any items of Tenant's Property (excluding any cash, cash equivalents and files) remaining in the Sublease Premises after the Expiration Date or any earlier termination date.

ARTICLE XVI
REPAIRS AND MAINTENANCE

SECTION 16.01 Repairs by Tenant. (a) Tenant, at its sole cost and

expense, throughout the Term, subject to the terms of this Section 16.01 and Article XXIII, shall take good care of the Sublease Premises, the fixtures and appurtenances therein, and shall make (or, as hereinafter provided, cause to be made by Landlord or other Persons), at Tenant's expense, all repairs therein and thereon (including repairs to plumbing and electrical fixtures and equipment which can be made by work confined within the interior planes of demising walls and floor and ceiling slabs of the Sublease Premises and which are required over the Term of this Sublease because of Tenant's misuse thereof or damage thereto in order to keep the Sublease Premises in good and safe order and working condition, but excluding structural repairs, repairs to fixtures in existing restrooms on floors of the Sublease Premises not entirely subleased to Tenant, and other repairs which Landlord is required to make pursuant to Section 16.02). The term "repairs" shall include all alterations, additions, installations,

replacements, removals, renewals, restorations and maintenance. All repairs made by Tenant shall be at least equal in utility and class to original work and shall be made in compliance with all Insurance and Legal Requirements.

(b) Subject to Landlord's compliance with the requirements described in Section 11.04, Tenant shall also make (or, as hereinafter provided, cause to be made), at Tenant's expense, all

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repairs, interior and exterior, structural and non structural, ordinary and extraordinary, foreseen and unforeseen, necessary to comply with all applicable laws, ordinances, orders, rules, regulations and requirements of New York City (including Local Law No. 5 of 1973, as then in force) and all other Governmental Authorities, the need for which arises primarily out of (i) the performance or existence of work or Alterations by Tenant, (ii) the installation, use or operation of Tenant's Property in the Sublease Premises, (iii) the moving of Tenant's Property in or out of the Building, or (iv) the misuse or neglect of Tenant or any of its Subsubtenants or its or their employees, agents, contractors, licensees or invitees.

(c) Subject to Landlord's compliance with the requirements described in Subsection 16.02(b), Tenant shall furthermore be responsible for complying with all other requirements of the federal Americans with Disabilities Act of 1990 (the "ADA") and the regulations promulgated thereunder in or at the

entranceways to the Sublease Premises on each floor thereof, including those relating to any "paths of travel" to the public corridor and the restrooms on each floor of the Sublease Premises, as well as compliance with all ADA requirements that may be imposed with respect to the Sublease Premises by reason of or in connection with any Alterations performed by or at the request of Tenant.

(d) Tenant shall be responsible for all necessary or appropriate repairs to Tenant's Work and Tenant's Alterations (including the equipment to be installed by Tenant as described in Sections 5.05 and 17.01) unless necessitated by negligence or misconduct of Landlord or Persons under its control. Tenant, at its expense, shall repair any scratched, damaged or broken doors and glass within or at the entrances to the Sublease Premises. With respect to repairs to any scratched, damaged or broken doors and glass in and about the Building (including all exterior windows) and of wall and floor coverings in the Building (other than those within or at the entrances to the Sublease Premises, which shall be governed by the immediately preceding sentence) or to any other repairs

outside the Sublease Premises, for which a need arises because of (i) the performance or existence of work or alterations by Tenant, (ii) the installation, use or operation of Tenant's Property in the Sublease Premises, (iii) the moving of Tenant's Property in or out of the Building or (iv) some misuse or neglect of the Sublease Premises by Tenant or any of its Subsubtenants or its or their employees, agents, contractors, licensees or invitees, Tenant shall promptly notify Landlord and shall be responsible for the reasonable cost of such repairs (which shall be performed by Landlord or, at Landlord's election, by Tenant).

(e) Any repairs for which Tenant is responsible hereunder that require work or services within those specified on Exhibit G (the "Exclusive Services"), shall be done, at Tenant's sole cost and expense, by a contractor of ----- Tenant approved by Landlord or selected

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by Tenant from a list of at least four (4) contractors prepared by Landlord for such purpose, and otherwise subject to all of the other terms of Article XIV.

(f) Tenant shall promptly notify Landlord of the need of any other repairs to any mechanical, sanitary, plumbing, heating, ventilation, air-conditioning, fire safety, structural, electrical or other systems, fixtures or equipment in the Sublease Premises. Tenant shall not commit or suffer, and shall use all reasonable precaution to prevent waste, damage, or injury to the Sublease Premises.

SECTION 16.02 Repairs by Landlord. (a) Landlord, at its sole cost -----

and expense, shall (i) keep, maintain and operate the public portions of the Premises and all Building Systems and facilities serving the Sublease Premises in good working order, condition and repair for a first-class office building, and (ii) make all repairs, structural and otherwise, interior and exterior, as and when needed in or about the Sublease Premises, except for those repairs for -----

which Tenant shall be expressly made responsible pursuant to Subsection 16.01(b); and such repairs to the Sublease Premises shall be at least equal in utility and class to original work and made in compliance with all Insurance and Legal Requirements.

(b) Subject to Tenant's observance of Subsection 16.01(b) and without limiting Landlord's obligations under Section 11.04, Landlord will at Landlord's expense, if and when required by the appropriate governmental authorities but subject to Landlord's right to contest any such requirement in a diligent manner, make such alterations (if any) to the elevator lobbies and Men's and Ladies' restrooms existing on each floor of the Sublease Premises on the Possession Dates applicable thereto or, if later, the dates on which Landlord delivers actual possession of the Sublease Premises to Tenant, when and to the extent necessary to cause such elevator lobbies and restrooms to meet any applicable requirements of ADA and the regulations promulgated thereunder, as such law and regulations are in effect on the date that Landlord performs such alterations. All such alterations shall be made with a minimum of interference to Tenant's concurrent use and occupancy of the Sublease Premises. Landlord shall also indemnify Tenant against and hold Tenant harmless, in the manner provided in Section 26.03, from any costs, liabilities, fines and penalties that are imposed on or incurred by Tenant by any governmental authority or person by reason of Landlord's failure to perform its obligations in accordance with the terms of this Subsection 16.02(b), or to make any alterations that may be required on the part of Landlord pursuant to this Subsection 16.02(b) (even if Landlord has not yet been directed by some governmental authority to comply with ADA with respect to restrooms or the elevator lobby on one or more floors of the Sublease Premises), provided that Tenant shall notify Landlord promptly after -----

Tenant is notified of any claim that such restrooms or elevator lobby

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do not comply with ADA. In addition, Landlord shall either assume the defense of any claim against Tenant that is within the scope of the indemnity provided for under this Subsection 16.02(b), or Landlord shall be responsible for the payment of any of reasonable attorneys' fees and legal expenses that Tenant may incur in the absence of such assumption.

ARTICLE XVII
SERVICES; SIGNAGE AND ACCESS

SECTION 17.01 Services. (a) From and after the date Tenant takes -----

possession of the Sublease Premises for the conduct of its business, Landlord, at its expense, shall maintain and operate the Building's heating, ventilating and air-conditioning ("HVAC") systems serving the Sublease Premises as follows: -----

(i) Landlord shall furnish HVAC during Business Hours on Business Days (x) to floors 3, 8, 9 and 15 of the Sublease Premises (and to any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01) in accordance with the specifications attached hereto as Exhibit E and (y) to floors C1, C2, 2 and 10 of the Sublease

Premises in accordance with the capabilities of the existing HVAC system for those floors of the Building. "Business Hours" shall mean between

[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] a.m. and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] p.m. "Business Days" shall mean all days

except Saturdays, Sundays, and days observed as legal holidays by the New York Stock Exchange (and, with respect to cleaning to be provided by Landlord pursuant to Subsection 17.01(b), such other days as shall be designated as holidays by the applicable building service union employees service contract, the applicable operating engineers contract and the applicable building-maintenance electricians contract).

(ii) If Tenant shall require HVAC at any time other than during Business Hours on Business Days (an "Overtime Period"), then, so long as no

Event of Default has occurred and is continuing, Landlord shall furnish such HVAC service as Tenant may request by notice given to Landlord by 12:00 noon on any Business Day for any period after Business Hours on such Business Day and by 12:00 noon on the next preceding Business Day for any non-Business Day.

(iii) Tenant shall pay to Landlord, as Additional Rent hereunder, Overtime Period charges equal to the lesser of (A) Landlord's lowest charges for similar services to Landlord's other subtenants of the Building or (B) [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) per hour per floor for HVAC on floors 3 and 15 of the Sublease Premises or on the first half

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of floor 7 or floors 11, 12 and 14 of the Expansion Option Space, [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) per hour for HVAC on floors 8 and 9 of the Sublease Premises or on all of floor 7 of the Expansion Option Space and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) per hour for HVAC on all of floors 3, 8, 9 and 15 of the Sublease Premises (which per-hour figures shall be subject to increase, but not decrease, as of January 1, 1995 and on each anniversary of such date by adding thereto an amount equal to the product of (x) \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] or \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], as the case may be, multiplied by (y) the percentage increase, if any, in the Consumer Price Index for the month of December in the year immediately preceding the year in question over the Consumer Price Index for the month of December, 1993), or (C) ninety (90) percent of the aggregate of Landlord's separate per-floor charges specified in clause (B) above for the entire Sublease Premises leased from time to time by Tenant pursuant to this Sublease. Such Additional Rent shall be payable monthly within twenty (20) days after demand by Landlord.

(iv) If Tenant requires more than HVAC service to be provided pursuant to Subsubsection 17.01(a)(i) for any full floor of the Sublease Premises, Landlord will furnish to the Sublease Premises (as long as may be requested by Tenant, up to 24 hours a day, seven days a week) chilled water for supplemental air-conditioning unit(s) in accordance with the specifications for each floor of the Sublease Premises attached hereto as

Exhibit E, which shall be available via three-inch capped and valved

outlets for connections and direct pumping by Tenant into Tenant's supplemental airconditioning unit(s) to be installed by Tenant as part of Tenant's Work. Commencing upon Tenant's first use of such supplemental airconditioning unit(s), Tenant shall pay monthly to Landlord as Additional Rent hereunder an amount equal to the lesser of (A) Landlord's lowest charges for similar services to Landlord's other subtenants of the Building or (B) Tenant's pro-rata share (based on the ton-hours of chilled water consumed by Tenant in its supplemental airconditioning unit(s) as measured by the B.T.U. meter hereinafter described) of Landlord's actual costs of supplying chilled water for all supplemental airconditioning unit(s) in the Building (such costs to be set forth in a supplemental HVAC statement). The B.T.U. meter referred to in the immediately preceding sentence shall be a Controltron Model 960 or equivalent meter procured, installed by Tenant at its cost and maintained by Landlord at Tenant's reasonable expense, at a location and having a tap approved by Landlord, which approval shall not be unreasonably withheld. Such Additional Rent shall be payable monthly within twenty (20)

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days after Landlord furnishes Tenant a supplemental HVAC statement.

(b) The satisfaction by Landlord of its obligations under Subsection 17.01(a)(i) shall be subject to Tenant's substantial compliance with the conditions of occupancy and connected electrical load set forth in Exhibit E.

Use of floors 3, 8, 9 and/or 15 of the Sublease Premises, or any parts thereof, in a manner contrary to the HVAC design conditions (including occupancy and connected electrical load) set forth in said Exhibit E, use of floors C1 and/or

C2 of the Sublease Premises for purposes other than storage, or rearrangement of partitioning which interferes with normal operation of the HVAC systems serving the Sublease Premises, or the use of computer, data processing or other machines or equipment which concentrate heat loads in confined areas, may require changes in the systems serving the Sublease Premises in order to provide comfortable occupancy. Such changes, if permitted hereunder, may be made by Landlord at Tenant's reasonable expense or, if Landlord elects not to do so, may be made by Tenant at Tenant's reasonable expense, subject to provisions of Article XIV.

(c) Landlord, at its expense, shall provide (on a non-exclusive basis) elevator service to and from the Sublease Premises as follow:

(i) During Business Hours on Business Days, Landlord shall, subject to Subsubsection 17.01(c)(iv), run (A) seven (7) passenger elevators (none of which will be reserved by Landlord for exclusive use by any of Landlord's other subtenants) between the main lobby (floor 2) and floors 8, 9, 10 and 15 of the Sublease Premises (and the floors comprising any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01) as well as the other floors (4, 5, 6, 7, 11, 12, 14 and 16) of the Building in the same elevator bank, (B) four (4) passenger elevators (none of which will be reserved by Landlord for exclusive use by any of Landlord's other subtenants) between the mini-core lobby (floor 2) and floors 8 and 9 of the Sublease Premises (and floor 7 of the Expansion Option Space), (C) two (2) mini-core elevators which shall be capable of stopping at floor 3 between the mini-core lobby (floor 2), floor 3 and floors 8 and 9 of the Sublease Premises (and floor 7 of the Expansion Option Space), (D) four (4) freight and two (2) retail-area passenger elevators (none of which will be reserved by Landlord for exclusive use by any of Landlord's other subtenants) between the lobby (floor 2), floor C1 and, in the case of such freight elevators, floor C2 of the Sublease Premises, and (E) one (1) additional freight elevator between floors C1 and C2 of the Sublease Premises.

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(ii) From and after such time as the first portion of floor 7 of the Expansion Option Space may be added to the Sublease Premises, Landlord shall, during Business Hours on Business Days but subject to Subsubsection 17.01(c)(iv), run four (4) passenger elevators for the exclusive use of Tenant between the mini-core lobby (floor 2) and floors 3, 7, 8 and 9 of the Sublease Premises (of which the two (2) mini-core elevators which shall be able to stop at floor 3 shall be run between the mini-core lobby (floor 2), floor 3 and floors 7, 8 and 9 of the Sublease Premises for the exclusive use of Tenant).

(iii) At all other times Landlord shall have at least one (1) such passenger or freight elevator per elevator bank (with the exception of the elevator bank in which four (4) freight elevators running between floors C1, C2 and 2 are located) subject to call to serve all the various floors of the Sublease Premises (as the same may be enlarged to include Expansion Option Space or Offer Premises).

(iv) Landlord may, without incurring liability to Tenant for failure to provide adequate elevator service to the Sublease Premises except as provided in Section 17.03, take one or more elevators out of service whenever and for so long as may be reasonably necessary (i) as a result of accidents, emergencies, strikes or the occurrence of any other similar events beyond Landlord's reasonable control, or (ii) in order to clean, inspect, test, repair, rebuild, redecorate or otherwise operate and maintain any such elevator or elevators in accordance with the standards of a first-class office building.

(v) Subject to the final sentence of Subsection 2.05(i) (relating to the initial move-in and the performance of Tenants' Work) and to Paragraph C.3 of Exhibit D-2 (relating to Alterations), Landlord shall provide

freight-elevator service to the Sublease Premises for Tenant's reasonable use, subject to the reasonable needs of Landlord and Landlord's other subtenants of the Building, during Business Hours of Business Days. If Tenant shall require use of the freight elevators at any other time, Landlord shall make the freight elevators available to Tenant subject to scheduled availability, upon not less than two (2) Business Days' advance notice from Tenant, and Tenant shall pay to Landlord, as Additional Rent within twenty (20) days after Landlord's demand, Landlord's

then-established charges therefor based on the wage rates specified on Exhibit H hereto, which charges shall be no higher than Landlord's lowest

charges to Landlord's other subtenants of the Building and shall reflect an administrative handling charge of ten (10) percent of Landlord's actual and reasonable costs and expenses in providing such service (designed to

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reimburse Landlord for its costs in billing and collecting the same). The use of the elevators shall be subject to the Rules and Regulations.

(vi) If the Building supplies manually operated elevator service, Landlord may at any time substitute automatic control elevator service, without reducing or otherwise affecting any of Tenant's obligations hereunder.

(d) Landlord, at its expense, shall cause floors 3, 8, 9, 10 and 15 of the Sublease Premises (plus any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01) to be cleaned in accordance with the specifications attached hereto as Exhibit F.

Landlord shall not be required to perform at its expense, and Tenant shall pay to Landlord as Additional Rent within twenty (20) days after Landlord's demand, the reasonable out-of-pocket costs actually incurred by Landlord (plus an administrative handling charge of ten (10) percent thereof to cover Landlord's costs of billing and collecting the same) for, (i) cleaning services on floors C1 and C2 of the Sublease Premises, (ii) cleaning services on floors 3, 8, 9, 10 and 15 of the Sublease Premises (and for any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01) in excess of the services specified in Exhibit F, (iii) extra cleaning services

anywhere in the Sublease Premises to the extent requested by Tenant or required because of (A) use of portions of the Sublease Premises (other than four (4) coffee stations per floor on floors 8 and 9 and two (2) coffee stations per floor on floors 3, 7 and 15 and in any Expansion Option Space and Offer Premises which may be added to the Sublease Premises pursuant to Section 7.01) for the preparation, serving or consumption of food or beverages, or as training rooms (except for training Tenant's personnel), or for main-frame data processing or high-speed reproducing operations or as private lavatories or toilets, (B) misuse or neglect of the Sublease Premises by Tenant or its Subsubtenants or its or their employees or visitors, (C) use of portions of the Sublease Premises for other than normal office or storage purposes requiring greater or more difficult cleaning work than for normal office or storage areas, such as for document reproduction areas or pantry areas, or (D) requests for such extra cleaning by Tenant in connection with use of the Sublease Premises by Tenant other than during Business Hours on Business Days, (iv) removal from the Sublease Premises and the Building of any refuse and rubbish of Tenant in excess of that ordinarily accumulated in business office occupancy or at times other than Landlord's standard cleaning times stated in Section 17.01(e), and (v) pest control to the extent requested by Tenant or required for compliance with health regulations in excess of that ordinarily provided to business office occupants in the Building.

(e) Landlord, its cleaning contractor and their employees shall have access to the Sublease Premises (other than Tenant's

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communications equipment rooms and other secure areas) for cleaning purposes after 4:30 p.m. and before 12:00 midnight (provided, however, no cleaning of any

occupied areas or vacuuming shall be done prior to 6:00 p.m.) and shall have the right to use, without charge therefor, all light, power and water in the Sublease Premises reasonably required to clean the Sublease Premises as required under this Section 17.01.

(f) Landlord shall, at its expense, furnish to the Sublease Premises hot and cold water for drinking, lavatory and cleaning purposes, and, during Business Hours on Business Days, steam for heating the Sublease Premises in the manner required to satisfy Landlord's obligations to provide heat pursuant to Subsubsection 17.01(a)(i). If Tenant requires water or steam for any other purposes, Landlord may, at its election (a) employ one or more engineers to conduct one or more surveys of the Sublease Premises to determine Tenant's usage of hot and cold water and hot water for heating which surveys, at Landlord's election, may be updated on an annual basis or, more frequently upon Tenant's changed use of one or more portions of the Sublease Premises. The cost of such surveys shall be borne by Tenant. Landlord shall bill Tenant monthly on the basis of such survey(s) at Landlord's lowest then-established charges, and Tenant shall pay such amounts as Additional Rent within twenty (20) days thereafter. Alternatively, Landlord may (b) instead install and maintain, at Landlord's expense, meters to measure Tenant's consumption of cold water, hot water, chilled water and/or steam, in lieu of relying upon any such surveys, and Tenant shall pay Landlord as Additional Rent within twenty (20) days after being billed therefor, at Landlord's then-established charges (which shall be designed

to compensate Landlord for its actual costs and expenses, as reasonably estimated by Landlord, including an administrative handling fee of ten (10 percent), for the cost of the quantities of items shown on such meters.

(g) Landlord reserves the right, without any liability to Tenant except as provided in Section 17.03 and Articles XXII and XXIII and without affecting Tenant's covenants and obligations hereunder, to stop or interrupt or reduce service of any of the heating, ventilating, air-conditioning, electric, sanitary, elevator or other Building Systems serving the Sublease Premises, or to stop or interrupt or reduce any other services required of Landlord under this Sublease (whether or not specified in this Article XVII), when-ever and for so long as may be necessary, by reason of (i) accidents, emergencies, strikes or the occurrence of any other similar events, (ii) the making of repairs or changes which Landlord is required or is permitted by this Sublease or by law to make or in good faith deems necessary, (iii) inability after using Landlord's Reasonable Efforts in securing proper supplies of fuel, steam, water, electricity, labor or supplies, or (iv) any other cause beyond Landlord's reasonable control. Provided Landlord is reasonably able to do so, Landlord shall give reasonable advance notice to Tenant of

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any such stoppage or interruption and will with reasonable diligence take such steps as are reasonably available to Landlord to minimize the interference with Tenant's access to and/or use of the Sublease Premises arising from such stoppage or interruption.

(h) Tenant shall be responsible for security within the Sublease Premises, and Landlord shall, at its expense, be responsible for providing security outside the Sublease Premises at substantially the same level in effect on the date of this Sublease. Any security personnel retained by Tenant shall be subject to Landlord's reasonable approval.

SECTION 17.02 Window Cleaning. Landlord shall cause the exteriors of

the windows in the Sublease Premises to be cleaned as appropriate for a first-class office building in Manhattan (but in no event less frequently than every twelve (12) months), subject, however, to applicable Legal Requirements, labor union requirements and delays caused by inclement weather. To the extent that Landlord or its contractor must enter into the Sublease Premises to access window-cleaning equipment, Landlord shall give Tenant at least twenty-four (24) hours advance notice thereof (or such shorter notice as may be reasonable or required in the circumstances). Tenant shall not obstruct access to any operable window or door accessing the exterior of the Building from the Sublease Premises. Tenant shall not clean, require or otherwise permit or suffer any window in the Sublease Premises to be cleaned from the outside.

SECTION 17.03 No Abatement. Provided Tenant is able to qualify for

and fully realize the benefits of Articles XXII and XXIII in cases where Tenant would otherwise be entitled to compensation for damages suffered by Tenant, Landlord shall have no liability to Tenant, nor shall Tenant's covenants and obligations under this Sublease be reduced or abated in any manner, by reason of any inconvenience, annoyance, interruption or injury to Tenant's business arising from any stoppage or interruption or reduction of service to the Sublease Premises from any heating, ventilating, airconditioning, electricity, sanitary, elevator or other Building Systems, or of any other services required of Landlord under this Sublease (whether or not specified in this Article XVII), whenever and for so long as may be necessary, by reason of (i) accidents, emergencies, strikes or the occurrence of any other similar events, (ii) the making of repairs or changes which Landlord is required or is permitted by this Sublease or by law to make or in good faith deems necessary, (iii) inability after using Landlord's Reasonable Efforts in securing proper supplies of fuel, steam, water, electricity, labor or supplies, or (iv) any other cause beyond Landlord's reasonable control. In case Tenant is damaged but is nevertheless unable in a diligent and timely fashion to qualify for or fully realize the benefits of Articles XXII and XXIII or if the benefits of Articles XXII and XXIII which Tenant is able to qualify for but only partially realize are not sufficient to compensate Tenant for damages actually

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suffered by Tenant despite Tenant's use of reasonable efforts to mitigate its damages, Tenant's common-law or statutory rights, if any, to compensation for damages by reason of any of the foregoing shall not be impaired or limited by this Section 17.03 to the extent Tenant claims only actual and not consequential, speculative or punitive damages from Landlord. In such cases, Landlord agrees that Tenant's common-law or statutory claims to compensation for actual damages may, at Tenant's election, be submitted to Arbitration in accordance with Article XXI, or to any other recognized and impartial form of accelerated dispute resolution designated by Tenant.

SECTION 17.04 Signage; Directory Listings. (a) With the exception

of Tenant's Signage at the West Street entrance to the Building, and in the

elevator lobbies on full floors of the Building included within the Subleased Premises, no lettering, sign, advertisement, notice or object shall be installed or displayed by Tenant at any point inside the Sublease Premises where the same are visible outside of the Sublease Premises, or on any exterior windows or doors, or on the outside of the Sublease Premises, or on any directional signage where Landlord's name appears within the existing main and mini-core lobby areas of the Building or, to the extent intended to refer only to Landlord's offices in the Building, within any other public areas of the Project, without the prior written approval of Landlord and Overlandlord. However, subject to Landlord's reasonable approval, which shall not be unreasonably withheld or delayed, Tenant may install a sign on or close to the main entrance door to the Sublease Premises on each floor thereof for Tenant and/or Tenant's Affiliate identifying the Sublease Premises as Tenant's and/or Tenant's Affiliate's premises; and on each partial floor of the Building included in the Sublease Premises, Landlord will install a Building-standard sign in the elevator lobby on each such floor, for use by Tenant in common with Landlord and/or other subtenants of Landlord on such floor of the Building, directing visitors to the Sublease Premises. In addition, if Overlandlord does not approve Tenant's directional Signage or if Tenant is otherwise unable to obtain Overlandlord's approval for Tenant's name to appear on all directional signage where Landlord's name appears within the existing main and mini-core lobby areas of the Building and, to the extent intended to refer only to Landlord's offices in the Building, within all other public areas of the Project at least thirty (30) days before Substantial Completion of Tenant's Work, Landlord will remove its name from all such directional signage within the Building and the Project before Tenant begins using the Sublease Premises for the purposes permitted by Section 6.01.

(b) Landlord shall request Overlandlord to allow Tenant to install at its cost appropriate signage on the West Street entrance to the Building and additional suitable identification in the lobby levels of the Building, and to have two (2) listings per floor of the Sublease Premises in any computerized directory accessible by any computer terminals which Overlandlord may install

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at the lobby-level entrance to the Building (i.e., the + 32.0' level lobby on floor 2) and/or one (1) listing per floor of the Sublease Premises on any noncomputerized Building directory that Overlandlord may install at said lobby-level entrance. In addition, Landlord shall instruct Landlord's and Overlandlord's security-desk personnel stationed at the lobby-level entrances to the Building to tell Tenant's visitors upon request the numbers of the floor of the Building occupied by Tenant; and Landlord will permit Tenant to open the West Street entrance to the Building for use by Tenant's and its business guests and invitees provided Tenant does so in a manner compatible with Landlord's

security procedures for the Building and reimburses Landlord on a monthly basis for any additional costs reasonably incurred by Landlord in order to maintain such security.

(c) While this Sublease (or any new lease which may be entered into by Tenant as a substitute for this Sublease pursuant to Section 10.19 of the Overlease) remains in effect, Landlord shall not grant rights to signage on the exterior or in the lobbies of the Building which are comparable to or better than Tenant's signage to any Person that is a competitor of Tenant other than a successor to an existing subtenant of Landlord in the Building that currently has comparable or better signage rights.

SECTION 17.05 Building Name. Tenant shall have no right to object to

any change, at any time and from time to time, in the name or street address of the Building. Tenant shall not use the name "Merrill Lynch" or any variant thereof in any communication, advertising, promotional material, publicity, correspondence or other matter (written or oral) without obtaining the prior written consent of Landlord in each instance.

SECTION 17.06 Access by Landlord. Tenant shall permit Landlord to

erect, use and maintain pipes, ducts and conduits in and through the Sublease Premises, provided, the same are installed and concealed behind partitions, -----
walls and hung ceilings of the Sublease Premises and by such methods and at such locations as will not interfere with or impair Tenant's layout or use of the Sublease Premises in any non-de-minimis way.

SECTION 17.07 Repairs by Landlord and Others. (a) Landlord,

Overlandlord, Ground Lessor or any Superior Mortgagee, as the case may be, during the progress of any repair, alteration or work referred to in Section 17.06 or otherwise required or permitted by this Sublease or law or deemed necessary by Landlord, may keep and store at the Sublease Premises, subject to the reasonable requirements of Tenant and Subsubtenants and provided the same does not reduce to any non-de-minimis degree the usable area of the Sublease Premises or interfere in any non-de-minimis respect with Tenant's use and enjoyment of the Sublease Premises (except in cases of emergency or apparent emergency), all materials, tools, supplies and equipment reasonably necessary to

(b) Neither Landlord (except as provided in Article XXII), Overlandlord, Ground Lessor nor any Superior Mortgagee, as the case may be, provided that such party exercises reasonable care, shall be liable for

inconvenience, annoyance, disturbance, loss of business or other damage of Tenant or any Subtenant by reason of making such repairs or the performance of any such alterations, work, or on account of bringing materials, tools, supplies and equipment into the Sublease Premises during the course thereof; nor shall the obligations of Tenant under this Sublease shall be affected thereby.

(c) To the extent that Landlord, Overlandlord, Ground Lessor or any Superior Mortgagee undertakes such repairs, alterations or work and the same shall require interruption of any services to or access of Tenant or a Subtenant or the entry into any space covered by this Sublease or a Subsublease, such work or repairs shall be commenced and completed with reasonable diligence, subject to delays beyond Landlord's reasonable control, and in such a manner as not to unreasonably interfere with the conduct of business in such space, but such work or repairs need not be performed outside of normal Business Hours on Business Days.

(d) Whenever reasonably practicable, Landlord's entry upon the Sublease Premises shall be at reasonable times, on reasonable notice and in the presence of Tenant or its representative. Upon completion of any such repairs, alterations or work, Landlord, Overlandlord or Ground Lessor, as the case may be, shall promptly restore the Sublease Premises to the condition which existed before the commencement of the repairs, alterations or work.

(e) Nothing in this Article XVII or elsewhere in this Sublease shall imply any duty upon the part of Landlord, Overlandlord, Ground Lessor or any Superior Mortgagee to do any work not otherwise required to be done by such parties hereunder, and the performance of any work by Landlord, Overlandlord, Ground Lessor or any Superior Mortgagee shall not constitute a waiver of Tenant's default in failing to perform the same.

SECTION 17.08 Other Inspection of Sublease Premises. Tenant shall

permit Landlord, Overlandlord, Ground Lessor and any Superior Mortgagee, and their respective agents or representatives, to enter the Sublease Premises, at all reasonable times on reasonable notice and in the presence of Tenant or its representative (except in the case of an emergency), but subject to the reasonable requirements of Tenant (or any Affiliate pursuant to Section 10.01) and of any Subtenant, for the purpose of (a) inspecting the Sublease Premises, (b) determining whether or not Tenant or Subtenant is in compliance with its obligations hereunder, and (c) making (in accordance with Section 17.07) any necessary repairs or alterations to the Sublease Premises or to the Building and/or performing any work therein or in the Building, if necessitated by a Legal

Requirement, Insurance Requirement or other provision of this Sublease, or otherwise permitted hereunder.

SECTION 17.09 Building Access; Changes Therein. Landlord shall

provide reasonable access to the Building and the Sublease Premises, and from Tenant's Visitor Reception Areas to the elevators which serve floors C1, C2, 3, 8, 9, 10 and 15 of the Sublease Premises, twenty-four (24) hours per day, seven (7) days per week. Landlord reserves the right, without the same constituting an actual or constructive eviction and without incurring liability to Tenant therefor, to change the arrangement and/or location of, and the placement of coffee-carts, concession stands and other such objects within, public areas, entrances, passageways, doors, doorways, corridors, elevators (but not so as to decrease the number or hours of availability specified in Subsection 17.01(c)), stairways, toilets and other public parts of the Building, and/or to change the location and/or size of the Messenger Reception Station, provided, however, that

the level of service required by Subsection 17.01(c) shall not be reduced, Tenant's Signage shall not be moved, changed or rearranged, Tenant's access to the Building and the Messenger Reception Station shall not be unreasonably modified, and there shall be no unreasonable obstruction to access to the Sublease Premises or Messenger Reception Station or to passage from Tenant's Visitor Reception Areas to the elevators which serve floors 3, 8, 9, 10 and 15 of the Sublease Premises, nor any unreasonable interference with Tenant's use or enjoyment thereof.

SECTION 17.10 Emergency Access. If Tenant shall not be personally

present to open and permit an entry into the Sublease Premises at any time when for any reason of fire or apparent emergency (i.e., a condition presenting or

appearing to present imminent danger to the health and safety of persons or to property), then Landlord or Landlord's agents may forcibly enter the same without rendering Landlord or such agents liable therefor (if during such entry Landlord or Landlord's agents shall accord reasonable care to Tenant's Property) and without in any manner affecting the obligations and covenants of this Sublease.

SECTION 17.11 Showing the Sublease Premises. Overlandlord and

Persons authorized by Overlandlord shall have the right to enter and pass through the Sublease Premises at any reasonable time upon reasonable notice to Tenant to show the Sublease Premises to prospective purchasers, mortgagees and lessees of any interest in the Premises or any part thereof. During the period of eighteen (18) months prior to the end of the Term, Landlord and Persons authorized by Landlord shall have the right at any reasonable time upon reasonable notice to Tenant to exhibit the Sublease Premises to prospective subtenants of Landlord. Each Person entering the Sublease Premises pursuant to this Section 17.11 shall be accompanied by a representative of Tenant.

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SECTION 17.12 Exclusive Services. Tenant agrees that only a

contractor approved by Landlord may provide, at Tenant's expense, the Exclusive Services listed on Exhibit G hereto. Landlord, at Tenant's request, will

provide Tenant with a list of no fewer than four (4) contractors who may do such work.

SECTION 17.13 Cafeteria Usage. (a) Landlord currently maintains,

through an independent contractor, a cafeteria on the third floor of the Building (the "Cafeteria"). Subject to the other terms and conditions of this

Sublease, the partners, principals, directors, officers, employees and guests of Tenant and its permitted assignees and Subsubtenants either (i) having business with Tenant at or (ii) whose then-current principal place of employment is within the Sublease Premises (collectively, "Tenant's Users") shall be permitted

nonexclusive access to and use of the Cafeteria, in conjunction with Landlord and Landlord's other subtenants and occupants of the Building and their guests and invitees, on a nondiscriminatory-pricing basis with such other subtenants and occupants, commencing on the date Tenant begins occupancy of at least one (1) full floor of the Sublease Premises (the "Occupancy Date") and continuing

for the term of this Sublease.

(b) Tenant agrees that access to the Cafeteria shall be limited solely to Tenant's Users and in no event shall any partners, principals, directors, officers or employees of Tenant not included within the definition of Tenant's Users, or any Contractor or subcontractor of Tenant (or any of their respective directors, employees or officers), or any other Person not specifically included in the definition of Tenant's Users be permitted access to or use of the Cafeteria. Upon entering the Cafeteria, each of Tenant's Users, at Landlord's request, shall display such identification as Landlord may reasonably require that evidences his or her qualification as a Tenant's User.

(c) Landlord, at Tenant's expense, shall provide Tenant's employees with identification cards which must be utilized to activate the security turnstiles or presented at the security desk for access within the Building to the Cafeteria or presented to gain entry into the Cafeteria. Tenant shall be responsible for developing and enforcing a program (approved in advance by Landlord) to collect such cards from departing employees of Tenant and the Subsubtenants and other former Tenant's Users and to ensure that persons who possess such badges are persons that at the time in question qualify as Tenant's Users.

(d) Landlord shall have the right to terminate or discontinue Tenant's usage of the Cafeteria, on thirty (30) days' notice to Tenant, upon the occurrence of any of the following events:

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(i) If Landlord discontinues the normal and continuous operation or use of the Cafeteria by all Landlord's other tenant's in the Building; or

(ii) If Landlord assigns its interest under this Sublease (in conjunction with an assignment of all or substantially all of Landlord's interest under the Overlease), or if Landlord subleases all or a substantial portion of the Premises (which includes the Cafeteria), in each case, to a Person not affiliated with Landlord, and such assignee or sublessee elects not to continue to hold the Cafeteria open to Building occupants not affiliated with such assignee or sublessee.

(e) In case Landlord temporarily discontinues Tenant's usage of the

Cafeteria for longer than five (5) consecutive Business Days for reasons which are not beyond Landlord's control, or for longer than ten (10) consecutive Business Days on account of Events Beyond Landlord's Control, the Base Rent payable for the duration of such discontinuance shall be reduced by 1/365th of the product of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLAR (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) multiplied by the sum of (a) the number of Rentable Square Feet above floor 2 of the Sublease Premises plus (b) [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the number of Rentable Square Feet below floor 2 of the Sublease Premises for each day that Tenant's usage of the Cafeteria is discontinued.

(f) In case Landlord permanently discontinues Tenant's usage of the Cafeteria pursuant to Subsection 17.13(d), the Base Rent payable for the unexpired portion of the initial Term of this Sublease shall be reduced by the product of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLAR (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) per annum multiplied by the sum of (a) the number of Rentable Square Feet above floor 2 of the Sublease Premises plus (b) [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the number of Rentable Square Feet below floor 2 of the Sublease Premises from the date that Tenant's usage of the Cafeteria is discontinued.

(g) Landlord shall have the right to promulgate and enforce (in accordance with Sections 13.01 and 13.02) reasonable rules and regulations to implement the terms of this Section 17.13 and to regulate generally the use of the Cafeteria.

(h) Use of the Cafeteria before and/or after Landlord's regular hours shall not be permitted except by separate agreement between Landlord and Tenant.

SECTION 17.14 Parking. (a) Landlord shall make available throughout

the Term, for use by partners and principals of Tenant, six (6) designated parking spaces in the van-dock area located on

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Level C of the Building subject to reasonable rules and regulations imposed by Landlord consistent with those applicable to parking in first-class office buildings in the Borough of Manhattan. Tenant shall have access to such parking spaces without charge from 8:00 a.m. to 4:00 p.m. on Business Days and from 7:00 a.m. to 8:00 a.m. and after 4:00 p.m. to 10:00 p.m. on Business Days at Landlord's additional cost (according to Exhibit H but subject to Subsection

17.14(b)) for a dock master, as necessary, before and after regular hours. Landlord also agrees to make reasonable efforts to provide access to such parking spaces at other times and on other days, as requested by Tenant, at a charge to Tenant equal to Landlord's additional cost (according to Exhibit H but

subject to Subsection 17.14(b)) for a dock master, as necessary, at such other times and on such other days.

(b) If because of Tenant's hours of usage of the van-dock area on Level C of the Building for parking purposes a dock master is needed for more hours of work per day than are then contracted for by Landlord, Landlord shall, promptly after becoming aware of the need for such extra hours, notify Tenant (which notice need not be in writing) of the anticipated number of hours that will be required, and Tenant shall have an opportunity to reschedule Tenant's usage of such van-dock area so as to eliminate or minimize the need for such extra hours of work. Furthermore, if such overtime or extra hours of work by a dock master shall simultaneously be required by Landlord or any other subtenant of Landlord, then the cost of such extra hours of work shall be equitably apportioned among Landlord, Tenant and such other subtenant. Failure by Tenant to pay any charges by Landlord to Tenant pursuant to this Section 17.14 for the services of a dock master shall not constitute an Event of Default but shall be sufficient cause for Landlord to restrict Tenant's access to and use of the van-dock area on Level C of the Building for parking purposes except during the hours of 8:00 a.m. to 4:00 p.m. on Business Days.

SECTION 17.15. Roof Antennas. At Tenant's request and expense,

Landlord shall use Landlord's Reasonable Efforts to obtain permission from the Ground Lessor and Overlandlord for Tenant to use a portion of the space on the roof of the Building (each such space being herein called a "Roof Antenna Area")

for the installation and operation, at Tenant's cost and expense, of a microwave dish antenna. Upon obtaining such permission, Landlord shall add such Roof Antenna Area to the Sublease Premises, together with necessary easements for access and cable connections, for as long as Tenant shall make steady use of such Roof Antenna Area for the installation and operation of a microwave dish antenna. For the duration of such use Tenant shall pay Landlord additional Base Rent for each Roof Antenna Area use by Tenant at the rate of \$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] per year. Tenant shall also be responsible for the costs of installing and maintaining all cabling needed to connect such antenna to the Subleased Premises.

SECTION 17.16 Dumbwaiter and Mail Conveyor. After Landlord shall

make at Tenant's expense such modifications to Landlord's dumbwaiter and mail-conveyor apparatus as may be reasonably consistent with Landlord's use and required to meet Tenant's need for a mail and file distribution system that is secure, reliable and available on call, Tenant shall pay to Landlord, as Additional Rent twenty (20) days after being billed therefor by Landlord, a share of Landlord's reasonable costs of operating and maintaining Landlord's dumbwaiter and mail-conveyor apparatus as a mail and file distribution system for Tenant, Landlord and other subtenants of Landlord that arrange with Landlord for such service (based on Tenant's percentage of the total usage of such apparatus by Tenant and such other subtenants).

ARTICLE XVIII
BROKERS

SECTION 18.01 Designated Brokers. Landlord and Tenant each

represents and warrants to the other that it has not dealt with any broker, finder or consultant in connection with this Sublease, other than Edward S. Gordon Company Inc. ("ESG").

SECTION 18.02 Payment. Landlord and not Tenant shall compensate ESG

pursuant to a separate written agreement with ESG; and Landlord shall cause ESG to furnish a letter to Tenant (before Tenant is required to execute Overlandlord's form of consent to this Sublease) stating that ESG shall refund to Tenant any commission or fee that Tenant may be required by Overlandlord to pay to ESG pursuant to paragraph 6 of the Consent to Sublease (in the form attached to this Sublease as Exhibit B) to be entered into by Overlandlord,

Landlord and Tenant if and when Overlandlord approves this Sublease. If Tenant should hire a broker/consultant, Tenant shall provide for the compensation of such broker/consultant pursuant to a separate written agreement between Tenant and such broker/consultant.

SECTION 18.03 Indemnification. Landlord and Tenant shall each

indemnify and hold harmless the other party from and against any and all claims, damages and costs (including reasonable attorneys' fees and disbursements) incurred by such other party in connection with breach or alleged breach of the indemnifying party's representation and warranty contained in Section 18.01.

SECTION 18.04 Survival. The provisions of this Section 18.01 shall

survive the cancellation or expiration of this Sublease.

ARTICLE XIX
RIGHTS TO PERFORM COVENANTS

SECTION 19.01 Performance of Tenant's Covenants. If Tenant shall

default in its obligations under this Sublease, then Landlord, without waiving or releasing Tenant from any obligation of Tenant herein contained, may (but shall be under no obligation to) remedy such default for the account of Tenant in any case where Tenant shall fail to remedy such default after the applicable grace period for curing such default shall have expired, or immediately and without notice in case of an emergency or an apparent emergency (as defined in Section 17.10).

SECTION 19.02 Reimbursement by Tenant. All reasonable sums paid by

Landlord and all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Landlord in connection with its actions pursuant to Section 19.01, together with interest thereon at the Late Charge Rate from the respective dates that Landlord makes each such payment until the date of actual repayment to Landlord, shall be paid by Tenant to Landlord on demand as Additional Rent. Any payment or performance by Landlord pursuant to the foregoing provisions of this Article XIX shall not be nor be deemed to be a waiver or release of breach or default of Tenant with respect thereto or of the right of Landlord to terminate this Sublease, institute summary proceedings and/or take such other action as may be permissible hereunder if an Event of Default by Tenant shall have occurred. In the proof of any damages which Landlord may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep insurance in force as aforesaid, Landlord shall not be limited to the amount of the insurance premium not paid, but Landlord also shall be entitled to recover, as damages for such breach, the uninsured amount of any loss and damage and the costs and expenses of suit, including reasonable attorneys' fees and disbursements, suffered or incurred, which loss and damage

and costs and expenses, was required to be insured against by Tenant hereunder.

SECTION 19.03 Performance of Landlord's Covenants. If Landlord shall

default in any non-de-minimis respect in the performance of its obligations under Section 2.06, 5.02, 5.06, 11.04, 12.06, 16.02, 17.01, 17.02, 17.13, 17.14, 17.15, 17.16 or 23.03 of this Sublease, then Tenant, without waiving or releasing Landlord from any obligation of Landlord herein contained, may (but shall be under no obligation to) remedy such default for the account of Landlord (a) immediately and without notice in case of an emergency or an apparent emergency (as defined in Section 17.10), or (b) in any other case where Landlord shall fail to remedy such default for a period of ten (10) Business Days after written notice thereof by Tenant to Landlord specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot, either by their nature or by reason of Events Beyond Landlord's Control, reasonably be performed, done or removed, as the case may be, within such 10-Business-Day period, in which case Tenant's rights under this Section 19.03 shall not arise as long as Landlord shall have commenced curing the same within such 10-

Business-Day period and shall prosecute the same to completion with reasonable diligence, subject to Events Beyond Landlord's Control).

SECTION 19.04 Reimbursement by Landlord. All reasonable sums paid by

Tenant and all reasonable costs and expenses (including reasonable attorneys' fees and disbursements) reasonably incurred by Tenant in connection with its actions pursuant to Section 19.03, together with interest thereon at the Late Charge Rate from the respective dates that Tenant makes each such payment until the date of actual repayment to Tenant, shall be paid by Landlord to Tenant on demand. Tenant shall promptly notify Landlord of any such payments made or costs and expenses incurred by Tenant. Any payment or performance by Tenant pursuant to the foregoing provisions of this Section 19.04 or Section 19.03 shall not be nor be deemed to be a waiver or release of breach or default of Landlord with respect thereto or of the right of Tenant to institute proceedings and/or take such other action as may be permissible hereunder or (except as otherwise proscribed hereunder) at law in the event of Landlord's default. In the proof of any damages which Tenant may claim against Landlord arising out of or by reason of Landlord's failure to provide and keep insurance in force as aforesaid, Tenant shall not be limited to the amount of the insurance premium not paid, but Tenant shall also be entitled to recover, as damages for such breach, the uninsured amount of any loss and damage and the costs and expenses of suit, including reasonable attorneys' fees and disbursements, suffered or incurred, which loss and damage and costs and expenses, was required to be insured against by Landlord hereunder.

SECTION 19.05 Acceptance of Lesser Amounts. No payment by Landlord

or Tenant or receipt or acceptance by Tenant or Landlord of a lesser amount than the correct amount of any monetary obligation owed by one party to another hereunder shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Tenant or Landlord may accept such check or payment without prejudice to its right to recover the balance or pursue any other remedy provided for in this Sublease or at law.

ARTICLE XX
EVENTS OF DEFAULT; REMEDIES

SECTION 20.01 Events of Default. The occurrence of each of the

following events shall be an "Event of Default" hereunder:

(a) If Tenant shall fail to pay any installment of any Base Rent or any installment of Additional Rent for which a regularly scheduled due date is specified therefor in this Sublease, or any part thereof, when the same shall be due and payable, and such

failure shall continue for a period of ten (10) Business Days after notice from Landlord to Tenant to cure such default;

(b) If Tenant shall fail to make any payment of Additional Rent or any part thereof (other than any installment of Additional Rent for which a regularly scheduled due date is specified therefor in this Sublease), or any part thereof, when the same is due and payable, and such failure shall continue for a period of ten (10) Business Days after notice from Landlord to Tenant specifying such failure;

(c) If Tenant shall fail to observe or perform one or more of the

other terms, conditions, covenants or agreements of this Sublease and such failure shall continue for a period of twenty (20) Business Days after written notice thereof by Landlord to Tenant and specifying such failure (unless such failure requires work to be performed, acts to be done, or conditions to be removed which cannot, either by their nature or by reason of Unavoidable Delays, reasonably be performed, done or removed, as the case may be, within such 20-Business-Day period, in which case no Event of Default shall be deemed to exist as long as Tenant shall have commenced curing the same within such 20-Business-Day period and shall prosecute the same to completion with reasonable diligence, subject to Unavoidable Delays, provided, however, in no event shall the

extension granted pursuant to the terms of this parenthetical continue if the continuation of Tenant's default would cause a default under the Overlease or Ground Lease);

(d) To the extent permitted by law, if Tenant shall admit, in writing, that it is unable to pay its debts as such debts become due;

(e) To the extent permitted by law, if Tenant shall make a general assignment for the benefit of creditors;

(f) To the extent permitted by law, if Tenant shall file a voluntary petition under Title 11 of the United States Code or if such petition is filed against Tenant and an order for relief is granted, or if Tenant shall file any petition or answer seeking, consenting to or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, or shall seek or consent to or acquiesce in or suffer the appointment of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of Tenant or of any substantial part of its properties or of the Sublease Premises or any interest therein of Tenant, or if Tenant shall take any corporate action in furtherance of any action described in Subsection 20.01(e), this Subsection 20.01(f) or subsection 20.01(g);

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(g) To the extent permitted by law, a petition under Title 11 of the United States Code is filed against Tenant and an order for relief is granted, or, if, within sixty (60) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or any other present or future applicable federal, state or other statute or law, such proceeding shall not have been dismissed, or if, within one hundred twenty (120) days after the appointment of any trustee, receiver, custodian, assignee, sequestrator, liquidator or other similar official of Tenant, without the consent or acquiescence of Tenant, or of any substantial part of its properties or of the Sublease Premises or any interest therein of Tenant, such appointment shall not have been vacated or stayed on appeal or otherwise, or if, within one hundred twenty (120) days after the expiration of any such stay, such appointment shall not have been vacated;

(h) If Tenant shall vacate and remove Tenant's Property from the Sublease Premises or any substantial portion thereof without notifying Landlord of its reasons for doing so and its intention to resume its occupancy after the occurrence of some specified contingency, and if such abandonment shall continue for more than one (1) year after a written notice of default from Landlord based on such abandonment;

(i) If this Sublease or the estate of Tenant hereunder shall be assigned, subleased or transferred, without compliance with the provisions of this Sublease applicable thereto;

(j) If a levy under execution or attachment shall be made against Tenant's interest in the Sublease Premises or any part thereof and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of thirty (30) days after Tenant receives written notice of same from Landlord or any other Person; and/or

(k) If this Sublease or the Tenant's interest in the Sublease Premises hereunder shall be mortgaged or encumbered, unless fully discharged (of record, if recorded) within twenty (20) days after notice thereof from Landlord to Tenant or, in the case of any mechanics' or similar lien, twenty (20) days after Tenant acquires actual notice of the filing thereof, or such shorter period after actual notice as may be required by a Superior Mortgagee (but not less than ten (10) days after actual notice).

SECTION 20.02 Right to Enforce. If an Event of Default shall occur

and be continuing, then (a) any obligations which Landlord may then have under this Sublease to advance or pay any moneys to Tenant shall be suspended, and (b) Landlord may elect to proceed by appropriate judicial proceedings, either at law or in

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equity, to enforce the performance or observance by Tenant of the applicable provisions of this Sublease and/or to recover damages for breach hereof.

SECTION 20.03 Remedies. (a) If any Event of Default described in

Subsection 20.01(d), (e), (f) or (g) shall occur, then to the extent permitted by law, this Sublease and the Term and all rights of Tenant under this Sublease shall expire and terminate on the date on which such Event of Default occurs, as if such date were the date herein definitely fixed for the expiration of the Term. If any Event of Default described in Subsection 20.01(a), (b), (c), (i), (j) or (k) shall occur and Landlord, at any time thereafter during the continuance of such Event of Default, at its option, gives written notice to Tenant stating that this Sublease and the Term shall expire and terminate on the date specified in such notice, which date shall be not less than ten (10) Business Days after the giving of such notice, then this Sublease and the Term and all rights of Tenant under this Sublease shall expire and terminate on the date specified in such notice as if such date were the date herein definitely fixed for the expiration of the Term. Upon any such termination pursuant to this Subsection 20.03(a), Tenant immediately shall quit and surrender the Sublease Premises, but Tenant shall remain liable for damages as hereinafter provided. Anything contained herein to the contrary notwithstanding, if such termination shall be stayed by order of any court having jurisdiction over any proceeding described in Subsection 20.01(f) or (g), or by federal or state statute, then, following the expiration of any such stay, or if the trustee appointed in any such proceeding, Tenant or Tenant as debtor-in-possession shall fail to assume Tenant's obligations under this Sublease within the period prescribed therefor by law or within one hundred twenty (120) days after entry of the order for relief or as may be allowed by the court, or if said trustee, Tenant or Tenant as debtor-in-possession shall fail to provide adequate protection of Landlord's right, title and interest in and to the Sublease Premises or adequate assurance of the complete and continuous future performance of Tenant's obligations under this Sublease as provided in Section 20.13, Landlord, to the extent permitted by law or by leave of the court having jurisdiction over such proceeding, shall have the right, at its election, to terminate this Sublease on five (5) days' notice to Tenant, said trustee or Tenant as debtor-in-possession and, upon the expiration of said five (5) day period, this Sublease shall cease and expire as aforesaid and Tenant, said trust and/or Tenant as debtor-in-possession shall immediately quit and surrender the Sublease Premises as aforesaid.

(b) If an Event of Default described in Subsection 20.01(a) or (b) shall occur, or if this Sublease shall be terminated as provided in Subsection 20.03(a), Landlord, without notice, may dispossess Tenant by summary proceedings or by any suitable action or proceeding at law or in equity.

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SECTION 20.04 Removal of Tenant. If this Sublease shall be

terminated as provided in Subsection 20.03(a) and/or Tenant shall be dispossessed as provided in Subsection 20.03(b), then:

(a) Landlord or Landlord's agents or servants, may immediately or at any time thereafter lawfully re-enter the Sublease Premises and remove therefrom Tenant, its agents, employees, servants, licensees, and any Subtenant and other Persons holding or claiming by, through or under Tenant, and all or any of its or their property, without being liable to indictment, prosecution or damages therefor, and repossess and enjoy the Sublease Premises, together with all additions, alterations and improvements thereto.

(b) All of the right, title, estate and interest of Tenant in and to (i) the Sublease Premises, all changes, additions and alterations therein, and all renewals and replacements thereof and (ii) all rents, issues and profits of the Sublease Premises, or any part thereof, whether then accrued or to accrue, shall automatically pass to, vest in and belong to Landlord, without further action on the part of either party, free of any claim thereto by Tenant, or any party claiming by, through or under Tenant.

(c) Tenant shall pay to Landlord all Rent payable by Tenant under this Sublease to the date upon which this Sublease and the Term shall have expired and come to an end or to the date of re-entry upon the Sublease Premises by Landlord, as the case may be.

(d) Landlord may repair and alter the Sublease Premises in such manner as Landlord may reasonably deem necessary or advisable without relieving Tenant of any liability under this Sublease or otherwise affecting any such liability, and/or let or relet the Sublease Premises or any parts thereof for the whole or any part of the remainder of the Term or for a longer period, in Landlord's name or as agent of Tenant, and out of any rent or other sums collected or received as a result of such reletting Landlord shall: (i) first, pay to itself the reasonable cost and expense of terminating this Sublease, re-entering, retaking, repossessing, completing construction of and repairing and/or altering the Sublease Premises, or any part thereof, and the reasonable cost and expense of removing all persons and property therefrom, including

reasonable brokerage commissions, legal expenses and attorneys' fees and disbursements, (ii) second, pay to itself the reasonable cost and expense sustained in securing any new subtenants and other occupants, including in such costs reasonable brokerage commissions, legal expenses and attorneys' fees and disbursements and other expenses of preparing the Sublease Premises for reletting, and, if Landlord shall maintain and operate the Sublease Premises, the cost and expense of such operation and maintenance, and (iii) third, pay to itself any balance remaining on account of the liability of Tenant to Landlord. Except to the extent otherwise required by law from time to time, Landlord shall in no way be responsible or liable for any failure to relet the Sublease

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Premises or any part thereof, or for any failure to collect any rent due on any such reletting, and no such failure to relet or to collect rent shall operate to relieve Tenant of any liability under this Sublease or to otherwise affect any such liability; and in no event shall Tenant be entitled to receive any excess of such annual rents over the sums payable by Tenant to Landlord hereunder.

(e) Tenant shall be liable for and shall pay to Landlord, as damages, any deficiency ("Deficiency") between the Rent reserved in this Sublease for the

period which otherwise would have constituted the unexpired portion of the Term and the net amount, if any, of rents collected under any reletting effected pursuant to the provisions of Subsection 20.04(d) for any part of such period (which net amount shall be determined after deducting from the rents collected under any such reletting all of the payments to Landlord described in said Subsection 20.04(d)); any such Deficiency shall be paid in installments by Tenant on the days specified in this Sublease for payment of installments of Rent, and Landlord shall be entitled to recover from Tenant each Deficiency installment as the same shall arise, and no suit to collect the amount of the Deficiency for any installment period shall prejudice Landlord's right to collect the Deficiency for any subsequent installment period by a similar proceeding.

(f) To the extent Landlord shall not have collected any Deficiency installments as aforesaid, Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, in lieu of any further Deficiency installments, as and for liquidated and agreed final damages (it being agreed that it would be impracticable or extremely difficult to fix the actual damage), a sum equal to the amount by which the Rent reserved in this Sublease for the period which otherwise would have constituted the unexpired portion of the Term exceeds the then fair and reasonable rental value of the Sublease Premises for the same period, both discounted to present worth at the Prime Rate then in effect, less the aggregate amount of Deficiencies theretofore collected by Landlord pursuant to the provisions of Subsection 20.04(e) for the same period; it being agreed that before presentation of proof of such liquidated damages to any court, commission or tribunal, if the Sublease Premises, or any substantial part thereof, shall have been relet by Landlord for the period which otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent reserved upon such reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Sublease Premises so relet during the term of the reletting.

SECTION 20.05 Tenant's Obligation Unaffected. No termination of this

Sublease pursuant to subsection 20.03(a) or (b), and no taking possession of and/or reletting of the Sublease Premises, or any part thereof, pursuant to Subsection 20.03(b) and Subsections 20.04(a) and/or (b), shall relieve Tenant of its

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liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or reletting except as otherwise specifically provided.

SECTION 20.06 Waiver of Jury Trial. To the extent not prohibited by

law, Landlord and Tenant waive and shall waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter whatsoever arising out of or in any way connected with this Sublease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Sublease Premises, or any claim of injury or damage.

SECTION 20.07 Suits by Landlord. One or more suits for the recovery

of damages, or for a sum equal to any installment or installments of Rent payable hereunder or any Deficiencies or other sums payable by Tenant to Landlord pursuant to this Article XX, may be brought by Landlord from time to time at Landlord's election, and nothing herein contained shall be deemed to require Landlord to await the date whereon the Term would have expired had there been no Event of Default by Tenant and termination.

SECTION 20.08 Recovery Not Limited. Nothing contained in this

Article XX shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding an amount equal to the maximum allowed by a statute or rule of law governing such proceeding and in effect at the time when such damages are to be proved, whether or not such amount shall be greater than, equal to or less than the amount of the damages referred to in any of the preceding provisions of this Article XX.

SECTION 20.09 Receipt of Money Not a Waiver. No receipt of moneys by

Landlord from Tenant after the termination of this Sublease pursuant to Section 20.03 or after the giving of any notice of the termination of this Sublease as provided above shall reinstate, continue or extend the Term or affect any notice theretofore given to Tenant, or operate as a waiver of the right of Landlord to enforce the payment of Rent payable by Tenant hereunder or thereafter falling due, or operate as a waiver of the right of Landlord to recover possession of the Sublease Premises by proper remedy, except as herein otherwise expressly provided, it being agreed that after the service of notice to terminate this Sublease or the commencement of any suit or summary proceedings, or after a final order or judgment for the possession of the Sublease Premises, Landlord may demand, receive and collect any moneys due or thereafter falling due without in any manner affecting such notice, proceeding, order, suit or judgment, all such moneys collected being deemed payments on account of the use and occupation of the Sublease Premises or, at the election of Landlord, on account of Tenant's liability hereunder.

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SECTION 20.10 Waiver of Other Notices and Right of Redemption.

Except as otherwise expressly provided herein or as prohibited by applicable law, Tenant hereby expressly waives the service of any notice of intention to re-enter provided for in any statute, or in the institution of legal proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any and all right of redemption provided by any law or statute now in force or hereafter enacted or otherwise, or re-entry or repossession or to restore the operation of this Sublease in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge or in case of re-entry or repossession by Landlord or in case of any expiration or termination of this Sublease. The terms "enter", "re-enter", "entry" or "re-entry", as used in this Sublease are not restricted to their technical legal meaning.

SECTION 20.11 Waivers Only in Writing. (a) No failure by Landlord

or Tenant to insist upon the strict performance by the other of any covenant, agreement, term or condition of this Sublease or to exercise any right or remedy consequent upon a breach thereof, and no payment or acceptance of full or partial Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition.

(b) No covenant, agreement, term or condition of this Sublease to be performed or complied with by either party, and no breach thereof by either party, shall be waived, altered or modified except by a written instrument executed by the other party. No waiver of any breach shall affect or alter this Sublease, but each and every covenant, agreement, term and condition of this Sublease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

SECTION 20.12 Additional Remedies. Subject to Section 17.03 and

Article XXV, (a) in the event of any breach or threatened breach by either party of any of the covenants, agreements, terms or conditions contained in this Sublease, the other party shall be entitled to enjoin such breach or threatened breach and shall have the right to invoke any rights and remedies allowed at law or in equity or by statute or otherwise as though reentry, summary proceedings, and other remedies were not provided for in this Sublease; and (b) each right and remedy of Landlord and Tenant provided for in this Sublease shall be cumulative and shall be in addition to every other right and remedy provided for in this Sublease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by a party of any one or more of the rights or remedies provided for in this Sublease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by such party of any or all other rights or remedies

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provided for in this Sublease or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 20.13 Bankruptcy. (a) Subject to Section 17.03, if an order

for relief is entered or if a stay of proceeding or other acts becomes effective

in favor of Landlord or Landlord's interest in this Sublease in any proceeding which is commenced by or against Landlord under the federal bankruptcy code, as the same may be amended, and any successor thereto, or any other present or future applicable federal, state or other statute or law, Tenant shall be entitled to invoke any and all rights and remedies available to it under such bankruptcy code, statute, law or this Sublease.

(b) If an order for relief is entered or if a stay of proceeding or other act becomes effective in favor of Tenant or Tenant's interest in this Sublease, in any proceeding which is commenced by or against Tenant, under the federal bankruptcy code, as the same may be amended, or any successor thereto, or any other present or future applicable federal, state or other statute or law, Landlord shall be entitled to invoke any and all rights and remedies available to it under such bankruptcy code, statute, law or this Sublease, including such rights and remedies as may be necessary to adequately protect Landlord's right, title and interest in and to the Sublease Premises or any part thereof and/or adequately ensure the complete and continuous future performance of Tenant's obligations under this Sublease. Adequate protection of Landlord's right, title and interest in and to the Sublease Premises, and adequate assurance of the complete and continuous future performance of Tenant's obligations under this Sublease, may include the following requirements:

(i) That Tenant shall comply with all of its obligations under this Sublease;

(ii) That Tenant shall pay to Landlord, on the twenty-fifth (25th) day of each month commencing with the entry of such order or the effective date of such stay, a sum equal to the amount by which the Sublease Premises diminished in value during such monthly period, but, in no event, an amount which is less than the aggregate Rent payable for such monthly period;

(iii) That Tenant shall continue to use the Sublease Premises in the manner provided by this Sublease;

(iv) That Landlord shall be permitted to supervise the performance of Tenant's obligations under this Sublease;

(v) That Tenant shall hire, at its sole cost and expense, such security personnel as may be necessary to insure the adequate protection and security of the Sublease Premises;

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(vi) That Tenant shall pay to Landlord within thirty (30) days after entry of such order or the effective date of such stay, as partial adequate protection against future diminution in value of the Sublease Premises and adequate assurance of the complete and continuous future performance of Tenant's obligations under this Sublease, a security deposit in an amount reasonably acceptable to Landlord, but in no event less than the annual Rent payable hereunder for the then current Sublease Year;

(vii) That Tenant has and will continue to have unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that sufficient funds will be available to fulfill the obligations of Tenant under this Sublease;

(viii) That Landlord be granted a security interest acceptable to Landlord in property of Tenant to secure the performance of Tenant's obligations under this Sublease; and

(ix) That if Tenant's trustee, Tenant or Tenant as debtor-in-possession assumes this Sublease and proposes to assign the same (pursuant to Title 11 U.S.C. (S) 365, as the same may be amended) to any Person who shall have made a bona fide offer to accept an assignment of this Sublease on terms acceptable to the trustee, Tenant or Tenant as debtor-in-possession, then notice of such assignment, setting forth (i) the name and address of such Person, (ii) all of the terms and conditions of such offer, and (iii) the adequate assurance to be provided Landlord to assure such Person's future performance under the Sublease, including the assurances referred to in Title 11 U.S.C. (S) 365(b)(3) (as the same may be amended), shall be given to Landlord by the trustee, Tenant or Tenant as debtor-in-possession no later than fifteen (15) days after receipt by the trustee, Tenant or Tenant as debtor-in-possession of such offer, but in any event no later than seven (7) days prior to the date that the trustee, Tenant or Tenant as debtor-in-possession shall make application to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Landlord shall thereupon have the prior right and option, to be exercised by notice to the trustee, Tenant or Tenant as debtor-in-possession given at any time prior to the effective date of such proposed assignment, to accept an assignment of this Sublease upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such Person, less any brokerage commissions which may be payable out of the consideration to be paid by such Person for the assignment of this Sublease.

ARTICLE XXI
ARBITRATION

SECTION 21.01 Selection and Conduct. (a) In such cases where this

Sublease expressly provides for the settlement of a dispute or question by arbitration, and only in such cases, the party desiring arbitration shall appoint a disinterested person as arbitrator on its behalf and give notice thereof to the other party who shall, within five (5) Business Days thereafter in cases related to Section 10.08 and within twenty (20) days thereafter in all other cases, appoint a second disinterested person as arbitrator on its behalf and give written notice thereof to the first party. The two arbitrators thus appointed shall together appoint a third disinterested person within five (5) Business Days in cases related to Section 10.08 and within twenty (20) days in all other cases after the appointment of the second arbitrator, and said three arbitrators shall as promptly as possible determine the matter which is the subject of the arbitration. The decision of the majority of them shall be conclusive and binding on all parties, and judgment upon the award may be entered in any court having jurisdiction.

(b) If any party who shall have a right pursuant to Subsection 21.01(a) to appoint an arbitrator shall fail or neglect to do so within the time permitted, then the other party (or if the two arbitrators appointed by the parties shall fail to appoint a third arbitrator when required hereunder, then either party) may apply to the American Arbitration Association to appoint such arbitrator.

(c) Arbitration shall be conducted in the City and County of New York and, to the extent applicable and consistent with this Article XXI, shall be in accordance with the Commercial Arbitration Rules then obtaining of the American Arbitration Association or any successor body of similar function. The expenses of arbitration and the fees and disbursements of the third arbitrator shall be shared equally by Landlord and Tenant but each party shall be responsible for the fees and disbursements of the arbitrator it appoints and its own attorneys and the expenses of its own proof.

(d) Landlord and Tenant agree to, and hereby do, waive any and all rights they or either of them may at any time have to revoke their agreement hereunder to submit to arbitration and to abide by the decision rendered thereunder.

(e) No arbitrators shall have any power to vary or modify any of the provisions of this Sublease and their jurisdiction is hereby limited accordingly.

(f) The two arbitrators to be selected by the parties shall be licensed engineers, registered architects, real estate appraisers who are members of the American Institute of Appraisers

or another similar organization, certified public accountants or other professionals having at least ten (10) years' experience in the subject matter of the arbitration; and, to the extent applicable and consistent with this Article XXI, such arbitration shall be conducted in accordance with the Arbitration Rules then in use by the American Arbitration Association or any successor body of similar function.

ARTICLE XXII
ABATEMENT OF RENT

SECTION 22.01. Grounds for Abatement. (a) In case (A) a material

portion of the Sublease Premises (an "affected portion") is rendered

untenantable by reason of (i) a default by Landlord in the performance of its obligations hereunder, (ii) any gross negligence or wilful misconduct by Landlord or any of its employees, officers, contractors or agents or (iii) any Event Beyond Landlord's Control, and (B) Tenant immediately notifies Landlord, with express reference to the abatement provided for in this Section 22.01, of (I) such untenability of the affected portion, (II) the condition giving rise to such untenability and (III) the event, default, misconduct or gross negligence that resulted in such condition (all in reasonable detail), and (D) the affected portion of the Sublease Premises shall remain untenantable by Tenant for (m) at least five (5) consecutive Business Days after Tenant's notice to Landlord pursuant to the preceding clause (B) in cases described in clause (i) or (ii) above or (n) at least ten (10) consecutive Business Days after Tenant's notice to Landlord pursuant to the preceding clause (B) in a case described in clause (iii) above, then but only then, in respect of any affected portion of the Sublease Premises as to which all of the foregoing conditions of this Section 22.01 shall have been satisfied (the "Untenantable Space"), all

Rents payable with respect to the affected portion of the Sublease Premises shall be abated from the date the affected portion became untenable until the earlier to occur of the date (x) Tenant once again commences operation of its business in the affected portion or (y) one (1) Business Day after the affected portion once again becomes tenable, in each case in the same proportion that the Untenable Space bears to the entire Sublease Premises.

(b) "Untenable" shall mean either that some affected portion of

the Sublease Premises is unusable for general office purposes (regardless of any other use, including a more specialized use such as executive or sales offices, that the affected portion of the Sublease Premises might then be usable for), or that Tenant's telephone and communications system is inoperable because there is no regular or emergency-generator electric power to Tenant's telephone and communications equipment on floor 10 of the Sublease Premises or that there is no reasonable and safe access to, or elevator service to, or electric power (other than Landlord's emergency-generator electric power) service to, or HVAC service to,

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the affected portion of the Sublease Premises; and (ii) "tenantable" shall mean

that the affected portion is usable for general office purposes (in addition to any other use, including a more specialized use such as executive or sales offices, that the affected portion of the Sublease Premises might then be usable for), that access to the affected portion is reasonable and safe, that electric power to Tenant's telephone and communications equipment on floor 10 of the Sublease Premises has been restored, and that elevator, electric power and HVAC service to the affected portion of the Sublease Premises are adequate for the use of any other affected portion for the purposes permitted by Section 6.01 of this Sublease.

SECTION 22.02 Exceptions and Limitations. (a) Notwithstanding

Section 22.01, the occurrence of a condition that renders a material portion of the Sublease Premises untenable shall not be deemed a breach of any obligation of Landlord hereunder to repair the Sublease Premises or the Building (or any portion thereof) except if the same shall have arisen as a result of Landlord's failure to perform another obligation of Landlord under this Sublease promptly after receiving written notice of the need therefor from Tenant or any other Person and if Landlord thereafter fails to make such repair with reasonable diligence and dispatch.

(b) In no event shall Section 22.01 be applicable to a Casualty or Condemnation, which shall be governed instead by Article XXIII.

(c) Tenant's rights to an abatement of Rents pursuant to Section 22.01 or to compensation for common-law or statutory damages pursuant to Section 17.03 shall in no way limit Tenant's remedies under Sections 19.03 and 19.04; but Tenant's exercise of its remedies under Sections 19.03 and 19.04 may very well serve to reduce the extent and duration of the abatement of Rents to which Tenant might otherwise be entitled pursuant to Section 22.01 and/or the measure of damages to which Tenant might otherwise be entitled pursuant to Section 17.03.

(d) Provided Tenant is able to realize the benefits of Section 22.01 in cases where Tenant would otherwise be entitled to compensation or damages suffered by Tenant, Landlord shall have no liability to Tenant in case any portion of the Sublease Premises is rendered untenable by reason of (i) a default by Landlord in the performance of its obligations hereunder, (ii) any gross negligence or wilful misconduct by Landlord or any of its employees, officers, contractors or agents or (iii) any Event Beyond Landlord's Control. In case Tenant is damaged but is nevertheless unable in a diligent and timely fashion to qualify for and fully realize the benefits of Section 22.01 in any such event or if the benefits of Section 22.01 which Tenant is able to qualify for but only partially realize are not sufficient to compensate Tenant for damages actually suffered by Tenant despite Tenant's use of reasonable efforts to mitigate its

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damages, Tenant's common-law or statutory rights, if any, to compensation for damages by reason of any of the foregoing shall not be impaired or limited by this Subsection 22.02(d) to the extent Tenant claims only actual and not consequential, speculative or punitive damages from Landlord. In such cases, Landlord agrees that Tenant's common-law or statutory claims to compensation for actual damages may, at Tenant's election, be submitted to Arbitration in accordance with Article XXI, or to any other recognized and impartial form of accelerated dispute resolution designated by Tenant.

SECTION 23.01 Assignment of Proceeds. Subject to the rights of

Tenant set forth in Sections 23.06 and 23.07, Tenant hereby irrevocably assigns to Landlord any award, compensation or insurance payment to which Tenant may become entitled by reason of its interest in the Sublease Premises if the use, access or occupancy of the Sublease Premises or any part thereof or any part of the Premises serving the Sublease Premises is wholly, partially or temporarily taken, requisitioned or purchased in, by or on account of any actual or threatened eminent domain proceeding or other partial taking action by any person having the power of eminent domain, or by or on account of an "eviction by paramount title" (a "Condemnation").

SECTION 23.02 Rent Abatement. (a) In the event of a Condemnation or

a fire or other casualty (a "Casualty") which destroys, damages or otherwise

renders the Sublease Premises untenable, then all Rents shall be abated on a floor-by-floor basis, in the proportion that the Rentable Square Feet of the space on each floor of the Sublease Premises that is rendered untenable, bears to the 323,869 Rentable Square Feet of the Sublease Premises, for the period from the date of the Casualty or Condemnation to (i) the earlier of the dates that Tenant reoccupies a substantial portion of the previously untenable space on each floor of the Sublease Premises for the conduct of Tenant's business or twenty (20) days after the dates the damage to each floor of the Sublease Premises shall be substantially repaired or restored, or (ii) if only the Building but not the Sublease Premises is so damaged or destroyed (so that the Sublease Premises shall remain tenable as office space), one (1) Business Day after reasonable and safe access thereto is restored for Tenant; provided, however, that, should Tenant reoccupy a portion of the Sublease

Premises for the conduct of Tenant's business during the period that any repair work is taking place and prior to the date that the Sublease Premises are substantially repaired or made tenable, the Rents payable pursuant to Articles IV and V allocable to such reoccupied portion, based upon the proportion which the area of the reoccupied portion of the Sublease Premises bears to the total area of the Sublease Premises, shall be payable by Tenant from the date of such reoccupancy.

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(b) Notwithstanding Subsection 23.02(a), if primarily by reason of a default by Tenant hereunder or some other wrongful act on the part of Tenant or any of its Subtenants or its or their partners, principals, directors, officers, employees or agents, either (i) Landlord or any Superior Party shall be unable to collect all of the insurance proceeds (including rent insurance proceeds) applicable to damage or destruction of the Sublease Premises or the Building by Casualty, or (ii) the Sublease Premises or the Building shall be damaged or destroyed or rendered completely or partially untenable on account of Casualty, then to such extent, and without prejudice to any other remedies which may be available against Tenant, the abatement of Rents pursuant to Subsection 23.02(a) shall be reduced.

SECTION 23.03 Termination or Restoration. (a) In the event that

either (i) the Casualty or Condemnation allows Landlord to terminate the Overlease and Landlord so terminates the Overlease, (ii) the Building shall be totally destroyed or taken in Condemnation, (iii) the Building shall be substantially damaged or taken in Condemnation and Landlord shall decide to demolish it or demolish it and rebuild it, or (iv) the Sublease Premises cannot with the exercise of reasonable diligence be substantially restored or made tenable within one hundred and eighty (180) days after the date of the Casualty or Condemnation, then in any such case Landlord may elect to terminate this Sublease by giving Tenant notice to such effect within sixty (60) days after the date of the Casualty or Condemnation; provided, however, that Landlord

may not exercise its rights under this Subsection 23.03(a) if it does not elect to terminate all other subleases affecting space in the Building damaged, destroyed or made untenable in a manner comparable to the Sublease Premises.

(b) Provided this Sublease shall not be terminated by Landlord or Tenant pursuant to Subsection 23.03(a) or (c), Landlord shall diligently repair the damage and restore the Sublease Premises, exclusive of any of Tenant's Property, to its condition immediately prior to such Casualty within a reasonable time after actual knowledge or written notice to Landlord from Tenant or some other Person of the damage or destruction, subject to Events Beyond Landlord's Reasonable Control.

(c) In the event of a Casualty or Condemnation affecting the Sublease Premises that results in the Untenability of more than THIRTY-FIVE THOUSAND (35,000) Rentable Square Feet of the Sublease Premises, Tenant may, at its option, (i) terminate this Sublease as to the entire Sublease Premises or (ii) partially terminate this Sublease as to any floor of the Sublease Premises which is rendered untenable if (i) within sixty (60) days from the date that

the Condemnation shall be effective or that Landlord shall have received notice from Tenant or some other Person of the Casualty, whichever is applicable (the "Notice Date"), Landlord does

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not award a contract or contracts for the restoration work Landlord is required to do under Subsection 23.03(b) so as to make the untenable portions on such floor of the Sublease Premises tenantable once again not later than one hundred and eighty (180) days after the Notice Date, or (ii) work under such contract or contracts does not commence within one hundred and five (105) days from the Notice Date, or (iii) said work is not in fact completed within one hundred and eighty (180) days from the Notice Date (provided that if completion is delayed

for any reason by an Event Beyond Landlord's Control, such 180-day period may be extended by the number of days completion is delayed by such event to a maximum period of two hundred and forty (240) days from the Notice Date), or (iv) the Casualty or Condemnation occurs within the last twelve (12) months of the Term, unless the affected floor of the Sublease Premises can be made tenantable again within sixty (60) days after the Notice Date and in fact is made tenantable again within such 60-day period. Tenant's right to partially cancel this Sublease pursuant to this Subsection 23.03(c) must be exercised by written notice to Landlord within twenty (20) days after each such right shall accrue.

SECTION 23.04 Tenant's Responsibility for Its Actions. Nothing

contained in this Article XXIII shall relieve Tenant from any liability to Landlord or others that may otherwise exist for any damage or destruction by fire or other Casualty.

SECTION 23.05 No Liability for Interruption. (a) Except as provided

in Subsection 23.03(c), Tenant shall not be entitled to terminate this Sublease, or claim a total or partial condemnation with respect thereto; and except as provided in Subsection 23.02(a) and provided Tenant is able to realize the benefits of Subsection 23.02(a), no damages, compensation or claim shall be payable by Landlord because of any inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Sublease Premises or of the Building pursuant to this Article XXIII.

(b) In case Tenant is unable in a diligent and timely fashion to qualify for or fully realize the benefits of Subsection 23.02(a) or if the benefits of Section 23.02(a) which Tenant is able to qualify for but only partially realize are not sufficient to compensate Tenant for damages actually suffered by Tenant despite Tenant's use of reasonable efforts to mitigate its damages in the event of a Casualty or Condemnation, Tenant's common-law or statutory rights, if any, to compensation or damages by reason of any of the foregoing shall not be impaired or limited by Subsection 23.05(a) to the extent Tenant claims only actual and not consequential, speculative or punitive compensation or damages from Landlord. In such cases, Landlord agrees that Tenant's common-law or statutory claims to compensation for actual damages may, at Tenant's election, be submitted to Arbitration in accordance with Article XXI, or to any

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other recognized and impartial form of accelerated dispute resolution designated by Tenant.

SECTION 23.06 Tenant to Insure its Property. Although Landlord is

required by the Overlease to carry insurance on the Building (including the Sublease Premises) as stated in Section 12.06, Landlord will not carry separate insurance of any kind on Tenant's Property, and Landlord shall not be obligated to repair any damage thereto or replace or clean the same. Tenant shall maintain such fire and casualty insurance with respect to Tenant's Property, and shall be responsible to repair and restore the same to the extent necessary to resume its operations. All proceeds of Tenant's insurance covering Tenant's Property, relocation expenses and rent obligations under this Sublease shall be paid and payable exclusively to Tenant.

SECTION 23.07 Tenant's Condemnation Claims. Notwithstanding anything

to the contrary contained in this Article XXIII in connection with any Condemnation, Tenant shall be entitled to make a separate claim, and to prove and receive an award for (a) the value of Tenant's Property to the extent the same is taken, and (b) business interruption, moving and other costs permitted to space tenants by law, provided that (i) such award shall not in any way or to

any extent diminish the amount of the award to which Landlord, Overlandlord or Ground Lessor would otherwise be entitled, and (ii) Tenant shall not assert any claim for the value of Tenant's leasehold estate or other rights hereunder.

SECTION 23.08 Express Agreement to Contrary. The provisions of this

Article XXIII shall be deemed an express agreement governing any case of damage or destruction of the Sublease Premises by Casualty or Condemnation, and Section 227 of the Real Property Law of the State of New York, providing for such a contingency in the absence of any express agreement, and any other law of like import, now or hereafter in force, shall have no application in such case.

ARTICLE XXIV
REPRESENTATIONS BY LANDLORD

SECTION 24.01 Due Authorization. Landlord represents to Tenant that

this Sublease has been duly authorized, executed and delivered by Landlord to Tenant, and is a legal, valid and binding obligation of Landlord enforceable against Landlord in accordance with its terms except as such enforcement may be affected by bankruptcy, insolvency and similar laws and/or by principles of law or equity applicable to the enforcement of leases and landlord-tenant relationships generally.

SECTION 24.02 Absence of Reliance by Tenant. (a) Except as

expressly set forth in this Sublease, no representations, statements, or warranties, express or implied, have been made by or on

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behalf of Landlord in respect of the Sublease Premises (except as expressly set forth herein) or the physical condition thereof of the Building or any of the mechanical, structural, electrical or other systems therein, the space or square footage therein, the laws, regulations, rules and orders applicable thereto or any other matter applicable to this Sublease.

(b) Except as expressly set forth in this Sublease, Tenant has not relied on any representations or statements made by Landlord; and neither Landlord, Overlandlord nor Ground Lessor shall in any event whatsoever be liable by reason of any claim of representation or misrepresentation or breach of warranty with respect thereto (except with respect to some representation or statement expressly set forth herein).

ARTICLE XXV
LIMITATIONS OF LIABILITY

SECTION 25.01 No Liability of Landlord and Others. (a) Neither

Landlord, Overlandlord, Ground Lessor, nor any Superior Party nor any of their agents, attorneys, employees, directors, successors or assigns shall in any event whatsoever (unless caused by such Person's own negligence or misconduct) be liable for any injury, damage or loss to Tenant, or any Person claiming by, through or under Tenant, or any other Person claiming happening on, in or about the Sublease Premises nor for any injury or damage to the Sublease Premises or to any property belonging to Tenant, or any Person claiming by, through or under Tenant, or any other Person, which may be caused by or result from (i) any fire or other Casualty (except as provided in Article XXII or XXIII), (ii) any action of wind, water, lightning or any other of the elements, (iii) any use, misuse or abuse of the Building (including, but not limited to, any of the common areas within the Building, equipment, elevators, hatches, openings, installations, stairways, hallways, or other common facilities) by, or any other acts or negligence of, Tenant or any Subtenant, licensee, invitee or contractor of Tenant, any Subtenant or any other Person happening on, in or about the Sublease Premises, (iv) the condition of the Sublease Premises during the Term or any defect in the Land, the Building, any equipment, machinery, wiring, apparatus or appliances whatsoever now or hereafter situate in, at, upon or about the Sublease Premises, or any leakage, bursting or breaking up of the same (except as provided in Section 16.02 or Article XXII), or (v) any failure or defect of water, heat, gas, chilled water, steam or electric power supply, or of any apparatus, machinery or appliance in connection therewith (except as provided in Section 16.02 or Article XXII).

SECTION 25.02 Liability for Consents. (a) Any dispute with respect

to the granting of any consent or approval requested by Tenant of Landlord hereunder (where such consent or approval is expressly subject to a reasonableness requirement) shall be resolved

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by arbitration pursuant to Article XXI or by any other recognized and impartial form of accelerated dispute resolution designated by Tenant. Tenant's primary (but not its only) remedy in the event it is ultimately determined that Landlord unreasonably denied or delay such consent or approval shall be to obtain a court order requiring Landlord to give such consent or approval.

(b) In case Tenant is unable in a diligent and timely fashion to realize the benefits of Subsection 25.02(a) in the event an approval or consent is denied or delayed by Landlord, Tenant's common-law or statutory rights, if

any, to compensation or damages by reason of any of the foregoing shall not be impaired or limited by Subsection 25.05(a) to the extent Tenant claims only actual and not consequential, speculative or punitive compensation or damages from Landlord.

SECTION 25.03 No Personal Liability of Landlord. Notwithstanding

anything to the contrary contained herein, none of the agreements, covenants, obligations or undertakings of the Landlord set forth in this Sublease shall be binding personally, upon Landlord or any officer, director, trustee, beneficiary, partner, principal, agent, attorney or shareholder of Landlord or any of Landlord's successors and assigns, but shall be deemed as covenants running with ownership of the Land and Building. In the event Tenant pursues any remedies available to it under this Sublease, Tenant shall not have any recourse against any officer, director, trustee, beneficiary, partner, principal, agent, attorney or shareholder of Landlord or any of Landlord's successors and assigns for any loss or claim for monetary damages resulting therefrom; instead Tenant's sole recourse shall be to enforce any claims it may have against the interest of the Landlord in the Premises and the rents, issues and profits therefrom.

SECTION 25.04 No Continuing Liability of Landlord. The Landlord

named herein or any successor-in-interest shall be deemed to be the Landlord hereunder only until such time as it no longer holds the interest as Landlord; so that if the Landlord named herein or such successor-in-interest ceases to have any interest in the Premises as a result of the termination of the Overlease or a sale or transfer of its interest as the tenant under the Overlease, then the Landlord named herein or such successor-in-interest, as the case may be, shall be and hereby is entirely freed and relieved of all agreements, covenants and obligations of Landlord hereunder to be performed on or after the date of such termination, sale or transfer.

SECTION 25.05 No Liability of Tenant's Partners. None of the

agreements, covenants, obligations or undertakings of Tenant set forth in this Sublease shall be binding personally upon any agent, director, employee, partner, principal or shareholder

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of Tenant, or on any professional corporation or limited liability company or partnership that is a partner, principal or shareholder of Tenant, or on any spouse or estate of any agent, director, employee, partner, principal or shareholder of Tenant, even if a partner or principal of Tenant shall have a negative capital account or be liable for any rights of contribution to Tenant; and in the event Landlord pursues any remedies available to it under this Sublease for the entry of a monetary judgment or for the enforcement of any duties or obligation against Tenant, Landlord shall not seek any recourse against any agent, director, employee, partner, principal or shareholder of Tenant, or any professional corporation or limited liability company or partnership that is a partner, principal or shareholder of Tenant, or any spouse or estate of any agent, director, employee, partner, principal or shareholder of Tenant, for any loss, claim or monetary damages resulting therefrom.

ARTICLE XXVI
INDEMNIFICATION BY LANDLORD AND TENANT

SECTION 26.01 Indemnification by Tenant. Tenant shall not do or

permit any act or thing to be done upon the Sublease Premises which will subject Landlord, Overlandlord, Ground Lessor or any Superior Mortgagee to any liability or responsibility for injury or damage to persons or property, or to any liability by reason of any violation of law or of a Legal Requirement applicable to the Sublease Premises with which Tenant is obligated by this Sublease to comply; and Tenant shall exercise such control over the Sublease Premises so as to fully protect Landlord, Overlandlord, Ground Lessor and any Superior Mortgagee against any such liability. Tenant shall indemnify and save Landlord, Overlandlord, Ground Lessor and all Superior Mortgagees harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including reasonable engineers', architects' and attorneys' fees and disbursements, which may be imposed upon or incurred by or asserted against Landlord, Overlandlord, Ground Lessor or any Superior Mortgagee by reason of any of the following occurring during the Term (unless caused by the negligence or misconduct of any Person otherwise indemnified under this Section 26.01):

(a) Any work or thing done in, on or about the Sublease Premises or any part thereof by Tenant or any Subtenant, or any of their respective officers, agents, employees, contractors, invitees or licensees;

(b) The manner of use (as distinguished from the mere use of the Sublease Premises as permitted by Subsection 6.01(a)), or any alteration, repair, condition, operation, maintenance or management, of the Sublease

Premises or any part thereof by Tenant or any Subtenant, or any their respective officers, agents, employees, contractors, invitees or licensees;

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(c) Any wrongful act or failure to act or any negligence on the part of Tenant or any Subtenant or any of its or their respective officers, agents, employees, contractors, invitees or licensees;

(d) Any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Sublease Premises or any part thereof;

(e) Any lien or claim which may be alleged to have arisen against or on the Sublease Premises from and after the applicable Possession Date arising from any act or omission of Tenant or its Subsubtenants or their respective officers, employees, agents, suppliers, materialmen, mechanics, contractors, subcontractors or sub-subcontractors; and/or

(f) Any failure on the part of Tenant to keep, observe or perform any of the terms, covenants, agreements, provisions, conditions or limitations contained in any construction agreements, Subsubleases or other contracts and agreements affecting the Sublease Premises, on Tenant's part to be kept, observed or performed.

SECTION 26.02 Indemnification by Landlord. Landlord shall indemnify

and save Tenant harmless from and against any and all liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including reasonable engineers', architects' and attorneys' fees and disbursements, which may be imposed upon or incurred by or asserted against Tenant by reason of any of the following occurring during the Term (unless caused by the negligence or misconduct of Tenant):

(a) Any work or other thing done in violation of the terms of this Sublease in, on or about the Sublease Premises or any part thereof by Landlord or any of its officers, agents, employees, contractors, invitees or licensees;

(b) Any wrongful act or failure to act or any negligence on the part of Landlord or any of its officers, agents, employees, contractors, invitees or licensees;

(c) Any accident, injury (including death at any time resulting therefrom) or damage to any Person or property occurring in, on or about the Premises or any part thereof (other than the Sublease Premises); and/or

(d) Any failure on the part of Landlord to perform or comply with any of the covenants, agreements, terms or conditions contained in this Sublease on Landlord's part to be performed or complied with after any applicable notice and

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grace period shall have been given and expired; provided that Landlord's

indemnity under this Subsection 26.02(d) shall not extend to the consequences of its failure to perform any obligation under this Sublease except to the extent that Landlord fails to commence such performance promptly after receipt of written notice to do so from Tenant or fails to complete such repair with reasonable diligence, subject to Events Beyond Landlord's Control.

SECTION 26.03 Notice and Defense of Claims. (a) Promptly following

receipt by any Person entitled to be indemnified pursuant to this Sublease of any claim, determination, suit, action or proceeding which is subject to the provisions of Section 26.01 or 26.02 or other section of this Sublease, such Person shall give written notice thereof to the party hereto from whom indemnification is being sought, accompanied by copies of any written documentation with respect thereto received by the notifying Person and stating the basis upon which indemnification is being sought pursuant to this Sublease.

(b) The party required to provide indemnification under Section 26.01 or 26.02 or other section of this Sublease shall have the right, at its option, to compromise or defend, at its own expense and with its own counsel, any such claim, determination, suit, action or proceeding. The Person claiming indemnification shall have the right, at its option, to participate in the settlement or defense of any such claim, determination, suit, action or proceeding with its own counsel and at its own expense, but the indemnifying party shall be entitled to control such settlement or defense. The indemnified Persons and indemnifying party shall studiously cooperate in any such defense or settlement and shall give each other reasonable access to all information relevant thereto. Such Persons and party will similarly cooperate in the prosecution of any claim or lawsuit against any third Person.

(c) In the event that an indemnifying party fails to notify an indemnified Person of its intent to honor its obligations under Subsection 26.03(b) within fifteen (15) days after receipt of a written notice of any claim, determination, suit, action or proceeding, the indemnified Person, without waiving any rights to indemnification hereunder, may defend such claim, determination, suit, action or proceeding with its own counsel at the expense of the party obligated to provide such defense, and shall have the right to enter into any good faith settlement thereof without prior written consent from the indemnifying party.

SECTION 26.04 No Effect of Insurance. The obligations of Tenant and

Landlord under this Article XXVI shall not be affected by the absence in any case of covering insurance or by the failure or refusal of any insurance carrier to perform any obligation on its part under insurance policies affecting the Sublease Premises.

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SECTION 26.05 Subrogation upon Request. If any claim, action or

proceeding is made or brought against Landlord, Overlandlord, Ground Lessor, or any Superior Mortgagee against which Landlord, Overlandlord, Ground Lessor or such Superior Mortgagee is indemnified pursuant to Section 26.01, or any other provision of this Sublease, then, upon demand by Landlord, Overlandlord, Ground Lessor or such Superior Mortgagee, Tenant, at its sole cost and expense, shall resist or defend such claim, action or proceeding in Landlord's, Overlandlord's or Ground Lessor's or such Superior Mortgagee's name, if necessary, by the attorneys for Tenant's insurance carrier (if such claim, action or proceeding is covered by insurance) or otherwise by such attorneys as Tenant shall select, subject to the approval of Landlord (not to be unreasonably withheld or delayed), and the approval of Overlandlord and Ground Lessor, respectively. The foregoing notwithstanding, (a) Landlord and Overlandlord, at their own expense, may each engage its own attorneys to defend it or to assist in its defense, and (b) Ground Lessor and such Superior Mortgagee(s) may each engage its own attorneys to defend it or to assist in its defense; but Tenant shall only be required to pay reasonable fees and disbursements for Overlandlord the attorneys of Ground Lessor and, to the extent required by Superior Mortgage(s), such Superior Mortgagee(s).

SECTION 26.06 Survival of this Article. The provisions of this

Article XXVI shall survive the Expiration Date or earlier termination of this Sublease with respect to any liability, suit, obligation, fine, damage, penalty, claim, cost, charge or expense arising out of or in connection with any action or failure to take action or any other matter occurring during the Term of this Sublease.

ARTICLE XXVII
INTEGRATION; CONFLICT WITH EXHIBITS

SECTION 27.01 Integration. All understandings and agreements

heretofore had between the parties hereto with respect to the matters expressly covered by this Sublease are merged in this Sublease (including the Exhibits annexed hereto).

SECTION 27.02 Conflict with Exhibits. If there shall be any conflict

between an Article of this Sublease (or any provision in an Article) and an Exhibit annexed to this Sublease (or any provision in an Exhibit), the Article (or the provision therein) shall prevail.

ARTICLE XXVIII
NOTICES

SECTION 28.01 Notices. (a) Any notice, statement, demand, consent,

approval or other communication required or permitted to be given, rendered or made by either party to the other,

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pursuant to this Sublease or pursuant to any applicable Legal Requirement (collectively, "communications") shall be in writing (whether or not so stated

elsewhere in this Sublease) and shall be deemed to have been properly given, rendered or made if hand delivered, or sent by an overnight courier service or by first-class, express, registered or certified mail, postage-prepaid and return receipt requested, posted in a United States post office station or letter box in the continental United States, addressed as follows:

(i) If to Landlord:

c/o Merrill Lynch & Co., Inc.
Two World Financial Center, 5th Floor
New York, New York 10080-6105
Attn: Mr. Mark E. Brooks
and
Mr. Michael Loring

and

c/o Merrill Lynch & Co., Inc.
Merrill Lynch World Headquarters
World Financial Center
250 Vesey Street
New York, New York 10281-1219
Attn: Corporate Law Department

and

Sullivan & Cromwell
250 Park Avenue
New York, New York 10177
Attn: James I. Black III, Esq.

(ii) If to Tenant:

Deloitte & Touche
Two World Financial Center
15th Floor
New York, New York 10080
Attn: Office Managing Partner

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Deloitte & Touche
1633 Broadway/8/
New York, New York 10019
Attn: Office Managing Partner

Deloitte & Touche
10 Westport Road
Wilton, Connecticut 06897
Attn: Director of National
Facilities

and

Hutton Ingram Yuzek Gainen
Carroll & Bertolotti
530 Fifth Avenue
New York, New York 10036
Attn: Ernest J. Bertolotti, Esq.

(b) All communications shall be deemed to have been duly given, rendered or made on the day the same is telefaxed or hand-delivered, or on the date a receipt or proof of delivery thereof is signed, if applicable, or if not, then on the second (2nd) Business Day after pickup by an overnight courier service or on the fifth (5th) Business Day after the day so mailed. Either party may, by notice as aforesaid, designate a different address or addresses for communications intended for it. Notwithstanding the foregoing, with respect to an occurrence presenting imminent danger to the health or safety of persons or damage to property in, on or about the Building or during a postal strike, communications shall only be telefaxed or hand-delivered to a party at the addresses to which communications to that party are to be sent.

ARTICLE XXIX
MISCELLANEOUS

SECTION 29.01 Captions. The captions and table of contents of this

Sublease are for convenience of reference only and in no way define, limit or describe the scope or intent of this Sublease.

SECTION 29.02 Governing Law. This Sublease shall be governed by and

construed in accordance with the laws of the State of New York.

/8/ Notices to this address will no longer be required after Tenant takes occupancy of the Sublease Premises for the uses permitted by Section 7.01.

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SECTION 29.03 Successors and Assigns. Except as otherwise expressly

provided in this Sublease, the provisions of this Sublease shall bind and benefit the successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party is named or referred to; provided,

however, that (i) no violation of the provisions of Article X shall operate to

vest any rights in any successor or assignee of Tenant, and (ii) the provisions of this Section 29.03 shall not be construed to be a consent by Landlord to an assignment of this Sublease by Tenant.

SECTION 29.04 No Third-Party Rights. The provisions of this

Sublease are intended to be for the sole benefit of the parties hereto and their respective successors and permitted assigns, and none of the provisions of this Sublease are intended to be, nor shall they be construed to be, for the benefit of any third party.

SECTION 29.05 Memorandum of Sublease. Tenant, upon the written

request of Landlord, shall execute, acknowledge and deliver to Landlord a memorandum of this Sublease, and any amendments thereof, and Landlord may, at its sole cost and expense, record such memorandum. If such memorandum is recorded and this Sublease thereafter terminates, at the request of any party, the parties hereto shall execute, acknowledge and deliver to each other, and thereupon record, a memorandum of such termination. Tenant may not record this Sublease or any memorandum or amendment thereof.

SECTION 29.06 Granting Consent and Exercising Judgment. (a) In any

instance in this Sublease where a consent or approval is required from either Landlord or Tenant, it shall not be unreasonably denied or delayed.

(b) In any instance in this Sublease where judgment or discretion is required to be exercised either by Landlord or Tenant, it shall not be exercised unreasonably.

SECTION 29.07 Estoppel Certificates. (a) Tenant agrees at any time

and from time to time upon not less than twenty (20) days' prior notice by Landlord to execute, acknowledge and deliver to Landlord or any other party specified by Landlord a statement in writing certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications) and the date to which each obligation constituting the Rent has been paid, stating whether or not to the best knowledge of Tenant (i) there is a continuing default by Landlord in the performance or observance of any covenant, agreement or condition contained in this Sublease to be performed or observed by Landlord, or (ii) there shall have occurred any event which, with the giving of notice or passage of time or both, would become such a default, and, if so, specifying each such default or occurrence of which Tenant may have knowledge. Such statement shall be binding upon Tenant and may be relied upon

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by (x) any then-existing or prospective (1) mortgagee, assignee or purchaser of all or a portion of Landlord's interest in this Sublease, (2) purchaser of a partnership interest in Landlord (if Landlord is a partnership), (3) purchaser of all or a portion of the stock of Landlord (if Landlord is a corporation) and (4) purchaser of all or a portion of the stock of a corporation or the partnership interest in a partnership which is a partner of Landlord (if Landlord is a partnership), and (y) the then-Overlandlord or fee owner of Battery Park City or any portion thereof, and any prospective successor to such fee owner.

(b) Landlord agrees at any time and from time to time upon not less than ten (10) days' prior notice by Tenant to execute, acknowledge and deliver to Tenant or any other party specified by Tenant a statement in writing certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications) and the date to which each obligation constituting the Rent has been paid, and stating whether or not to the best knowledge of Landlord (i) there are any continuing Events of Default or (ii) there shall have occurred any event which, with the giving of notice or the passage of time or both, would become an Event of Default, and, if so, specifying each such Event of Default or event of which Landlord may have knowledge. Such statement shall be binding upon Landlord and may be relied upon by any then-existing or prospective permitted Subtenant, any assignee of Tenant's interest in this Sublease or any existing or prospective purchaser of a partnership interest in Tenant.

SECTION 29.08 Confidentiality. Landlord and Tenant each agrees to

use its reasonable good faith efforts to maintain the confidentiality of the

terms and conditions contained in this Sublease and to disclose information only when, and to the extent, required by any applicable Legal Requirement or reasonably necessary to carry out the agreements contained herein or to facilitate assignment, subletting or financing of Tenant's Property by Tenant in accordance with this Sublease.

Section 29.09 Labor Harmony. Tenant agrees that (a) it will not, by

any negligent or willful act on its part or by its negligent or willful failure to act, cause or contribute to any labor dispute and that no person, material or service equipment used by Tenant, its employees or agents at the Sublease Premises will be such as, in Landlord's judgment, will disturb harmony with any trade engaged in performing any work, labor or services in or about the Premises or cause or contribute to any labor dispute, and (b) that any Person employed by Tenant shall promptly inform Landlord of any labor or other dispute, of which Tenant has knowledge, which could interfere with the performance of or any labor, work or service in or about the Premises and shall cooperate with Landlord in disposing of any such dispute.

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IN WITNESS WHEREOF, both Landlord and Tenant have duly authorized, executed and delivered this Sublease as of the date first hereinabove set forth.

Landlord:

MERRILL LYNCH/WFC/L, INC.

By _____
Name:
Title:

Tenant:

DELOITTE & TOUCHE

By _____
Name: Elmer F. Fisher
Title: National Managing
Director

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EXHIBIT A-1

(Floor Plans of Sublease Premises)

[Material omitted and filed separately with SEC]

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EXHIBIT A-2

(List of Plans for Tenant's Signage)

EXHIBIT A-3

(Floor Plan of First Expansion Option Space)

[Material omitted and filed separately with SEC]

A-2-1

EXHIBIT B

(Form of Overlandlord's Consent to Sublease)

CONSENT TO SUBLEASE

called "Landlord"), hereby consents to the subletting by MERRILL LYNCH/WFC/L,

INC., a New York corporation having an office c/o Merrill Lynch & Co., Inc. at
North Tower, World Financial Center, New York, New York (hereinafter called
"Tenant"), to DELOITTE & TOUCHE, a New York partnership having an office at Two

World Financial Center, New York, New York (herein called "Subtenant"), of all

or a portion of floors C1, C2, 2, 3, 8, 9, 10 and 15 consisting of [MATERIAL
OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet substantially as
shown on the floor plans attached as Exhibit A-1 to the Sublease (hereinafter

referred to as the "Sublet Space") in the building known as Tower B, World

Financial Center, New York, New York (hereinafter called the "Building") for a

term commencing and ending as specified in the Sublease (hereinafter defined),
which Sublet Space is a part of the premises (hereinafter called the "Premises")

leased and demised by Landlord to Tenant by that certain Agreement of Lease
dated as of September 29th, 1988 (which lease, as the same may have been and may
hereafter be amended, is hereinafter called the "Lease"), such consent being

subject to and upon the following terms and conditions, to each of which Tenant
and Subtenant expressly agree:

1. Nothing herein contained shall be construed to modify, waive, impair or affect any of the covenants, agreements, terms, provisions or conditions in the Lease (except as herein expressly provided), or to waive any breach thereof, or any rights of Landlord against any person, firm, partnership, association or corporation liable or responsible for the performance thereof, or to enlarge or increase Landlord's obligations under the Lease; and all covenants, agreements, terms, provisions and conditions of the Lease are hereby mutually declared to be in full force and effect.

2. Tenant shall be and remain liable and responsible for the due keeping, performance and observance of all the covenants, agreements, terms, provisions and conditions set forth in the Lease on the part of Tenant to be kept, performed and observed and for the payment of all Rentals and all other sums now and/or hereafter becoming payable thereunder.

3. The Sublease dated as of December __, 1993 (the "Sublease")

between Tenant and Subtenant (as it relates to the Sublet Space) and all rights of Subtenant thereunder shall be subject and subordinate at all times to the Lease and to all ground leases, overriding leases and underlying leases of the Building and/or the Sublet Space now or hereafter existing, to all mortgages which may

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now or hereafter affect the land, Building, and/or any such leases (collectively the "Superior Instruments"), and to all of the covenants, agreements, terms,

provisions and conditions of the Lease, the Superior Instruments and of this Consent; and Subtenant shall not do or permit anything to be done in connection with Subtenant's occupancy of the Sublet Space which would violate any of said covenants, agreements, terms, provisions and conditions.

4. This Consent shall not be construed as a consent by Landlord to, or as permitting, any other or further subletting by either Tenant or Subtenant except as provided in Article VII of the Sublease. Subtenant shall not (i)

assign the Sublease or this Consent or further sublet the Sublet Space or any part thereof (except to an Affiliate (as defined in the Sublease) of Subtenant pursuant to the terms of 10.02 of the Sublease), or (ii) hereafter sublet, take by assignment or otherwise occupy any space in the Building other than the Sublet Space, without, in each instance, first obtaining Landlord's consent thereto in accordance with the terms of the Lease.

5. [Intentionally omitted.]

6. Tenant and Subtenant agree that Landlord is not responsible for the payment of any commissions or fees in connection with this transaction, and they each jointly and severally agree to indemnify and hold Landlord harmless from and against any claims, liability, losses or expenses, including reasonable attorneys' fees, incurred by Landlord in connection with any claims for a commission by any broker or agent in connection with this transaction.

7. Subtenant agrees that if Subtenant shall become a direct tenant of Landlord for the Sublet Space or any part thereof upon the expiration or earlier termination of the Lease, Landlord shall not be responsible for the payment of any commissions or fees in connection with such direct lease, and Tenant and

Subtenant jointly and severally agree to indemnify and hold Landlord harmless from and against any claims, liability, losses or expenses, including reasonable attorneys' fees, incurred by Landlord in connection with any claims for a commission by any broker or agent in connection with any such direct lease.

8. Upon the stated expiration of the Sublease, the Sublease and the term and estate thereby granted with respect to the Sublet Space shall expire and come to an end and Subtenant shall vacate the Sublet Space on or before such date. In case of the failure of Subtenant to vacate the Sublet Space at the end of the initial term of the Sublease, and if any of the first offer premises referred to in Article VII of the Sublease becomes part of the premises subleased to Olympia & York Tower B Lease Company ("O&Y Subtenant"), Tenant shall be responsible for the removal of the occupant holding over in the Sublet Space, and possession of any

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premises being added under the sublease with O&Y Subtenant shall not be deemed given until the Sublet Space is delivered free and clear of such lettings or occupancies. Upon the earlier termination of the Lease, or in the case of the surrender or assignment of the Lease (or overriding sublease of the entire Premises) by Tenant to Landlord or its affiliates (hereinafter, together with any holder of a Superior Instrument who shall succeed to Landlord's interest, collectively referred to as "Current Landlord"), Subtenant shall, at Current

Landlord's option (subject, however, to Current Landlord's obligation pursuant to Section 10.19(a) of the Lease), attorn to Current Landlord pursuant to the then executory provisions of the Sublease, provided that, to the extent Current

Landlord had any rights under the Lease which were applicable to the Sublet Space and which were in addition to the rights (excluding the right to receive the amount of Base Rent payable thereunder) of the Tenant as landlord under the Sublease, such rights shall be deemed incorporated in the Sublease insofar as they will not materially decrease any rights or increase any monetary obligations of Subtenant under the Sublease, notwithstanding the termination of the Lease), and provided further that Current Landlord shall not be (i) liable

for any previous act or omission of Tenant under the Sublease, (ii) subject to any credit, offset, claim, counterclaim, demand or defense which Subtenant may have against Tenant, (iii) bound by any payment of rent which the Subtenant might have made for more than one (1) month in advance of the due date for any corresponding rental obligation under the Lease to Tenant, (iv) liable for any security deposited by Subtenant which has not been transferred to Current Landlord, (v) bound by any covenant of Tenant to undertake or complete any construction of the Sublet Space or any portion thereof, (vi) bound by any obligation to make any payment to Subtenant or provide any services or perform any repairs, maintenance and restoration provided for under the Sublease to be performed after the date of such attornment (except for services, repairs, maintenance and restoration which landlords of like property ordinarily perform at landlord's expense), (vii) bound by any obligation to make any payment to Subtenant with respect to construction performed by or on behalf of Subtenant at the Sublet Space, or (viii) bound by any modification of the Sublease without the consent of Current Landlord.

9. [Intentionally omitted.]

10. The obligations of Subtenant under this Consent shall be subject to Section 25.05 of the Sublease.

11. Tenant and Subtenant agree that (i) Landlord is not a party to the Sublease and is not bound by the provisions thereof, (ii) Landlord has not, and will not, review or pass upon any of the provisions of the Sublease, and (iii) the Sublease will not be modified, amended or terminated in any way without the prior written consent of Landlord. This Consent is to the act of subletting only

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and Landlord shall not be bound or estopped in any way by the provisions of the Sublease.

12. In the event of any conflict between the provisions of (i) the Lease or this Consent and (ii) the Sublease, the provisions of the Lease or this Consent shall prevail unaffected by the provisions of the Sublease as between Landlord and Tenant or Landlord and Subtenant.

13. This Consent may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any change is sought. This Consent shall not be binding upon Landlord unless and until it is signed by Landlord.

14. Tenant and Subtenant represent and warrant to Landlord that no compensation or consideration of any kind other than as set forth in the Sublease as Rent or additional charges has been, or will be, paid by Subtenant

to Tenant in consideration for the subleasing of the Sublet Space by Tenant to Subtenant.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as of December __, 1993.

LANDLORD: OLYMPIA & YORK TOWER B COMPANY

By: O&Y Tower B Holding Company I,
a general partner
By: O&Y (U.S.) Development
Company, L.P., a general partner
By: O&Y (U.S.) Development General
Partner Corp., a general partner

By _____
Senior Vice President

TENANT: MERRILL LYNCH/WFC/L, INC.

By _____
Name:
Title:

SUBTENANT: DELOITTE & TOUCHE

By _____
Name: Elmer F. Fisher,
Title: National Managing Director

FEDERAL EMPLOYER ID NO.: _____

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EXHIBIT C

ALTERNATE ELECTRICITY RENT INCLUSION

A. If Landlord shall be required pursuant to Article V to supply Tenant with electricity on a rent-inclusion basis, then the Base Rent set forth in Section 3.01 of the Lease shall be increased by the Electricity Rent Inclusion Factor (as hereinafter defined) to compensate Landlord for the electrical wiring and other installations necessary for its obtaining and redistribution of electricity as an additional service, subject to periodic adjustments as herein provided. Initially, the "Electricity Rent Inclusion

Factor" (sometimes, the "ERIF") shall mean the sum of Tenant's Electricity
- -----

Payments pursuant to Article V of the Lease for twelve (12) full calendar months preceding the month in which the provisions of this Exhibit C shall become

operative, divided by the average number of Rentable Square Feet in the Sublease Premises that were occupied during such 12-month period, and then multiplied by the number of Rentable Square Feet of the Sublease Premises that are occupied as of the operative date of the provisions of this Exhibit C. If the provisions of

this Exhibit C shall become operative prior to the expiration of a period of

twelve (12) consecutive months during which some portion of the Sublease Premises is occupied and electricity is paid for pursuant to Article V of the Lease, then the "Electricity Rent Inclusion Factor" shall mean an amount equal

to one hundred and two and one-half (102.5) percent of the amount determined by multiplying the estimated kilowatt-hour usage (based on applicable diversity for the Sublease Premises as determined by Landlord's Electrical Consultant, subject to Tenant's right to dispute the same under Paragraph E of this Exhibit C) by

Landlord's Average Cost Per Kilowatt Hour.

B. At such time as the provisions of this Exhibit C shall become operative, Landlord shall cause an independent electrical engineer consultant selected by Landlord ("Landlord's Electrical Consultant") to survey Tenant's

aggregate usage of electricity in the Sublease Premises on a floor-by-floor basis. The cost of such initial survey shall be shared equally by Landlord and Tenant. Promptly after the completion of such initial survey, Landlord shall furnish Tenant with a copy of such initial survey and a statement (an "Adjustment Statement") specifying (1) the amount actually paid by Tenant as the

ERIF during the period commencing upon the date that the provisions of this Exhibit C shall have become operative and ending on the date of the completion

of such initial survey, and (2) the amount which would have been payable as the ERIF during such period based on such initial survey. Without prejudice to Tenant's rights under Paragraph E of this Exhibit C, Tenant shall pay any

deficiency, or Landlord shall refund any overpayment, in each instance with interest at the Prime Rate from the date or dates the underpayment or overpayments were made, within thirty (30) days after the delivery of an Adjustment Statement. To the greatest degree reasonably practicable, the ERIF be equal to one hundred and two and

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one-half (102.5) percent of Landlord's actual cost of obtaining from the public utility furnishing the same to the Building the amount of electricity actually used by Tenant in the Sublease Premises. Further, each survey conducted pursuant to this Exhibit C shall be made and shall state Tenant's aggregate electricity

usage on a floor-by-floor basis, and the consumption of electricity allocated to Tenant shall be equal the sum of the surveys made on a floor-by-floor basis.

C. If the cost to Landlord of the electricity used by the Building shall change (whether the same occurs by reason of a change in Landlord's electric rates, charges, fuel and/or loss-revenue adjustments and/or service classifications, changes in methods of or rules on billing, including with respect to time-of-day rates, or by taxes or charges of any kind imposed thereon or for any other reason (collectively, "Rate Changes"), then the ERIF shall be

changed by the same percentage. Any such percentage change in Landlord's costs due to Rate Changes shall be computed by the application of the average consumption (energy and demand) of electricity for the entire Building for the twelve (12) full months immediately prior to the effective date of the Rate Change, or any changed methods of or rules on billing for same, on a consistent basis to the new rate and/or service classifications and to the immediately prior existing rate and/or service classifications. The percentage changes in the ERIF that are based on Rate Changes shall be initially determined by Landlord's Electrical Consultant subject to Tenant's right to dispute same under Paragraph E below, and a copy of such determination shall be delivered to Tenant. Tenant shall pay the ERIF on the basis of such determination as of the effective date of the Rate Change, without prejudice to its rights under Paragraph E of this Exhibit C.

D. Either Landlord or Tenant may from time to time cause its own independent Electrical Consultant to conduct a new survey of Tenant's electricity usage in the Sublease Premises. If a survey conducted by Landlord's Electrical Consultant shall show a change in Tenant's electricity usage in the Sublease Premises, then the Base Rent and ERIF shall be adjusted in accordance with such survey, effective as of the date of such change as disclosed by said survey, subject to Tenant's rights to dispute the same in accordance with Paragraph E below and to receive reimbursement for any amounts ultimately determined to have been overpaid in accordance with the procedure contained therein, plus interest at the Prime Rate from the date of each overpayment until such reimbursement, within thirty (30) days after such determination. The party causing any such survey to be made, either initially or in response to a survey prepared by the other party, shall bear the cost of such survey.

E. The determinations and computations set forth in any initial survey to be furnished to Tenant under Paragraph A and any determination of a change in the ERIF in the manner hereinabove described under Paragraph C or D (including by way of any survey)

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shall be binding and conclusive on Landlord and Tenant from and after the delivery of written notice of such determination (and any computations and survey involved) to the other party unless, within three (3) years after receipt of the same by such other party, such other party notifies in writing the party delivering written notice of the determination (and any computations and survey involved) that it disputes such determination. During such three-year period, Landlord shall allow Tenant or its representative to inspect and copy Landlord's books and records relating to the ERIF and shall provide and make available to Tenant such information relating to the calculation of the ERIF as Tenant may reasonably request. Any dispute as to which either party timely notifies the other pursuant to the above provisions of this Paragraph E that is not resolved within three and one-half (3-1/2) years after the giving of such notice may be submitted for resolution to the Applicable Engineer of Record by either Tenant or Landlord. Landlord and Tenant shall share the cost of the Applicable Engineer of Record in resolving such dispute and the decision of the Applicable Engineer of Record shall be final and binding on Landlord and Tenant. If it is determined that Tenant has overpaid or underpaid, then Landlord or Tenant, as the case may be, shall refund to the other the amount so determined, together with any interest thereon at the Prime Rate.

EXHIBIT D-1

RULES AND REGULATIONS

1. The rights of Tenant in the entrances, corridors, elevators and escalators servicing the Building are limited to the non-exclusive right of ingress to and egress from Tenant's premises for Tenant and its Subsubtenants, and its and their employees, licensees and invitees; and Tenant shall not use, or permit the use of, the entrances, corridors, escalators or elevators for any other purpose. Fire exits and stairways are for emergency use only, and they shall not be used for any other purpose. Tenant shall not encumber or obstruct, or permit the obstruction of the corridors, escalators, elevators, fire exits or stairways of the Building.

2. Landlord may refuse admission to the portions of the Building not demised to Tenant to any person not known to the watchman in charge, or not having a pass issued by Landlord or the tenant whose premises are to be entered, or not otherwise properly identified, and Landlord may require all persons admitted to or leaving such portions of the Building to sign a register and submit a pass.

3. No awnings or other projections shall be attached to the exterior walls or windows of the Building.

4. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Building, nor placed in the halls, corridors or vestibules which are part of the common areas of the Building (including the elevator lobbies), except for (a) permitted signage, (b) Tenant's security facilities in the Visitor Reception Area, or (c) security desks and consoles (subject to Landlord's approval on such floors which are wholly occupied by Tenant, which approval Landlord shall not unreasonably withhold provided that (i) the design, size, materials, coloring, signage, lighting and exact location of such desks and consoles are consistent and compatible with (x) the design of the portion of the Building in which the same are located and (y) the design, signage and graphics program for the Building, and (ii) such desks and consoles do not violate or interfere with compliance with any requirement of any Superior Instrument with respect to pedestrian access and circulation).

5. Landlord reserves the right to inspect all objects and matter to be brought into or out of the portions of the Building not demised to Tenant and to exclude from the same all objects and matter which violate any of these Rules and Regulations or the Sublease. Landlord shall in no way be liable to Tenant for damages or loss arising from the admission, exclusion or ejection or any person to or from the Sublease Premises or the Building under the provisions of this Rule 5 or of Rule 2 hereof.

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6. Any machines and mechanical equipment which Tenant is permitted to install and use in the Sublease Premises pursuant to the Sublease shall be so equipped, installed and maintained by Tenant as to prevent, in the operation thereof, any unreasonably disturbing noise, vibration or electromagnetic or other interference from being transmitted from the Sublease Premises to any other area of the Building.

7. Landlord, its successors, and their respective employees, shall have the right to use, without charge therefor, all light, power and water in the Sublease Premises reasonably necessary for making repairs or alterations or restorations in or to the Sublease Premises.

8. No acids, vapors or other materials shall be discharged or permitted to be discharged into the waste lines, vents or flues of the Building which may damage them. The water and wash closets and other plumbing fixtures in or serving the Sublease Premises shall not be used for any purpose other than the purposes for which they were designed or constructed.

9. Tenant shall be solely responsible for moving safes and other heavy objects into or out of the Sublease Premises.

10. Landlord reserves the right to rescind or waive any rule or regulation set forth in this Exhibit when, in its reasonable judgment, it deems it necessary, desirable or proper to do so. To the extent these rules and regulations are inconsistent with the provisions of the Sublease, the provisions of the Sublease shall control. Landlord will not adopt or enforce any such rule or regulation against Tenant in a discriminatory manner; but Landlord shall not be responsible to Tenant for the nonobservance or violation by any other tenant of any of the rules and regulations at any time prescribed for the Building, and this Rule 10 shall not relieve Landlord of any of its other obligations under the Sublease.

11. The sashes, sash doors, skylights, windows and doors that reflect

or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed by Tenant, nor shall any bottles, parcels or other articles be placed on the window sills or on the peripheral air conditioning enclosures, if any.

12. No bicycles, vehicles, animals, fish or birds of any kind shall be brought into or kept in or about the premises of Tenant or the Building.

13. Neither Tenant nor any of Tenant's contractors, employees, agents, visitors or licensees, shall at any time bring into or keep upon the premises or the Building any inflammable, combustible, explosive or otherwise dangerous fluid, chemical or

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substance except in small quantities customarily needed in connection with the uses permitted in Section 6.01 of this Sublease.

14. Tenant shall not install or place upon the Sublease Premises any safe, vault or similarly heavy object without first obtaining Landlord's written approval, which approval shall not be unreasonably withheld so long as the Building's floor-loading and elevator-load-capacity restrictions are satisfied.

15. Freight, furniture, business equipment, merchandise and bulky matter of any description ordinarily shall be delivered to and removed from the Sublease Premises only in the service elevators and through the service entrances and corridors, but special arrangements will be made for moving large quantities of furniture and equipment into or out of the Building.

16. Canvassing, soliciting and peddling in the Building are prohibited and Tenant shall cooperate to prevent the same.

17. The term "Sublease" as used herein shall mean the Sublease to which this Exhibit is attached; and any term used in this Exhibit which is defined in the Sublease shall have the meaning set forth in the Sublease.

18. No items of any type (including wheeled carriers) shall be carried into any of the passenger elevators that in the reasonable judgment of Landlord may damage a passenger elevator's interior or operating mechanisms.

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EXHIBIT D-2

RULES AND REGULATIONS FOR ALTERATIONS
THAT MAY BE PERFORMED BY TENANT

A. General

1. The rules and regulations set forth below shall govern the performance of all Alterations in the Sublease Premises that may be performed by Tenant or its contractors. To the extent these rules and regulations are inconsistent with the provisions of the Sublease, the provisions of the Sublease shall control. Landlord will not adopt or enforce any such rule or regulation against Tenant in a discriminatory manner; but Landlord shall not be responsible to Tenant for the nonobservance or violation by any other tenant of any of the rules and regulations at any time prescribed for the Building, and this Rule A.1 shall not relieve Landlord of any of its other obligations under the Sublease.

2. No work shall be permitted to commence without the Landlord being furnished with a valid work permit from the Department of Buildings and/or other agencies having jurisdiction, if required.

3. Tenant's Work and Alterations consisting of installation of communications equipment and under-floor wiring within the Sublease Premises may be performed at any time on Business Days or non-Business Days; provided that -----
such work performed between the hours of 8:00 A.M. and 6:00 P.M. on Business Days shall not unreasonably interfere with, or cause unreasonable interruption of, the operation and maintenance of the Building, or cause unreasonable annoyance to, or unreasonable interference with, the use and occupancy of the Building by Landlord's other subtenants or occupants in the Building; and Landlord shall have the right to order the cessation of any work that causes any unreasonable interference, annoyance or interruption.

4. Alterations other than Tenant's Work (including demolition and removal) done at the commencement of the Term and installation of communications equipment and under-floor wiring within the Sublease Premises shall be performed only (i) during non-Business Hours on Business Days and (ii) non-Business Days.

5. All inquiries, submissions, approvals and all other matters shall be processed through and by the Building Manager (in Merrill Lynch's Office of Building Operations) in a cooperative and timely manner.

6. Where consent is required to be furnished by Landlord or Tenant pursuant to this Exhibit D-2, such consent will not be unreasonably withheld or delayed.

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B. Prior to Commencement of Work

1. Tenant shall submit to the Building's manager a written request to perform Alterations other than installation of communications equipment and under-floor wiring within the Sublease Premises at least ten (10) Business Days prior thereto. The request shall include the following enclosures:

(a) A properly executed Building Notice application form or Alteration form; Engineer's Statement "B" if HVAC work is to be performed; Plumbing Specifications sheet if any plumbing change is to be performed; Form 10F if any controlled inspection is required.

(b) Evidence that all required insurance has been obtained.

(c) Contractor's and subcontractor's insurance certificates include a "hold harmless" provision.

2. Landlord will return the following to Tenant:

(a) Plans approved or returned with comments (such approval or comments shall not constitute a waiver of Department of Buildings approval or approval of other jurisdictional agencies) if approval is required.

(b) Signed application forms referred to in B.1.(a), above, providing proper submissions have been made.

(c) Covering transmittal letter.

3. Tenant shall obtain Department of Buildings, if required, approval of plans and a work permit from the Department of Buildings. Tenant shall be responsible for keeping current all work permits. Tenant shall submit copies of all approved plans and work permits to Landlord and shall post the original work permit on the Premises prior to the commencement of any work. All work shall be subject to reasonable supervision and inspection by Landlord or its representative.

C. Requirements and Procedures

1. All structural and floor loading requirements shall be subject to the prior approval of Landlord's structural engineer.

2. All mechanical (HVAC, plumbing and sprinkler) and electrical requirements which affect the Building shall be subject to the approval of Landlord's mechanical and electrical engineers. When deemed necessary by Landlord, engineering and shop drawings

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shall be prepared by Landlord, at Tenant's cost. Drawings are otherwise to be prepared by Tenant and all approvals shall be obtained by Tenant.

3. Extra Personnel required for service elevators loading-dock service and other Building services and facilities for construction work shall be charged to Tenant at the rates specified in Exhibit H to the Sublease.

Service elevators and loading dock services required in connection with Alterations shall be made available to Tenant on a first-come, first-served basis during Business Hours (to the extent that the Alterations in question are permitted to be made during Business Hours) and subject to scheduled availability during non-Business Hours, provided Tenant gives Landlord two (2)

Business Days' notice. No material or equipment shall be carried under or on top of elevators. Notwithstanding the foregoing, if construction union personnel are required by any union regulations for the operation, maintenance or repair of service elevators or loading-dock facilities, such personnel shall be obtained directly by Tenant, at Tenant's reasonable cost (unless, with respect to the maintenance or repair of such elevators or facilities, Landlord, in its reasonable discretion, elects to obtain such personnel, in which event, Tenant shall pay all reasonable costs and expenses incurred in connection thereof). Tenant shall also pay the reasonable costs of any Extra Personnel for security as may be reasonably required by the Building Manager.

4. With the exception of work to be performed by Landlord or for Landlord by Tenant at Landlord's expense, no work will be performed outside of

the Sublease Premises without Landlord's approval and under Landlord's supervision at Tenant's expense.

5. Tenant's contractor shall:

- (a) have a superintendent or foreman on the Premises at all times;
- (b) police the job at all times, continually keeping the Premises orderly and free of fire hazards;
- (c) maintain cleanliness and protection of all Building areas, including elevators, lobbies, stairways, loading dock and any other Building areas used for construction purposes;
- (d) protect the front and top of all peripheral HVAC units and thoroughly clean them at the completion of work;
- (e) block off supply and return grilles, diffusers and ducts to keep dust from entering into the Building air conditioning systems;

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- (f) avoid the disturbance of Landlord's other subtenants of the Building during normal business hours;
- (g) not store any materials in the public corridors or other areas of the Premises except for the Sublease Premises;
- (h) make arrangements with Landlord at least two (2) full Business Days in advance for the removal of construction debris at Tenant's expense;
- (i) Tenant's contractor shall not utilize restroom fixtures for discarding construction materials of liquid form (i.e., plaster, cement, etc.); and
- (j) Tenant shall be responsible for any damage to fire stairwell hardware and finishes that is the result of Alterations.

6. If Tenant's contractor is negligent in any of its responsibilities and such negligence results in damage to the Building, Tenant shall pay for the corrective work done to the Building by Landlord.

7. All equipment and installations must be at least equal to the then applicable standards of the Building. Any deviation from Building standards will be permitted only if indicated on the plans and specifications and approved by Landlord, which approval will not be unreasonably withheld.

8. Upon completion of the Alterations, Tenant shall submit to Landlord a properly executed Form 23 and/or other documents indicating final approval of the Alterations by the Department of Buildings in compliance with the Building Notice or Alteration Permit therefor.

9. Tenant shall submit to Landlord a final "as-built", reproducible set of drawings showing all items of the Alterations in full detail.

10. Within sixty (60) days after completion of Alterations costing in excess of \$50,000, as reasonably estimated by Landlord, Tenant shall deliver to Landlord releases and waivers of lien from all contractors, subcontractors and materialmen involved in the performance of Alterations and the materials furnished in connection therewith, and a certificate from Tenant's architect certifying that the Alterations have been completed substantially in accordance with the plans and specifications therefor approved by Landlord and Tenant shall state that all contractors, subcontractors and materialmen have been paid except that Tenant shall not be required to deliver to Landlord any general release or waiver of lien

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if Tenant shall be disputing in good faith its obligation to make the payment which would otherwise entitle it to such release or waiver, so long as Tenant shall keep Landlord advised in a timely fashion of the status of such dispute and the basis therefor and Tenant shall deliver to Landlord the general release or waiver of lien when the dispute is settled.

11. Additional and differing provisions in the Sublease, if any, will be applicable and will take precedence.

D. Special Requirements Regarding Local Law No. 5/73
(as amended)

1. Tenant acknowledges being advised that the Building has an active Class E Fire System ("Class E System"). Tenant shall notify its contractors and

subcontractors, as well as all persons and entities who shall perform or supervise any alteration or demolition within the Sublease Premises, of such facts.

2. Demolition by Tenant of all or any portions of the Sublease Premises shall be carried out in such manner as to protect equipment and wiring of Landlord's Class E System.

3. Landlord, after receipt of Tenant's notice of demolition, and at Tenant's reasonable expense, shall secure and protect Building equipment connected to the Class E System in the Sublease Premises to be demolished.

4. Landlord, at Tenant's reasonable expense, shall make such additions and alterations within the requirements of Local Law No. 5/73 (as amended) to the existing Class E System as may be necessary by reason of alterations made within the Premises either by or on behalf of Tenant or by Landlord, as part of Tenant's Work, if any, that Landlord is required to perform pursuant to the provisions of this Sublease.

5. Landlord's contract fire alarm service personnel shall be the only personnel permitted to adjust, test, alter, relocate, add to, or remove equipment connected to the Class E System.

6. Landlord, at Tenant's expense, shall repair or cause to have repaired, any and all defects, deficiencies or malfunctions of the Class E System proximately caused by Tenant's alterations or demolition of the Sublease Premises. Such expense may include reasonable expenses of engineering and electrical supervision and standby fire watch personnel that Landlord reasonably deems necessary to protect the Building during the time such defects, deficiencies and malfunctions are being corrected.

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7. During such times that Tenant's alterations or demolition of the Sublease Premises require that fire protection afforded by the Class E System be disabled, Tenant, at Tenant's expense, shall maintain fire watch service deemed reasonably suitable to Landlord.

8. Tenant and Tenant's architect shall familiarize themselves with and be aware of Local Law No. 5/73 and all amendments thereto with regard to smoke control, compartmentation, and areas of safe refuge. Tenant shall fully comply with these requirements. Landlord, at Landlord's option, may withhold approval of Tenant's alterations or demolition if such requirements are not met to Landlord's reasonable satisfaction.

9. Should Tenant desire to install its own internal fire alarm system, Tenant shall request Landlord to connect such system to the Class E System at Tenant's expense in such reasonable manner as prescribed by Landlord. Tenant shall, at Tenant's expense, have such internal fire alarm system approved by governing agencies having jurisdiction, and shall submit to Landlord, an approved copy of plans of such system, before initiating any installation of such system.

10. In the event Tenant shall install its own internal fire alarm system within the Sublease Premises, Landlord shall (as required by law) connect same to the Building's Class E System, and Tenant shall reimburse Landlord for its reasonable costs incurred in making such connection within twenty (20) days after being billed and furnished with copies of the relevant invoices and bills therefor.

E. Basic Requirements for Tenant Tie-ins to Class "E"
Fire Safety Console WFC

1. Before Merrill Lynch Fire and Life Safety allows Tenant tie-ins to a Merrill Lynch Fire Control Panel, the following are the minimum requirements. The Tenant shall:

(a) Comply with all legal requirements pertaining to the acceptability of materials used. See RS17, page 438, of the Building Code of the City of New York.

(b) Comply with all the requirements for systems under the jurisdiction of the NYC Fire Department, the NYC FD Bureau of Fire Prevention, Hi Rise Unit, electrical unit, mechanical unit, etc.

(c) Comply with Local Laws No. 5, 16, 41 and 58.

(d) File for approval(s) of the extension of the existing base building system(s), with the City of New York's

Building Department, Fire Department and all other authorities having jurisdiction.

(e) Increase capacity of existing base building system to accept all requirements of the Tenant modification.

(f) Ensure that all equipment is similar to and compatible with existing base building system.

2. In addition to the requirements mentioned in Section E.1 above, Landlord requires that the following be delivered to Landlord (pertaining to Fire Safety final connections to the base building system):

(a) An itemized list of power requirements for each floor be submitted for review and acceptance.

(b) One week prior notification of intent to hook-up to base building system must be given to Landlord.

(c) Landlord shall have the right to inspect and approve floors prior to hook-up.

(d) All necessary Fire Department tests and approvals be submitted prior to tie-in.

(e) A print-out of software points be produced for the tenanted area to ascertain if all the devices have sensor points and relays in the Class "E" console.

EXHIBIT E

SPECIFICATIONS FOR BASE BUILDING HVAC

So long as (a) the Sublease Premises are not occupied by more than one (1) person per one hundred and twenty-five (125) Rentable Square Feet, (b) the Sublease Premises' connected electrical load does not exceed 3.5 watts/9/ per Rentable Square Foot, and (c) venetian blinds/10/ on each window in the Sublease Premises are used in accordance with Landlord's reasonable rules and regulations, then:

(i) the base Building HVAC system will maintain in the summer a maximum 78 degree F dry bulb temperature and a maximum 50% relative humidity when the outdoor air temperature does not exceed 91 degree F dry bulb and 75 degree F wet bulb;

(ii) the base Building HVAC system will maintain in the winter a minimum 70 degree F dry bulb temperature when the outdoor air temperature is not less than 5 degree F;

(iii) the base Building HVAC system will maintain inside relative humidity when outside temperature is between 5 degree and 65 degree F dry bulb, that will be between a minimum of 20% and a maximum of 50% (so as not to cause condensation on windows);

(iv) the base Building HVAC system shall be capable of providing a minimum of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] CFM of outside air for ventilation of Tenant's spaces on floor 3; and

(v) the base Building HVAC system shall maintain all of the environmental conditions stated above (specifically including subparagraphs (i), (ii), (iii) and (iv) above) during the interval of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] am to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] pm on all Tenant's floors (C1, 2, 3, 8, 9 & 15), except floors C2 and 10 (which are to be airconditioned only by supplemental units), as well as Expansion Option Space and Offer Premises.

/9/ This quantity is intended to state a limit only on the capacity of the HVAC system, not on the electrical risers, cables and wiring, serving the Sublease Premises.

/10/ To be installed and paid for as part of Tenant's Work, not Landlord's work.

Without regard to requirements (i)-(iii) above (but excluding floor 3) the base Building HVAC system will introduce outdoor air into the Sublease Premises for ventilation at a minimum rate of .13 CFM per usable square foot per floor of the Sublease Premises and at a maximum temperature of 56.8 degree F dry bulb and 56.7 degree F wet bulb during a cooling cycle and a minimum temperature

of 40 degree F during a heating cycle.

Landlord shall provide the following quantities of metered chilled water for supplemental airconditioning for Tenant's use on the following floors:

| Floor ----- | Tons Required ----- |
|----------------|------------------------|
| C1 | [*] |
| C2 | [*] |
| 3 | [*] |
| 7 | [*] |
| 8 | [*] |
| 9 | [*] |
| 10 | [*] |
| 15 | [*] |

* [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]

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EXHIBIT F

BASE CLEANING SPECIFICATIONS

TOWER B

SUITE AREAS

NIGHTLY SERVICES:

- A. Carpet sweep all carpets.
- B. Dust all desks and office furniture with treated dust cloths. (Paper and folders on desk are not to be removed.)
- C. Empty and clean ashtrays.
- D. Empty all standard waste paper baskets and wipe clean, replace plastic liners as needed.
- E. Remove all trash from floors to specified areas.
- F. Remove finger prints and dirt smudges from all doors, frames, glass partitions, window, light switches and walls.
- G. Restore chairs and waste baskets to proper positions.
- H. Wipe clean smudged bright work.

WEEKLY SERVICES:

- A. Edge all carpet areas.
- B. Vacuum all carpet areas.

QUARTERLY SERVICES:

- A. Dust all high reach areas including, but not limited to top of door frames, airconditioning diffusers, return air grilles, picture frames and similar wall hangings.

ANNUALLY:

- A. Hand dust venetian blinds.
- B. Clean the interiors of exterior windows (provided Tenant affords clear accessibility to the same).

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COMMON FLOOR AREAS

NIGHTLY SERVICE:

- A. Clean, sanitize and polish drinking fountains.
- B. Clean and remove any debris from all entrance metal door saddles.
- C. Empty and clean all ash urns, replace sand when necessary.
- D. Carpet sweep carpets.
- E. Sweep and mop service elevator lobbies (V.C.T.).

ANNUAL SERVICE
- - - - -

- A. Strip and wax service elevator lobbies (V.C.T.).

RESTROOMS
- - - - -

NIGHTLY:
- - - - -

- A. Empty all waste receptacles including sanitary receptacle.
- B. Sweep all lavatories.
- C. Wet mop all tile floors.
- D. Wash and polish all mirrors in powder rooms.
- E. Wash shelves bright work and enamel surfaces.
- F. Wash and disinfect urinals, sinks and commodes.
- G. Replace all consumable toilet supplies.
- H. Report clogged urinals, sinks and commodes.
- I. Clean finger prints, marks or graffiti from walls, partitions, glass, aluminum and light switches.

QUARTERLY:
- - - - -

- A. Dust all low reach and high reach areas including but not limited to ledges, mirrors, tops, partition tops, edges, air conditioner diffusers and exhaust grilles.

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EXHIBIT G
- - - - -
EXCLUSIVE SERVICES
- - - - -

1. JANITORIAL SERVICES
- - - - -

- A. Special Cleaning including Carpet Care
- B. Wet Waste Garbage Removal
- C. Supplemental Pest Control
- D. Abnormal Rubbish and Refuse

2. ENGINEERING SERVICES
- - - - -

Work or Maintenance on base Building HVAC systems, including VAV boxes, compartment units, etc.

3. ELEVATOR AND CONVEYOR MAINTENANCE
- - - - -

4. PLUMBING SERVICES
- - - - -

5. ELECTRICAL
- - - - -

- A. Work or maintenance on base Building electrical systems including transformers, circuit breakers and disconnect devices, light and power as applicable in toilet rooms, communication and electrical closets,

and tenant and freight lobbies.

B. Any Tenant Work or alterations to tie-in to the Class E System.

6. BASE BUILDING WORK

Any work directly on or relating to any base Building Systems.

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EXHIBIT H

COST OF EXTRA PERSONNEL*

Hourly Service Rates**

<TABLE>
<CAPTION>

| | STRAIGHT TIME | OVERTIME | SUN/HOLIDAY |
|-------------------------------|---------------|----------|-------------|
| <S> | <C> | <C> | <C> |
| Electrician (1) | \$39.69 | \$59.54 | \$59.54 |
| Chief Electrician (1) (2) | 60.81 | 91.23 | 91.23 |
| Lead Electrician (1) (2) | 47.58 | 71.39 | 71.39 |
| Engineer (1) | 31.48 | 44.22 | 44.22 |
| Chief Engineer (1) (2) | 45.76 | 65.44 | 65.44 |
| Ass't Chief Engr. (1) (2) | 36.80 | 52.12 | 52.12 |
| Engr.'s Helper (1) (3) | 25.71 | 35.65 | 35.65 |
| Plumber (1) (3) | 36.60 | 54.18 | 72.24 |
| Carpenter (1) (3) | 52.69 | 87.39 | 87.39 |
| Locksmith (foreman) (1) (3) | 54.41 | 90.25 | 90.25 |
| Painter (w/mat) (1) (4) | 67.78 | 93.94 | 93.94 |
| Porter (5) | 25.97 | 28.84 | 34.50 |
| NonUnion Guard (1) (6) | 10.51 | 15.76 | 15.76 |
| Truck dock Operation | | | |
| Entrance Guard (5) | 24.04 | 25.56 | 31.17 |
| Dock Master (5) | 27.53 | 31.16 | 37.16 |
| Service Elevator Operator (5) | 25.66 | 28.67 | 34.45 |

</TABLE>

* Other personnel not named herein may be added as required from time to time, and the cost of such personnel shall be determined in the same manner as the costs set forth herein. The rates indicated above are based on 1993 labor rates and are subject to annual increases based on union negotiations regarding employee salaries and benefits, together with an administrative fee of ten percent (10.0%). In order to project future costs, a seven percent (7%) increase should be utilized.

** A meal allowance is applicable as per union contract.

1. Rates reflect revised contract costs for 1993.
2. Due to the nature of the work required, supervisory level electrician(s) or engineer(s) may be required. In those instances, Tenant will be billed the rates shown above.
3. Rate valid until 6/25/93.
4. Rate valid until 5/31/93.
5. Unofficial rates based on estimated 7% contract increase over 1992.
6. Rate valid until 7/1/93.

EXHIBIT I

TEMPORARY CERTIFICATE OF OCCUPANCY

[Material omitted and filed separately with SEC]

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EXHIBIT J

PREFERENTIAL RIGHTS OF OTHER SUBTENANTS

1. Feeley & Wilcox, Inc. -- present sublease continues until [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] as to floor [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the Building.

2. Oppenheimer Capital -- right to renew present sublease of part of floor [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the Building from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and then through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] plus right of first offer after [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] as to any contiguous space on floor [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the Building, subject to future rights of first offer in favor of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], and subject to a right of cancellation after [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]. (In addition, Oppenheimer, Inc. has already made a request for approximately [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of additional space on floor [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of the Building.)

3. Nomura Holding America, Inc. -- expansion options as to floor [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (as well as floors [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) of the Building, and rights of first offer as to floors [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (as well as [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) of the Building not described as part of the Sublease Premises or Expansion Option Space in this Sublease.

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SECOND AMENDMENT TO
AGREEMENT OF SUBLEASE

Made as of January 5, 1994, by MERRILL LYNCH/WFC/L, INC., having an office c/o Merrill Lynch & Co., Inc. at World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281 ("Landlord"), with NOMURA HOLDING

AMERICA, INC., having an office at 2 World Financial Center, 225 Liberty Street, New York, New York 10281 ("Tenant"), to witness that:

WHEREAS, Landlord and Tenant have entered into an Agreement of Sublease dated November 26, 1990 and amended by a First Amendment dated January 14, 1992 (the "Sublease"), pursuant to which Landlord subleased to Tenant

certain space (the "Sublease Premises") and granted to Tenant options to expand into certain other space (the "Expansion Space") at Two World Financial Center (the "Building") in New York, New York; and

WHEREAS, Tenant wishes to expand into the Third Expansion Space on floor twenty-five (25) of the Building pursuant to Section 20.01 of the Sublease, and to amend the Sublease so as to treat such expansion as the exercise of the First Expansion Option and to redefine the Second, Third and Fourth Expansion Spaces on floors twenty-three (23) and twenty-four (24) of the Building;

NOW, THEREFORE, in consideration of and to accomplish the foregoing, Landlord and Tenant hereby agree as follows:

1. Defined Terms. All initially capitalized terms not defined or redefined in this Second Amendment shall have the respective meanings set forth in the Sublease.

2. Expansion of Sublease Premises. (a) Upon the Effective Date specified in paragraph 8 below, Exhibits A-1 through A-8 to the Sublease shall be supplemented to include Exhibit A-9 to this Second Amendment; the Sublease Premises shall be expanded to include [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of space on floor twenty-five (25) of the Building as shown on the plan of floor twenty-five (25) of the Building attached as Exhibit A-9 to this Second Amendment; the area of the Sublease Premises shall be increased by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet; and all references in the Sublease to the Sublease Premises shall thereafter be deemed to include [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of space on floor twenty-five (25) of the Building.

(b) To reflect the expansion of the Sublease Premises pursuant to paragraph 2(a) above, Section 2.01(a) of the Sublease (as already amended once before by the First Amendment dated January 14, 1992) shall be hereby restated, upon the Effective Date specified in paragraph 8 below, to redefine the "Office Space" as follows:

"(i) a total of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet on floors seventeen (17) through twenty-two (22), inclusive, of the Building, as shown on the floor plans attached hereto as Exhibit A-1, plus [MATERIAL OMITTED AND FILED SEPARATELY

WITH SEC] Rentable Square Feet on floor twenty-five (25) of the Building, as shown on the floor plan attached hereto as Exhibit A-9,

and a total of 480 Rentable Square Feet on floors twenty-nine (29) through forty-four (44), inclusive, of the Building, representing the portion of each such floor that constitutes a portion of the food conveyor shaft (the "Food Conveyor Shaft") and, with respect to floor

twenty-nine (29) of the Building, a portion of the premises previously subleased to a subtenant of Overlandlord (collectively, the "Office

Space");"

3. Base Rent. (a) Subject to the terms of Article VI of the

Sublease, the Base Rent Tenant shall pay for the Sublease Premises shall be increased upon the Effective Date specified in paragraph 8 below as follows:

(i) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] (or the Effective Date, if later) through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum;

(ii) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC])

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([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum;

(iii) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum;

(iv) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum; and

(v) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum.

(b) To reflect the increases in Base Rent pursuant to paragraph 3(a) above, Section 3.01(a)I of the Sublease (as already amended once before by the First Amendment dated January 14, 1992) shall be hereby restated, upon the Effective Date specified in paragraph 8 below, to redefine the Base Rent for the Office Space, Visitor Reception Area and Messenger Reception Station as follows:

"I. With respect to the Office Space, the Visitor Reception Area and the Messenger Reception Station:

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(i) For the period from the Base Rent Commencement Date through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, the amount of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]/1/ Rentable Square Feet) per annum;

(ii) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, the amount of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]/2/ Rentable Square Feet) per annum;

(iii) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, the amount of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum;

(iv) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS ([MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) ([MATERIAL

- - - - -

- /1/ This amount equals [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet for the Office Space plus [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet for the Visitor Reception Area and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet for the Messenger Reception Station.
- /2/ This amount equals [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC].

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SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum;

(v) For the period from [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] DOLLARS (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]) (\$[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] multiplied by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet) per annum; and

(vi) From the first day of any Extended Term to the respective last day thereof, the amount per annum determined in accordance with Section 6.03."

4. Tenant's Proportionate Share. (a) For the period from [MATERIAL

OMITTED AND FILED SEPARATELY WITH SEC] (or the Effective Date, if later) through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] inclusive, Tenant's Proportionate Share specified in Subsection 4.01(e) of the Sublease shall be increased by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent/3/; and on and after January 1, 1996, Tenant's Proportionate Share specified in Subsection 4.01(e) of the Sublease shall be increased by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent/4/.

(b) The portion of PILOT, Taxes, Charges, offsets and refunds that is allocable to the Office Space shall be computed pursuant to the formula set forth in Section

- - - - -

- /3/ These percentages equal [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet, respectively, divided by the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] of Rentable Square Feet of the Office Premises.
- /4/ These amounts equal [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet, respectively, divided by the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of the Office Premises.

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4.01(d) of the Sublease except that for the period from [MATERIAL OMITTED] -----
AND FILED SEPARATELY WITH SEC] (or the Effective Date, if later) through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], inclusive, floor twenty-five of the Office Premises shall be deemed to be [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet instead of [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet.

5. Delivery of Additional Sublease Premises. (a) On the Business Day

following the Effective Date specified in Section 8 of this Second Amendment, Landlord will deliver, and Tenant will accept, possession of floor twenty-five (25) of the Building to Tenant in its "as is" broom-clean condition on that date.

(b) The only work Landlord will be obligated to perform for Tenant (at Landlord's sole cost and expense) will be (i) the installation of an electric submeter on floor twenty-five (25) of the Building which shall be completed within sixty (60) days after Landlord's approval of Tenant's Plans for the first phase of the Alterations to be performed by Tenant on floor twenty-five (25) of the Building and (ii) the extension of Tenant's elevator bank serving floors seventeen (17) through twenty-four (24) of the Building so that it serves floor twenty-five (25) of the Building as well.

6. Redefinition of Expansion Options. (a) The execution and

delivery of this Second Amendment shall be treated as the exercise by

Tenant of the First Expansion Option, and floor twenty-five (25) of the Building shall be deemed to be the First Expansion Space.

(b) The Second Expansion Space shall be hereby redefined to mean the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of space on floor sixteen (16) of the Building, as shown on Exhibit H-4 to the

Sublease; the Second Expansion Option to sublease the Second Expansion Space as hereby redefined may be exercised by Tenant no later than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]; and Landlord may elect to deliver possession of the Second Expansion Space to Tenant at any time between [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]. If Tenant exercises the Second Expansion Option to sublease the Second Expansion Space as hereby redefined, Landlord, at Landlord's expense, will extend Tenant's elevator bank serving floors seventeen (17) through twenty-five (25) of the Building

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so that it serves floor sixteen (16) of the Building as well.

(c) The Third Expansion Space shall be hereby redefined to mean the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of space on floor twenty-three (23) of the Building, as shown on Exhibit H-1

to the Sublease; the Third Expansion Option to sublease the Third Expansion Space as hereby redefined may be exercised by Tenant no later than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]; and Landlord shall be permitted to deliver possession of the Third Expansion Space to Tenant at any time between [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC].

(d) The Fourth Expansion Space shall be hereby redefined to mean the [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet of space on floor twenty-four (24) of the Building, as shown on Exhibit H-2 to

the Sublease; the Fourth Expansion Option to sublease the Fourth Expansion Space as hereby redefined may be exercised by Tenant no later than [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC]; and Landlord shall be permitted to deliver possession of the Fourth Expansion Space to Tenant at any time between [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] and [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC].

7. Cafeteria User Fee. The Cafeteria User Fee provided for in the -----
Cafeteria User Agreement between Landlord and Tenant shall be increased according to EXHIBIT B thereto on and after [MATERIAL OMITTED AND FILED -----
SEPARATELY WITH SEC] as though the Third Expansion Option Space (as previously defined in the Sublease prior to this Second Amendment) were being added to the Sublease Premises, except that for the period from -----
[MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] through [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC], the amount of such increase shall be multiplied by a fraction equal to [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] percent/5/.

8. Effective Date. As used in this Second Amendment, the "Effective -----
Date" shall mean the date upon

- -----
/5/ This percentage equals [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet divided by [MATERIAL OMITTED AND FILED SEPARATELY WITH SEC] Rentable Square Feet.

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which Overlandlord shall consent to this Second Amendment in form and substance reasonably satisfactory to Landlord and Tenant. On the Effective Date, Landlord shall, subject to Section 2.03 of the Sublease, deliver to Tenant the space on floor twenty-five (25) of the Building to be added to the Sublease Premises. Prior to the Effective Date, however, Landlord will make access to floor twenty-five (25) of the Building available to Tenant and Tenant's architects, engineers and contractors for the purpose of making inspections and preparations for the performance of Tenant's Alterations on such floor.

9. Brokers. Landlord and Tenant each represents and warrants to the -----
other that it has not dealt with any broker, finder or consultant in connection with this Second Amendment. Tenant shall indemnify and hold Landlord harmless from and against any and all claims for commissions, fees or other compensation by any Person who shall claim to have dealt with

Tenant in connection with this Second Amendment and for any and all costs incurred by Landlord in connection with any such claim, including reasonable attorneys' fees and disbursements, other than with respect to the Brokers. Landlord shall indemnify and hold Tenant harmless from and against any and all claims for commissions, fees or other compensation by any Person who shall claim to have dealt with Landlord in connection with this Second Amendment and for any and all costs incurred by Tenant in connection with any such claim, including reasonable attorney's fees and disbursements. The provisions of this paragraph 9 shall survive the expiration or earlier cancellation or termination of the Sublease.

AS amended by this Second Amendment, the Sublease is and shall remain in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have duly executed and delivered this Second Amendment as of the date first written above.

Landlord:

MERRILL LYNCH/WFC/L, INC.

By _____
Name:
Title:

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Tenant:

NOMURA HOLDING AMERICA, INC.

By _____
Name:
Title:

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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES

 COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE (A)
 (In Thousands, Except Per Share Amounts)

<TABLE>
 <CAPTION>

| | YEAR ENDED LAST FRIDAY IN DECEMBER | | | | |
|--|------------------------------------|------------|------------|------------|--------------|
| | 1993 (C) | 1992 (C) | 1991 | 1990 | 1989 |
| | (53 Weeks) | (52 Weeks) | (52 Weeks) | (52 Weeks) | (52 Weeks) |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Primary: | | | | | |
| Earnings (loss) before cumulative effect of changes in accounting principles and discontinued operations | \$1,394,359 | \$952,405 | \$696,117 | \$191,856 | \$ (217,366) |
| Cumulative effect of changes in accounting principles | (35,420) | (58,580) | - | - | - |
| Discontinued operations | - | - | - | - | 3,981 |
| Net earnings (loss) | 1,358,939 | 893,825 | 696,117 | 191,856 | (213,385) |
| Remarketed Preferred stock dividends | (5,381) | (6,339) | (17,725) | (23,924) | (22,016) |
| Net earnings (loss) applicable to common stockholders | \$1,353,558 | \$887,486 | \$678,392 | \$167,932 | \$ (235,401) |
| Weighted average shares outstanding: | | | | | |
| Common stock | 209,276 | 207,730 | 204,754 | 205,220 | 203,718 |
| Assuming issuance of shares relating to employee incentive plans (B) | 17,055 | 18,672 | 20,596 | 5,832 | - |
| Total shares | 226,331 | 226,402 | 225,350 | 211,052 | 203,718 |
| Per common share amounts: | | | | | |
| Earnings (loss) before cumulative effect of changes in accounting principles and discontinued operations | \$ 6.14 | \$ 4.18 | \$ 3.01 | \$.80 | \$ (1.18) |
| Cumulative effect of changes in accounting principles | (.16) | (.26) | - | - | - |
| Discontinued operations | - | - | - | - | (.02) |
| Net earnings (loss) | \$ 5.98 | \$ 3.92 | \$ 3.01 | \$.80 | \$ (1.16) |
| Fully diluted: | | | | | |
| Earnings (loss) before cumulative effect of changes in accounting principles and discontinued operations | \$1,394,359 | \$952,405 | \$696,117 | \$191,856 | \$ (217,366) |
| Cumulative effect of changes in accounting principles | (35,420) | (58,580) | - | - | - |
| Discontinued operations | - | - | - | - | 3,981 |
| Net earnings (loss) | 1,358,939 | 893,825 | 696,117 | 191,856 | (213,385) |
| Remarketed Preferred stock dividends | (5,381) | (6,339) | (17,725) | (23,924) | (22,016) |
| Net earnings (loss) applicable to common stockholders | \$1,353,558 | \$887,486 | \$678,392 | \$167,932 | \$ (235,401) |
| Weighted average shares outstanding: | | | | | |
| Common stock | 209,276 | 207,730 | 204,754 | 205,220 | 203,718 |
| Assuming issuance of shares relating to employee incentive plans (B) | 18,204 | 19,124 | 25,162 | 5,832 | - |
| Total shares | 227,480 | 226,854 | 229,916 | 211,052 | 203,718 |
| Per common share amounts: | | | | | |
| Earnings (loss) before cumulative effect of changes in accounting principles and discontinued operations | | | | | |

| | | | | | |
|--|---------|---------|---------|--------|-----------|
| operations | \$ 6.11 | \$ 4.17 | \$ 2.95 | \$.80 | \$ (1.18) |
| Cumulative effect of changes in accounting principles | (.16) | (.26) | - | - | - |
| Discontinued operations | - | - | - | - | .02 |
| | ----- | ----- | ----- | ----- | ----- |
| Net earnings (loss) | \$ 5.95 | \$ 3.91 | \$ 2.95 | \$.80 | \$ (1.16) |
| | ===== | ===== | ===== | ===== | ===== |

</TABLE>

- (A) All share and per share amounts have been restated for the two-for-one common stock split, effected in the form of a 100% stock dividend, declared by the Board of Directors on October 11, 1993 and paid on November 24, 1993.
- (B) The inclusion of incremental shares in 1989 would have been antidilutive for both primary and fully diluted per common share computations; therefore, they have been excluded.
- (C) In accordance with Accounting Principles Board Opinion No. 15, the modified treasury stock method was used to calculate Per Common Share Earnings in 1993 and 1992.

EXHIBIT 13

SELECTED FINANCIAL DATA

| in December | | Year Ended Last Friday | | | |
|--|---------------|------------------------|---------------|---------------|------------|
| (Dollars in Thousands, Except Per Share Amounts) 1989 | 1993 | 1992 | 1991 | 1990 | |
| (52 Weeks) | (53 Weeks) | (52 Weeks) | (52 Weeks) | (52 Weeks) | (52 Weeks) |
| <S> <C> | <C> | <C> | <C> | <C> | <C> |
| OPERATING RESULTS | | | | | |
| Revenues 11,273,223 | \$ 16,588,177 | \$ 13,412,668 | \$ 12,352,812 | \$ 11,147,229 | \$ |
| Interest Expense 5,371,028 | 6,029,947 | 4,835,267 | 5,106,344 | 5,363,900 | |
| Net Revenues 5,902,195 | 10,558,230 | 8,577,401 | 7,246,468 | 5,783,329 | |
| Non-Interest Expenses 6,060,581 | 8,133,422 | 6,956,012 | 6,229,050 | 5,501,001 | |
| Earnings (Loss) Before Income Taxes, Cumulative Effect of Changes in Accounting Principles and Discontinued Operations (158,386) | 2,424,808 | 1,621,389 | 1,017,418 | 282,328 | |
| Income Tax Expense 58,980 | 1,030,449 | 668,984 | 321,301 | 90,472 | |
| Earnings (Loss) Before Cumulative Effect of Changes in Accounting Principles and Discontinued Operations \$ (217,366) | \$ 1,394,359 | \$ 952,405 | \$ 696,117 | \$ 191,856 | |
| Net Earnings (Loss) \$ (213,385) | \$ 1,358,939 | \$ 893,825 | \$ 696,117 | \$ 191,856 | |
| Net Earnings (Loss) Applicable to Common Stockholders \$ (235,401) | \$ 1,353,558 | \$ 887,486 | \$ 678,392 | \$ 167,932 | |
| FINANCIAL POSITION | | | | | |
| Total Assets 63,942,263 | \$152,910,362 | \$107,024,173 | \$ 86,259,343 | \$ 68,129,527 | \$ |
| Short-Term Borrowings (a) 28,558,220 | \$ 79,632,477 | \$ 51,179,530 | \$ 38,697,544 | \$ 27,340,915 | \$ |
| Long-Term Borrowings 6,897,109 | \$ 13,468,900 | \$ 10,871,100 | \$ 7,964,424 | \$ 6,341,559 | \$ |
| Total Stockholders' Equity 3,151,343 | \$ 5,485,913 | \$ 4,569,104 | \$ 3,818,088 | \$ 3,225,430 | \$ |
| TAX INFORMATION | | | | | |
| Other Taxes, Principally Payroll and Property 177,780 | \$ 223,377 | \$ 221,930 | \$ 191,291 | \$ 169,457 | \$ |
| Total Taxes (b) 236,760 | \$ 1,253,826 | \$ 890,914 | \$ 512,592 | \$ 259,929 | \$ |
| COMMON SHARE DATA | | | | | |

Primary:

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Earnings (Loss) Before Cumulative Effect of Changes in Accounting Principles and Discontinued Operations | \$ 6.14 | \$ 4.18 | \$ 3.01 | \$.80 |
| \$ (1.18) | | | | |
| ===== | | | | |
| Net Earnings (Loss) | \$ 5.98 | \$ 3.92 | \$ 3.01 | \$.80 |
| \$ (1.16) | | | | |
| ===== | | | | |
| Fully Diluted: | | | | |
| Earnings (Loss) Before Cumulative Effect of Changes in Accounting Principles and Discontinued Operations | \$ 6.11 | \$ 4.17 | \$ 2.95 | \$.80 |
| \$ (1.18) | | | | |
| ===== | | | | |
| Net Earnings (Loss) | \$ 5.95 | \$ 3.91 | \$ 2.95 | \$.80 |
| \$ (1.16) | | | | |
| ===== | | | | |
| Book Value | \$ 26.17 | \$ 21.37 | \$ 17.88 | \$ 14.99 |
| \$ 14.26 | | | | |
| Total Taxes (b) | \$ 5.54 | \$ 3.94 | \$ 2.27 | \$ 1.23 |
| \$ 1.16 | | | | |
| Dividends Paid | \$.70 | \$.575 | \$.50 | \$.50 |
| \$.50 | | | | |
| Weighted Average Shares Outstanding: | | | | |
| Primary | 226,331,000 | 226,402,000 | 225,350,000 | 211,052,000 |
| 203,718,000 | | | | |
| Fully Diluted | 227,480,000 | 226,854,000 | 229,916,000 | 211,052,000 |
| 203,718,000 | | | | |
| Shares Outstanding at Year-End (c) | 203,989,691 | 207,202,688 | 205,443,636 | 199,669,270 |
| 205,382,754 | | | | |

FINANCIAL RATIOS

| | | | | |
|--|-------|-------|-------|-------|
| Pretax Margin (e) | 23.0% | 18.9% | 14.0% | 4.9% |
| (d) | | | | |
| Profit Margin (f) | 13.2% | 11.1% | 9.6% | 3.3% |
| (d) | | | | |
| Common Dividend Payout Ratio | 10.9% | 13.5% | 15.2% | 61.8% |
| (d) | | | | |
| Return on Average Assets | 1.0% | 0.8% | 0.8% | 0.3% |
| (d) | | | | |
| Return on Average Common Stockholders' Equity | 27.3% | 22.0% | 20.8% | 5.8% |
| (7.4)% | | | | |
| Leverage | 27.4x | 25.1x | 24.1x | 22.9x |
| 20.2x | | | | |
| Adjusted Leverage (g) | 16.6x | 15.9x | 16.3x | 15.3x |
| 13.8x | | | | |

OTHER STATISTICS

| | | | | |
|---|--------|--------|--------|--------|
| Number of Full-Time Employees | 41,900 | 40,100 | 38,300 | 39,000 |
| 41,200 | | | | |
| Number of Financial Consultants and Account Executives | 13,100 | 12,700 | 12,100 | 11,800 |
| 12,300 | | | | |
| Number of Sales Offices: | | | | |
| Domestic | 460 | 460 | 460 | 460 |
| 465 | | | | |
| International | 50 | 50 | 50 | 50 |
| 55 | | | | |

</TABLE>

- (a) Short-Term Borrowings include repurchase agreements, and commercial paper and other short-term borrowings.
- (b) Excludes \$25,075 and \$73,065 of income taxes in 1993 and 1992, respectively, related to the cumulative effect of changes in accounting principles. Excludes income taxes of \$2,883 in 1989 associated with the discontinued operations of Fine Homes International, L.P.
- (c) Does not include 8,932,332, 11,201,672, 13,636,820, 16,071,968, and 18,653,462 unallocated shares held in the Employee Stock Ownership Plan at year-end 1993, 1992, 1991, 1990 and 1989, respectively, which are not

considered outstanding for accounting purposes.

- (d) As a result of the net loss in 1989, this ratio is not meaningful.
- (e) Earnings Before Income Taxes, Cumulative Effect of Changes in Accounting Principles, and Discontinued Operations to Net Revenues.
- (f) Earnings Before Cumulative Effect of Changes in Accounting Principles and Discontinued Operations to Net Revenues.
- (g) Average total assets less resale agreements and securities borrowed, to average total stockholders' equity.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

Merrill Lynch & Co., Inc. and its subsidiaries (collectively referred to as the "Corporation") conduct their businesses in global financial markets that are influenced by a number of factors including economic conditions, political events, and investor sentiment. The reaction of issuers and investors to a particular condition or event is unpredictable and can create volatility in the marketplace. While higher volatility can increase risk, it also increases order flow, which drives many of the Corporation's businesses. Other market and economic conditions, including the liquidity of secondary markets, the level and volatility of interest rates, currency and security valuations, competitive conditions, and the size, number and timing of transactions may also affect earnings. As a result, revenues and net earnings can vary significantly from year to year, and from quarter to quarter.

For the third consecutive year, securities firms in the United States posted record profits. In 1993, the securities industry continued to benefit from favorable market conditions in the U.S. and further expansion of international market activities. The combination of historically low interest rates, the continued restructuring of corporate balance sheets, steady economic improvement in the United States, and the growth in emerging market financings, particularly privatizations, contributed to robust underwriting activity. The aggregate volume of new stock and bond issues established new records both in the U.S. and worldwide. Fees generated from the underwriting of equities (including initial public offerings), high-yield bonds, and Eurobonds reached new highs industrywide.

Emerging market financings continued to grow due to the development of capital markets in countries such as China and the growing need for additional foreign capital and investment. Emerging market countries improved existing infrastructures and privatized state-owned industries through global financings. Demand for financing through privatizations, particularly in Latin America, Europe, and China remained strong and is expected to be a growing source of underwriting activity for the industry in the near term. In the second half of 1993, merger and acquisition activity rebounded, benefiting from telecommunication and health care related consolidations.

The institutional investor market remained strong and was buoyed by increasing cross-border and secondary trading activity, expanding investor portfolios, and growing mutual funds. Trading in swaps and other derivatives, including structured transactions, remained strong as investors used these products to manage interest rate and currency risks, improve yields, and diversify their investments.

Individual investors continued to diversify their holdings seeking both domestic and international investment opportunities. Investors steadily moved away from lower-yielding, short-term investments and, instead, redeployed assets into equities, corporate and municipal bonds, and an assortment of domestic and international mutual funds. Consequently, revenues from commissions, principal transactions, and fee-based services advanced as a result of increased investor activity.

The Corporation recognizes that market and economic conditions can change and continues to focus on those factors that help reduce the impact of the cyclical nature of markets on profitability. These factors include managing risks, controlling costs, expanding fee-based businesses, linking compensation to profitability, evaluating businesses based on performance criteria, and restructuring or exiting those businesses that fail to consistently achieve measurement standards and strategic objectives.

RESULTS OF OPERATIONS

Favorable markets, continued cost control, risk management, and strong market share contributed to the Corporation's record performance in 1993. Net earnings were a record \$1.36 billion or \$5.98 per common share primary (\$5.95 fully diluted), up 52% above the \$893.8 million or \$3.92 per common share primary (\$3.91 fully diluted) reported in 1992. In 1991, net earnings were

\$696.1 million or \$3.01 per common share primary (\$2.95 fully diluted). On October 11, 1993, the Corporation's Board of Directors declared a two-for-one common stock split, effected in the form of a 100% stock dividend, paid on November 24, 1993 (see Stockholders' Equity in the Notes to Consolidated Financial Statements). All share and per share data presented herein have been restated for the effect of the common stock split.

The 1993 results include the early adoption of Statement of Financial Accounting Standards ("SFAS") No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of this change in accounting principle decreased 1993 earnings by \$35.4 million (\$60.5 million before income taxes), or \$.16 per common share primary and fully diluted. Earnings before the cumulative effect charge were \$1.39 billion or \$6.14 per common share primary (\$6.11 fully diluted).

Results for 1993 also include a non-recurring first quarter pretax lease charge totaling \$103.0 million (\$59.7 million after income taxes), related to the Corporation's decision not to occupy certain space at its World Financial Center Headquarters ("Headquarters") facility. This space was made available for sublease as a result of continued streamlining of operations and the declining number of employees at the Headquarters location. An agreement to sublet this space was executed in the 1993 fourth quarter.

In 1992, the Corporation adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and SFAS No. 109, "Accounting for Income Taxes." The cumulative effect of these changes in accounting principles reduced 1992 earnings by \$58.6 million or \$.26 per common share primary and fully diluted. Earnings before the cumulative effect adjustment were \$952.4 million or \$4.18 per common share primary (\$4.17 fully diluted).

Pretax earnings were a record \$2.42 billion, up 50% over the \$1.62 billion reported in 1992. In 1991, pretax earnings were \$1.02 billion. The pretax profit margin on net revenues rose to 23.0% in 1993 from 18.9% in 1992 and 14.0% in 1991.

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Total revenues for 1993 were a record \$16.59 billion, advancing 24% and 34%, respectively, from those reported in the previous two years. Revenue growth was broad-based, with records established in virtually all categories. Net revenues (revenues after interest expense) grew to \$10.56 billion, exceeding 1992 and 1991 amounts by 23% and 46%, respectively.

[GRAPHIC NO. 1 TO APPEAR HERE]

Non-interest expenses were \$8.13 billion, increasing 17% and 31% from those reported in 1992 and 1991, respectively. Excluding the non-recurring 1993 first quarter lease charge of \$103.0 million, non-interest expenses were up only 15% from 1992. Incentive and production-related compensation, communications costs, brokerage, clearing and exchange fees, and certain advertising and market development expenses all rose due to increased business volume. Other non-interest expenses, which include base salaries, payroll taxes, benefits costs and all remaining expense categories, increased 12% over 1992 and 23% above 1991 levels. Many of these expense categories, including advertising and market development and professional fees, contain discretionary components that can be reduced if business conditions change.

The Corporation capitalized on strong markets during the past three years. At the same time, emphasis on managing and controlling costs has continued to positively influence the bottom line. After-tax profit margins have steadily improved, rising to 13.2% (12.9% after the cumulative effect of accounting change) in 1993 from 11.1% (10.4% after the cumulative effect of accounting changes) in 1992, and 9.6% in 1991. The Corporation's return on average common stockholders' equity climbed to 27.3% in 1993, compared with 22.0% and 20.8% in 1992 and 1991, respectively.

In 1993, the Corporation reclassified certain income statement and balance sheet categories. Prior years' financial statements have been reclassified to conform to the presentation for the current period. (See Basis of Presentation in the Notes to Consolidated Financial Statements.)

The following discussion highlights in more detail changes in the major categories of revenues and expenses and other pertinent information on the Corporation's business activities.

COMMISSIONS

Commission revenues advanced 19% in 1993 to \$2.89 billion, due primarily to the continued growth of listed securities transactions and increased sales of mutual funds, regulated commodities contracts, and over-the-counter securities.

Commissions from listed securities increased 23% from 1992 to \$1.41 billion as investors remained active in the equity markets. Market participation increased as investors continued to reposition their investment portfolios to

enhance potential yield and growth opportunities. In 1993, the average daily trading volume on the New York Stock Exchange ("NYSE") increased 29% from 1992 to 260 million shares. The Dow Jones Industrial Average ("DJIA") average daily closing index, a measure of share prices, was 3,522, 7% above the 1992 average daily close. The Corporation's 1993 market share of publicly listed NYSE equity volume was approximately 10%, down slightly from 1992.

Mutual fund commissions rose 27% in 1993 to \$846 million. Individual investors continued shifting maturing certificates of deposits and other low-yielding cash investments into domestic and global equity mutual funds and, to a lesser extent, fixed-income mutual funds. As a result, revenues from sales of front-end funds increased 30% over 1992 to \$500 million. Moreover, strong current and prior-period sales led to a 31% increase to \$297 million in distribution fees from deferred-charge funds. Redemption fees declined 10% to \$49 million from the prior year.

Other commissions consisted primarily of money market, commodities, over-the-counter, and option products. In 1993, other commissions increased 5% to \$639 million on the strength of higher commodity and over-the-counter transactions, partially offset by lower commission revenues from retail money market instruments.

In 1992, commission revenues advanced 12% from 1991, primarily as a result of the growth in listed securities transactions and sales of mutual funds. Listed securities commissions benefited from higher NYSE volume and increased market participation by individual investors. Mutual fund commissions advanced due to investors shifting assets from low interest-yielding short-term investments to potentially higher-yielding equity and fixed-income mutual funds. Other commission revenues increased 4% from 1991 levels.

At year-end 1993, the Corporation had approximately 13,100 Private Client Financial Consultants and Institutional Account Executives worldwide, compared with 12,700 at year-end 1992 and 12,100 at year-end 1991.

INTEREST AND DIVIDENDS

Significant components of interest and dividend revenues and interest expense for 1993, 1992, and 1991 follow:

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| <TABLE> <CAPTION> | | | |
|--|---------|---------|---------|
| (IN MILLIONS) | 1993 | 1992 | 1991 |
| <S> | <C> | <C> | <C> |
| Interest and dividend revenues: | | | |
| Trading inventories | \$2,437 | \$2,007 | \$1,697 |
| Resale agreements | 1,124 | 1,066 | 1,302 |
| Securities borrowed | 1,521 | 823 | 616 |
| Margin lending | 779 | 598 | 569 |
| Other | 1,238 | 1,312 | 1,577 |
| Subtotal | 7,099 | 5,806 | 5,761 |
| Interest expense: | | | |
| Borrowings | 2,515 | 1,697 | 1,653 |
| Repurchase agreements | 1,383 | 1,225 | 1,489 |
| Commitments for securities sold but not yet purchased | 1,252 | 931 | 727 |
| Other | 880 | 982 | 1,237 |
| Subtotal | 6,030 | 4,835 | 5,106 |
| Net interest and dividend profit | \$1,069 | \$ 971 | \$ 655 |

</TABLE>

Interest and dividend revenues increased 22% in 1993 to \$7.10 billion, due to increases in collateralized lending activities, and higher levels of other interest-earning assets, principally inventories. Interest expense, which includes dividend expense, increased 25% to \$6.03 billion as a result of increases in collateralized borrowing activities and higher levels of interest-bearing liabilities. In 1993, net interest and dividend profit advanced 10% from 1992 to a record \$1.07 billion. Contributing to these strong results were the expansion of collateralized borrowing and lending activities, growth in trading inventories and on-balance sheet hedges, the increased availability of interest-free funds due to a larger equity base, and reduced funding costs due to lower interest rates and improved credit ratings.

In 1992, net interest and dividend profit advanced 48% over 1991 to \$971

million primarily as a result of higher balance sheet levels, increases in equity capital and improved rate spreads due to lower funding costs.

PRINCIPAL TRANSACTIONS

Principal transactions revenues reached record levels in 1993, up 35% to \$2.92 billion from the prior record set in 1992, primarily due to increases in customer order flow, tighter credit spreads, and favorable trading results. Fixed-income and foreign exchange trading revenues, in the aggregate, increased 33% to \$2.18 billion on higher revenues from swaps and derivatives, corporate bonds and preferred stocks, and non-U.S. governments and agencies. These advances were somewhat offset by decreases in mortgage-backed products and foreign exchange trading.

Swaps and derivatives revenues continued to grow in 1993 and represented 26% of total principal transactions revenues (see discussion on Derivative Financial Instruments on page 41). Swaps and derivatives revenues have benefited from increased volume and market growth, as well as an expanding product base. The advance in swaps and derivatives was due to higher revenues from both dollar and non-dollar swap trading activities, as well as increased revenues from equity derivatives. Dollar swap trading revenues increased as issuers and investors looked to hedge interest rate risk, while non-dollar swap trading revenues benefited from investor and issuer demand, and favorable trading results. In addition, equity derivative revenues rose due to investor demand for equity-linked products.

Corporate bond and preferred stock revenues, in the aggregate, increased 100% to \$376 million due to increased trading volume and tighter credit spreads. Non-U.S. government and agency revenues rose 185% to \$175 million, benefiting from increased volume due to lower interest rates on foreign government bonds, and higher revenues from over-the-counter options. Mortgage-backed principal transactions revenues continued to be negatively affected, in part, by prepayments, refinancings, and the accounting effect of dollar roll transactions. (See discussion below on relationship between principal transactions and net interest.) In 1993, mortgage-backed principal transactions revenues were essentially break-even; net revenues including related hedges and net interest, however, were positive, although 22% below 1992 record levels. Municipal and money market instruments principal transactions revenues rose 20% and 95%, respectively, on the strength of increased client demand for tax-exempt securities and improved trading in fixed- and floating-rate medium-term notes. Foreign exchange trading revenues declined 16% from 1992 record levels to \$128 million as a result of lower volatility in European currencies.

Equity revenues rose 39% to \$744 million, principally on the strength of a 78% increase in revenues from international equities and a 24% improvement in revenues from U.S. over-the-counter markets. Over-the-counter equities trading revenue benefited from increased volume, as 1993 NASDAQ average daily trading volume rose 37%.

Trading, hedging, and financing activities affect the recognition of both principal transactions revenues and net interest and dividend profit. In assessing the profitability of financial instruments, the Corporation views net interest and principal transactions components in the aggregate. For financial reporting purposes, however, realized and unrealized gains and losses on trading positions, including hedges, are recorded in principal transactions revenues. The net interest carry (e.g., the spread representing interest earned versus financing costs on financial instruments) for trading positions, including hedges, is recorded as either principal transactions revenues or net interest profit, depending on the nature of the specific position. Interest income or expense on a U.S. Treasury security, for example, is reflected in net interest, while the gain or loss is included in principal transactions. Financial instruments requiring forward settlement, such as mortgage-backed "to be announced" mortgage pools, have interest components built into their market value; any change in the market value, however, is recorded in principal transactions revenues. Changes in the composition of trading inventories and hedge positions can cause the recognition of revenues within these categories to fluctuate. Consequently, net interest and principal transactions revenue components should be evaluated collectively.

In 1992, principal transactions revenues increased 14% from 1991 to \$2.17 billion. Fixed-income and foreign exchange trading revenues, in the aggregate, advanced 16% as a result of substantially higher revenues from swaps and derivatives, which represented 22% of total principal transactions revenues, and increased revenues from foreign exchange. Foreign exchange revenues rose due to increased volume, as investors were active in the currency markets due to European monetary volatility. Equities revenues rose 8% from 1991 due primarily to increased activity in the over-the-counter and international equity markets, principally related to client order flow.

The table below provides information on aggregate trading profits, including net interest. Principal transactions revenues amounts are derived from external reporting categories, while interest revenue and expense components are based on

management's assessment of the cost to finance trading positions, which considers the underlying liquidity of these positions.

<TABLE>
<CAPTION>

| (IN MILLIONS) | Principal Transactions Revenue | Net Interest Revenue (Expense) | Net Trading Revenue |
|-----------------------------------|--------------------------------|--------------------------------|---------------------|
| <S> | <C> | <C> | <C> |
| ----- | | | |
| 1993 | | | |
| Fixed-income and foreign exchange | \$1,415 | \$412 | \$1,827 |
| Swaps and derivatives(1) | 761 | (8) | 753 |
| Equities | 744 | (9) | 735 |
| | ----- | ----- | ----- |
| TOTAL | \$2,920 | \$395 | \$3,315 |
| | ===== | ===== | ===== |
| ----- | | | |
| 1992 | | | |
| Fixed-income and foreign exchange | \$1,146 | \$368 | \$1,514 |
| Swaps and derivatives(1) | 486 | 63 | 549 |
| Equities | 534 | (12) | 522 |
| | ----- | ----- | ----- |
| TOTAL | \$2,166 | \$419 | \$2,585 |
| | ===== | ===== | ===== |
| ----- | | | |
| 1991 | | | |
| Fixed-income and foreign exchange | \$1,119 | \$221 | \$1,340 |
| Swaps and derivatives(1) | 291 | 2 | 293 |
| Equities | 496 | (36) | 460 |
| | ----- | ----- | ----- |
| TOTAL | \$1,906 | \$187 | \$2,093 |
| | ===== | ===== | ===== |
| ----- | | | |

</TABLE>

(1) Swaps and derivatives revenues include transactions recorded by the Corporation's primary derivative subsidiaries.

INVESTMENT BANKING

Investment banking revenues climbed 23% in 1993 to a record \$1.83 billion, surpassing the prior record established in 1992. Underwriting revenues advanced 26% to \$1.65 billion in 1993 as the aggregate volume of global debt and equity issuances industrywide exceeded the prior year's record by 36%. Market conditions in 1993 were similar in many respects to those of 1992, with low interest rates and higher share prices the key factors behind the surge in volume. Companies continued to refinance their balance sheets, retiring higher interest-bearing debt with lower rate issuances, or raising capital through equity offerings. Investor demand remained strong for equities and high-yield bonds which offered the potential for increased returns, compared with other investment alternatives.

In 1993, emerging market financings in Latin America and China produced some of the significant deals of the year and, in the current environment, should continue to be a growth sector within underwriting revenues. Demand for global issues was strong, as investors continued to diversify their worldwide holdings. Favorable markets also benefited convertible and corporate bond offerings, and private placement issuances.

The Corporation retained its position as top underwriter of domestic securities for the sixth consecutive year and leader of global offerings for the fifth consecutive year. In 1993, the Corporation brought to market \$193 billion of securities worldwide. The Corporation's domestic and global share of underwriting volume was virtually unchanged in 1993; 16.3% and 12.8%, respectively, versus 16.5% and 13.0% in the year-earlier period.

Strategic services revenues, which include fees for debt restructuring, merger and acquisition activity and other advisory services, grew 5% to \$184 million in 1993. Merger and acquisition activity and advisory fee services increased in the second half of 1993, benefiting from services provided to industrial corporations.

In 1992, investment banking revenues increased 26% from 1991 to \$1.48 billion, due primarily to higher revenues from the underwriting of equities, preferred stock, corporate debt, and high-yield and municipal bonds. Revenues from strategic services rose 13% in 1992 but remained at historically low levels.

ASSET MANAGEMENT AND PORTFOLIO SERVICE FEES

Revenues from asset management and portfolio service fees rose 24% in 1993 to a record \$1.56 billion, principally as a result of increased fees earned from asset management activities, the Merrill Lynch Consults(Registered Trademark) ("ML Consults") portfolio management service, and other fee-based services.

This revenue line now includes revenues from the Corporation's fee-based services, some of which were previously recorded in other revenues. Included in asset management and portfolio service fees are revenues from managing assets, custodial services, ML Consults, transfer agency, mortgage servicing, variable life and annuity insurance contracts, and various trust-related activities.

Asset management fees, of which 87% are attributable to Merrill Lynch-sponsored mutual funds, increased to \$706 million, up 21% from 1992, due primarily to growth in stock and bond funds.

The Corporation's strategy of advising clients to (i) begin saving early and often to meet short- and long-term financial goals, (ii) assess and continuously re-evaluate retirement needs, and (iii) allocate assets by type (i.e., stocks, bonds, mutual funds) and by region (i.e., domestic and international) to achieve greater returns and diversification, has contributed to record levels of assets under management.

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Assets under management by Merrill Lynch Asset Management ("MLAM"), increased \$22 billion or 16%, reaching \$160 billion at year-end 1993. As indicated earlier, the increase was mostly attributable to stock and bond funds, which grew by \$21 billion to \$72 billion in 1993. Money market funds represented 41% of MLAM assets under management and totaled \$66 billion in 1993, virtually unchanged from 1992 levels. Included in assets under management were \$6 billion of investments of insurance subsidiaries. Investments of insurance subsidiaries managed by MLAM declined 22% from 1992 levels, due to the Corporation's previously announced decision to curtail activity in fixed-rate life insurance and annuities and, instead, focus on separate account variable insurance products.

Revenues from ML Consults advanced 66% from 1992 to \$294 million as a result of more accounts, increased assets, and higher asset values. At December 31, 1993, the total number of accounts was 87,000, an increase of 36% over 1992. Asset levels were up 38% to \$16.9 billion at year-end 1993.

Other fee-based revenues were up 13% from 1992 to \$558 million due, in part, to increased revenues from mortgage servicing, insurance, and custodial fees for retirement accounts.

In 1992, asset management and portfolio service fee revenues advanced 25% from 1991 to \$1.25 billion due principally to the substantial growth of the ML Consults product, higher levels of assets under management and increases in CMA(Registered Trademark) revenues. In 1992, the number of ML Consults accounts increased nearly 160% from 1991 to 64,000, while related asset levels increased 135% to \$12.2 billion. Assets under fee-based management by MLAM grew by \$15 billion to \$138 billion at year-end 1992, a 12% increase from year-end 1991. The advance in CMA revenues was partly attributable to a 25% increase in the annual fee initiated in September 1991 as well as growth in the number of client accounts.

OTHER REVENUES

Other revenues were up 1% in 1993 to \$285 million. Other revenues include investment gains and losses, mortgage application and securities processing fees, and proxy activities.

Contributing to the advance in other revenues were higher fees generated from growth in home equity loan activity, partially offset by higher net investment losses related primarily to provisions for merchant banking activities. Net investment losses totaled \$133 million in 1993, compared with \$120 million in 1992. Merchant banking loss provisions reflect adjustments to certain positions where the carrying value was in excess of the estimated net realizable value. Merchant banking positions are carried at lower of cost or estimated net realizable value. In certain instances, sales of merchant banking positions are subject to restrictions, limiting the Corporation's ability to dispose of these instruments until required holding periods expire. Management believes that such assets as currently valued are fairly stated. Nevertheless, as economic conditions change in 1994 and beyond, additional loss provisions may be required. (See discussion of Non-Investment Grade Holdings and Highly Leveraged Transactions.)

In 1992, other revenues declined 17% from 1991 to \$281 million due primarily to net investment losses related to merchant banking activities. Net investment losses increased by 154% from the \$47 million reported in 1991, as provisions related to certain merchant banking positions increased.

NON-INTEREST EXPENSES

Non-interest expenses were up 17% over the prior year to \$8.13 billion; excluding the 1993 first quarter non-recurring lease charge of \$103.0 million, non-interest expenses increased 15%. The largest expense category, compensation and benefits, increased 20% from 1992 to \$5.26 billion. The increase in compensation and benefits expense was due to heightened business activity which increased production-related compensation, a rise in incentive-related compensation linked to the Corporation's improved profitability and return on average common equity, and a 5% increase in the number of full-time employees. Benefits expense increased from 1992 due primarily to severance accruals for selected reductions in personnel, higher payroll taxes related to increased incentive and production-related compensation, and increased health care costs.

In 1993, the Corporation selectively increased the number of full-time personnel from 40,100 at the end of 1992, to 41,900 at year-end 1993. This increase was primarily among revenue producers and sales assistants. Nevertheless, compensation and benefits as a percentage of net revenues declined to 49.8% in 1993 from 50.9% in 1992. This ratio has dropped in each of the last three years. The Corporation's ratio of support employees to producers and sales assistants, decreased from 1.38 to 1 in 1992 to 1.34 to 1 at year-end 1993. Excluding sales assistants, the ratio was 1.43 to 1 in 1993 versus 1.44 to 1 in 1992.

Facilities-related costs, including occupancy, communications and equipment rental, and depreciation and amortization, increased 13% from a year ago (3% excluding the non-recurring lease charge). Occupancy rose 20% in 1993 as a result of the \$103.0 million pretax non-recurring charge recorded in the 1993 first quarter related to the Corporation's decision not to occupy certain space at its Headquarters facility. An agreement to sublet this space was executed in the 1993 fourth quarter. Excluding this charge, occupancy expense declined 2%. Communications and equipment rental expenses were up 5% as a result of increased volume for market data and news services, and telephone charges. Depreciation and amortization expense rose 10%, primarily as a result of accelerated depreciation for the replacement of trading and client order processing equipment at various domestic and international locations. This equipment is being replaced for technology upgrades.

Advertising and market development expenses rose 25% from 1992, reflecting higher sales promotion and recognition program costs for Financial Consultants tied to increased business activity. Travel costs were up as the increase in business volume required additional domestic and international travel. Certain discretionary national and local advertising campaigns also were expanded.

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Professional fees increased 13% from a year ago, due primarily to the increased use of system and management consultants for the technology upgrades noted earlier. Employment agency fees were also up due to the increase in the number of producer personnel hired during 1993, while other professional fees increased as a result of strategic market studies.

Brokerage, clearing and exchange fees were up 1% from the prior-period as a result of increased trading volume, partially offset by reduced rates on renegotiated service agreements. Other expenses increased 5% principally as a result of additions to loss provisions related to litigation and claims (see Litigation in the Notes to Consolidated Financial Statements), while other loss provisions related to specific business activities declined significantly from 1992 levels.

Non-interest expenses in 1992 increased 12% from 1991 to \$6.96 billion. Favorable markets, increased business volume, and profitability contributed to higher compensation and benefits expense. Advertising and market development expenses increased due to higher sales promotions and Financial Consultant recognition costs tied to heightened business activity, and increases in discretionary national advertising. Brokerage, clearing and exchange fees also increased due to higher levels of business. Professional fees increased over 1991 levels due to increased systems and strategic development projects. Other expenses increased as a result of additions to loss provisions related to various business activities.

INCOME TAXES

The Corporation's income tax provision was \$1.03 billion and represented a 42.5% effective tax rate. In 1992 and 1991, income tax provisions were \$669 million and \$321 million, respectively, representing effective tax rates of 41.3% in 1992 and 31.6% in 1991.

In 1993, the Omnibus Budget Reconciliation Act (the "Revenue Act") was enacted. Under the Revenue Act, the Corporation's statutory income tax rate was increased to 35.0% retroactive to January 1, 1993. The increase in the Corporation's 1993 effective tax rate, compared with 1992, related primarily to the increase in the Federal statutory rate from 34.0% in 1992 to 35.0% in 1993.

In 1992, the Corporation adopted SFAS No. 109, "Accounting for Income

Taxes." Previously, the Corporation accounted for income taxes in accordance with SFAS No. 96. As a result of adopting this accounting pronouncement, the Corporation recorded a \$17.8 million cumulative effect benefit in 1992. The cumulative effect adjustment recognizes the utilization of previously unrecorded state and local tax benefits. The increase in the effective tax rate, compared with 1991, represented reduced availability of alternative minimum tax credits and net operating loss carryforwards. All available alternative minimum tax credits and net operating loss tax benefit carryforwards from prior years were utilized by the end of 1992.

Income tax expense in 1991 reflected the utilization of previously unrecognized tax benefits.

STOCKHOLDERS' EQUITY

Stockholders' equity at December 31, 1993 increased 20% to \$5.49 billion from the \$4.57 billion reported at year-end 1992. The increase in 1993 was principally the result of net earnings, less common and preferred dividends declared by the Corporation, partially offset by an increase in treasury stock related primarily to the Corporation's share repurchase program. On December 31, 1993, the Corporation adopted SFAS No. 115, "Accounting for Investments in Certain Debt and Equity Securities," which increased stockholders' equity, net of applicable income taxes, by \$21 million (see Accounting Changes in the Notes to Consolidated Financial Statements).

In the 1993 fourth quarter, the Corporation's Board of Directors declared a two-for-one common stock split effected in the form of a 100% stock dividend. In the second quarter of 1993, stockholders of the Corporation approved an increase in the authorized number of common stock from 200 million to 500 million shares. In addition, 1,637,314 shares of common stock were issued related to certain employee benefit plans.

The Corporation granted a total of approximately 1.8 million shares of common stock during 1993 to certain employees under the Long-Term Incentive Compensation Plan and Equity Capital Accumulation Plan.

In 1993, the Corporation repurchased approximately 0.1 million shares of common stock at an average cost of \$33.65 per share to meet share requirements under the Employee Stock Purchase Plan and an additional 16.2 million shares at an average price of \$42.59 per share for other employee benefit plans, and general corporate purposes.

At December 31, 1993, total common shares outstanding, excluding the unallocated Employee Stock Ownership Plan ("ESOP") reversion common shares, amounted to 204.0 million, down 2% from the 207.2 million shares outstanding at December 25, 1992. Including unallocated ESOP shares, total outstanding common shares amounted to 212.9 million at year-end 1993. Total outstanding common shares, including unallocated ESOP shares, and commitments for shares related to employee benefit plans approximated 319.2 million at December 31, 1993.

LIQUIDITY AND LIABILITY MANAGEMENT

The primary objective of the Corporation's funding policies is to assure liquidity at all times. To strengthen liquidity the Corporation maintains a strong capital base, issues term debt, obtains committed backup credit facilities, concentrates debt issuance through Merrill Lynch & Co., Inc., (the "Parent"), and pursues expansion and diversification of investors, funding instruments, and creditors.

There are three key elements to the Corporation's liquidity strategy. The first is to maintain alternative funding sources such that all debt obligations maturing within one year, including commercial paper and the current portion of term debt, can be funded when due without issuing new unsecured debt or liquidating any business assets. The most significant alternative funding sources are the proceeds from executing repurchase agreements ("repos") and obtaining secured bank loans,

both employing unencumbered investment-grade marketable securities. The calculation of proceeds available from repos and secured bank loans takes into account both a conservative estimate of excess collateral required by secured lenders, and regulatory restrictions on upstreaming cash from subsidiaries to the Parent. The ability to execute this secured funding is demonstrated by the Corporation's routine use of repo markets to finance inventory and by periodic tests of secured borrowing procedures with banks. Other alternative funding sources could include liquidating cash equivalents, securitizing additional home equity and Prime First (Registered Trademark) loans, and drawing upon committed unsecured credit facilities.

As an additional measure, the Corporation regularly reviews its assets and liabilities to ascertain its ability to conduct core businesses without reliance on issuing new unsecured debt or drawing upon committed credit facilities for terms beyond one year. The composition of the Corporation's asset mix provides

a great degree of flexibility in managing liquidity. The Corporation monitors the liquidity of assets, the quality of committed credit facilities and the overall level of term debt in assessing financial strength and capital adequacy at any point in time.

The second element of the Corporation's liquidity strategy is to concentrate all general purpose borrowing at the Parent level, except where tax regulations or time differences make this impractical. The benefits of this guideline are: a) the lower financing costs that result from the reduced risks of a diversified asset and business base; b) the simplicity, control and wider name recognition for banks, creditors and rating agencies; and c) the flexibility to meet variable funding requirements within subsidiaries.

The third element is to expand and diversify funding sources and to maintain strict concentration standards for short-term lenders. The Corporation's short- and long-term funding programs benefit from the large, diversified customer base and financial creativity of the Corporation's capital market and private client operations. Commercial paper remains the Corporation's major source of short-term general purpose funding. Commercial paper outstanding totaled \$14.9 billion at December 31, 1993 and \$9.6 billion at December 25, 1992, which represented 10% and 9% of total assets at year-end 1993 and 1992, respectively. Through its own sales force, the Corporation markets its commercial paper to thousands of investors and is able to maintain tight concentration standards that include limits for any single investor. Total term debt issuance was a record in 1993 as the Corporation was active in both domestic debt markets and Euro markets through public and private placements. Foreign currencies and different interest rate indices were hedged to match the economic characteristics of the Corporation's assets. Outstanding term debt grew to \$13.5 billion from \$10.9 billion in 1992. During 1993, the Corporation issued \$7.3 billion of long-term debt. During the same period, maturities and repurchases were \$4.6 billion. In addition, approximately \$580 million of the Corporation's securities held by subsidiaries were sold and \$673 million were purchased. At December 31, 1993, \$7.8 billion of term debt had maturity dates beyond one year, and the average maturity on all outstanding term debt was 2.9 years, compared with 2.8 years at year-end 1992.

CAPITAL RESOURCES AND CAPITAL ADEQUACY

The Corporation remains one of the most highly capitalized institutions in the U.S. securities industry with an equity base of \$5.49 billion at December 31, 1993, including \$5.29 billion in common equity, supplemented by \$0.2 billion in preferred stock. The Corporation's overall capital needs are continually reviewed to ensure that its capital base can support the estimated needs of its businesses as well as the regulatory and legal capital requirements of subsidiaries. Based upon these analyses, management believes the Corporation's equity base is adequate.

ASSETS AND LIABILITIES

The Corporation manages its balance sheet and risk limits according to market conditions and business needs subject to profitability and control of risk. Asset and liability levels are primarily determined by order flow and fluctuate daily, sometimes significantly, depending upon volume and demand. The liquidity and maturity characteristics of assets and liabilities are monitored continuously. The Corporation uses average daily balances to monitor and manage the growth of its balance sheet. Average daily balances were derived from the Corporation's management information system which summarizes balances on a settlement date basis. Financial statement balances as required under generally accepted accounting principles are recorded on a trade date basis. The discussion that follows compares the changes in settlement date average daily balances, not year-end balances. The reasons underlying changes in average balances, however, are similar to changes in year-end balances.

The increase in average balance sheet levels in 1993 was attributable to many factors, including investor demand, continued low interest rates, and hedge transactions. In 1993, average assets were \$143 billion, up 36% from \$105 billion in 1992. Average liabilities in 1993 rose 37% to \$139 billion from \$102 billion in 1992. The major components in the growth of average assets and liabilities are summarized as follows:

<TABLE>
<CAPTION>

INCREASE

| | IN AVERAGE ASSETS | PERCENT INCREASE |
|----------------------|----------------------|---------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| (IN MILLIONS) | | |
| Trading inventories | \$14,230 | 45% |
| Resale agreements | 12,630 | 53 |
| Securities borrowed | 7,200 | 44 |
| Customer receivables | 3,362 | 38 |

</TABLE>

<TABLE>
<CAPTION>

| | INCREASE IN AVERAGE LIABILITIES | PERCENT INCREASE |
|--|---------------------------------------|---------------------|
| | ----- | ----- |
| <S> | <C> | <C> |
| Repurchase agreements | \$15,754 | 47% |
| Commercial paper and other short-term borrowings | 8,385 | 50 |
| Commitments for securities sold but not yet purchased | 7,567 | 52 |
| Long-term borrowings | 2,894 | 29 |

</TABLE>

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The Corporation's trading inventories increased due to continued demand for non-U.S. Government and agency securities, equities, and corporate debt. In 1993, the Corporation entered into certain trading strategies which required higher levels of trading inventories and related hedges.

As recorded on the Consolidated Balance Sheets at December 31, 1993, trading inventories were \$51.5 billion, up 63% from \$31.7 billion at year-end 1992 primarily related to increased client order flow. Included in trading inventories were on-balance sheet hedges totaling \$13.3 billion at December 31, 1993. Commitments for securities sold but not yet purchased were \$21.7 billion at December 31, 1993, a 49% increase from year-end 1992. This advance was primarily due to increased hedge activity. At December 31, 1993, these hedges totaled \$14.7 billion. The Corporation uses hedges principally to reduce risk in connection with its trading activities. Trading inventories were financed primarily with repurchase agreements.

Funding sources continued to expand in 1993 and helped finance other portions of the Corporation's businesses. The Corporation diversified its funding base, increasing the number of commercial paper holders and used medium-term notes (included in long-term borrowings) to provide greater financing flexibility.

In managing its balance sheet, the Corporation uses hedges, in part, to match-fund its interest-earning assets with interest-bearing liabilities. Match-funding, for example, is common in the resale/repo markets where securities received on resales are repoed to third parties, with an interest spread earned on these transactions. The Corporation is an active issuer of long-term debt, with the mix of long-term funding adjusted to match the lives of longer-term, less liquid assets and to strengthen overall liquidity.

Customer receivables advanced as demand remained strong for equities, foreign securities, particularly emerging market issuances, and corporate and high-yield debt. In 1993, continued emphasis was also placed on collateralized lending activities to facilitate client demand. Securities borrowed increased primarily to facilitate deliveries to customers.

NON-INVESTMENT GRADE HOLDINGS AND HIGHLY LEVERAGED TRANSACTIONS

In the normal course of business, the Corporation underwrites, trades and holds non-investment grade securities in connection with its market-making, investment banking and derivative structuring activities. As a result of improved liquidity and credit ratings of issuers in this market, the Corporation has increased its non-investment grade trading inventories to satisfy client demand for higher-yielding investments. The growth in non-investment grade trading inventories is also attributable to the volume of domestic high-yield underwritings, which reached record levels industrywide. High-yield underwritings have increased as a result of issuers looking to refinance higher interest-bearing debt in an effort to improve their cash flows and balance sheets.

For purposes of this discussion, non-investment grade securities have been defined as debt and preferred equity securities rated by Standard and Poor's as BB+ or lower and by Moody's as Bal or lower (or equivalent ratings for other instruments and non-U.S. securities), certain sovereign debt in emerging

markets, amounts due under various derivative contracts from non-investment grade counterparties as well as non-rated securities which, in the opinion of management, are non-investment grade. At December 31, 1993, long and short non-investment grade inventories accounted for 4.6% of aggregate consolidated trading inventories, compared with 4.2% at year-end 1992 and 3.3% at year-end 1991. Non-investment grade trading inventories are carried at fair value.

In conjunction with its investment and merchant banking activities, the Corporation provides financing and advisory services to, and invests in, companies entering into leveraged transactions. Examples of leveraged transactions may include leveraged buyouts, recapitalizations, and mergers and acquisitions. Merchant banking financings are extended on a select and limited basis. The Corporation provides extensions of credit to leveraged companies in the form of senior and subordinated debt, as well as bridge financing. Loans to highly leveraged companies are carried at unpaid principal balances less a reserve for estimated losses. The allowance for loan losses is estimated based on a review of each loan, and considerations of economic, market and credit conditions. At December 31, 1993, there were no bridge loans outstanding.

The Corporation holds direct equity investments in leveraged companies, interests in partnerships that invest in leveraged transactions, and non-investment grade securities. Equity investments in privately held companies for which sale is restricted by government or contractual requirements are carried at the lower of cost or net realizable value. The Corporation has a co-investment arrangement to enter into direct equity investments and also has committed to participate in limited partnerships that invest in leveraged transactions.

The Corporation's involvement in highly leveraged transactions and non-investment grade securities is subject to risks related to the creditworthiness of the issuers and the liquidity of the market for such securities, in addition to the usual risks associated with extending credit, investing, underwriting, and trading investment grade instruments. The Corporation recognizes such risks and, when possible, develops strategies to mitigate its exposures.

The specific components and overall level of highly leveraged and non-investment grade positions may vary significantly from period to period as a result of inventory turnover, investment sales and asset redeployment. The Corporation continuously monitors credit risk by individual issuer and industry concentration. In addition, valuation policies provide for recognition of market liquidity, as well as the trading pattern of specific securities. In certain instances, the Corporation will hedge the exposure associated with owning a high-yield or non-investment grade position by selling short the related equity security, and in other instances, the Corporation uses non-investment grade inventories to reduce exposure related to structured derivative transactions.

During the fourth quarter of 1993, the Corporation increased certain non-investment grade trading inventories (non-U.S. Governments and agencies) to accommodate demand for client order flow and to hedge the exposure arising from structured derivative trans-

actions. For structured derivative transactions, collateral, consisting principally of U.S. Government securities, may be obtained to reduce credit risk.

The Corporation's insurance subsidiaries hold non-investment grade securities. At December 31, 1993, non-investment grade insurance investments as a percentage of total insurance investments were 5.8%, compared with 4.5% at year-end 1992 and 5.6% at year-end 1991.

At December 31, 1993, non-investment grade securities of insurance subsidiaries classified as trading or available-for-sale are carried at fair value. Prior to year-end 1993, investments of insurance subsidiaries were carried at amortized cost.

A summary of the Corporation's non-investment grade holdings and highly leveraged transactions follows:

<TABLE>
<CAPTION>

| (IN MILLIONS) | 1993 | 1992 | 1991 |
|--|---------|---------|--------|
| <S> | <C> | <C> | <C> |
| Non-investment grade trading inventories | \$3,129 | \$1,723 | \$ 978 |
| Non-investment grade commitments for securities sold but not yet purchased | 214 | 209 | 150 |
| Non-investment grade investments of insurance subsidiaries | 458 | 409 | 544 |
| Loans (net of allowance for loan | | | |

| | | | |
|---|-------|-------|-------|
| losses) (a) | 435 | 822 | 1,081 |
| Bridge loans | -- | -- | 79 |
| Equity investments (b) | 276 | 360 | 350 |
| Partnership interests (c) | 92 | 120 | 97 |
| ----- | | | |
| Additional commitments to invest in partnerships (d) | \$ 19 | \$ 27 | \$ 18 |
| Additional co-investment commitments | 49 | 89 | 185 |
| Unutilized revolving lines of credit and other lending commitments | 49 | 75 | 67 |
| ----- | | | |

</TABLE>

- (a) Represented outstanding loans to 42, 50, and 55 medium-sized companies at year-end 1993, 1992, and 1991, respectively.
- (b) Invested in 82, 103, and 99 enterprises at year-end 1993, 1992, and 1991, respectively.
- (c) Subsequent to year-end 1993, the Corporation increased its partnership interests by \$15 million.
- (d) Subsequent to year-end 1993, the Corporation had additional partnership commitments of up to \$50 million.

At December 31, 1993, the largest non-investment grade concentration consisted of various issues of a Latin American sovereign totaling \$341 million, of which \$146 million represented on-balance sheet hedges. No one industry sector accounted for more than 15% of total non-investment grade positions. Included in the table above are debt and equity securities of issuers who were in various stages of bankruptcy proceedings or in default. At December 31, 1993, the carrying value of these securities totaled \$393 million, of which 59% resulted from the Corporation's market-making activities.

CASH FLOWS

Total cash and cash equivalents increased \$532 million in 1993 to \$1.78 billion. At year-end 1992, total cash and cash equivalents increased \$178 million to \$1.25 billion, while at year-end 1991, total cash and cash equivalents decreased \$713 million to \$1.07 billion.

In 1993, cash provided by financing and investing activities was used for operating activities, while in 1992 and 1991, cash provided by financing activities was used for operating and investing activities.

Cash used for operating activities totaled \$17.1 billion in 1993 primarily reflecting increases in operating assets and liabilities consistent with the level of business activity. Increases in trading inventory levels of \$19.8 billion, securities borrowed of \$5.4 billion, other operating assets of \$3.7 billion, and customer receivables of \$3.5 billion were partially offset by increases in commitments for securities sold but not yet purchased of \$7.1 billion, other operating liabilities of \$4.4 billion and customer payables of \$3.7 billion. Non-cash charges aggregating \$1.5 billion were included in 1993 net earnings.

In 1992, cash used for operating activities was \$5.2 billion. Increases in trading inventory levels of \$6.8 billion, customer receivables of \$2.4 billion, securities borrowed of \$1.7 billion and reductions in insurance liabilities of \$1.2 billion were partially offset by increases in commitments for securities sold but not yet purchased of \$5.0 billion. In 1992, non-cash charges included in net earnings were \$1.8 billion. Cash used for operating activities in 1991 was \$8.6 billion. Volume-related growth in trading inventories of \$7.6 billion, securities borrowed of \$4.1 billion and other assets of \$2.9 billion were partially offset by increases in commitments for securities sold but not yet purchased and customer liabilities totaling \$3.4 billion and \$0.8 billion, respectively. In 1991, non-cash charges included in net earnings were \$1.7 billion.

In 1993, investing activities provided the Corporation with cash of \$387 million, primarily representing net proceeds from maturities and net sales of insurance investments totaling \$1.5 billion offset by net purchases of marketable investment securities, property, leasehold improvements and equipment, and other assets of \$1.2 billion. Cash used for investing in 1992 and 1991 principally represented net purchases of marketable investment securities and investments of the Corporation's insurance subsidiaries totaling \$229 million in 1992 and \$1.2 billion in 1991.

In 1993, \$17.3 billion was provided by financing activities reflecting increases in repurchase agreements, net of resale agreements, and commercial paper and other short-term borrowings of \$10.9 billion and \$4.4 billion, respectively. Net long-term borrowing activities generated \$2.6 billion. (See Long-Term Borrowings Note to Consolidated Financial Statements.) These funds were used to finance the growth in the Corporation's balance sheet.

Financing activities provided the Corporation with \$5.4 billion of cash in 1992. Proceeds from net short-term funding activities were \$2.8 billion, while \$2.9 billion was generated from net long-term borrowing activities. In 1991, financing activities provided the Corporation with \$9.4 billion from various

increases in short- and long-term borrowing activities.

NEW ACCOUNTING DEVELOPMENTS

BALANCE SHEET NETTING OF UNREALIZED GAINS AND LOSSES FOR OFF-BALANCE-SHEET TRANSACTIONS

Consistent with industry practice, the Corporation presents unrealized gains and losses for off-balance-sheet financial instruments, such as swaps and foreign exchange contracts, net on the balance sheet. Beginning in 1994, Financial Accounting Standards Board ("FASB") Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts," requires the Corporation to report separately on the balance sheet unrealized gains as assets, and unrealized losses as liabilities. Netting will be permitted only when a legal right of setoff exists with the same counterparty under a master netting arrangement. If this requirement had been in effect at December 31, 1993, assets and liabilities would have increased approximately \$6.7 billion.

ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN

In May 1993, the FASB issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." This pronouncement, effective in 1995, establishes accounting standards for creditors of impaired loans. A loan is considered impaired when it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The statement requires measurement of impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of collateral held. This statement does not apply to large groups of consumer-type loans collectively evaluated for impairment, loans carried at fair value or lower of cost or fair value, leases or debt securities. This statement is not expected to have a material effect on the consolidated financial statements of the Corporation.

DERIVATIVE FINANCIAL INSTRUMENTS

Origination and trading of derivative financial instruments have grown steadily over the past decade. Derivative financial instruments, which include swaps, options, forwards and futures, are contracts based on an underlying asset (e.g., corporate bond), index (e.g., S&P 500) or reference rate (e.g., three-month LIBOR). Derivatives can be traded on an exchange or negotiated in the over-the-counter markets. Futures contracts, certain options and MITTS (Registered Trademark), a bond linked to the appreciation of an equity index or value of a portfolio of specified securities, are examples of exchange listed derivatives. Swap contracts, including swap options, caps and floors, and forward contracts, are examples of over-the-counter derivatives.

Derivative transactions may have both on- and off-balance-sheet implications, depending upon the nature of the contract. Premiums on option contracts purchased, for example, are recorded in trading inventories, but futures contracts, excluding the unrealized gain or loss, are treated as off-balance sheet.

Derivatives provide many benefits to participants by facilitating risk transfer and enhancing liquidity in the marketplace. For issuers, derivatives provide cost effective funding alternatives, while for investors, derivatives provide alternative investment options with potentially higher return opportunities and the ability to hedge risk. Market participants include dealers such as banks, insurance companies, and other financial institutions; and end-users such as corporations, governments, pension funds, and government agencies. Financial institutions benefit from derivatives both as an end-user and as a dealer. As a dealer, the Corporation trades derivatives and provides clients with customized financing products. These activities help strengthen existing client relationships. Derivatives also assist the Corporation in asset and liability management and reduce overall borrowing costs.

Increased market participation and competition has helped to increase liquidity in conventional derivatives, such as interest rate swaps. Competition has also contributed to the development of more complex products structured for specific clients. Rapid growth and complexity have contributed to the perception, by some, that these products possess additional risk to users and to financial markets. The risks of these transactions, however, are not unlike those in other markets. Similar to other financial instruments, derivatives are subject to market, credit, and operational risks which need to be managed in a manner consistent with a company's overall risk management policies.

Certain market and credit risks for derivative and cash market instruments are similar. Credit considerations, for example, are similar for a corporate bond (a cash market instrument) and an interest rate swap. For market risk, both of these instruments are sensitive to movements in interest rates which affect their respective pricing. Nevertheless, the complexity of derivatives contributes to the mystique surrounding these products. This uncertainty has recently contributed to increased scrutiny from rating agencies, regulators and

legislators.

In response to these concerns, the Group of Thirty, an organization which sponsors work on various complex financial issues, completed a study on the global derivatives business. The study made 24 recommendations that dealers and end-users should implement in managing their derivative activities, and is designed to educate and promote a greater understanding of the derivatives business. The recommendations cover policy and management, market risk, credit risk, documentation, systems and operations, accounting and disclosure, and legislation and regulation. The Corporation participated in the Group of Thirty study and fully supports its recommendations.

The Corporation conducts its derivatives activities through a number of wholly owned subsidiaries, entering into interest rate, currency and commodity swaps, including caps, collars, floors, and swap options, currency option contracts, forward rate agreements, and equity derivative transactions as part of its client-driven and proprietary business activities. In connection with these derivatives activities, such subsidiaries also purchase and sell interest-bearing securities, equity securities, and financial futures and forward contracts for hedging purposes. As an end-user, the Corporation directly (or through its subsidiaries) uses derivatives to hedge certain trading positions. The Corporation also hedges its fixed-rate debt issuances through floating-rate

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swap agreements with Merrill Lynch Capital Services, Inc. ("MLCS"), the Corporation's principal swaps dealer. In turn, MLCS enters into other contracts with third parties as part of the Corporation's asset and liability management strategies. Merrill Lynch Derivative Products, Inc. is the Corporation's AAA rated (Moody's and Standard and Poor's) swap subsidiary which provides credit intermediation for interest rate and currency swaps, options, and similar transactions between highly rated counterparties and MLCS.

MANAGEMENT REVIEW

Senior management and other management personnel play an important role in managing the Corporation's derivative activities by setting risk and credit limits, reviewing new products, and establishing accounting, credit, and risk policies. Similar to other financial products, presentations on derivatives are made periodically to senior management. These presentations address current business issues and industry developments and provide details of other specific issues that are important to the Corporation in managing its derivatives business.

ACCOUNTING, VALUATION AND RISK MANAGEMENT

The notional values of derivative contracts represent a measure of outstanding transactions, and are not the amounts recorded on the balance sheet. Derivatives used to hedge trading positions in a dealer capacity are marked-to-market. The mark-to-market unrealized gain or loss is recorded on the Consolidated Balance Sheets with the related income or loss reported in principal transactions revenues. Derivatives used to hedge the issuance of long-term debt by the Corporation are recorded on an accrual basis. Interest is accrued into income or expense over the life of the contract.

The Corporation's derivative transactions are generally marked-to-market on a daily basis by pricing models using mid-market valuations. These values are adjusted for credit, market and liquidity risks and include items such as ongoing service costs, administrative fees, and transaction hedging costs. The Corporation defers income recognition, in whole or in part, on certain long-term derivative contracts, significant trading positions, and new products if there are unhedged risks, unsold positions, or uncertainty related to the completion of a transaction or market liquidity. Sources of derivative revenues and their related components are regularly reviewed by product, with profitability measured net of related hedge activities.

The Corporation's independent Risk Management Group ("Risk Management") has developed pricing and risk management models to assess compliance with established limits. Risk Management uses a variety of techniques to measure market risk relative to limits across all broad market cycles. Stress-test simulations under changing market conditions can also be performed. These simulations take into account significant changes in price, interest and discount rates, as well as volatility and basis risk.

Operational risks for derivative instruments require ongoing review. These instruments reset periodically based on floating-interest rates, amortizing principals, or variations in other factors. The Corporation's operations personnel ensure that periodic payments/receipts on these instruments are based on the appropriate variables and that the mark-to-market valuations reflect the most current data.

CREDIT

The Corporation actively manages its credit risk for derivative activities. The Credit Division ("Corporate Credit") is responsible for establishing client limits, monitoring monthly credit exposures, and implementing collateral requirements. Corporate Credit assists the business units in developing and refining credit risk measurement models, analyzing potential credit exposures for complex transactions, and establishing credit enhancement provisions. Credit enhancements protect the Corporation against counterparty credit difficulties. Such provisions require counterparties to post additional collateral or terminate a contract early if counterparty credit is downgraded, and if certain key ratios or covenants are not met.

Whenever possible, the Corporation executes the International Swap Dealers' Association ("ISDA") master netting agreement with its counterparties to help reduce overall credit exposure. Master netting agreements provide, in certain instances, protection in bankruptcy and enable receivables and payables with the same counterparty to be presented net on the Consolidated Balance Sheets. This provides for a more meaningful balance sheet presentation. Obtaining executed master netting agreements, however, remains a problem for the industry. Often, several months will elapse before a master netting agreement is executed. The industry is actively trying to resolve this issue and determine whether such agreements provide bankruptcy protection across all jurisdictions.

The notional or contractual values of derivative transactions do not represent exposure to credit risk. Credit risk represents the amount of accounting loss that the Corporation would incur if a counterparty failed to perform its obligations under contractual terms and the collateral held was deemed worthless. The Corporation, however, generally requires collateral from its counterparties to mitigate credit risk, when appropriate. From an economic standpoint, credit risk is evaluated net of the related collateral. Credit exposures are analyzed to assess current and potential credit risk. Current credit exposure represents the replacement cost of those contracts in a gain position, while potential credit exposures are based on calculations of future replacement costs over the remaining life of the contract.

Overall, derivative products are part of the evolution of financial products and services. The financial markets will continue tailoring products to address the changing needs of issuers and investors. Although the form of derivative financial instruments may differ from traditional cash instruments, their risks in substance are similar.

RISK MANAGEMENT

The Corporation operates in dynamic businesses that are subject to many risks which are continually monitored and evaluated in accordance with its corporate

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governance policies. The Corporation's management has developed procedures that require specific areas and units to assist in the identification, assessment and control of these risks. Senior management takes an active role in the oversight of the risk management process.

Risk management is a decentralized process with centralized oversight. Managing risk begins with each trading desk and involves constant communication, judgment and knowledge of specialized products and markets. The Corporation incurs risk associated with its market-making and underwriting activities. To mitigate risk, the Corporation uses risk management techniques such as hedging trading positions, establishing trading limits, monitoring concentrations in any product, evaluating counterparty credit quality, and revenue diversity.

Determining proper asset and liability valuations as well as establishing detailed funding and liquidity objectives are also essential. The Corporation performs oversight reviews using independent risk management, credit, finance, corporate audit and compliance units, each critical to managing risk.

To monitor risks associated with assets and liabilities, the Corporation has established a Reserve Committee of Senior Management ("Reserve Committee") composed of legal, credit, finance, corporate audit, risk management, and operations personnel. Finance personnel, who report to the Chief Financial Officer, work closely with business managers to establish appropriate levels of accounting reserves commensurate with business risks and activities. The Reserve Committee meets monthly to review current market conditions, and act on specific issues brought to its attention by finance and business personnel.

Trading inventories are monitored on a global basis for aging and concentration levels in specific issues and issuers. Finance personnel from the Chief Financial Officer's division independently review the pricing of trading inventories and formula-driven contractual arrangements. Any specific issues requiring action are brought to the attention of trading management and, as appropriate, the Reserve Committee. The Corporation has established policies

and procedures for recognizing provisions for loss and utilization of reserves which consider historical experience and current business conditions.

The Corporate Audit and Compliance Units provide oversight functions. Corporate Audit, which reports to the Audit and Finance Committee of the Board of Directors, provides management with an independent assessment of the Corporation's operations and control environment through reviews of business and operational areas.

The Compliance Unit establishes procedures to see that management's policies encompassing conduct, ethics and business practices are followed, and external regulatory requirements are strictly enforced. Compliance reports directly to the Vice Chairman and General Counsel. Adherence with corporate policy is accomplished by conducting education programs, monitoring the Corporation's businesses, evaluating supervisory procedures, and recommending internal disciplinary action when necessary. The Corporation's reputation and assets are protected through increased training and awareness which emphasizes protection of clients' interest and the Corporation's integrity.

MARKET RISK

The Corporation's trading activities are primarily client order flow driven rather than proprietary, with hedging transactions executed where appropriate. This strategy helps reduce volatility in principal transactions revenues.

Risk Management monitors the Corporation's exposure to losses in the value of its trading inventory resulting from changes in the market environment. Inventory values are affected by changes in interest rates and credit spreads, currency fluctuation, and market volatility and liquidity. Risk Management is headed by a Senior Vice President, who is a member of the Executive Management Committee and reports directly to the Chairman and Chief Executive Officer. Risk Management sets and monitors all trading limits, actively monitors trading and inventory exposures, approves new products in conjunction with the Corporation's new product review process, and has the authority to require reductions in specific trading desk exposures or to veto proposed transactions.

Risk Management is organized along product lines with independent professionals responsible for maintaining daily contact with specific trading areas. On-line trading systems and complementary risk monitoring systems allow these professionals to track established limit levels and exposures. Certain classes of transactions are automatically subject to prior approval from Risk Management. These include new financial products, proposed equity, emerging market, and high-yield underwritings, and bridge loans.

Trading areas may execute transactions only within their product authority and limits, which are customized for each product. Existing trading positions are regularly compared with established limits. In addition to Risk Management establishing trading limits, individual product areas have established their own more specific trading limits.

Risk Management information systems compare established trading limits with actual positions to determine the exposure to the Corporation. Trading systems are designed to assist traders in mitigating market and other risks prevalent in trading. Risk Management can also access trading systems to allow for monitoring of positions and for performing computerized analytics on various market situations and conditions.

CREDIT RISK

Credit risk, the risk that a counterparty will fail to perform under its contractual commitments, is monitored by Corporate Credit. Corporate Credit is headed by a Senior Vice President who reports directly to the Executive Vice President responsible for Corporate Strategy, Credit, and Research.

Corporate Credit is centralized and organized geographically, and within each region, along industry lines. Credit officers perform credit analysis, set credit limits by country and by counterparty, approve specific transactions, recommend credit reserves, manage credit exposures, and participate in the new product review process. Credit analysis, in many cases, is enhanced by face-to-face due diligence meetings with counterparties. Many types of transactions, including derivatives, are reviewed and subject to prior approval from Corporate Credit.

Within Corporate Credit, prescribed levels of authority have been established for approval of standard transactions. Required authority levels are governed by the counterparty's credit quality, as well as the maturity and potential risk of the transaction. Transactions which exceed prescribed levels must be approved by the Credit Committee, which is composed of several Senior Credit Officers and the Chief Credit Officer.

The credit information system aggregates credit exposure with each counterparty for its various legal entities. This system maintains overall counterparty limits, specific product limits and limit expiration dates. Detailed information on firmwide inventory positions and transactions executed, including current and potential credit exposure, is updated daily and compared with limits. Collateral, which reduces the Corporation's credit exposure, is obtained as needed and tracked on the credit system. The system enables Corporate Credit to monitor counterparty, product, industry, country, and credit quality concentrations.

CONCENTRATION RISK

Concentration risk, the risk that the Corporation's businesses will be dependent upon a single source of revenue, product or market, is periodically reviewed as part of the Corporation's ongoing strategic and business planning process. The Corporation has diversified its revenue sources and continues to grow fee-based businesses to ensure that it is not dependent on a single financial product, customer base or market to generate revenues.

[GRAPHIC NO. 2 TO APPEAR HERE]

OPERATIONAL RISK

Operational risk focuses on the Corporation's ability to accumulate, process and communicate information necessary to conduct business in a global market environment. These risks are monitored on both a local and centralized basis. Information systems provide operational risk assessments on transactions in major markets. This technology allows the Corporation to promptly respond to changing market conditions worldwide. As required, systems and equipment are updated for changes in technology. This enables the Corporation to effectively compete in the dynamic financial services industry. Exception reports are also used to manage operational risk, highlight reconciliation issues and enable the Corporation to identify instances where additional collateral is required. These reports also help identify potential business risk exposures and promote compliance with both internal management policies and regulatory requirements. Operations personnel who are responsible for entering trades, report to an operations or business manager, not to the traders. Operations personnel provide support and control for trading, clearance and settlement activities, and perform custodial functions for customer and proprietary assets. Central to management of its operational risk, the Corporation maintains backup facilities worldwide.

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STATEMENTS OF CONSOLIDATED EARNINGS

<TABLE>
<CAPTION>

| (Dollars in Thousands, Except Per Share Amounts) | Year Ended Last Friday in December | | |
|---|------------------------------------|-------------------|-------------------|
| | 1993 | 1992 | 1991 |
| | (53 Weeks) <C> | (52 Weeks) <C> | (52 Weeks) <C> |
| REVENUES | | | |
| Commissions | \$ 2,894,228 | \$ 2,422,084 | \$ 2,166,301 |
| Interest and dividends | 7,099,155 | 5,806,710 | 5,761,061 |
| Principal transactions | 2,920,439 | 2,165,725 | 1,905,728 |
| Investment banking | 1,831,253 | 1,484,067 | 1,175,992 |
| Asset management and portfolio service fees | 1,557,778 | 1,252,829 | 1,003,904 |
| Other | 285,324 | 281,253 | 339,826 |
| Total Revenues | 16,588,177 | 13,412,668 | 12,352,812 |
| Interest Expense | 6,029,947 | 4,835,267 | 5,106,344 |
| NET REVENUES | 10,558,230 | 8,577,401 | 7,246,468 |
| NON-INTEREST EXPENSES | | | |
| Compensation and benefits | 5,255,258 | 4,364,454 | 3,867,849 |
| Occupancy | 572,936 | 477,754 | 473,562 |
| Communications and equipment rental | 385,809 | 366,161 | 356,850 |
| Depreciation and amortization | 308,499 | 281,228 | 276,125 |
| Advertising and market development | 376,881 | 301,146 | 249,844 |
| Professional fees | 290,324 | 256,887 | 235,344 |
| Brokerage, clearing and exchange fees | 280,712 | 277,166 | 239,828 |
| Other | 663,003 | 631,216 | 529,648 |
| TOTAL NON-INTEREST EXPENSES | 8,133,422 | 6,956,012 | 6,229,050 |

| | | | |
|--|--------------|------------|------------|
| EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 2,424,808 | 1,621,389 | 1,017,418 |
| Income tax expense | 1,030,449 | 668,984 | 321,301 |
| | ----- | ----- | ----- |
| EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES | 1,394,359 | 952,405 | 696,117 |
| Cumulative Effect of Changes in Accounting Principles (net of applicable income taxes of \$25,075 in 1993 and \$55,291 in 1992) | (35,420) | (58,580) | -- |
| | ----- | ----- | ----- |
| NET EARNINGS | \$ 1,358,939 | \$ 893,825 | \$ 696,117 |
| | ===== | ===== | ===== |
| NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS | \$ 1,353,558 | \$ 887,486 | \$ 678,392 |
| | ===== | ===== | ===== |
| ----- | | | |
| PRIMARY EARNINGS PER COMMON SHARE | | | |
| Earnings Before Cumulative Effect of Changes in Accounting Principles | \$ 6.14 | \$ 4.18 | \$ 3.01 |
| Cumulative Effect of Changes in Accounting Principles | (.16) | (.26) | -- |
| | ----- | ----- | ----- |
| NET EARNINGS | \$ 5.98 | \$ 3.92 | \$ 3.01 |
| | ===== | ===== | ===== |
| FULLY DILUTED EARNINGS PER COMMON SHARE | | | |
| Earnings Before Cumulative Effect of Changes in Accounting Principles | \$ 6.11 | \$ 4.17 | \$ 2.95 |
| Cumulative Effect of Changes in Accounting Principles | (.16) | (.26) | -- |
| | ----- | ----- | ----- |
| NET EARNINGS | \$ 5.95 | \$ 3.91 | \$ 2.95 |
| | ===== | ===== | ===== |

</TABLE>

See Notes to Consolidated Financial Statements

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<TABLE>
<CAPTION>
CONSOLIDATED BALANCE SHEETS

| | December 31, | December 25, |
|---|--------------|--------------|
| (Dollars in Thousands, Except Per Share Amounts) | 1993 | 1992 |
| | ----- | ----- |
| <S> | <C> | <C> |
| ASSETS | | |
| CASH AND CASH EQUIVALENTS | \$ 1,783,408 | \$ 1,251,572 |
| | ----- | ----- |
| CASH AND SECURITIES SEGREGATED FOR REGULATORY PURPOSES OR DEPOSITED WITH CLEARING ORGANIZATIONS | 4,069,424 | 3,424,711 |
| | ----- | ----- |
| MARKETABLE INVESTMENT SECURITIES | 1,749,254 | 1,173,970 |
| | ----- | ----- |
| TRADING INVENTORIES, AT FAIR VALUE | | |
| Corporate debt, contractual agreements, and preferred stock | 16,764,084 | 10,494,877 |
| Non-U.S. Governments and agencies | 9,260,725 | 2,605,337 |
| U.S. Government and agencies | 7,287,081 | 4,937,272 |
| Equities and convertible debentures | 6,806,539 | 2,732,934 |
| Mortgages and mortgage-backed | 6,486,464 | 5,803,322 |
| Money markets | 3,337,839 | 4,009,846 |
| Municipals | 1,606,097 | 1,135,601 |
| | ----- | ----- |
| TOTAL | 51,548,829 | 31,719,189 |
| | ----- | ----- |
| RESALE AGREEMENTS | 38,137,528 | 25,002,230 |
| | ----- | ----- |
| SECURITIES BORROWED | 19,001,061 | 13,565,803 |
| | ----- | ----- |
| RECEIVABLES | | |
| Customers (net of allowance for | | |

| | | |
|--|---------------|---------------|
| doubtful accounts of \$47,953 in 1993 and \$31,230 in 1992) | 13,242,875 | 9,785,266 |
| Brokers and dealers | 7,292,332 | 4,231,597 |
| Interest and other | 2,758,768 | 1,956,091 |
| | ----- | ----- |
| TOTAL | 23,293,975 | 15,972,954 |
| | ----- | ----- |
| INVESTMENTS OF INSURANCE SUBSIDIARIES | 7,841,444 | 9,052,839 |
| LOANS, NOTES AND MORTGAGES (NET OF ALLOWANCE FOR LOAN LOSSES OF \$142,414 IN 1993 AND \$218,960 IN 1992) | 2,083,553 | 2,542,760 |
| OTHER INVESTMENTS | 873,806 | 957,657 |
| PROPERTY, LEASEHOLD IMPROVEMENTS AND EQUIPMENT (NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF \$1,677,334 IN 1993 AND \$1,459,020 IN 1992) | 1,506,964 | 1,409,115 |
| OTHER ASSETS | 1,021,116 | 951,373 |
| | ----- | ----- |
| TOTAL ASSETS | \$152,910,362 | \$107,024,173 |
| | ===== | ===== |

</TABLE>

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<TABLE>
<CAPTION>

| | December 31, ----- 1993 | December 25, ----- 1992 |
|---|-------------------------------|-------------------------------|
| <S> | <C> | <C> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| REPURCHASE AGREEMENTS | \$ 56,418,148 | \$ 32,410,407 |
| | ----- | ----- |
| COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS | 23,214,329 | 18,769,123 |
| | ----- | ----- |
| COMMITMENTS FOR SECURITIES SOLD BUT NOT YET PURCHASED, AT FAIR VALUE | | |
| U.S. Government and agencies | 12,183,271 | 8,685,321 |
| Equities and convertible debentures | 3,953,850 | 2,114,375 |
| Corporate debt, contractual agreements, and preferred stock | 3,577,056 | 2,641,898 |
| Non-U.S. Governments and agencies | 1,762,154 | 947,808 |
| Municipals | 184,041 | 182,702 |
| | ----- | ----- |
| TOTAL | 21,660,372 | 14,572,104 |
| | ----- | ----- |
| CUSTOMERS | 13,571,379 | 9,897,399 |
| INSURANCE | 7,405,673 | 8,711,976 |
| BROKERS AND DEALERS | 4,862,584 | 2,392,803 |
| OTHER LIABILITIES AND ACCRUED INTEREST | 6,823,064 | 4,830,157 |
| LONG-TERM BORROWINGS | 13,468,900 | 10,871,100 |
| | ----- | ----- |
| TOTAL LIABILITIES | 147,424,449 | 102,455,069 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY | | |
| PREFERRED STOCKHOLDERS' EQUITY | | |
| Preferred stock, par value \$1.00 per share (Liquidation preference \$100,000 per share); authorized: 25,000,000 shares; issued: 1993 and 1992-3,000 shares; outstanding: 1993 and 1992-1,938 shares | 193,800 | 193,800 |
| | ----- | ----- |
| COMMON STOCKHOLDERS' EQUITY | | |
| Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 | | |

| | | |
|--|---------------|---------------|
| shares; issued: 1993-236,330,162 | | |
| shares; 1992-234,692,848 shares | 315,105 | 312,922 |
| Paid-in capital | 1,156,367 | 1,081,469 |
| Foreign currency translation adjustment | (18,305) | (6,129) |
| Unrealized appreciation of investment securities available-for-sale (net of applicable income taxes of \$12,493) | 21,355 | -- |
| Retained earnings | 4,777,142 | 3,570,980 |
| | ----- | ----- |
| Subtotal | 6,251,664 | 4,959,242 |
| Less: | | |
| Treasury stock, at cost: | | |
| 1993-23,408,139 shares | 695,788 | 286,599 |
| 1992-16,288,488 shares | | |
| Unallocated ESOP shares, at cost: | | |
| 1993- 8,932,332 shares | 140,684 | 176,426 |
| 1992-11,201,672 shares | | |
| Employee stock transactions | 123,079 | 120,913 |
| | ----- | ----- |
| TOTAL COMMON STOCKHOLDERS' EQUITY | 5,292,113 | 4,375,304 |
| | ----- | ----- |
| TOTAL STOCKHOLDERS' EQUITY | 5,485,913 | 4,569,104 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$152,910,362 | \$107,024,173 |
| | ===== | ===== |

</TABLE>

See Notes to Consolidated Financial Statements

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STATEMENTS OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

| (Dollars in Thousands, Except Per Share Amounts) | Year Ended Last Friday in December | | |
|---|------------------------------------|------------|------------|
| | 1993 | 1992 | 1991 |
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| PREFERRED STOCK, PAR VALUE \$1.00 | | | |
| BALANCE, BEGINNING AND END OF YEAR | | | |
| (3,000 SHARES IN 1993, 1992 AND 1991) | \$ 3 | \$ 3 | \$ 3 |
| | ----- | ----- | ----- |
| PAID-IN CAPITAL, BEGINNING AND END OF YEAR | 299,997 | 299,997 | 299,997 |
| | ----- | ----- | ----- |
| PREFERRED TREASURY STOCK, AT COST | | | |
| Balance, beginning of year (1,062 shares in 1993; 945 in 1992) | (106,200) | (94,500) | -- |
| Treasury stock purchased (117 shares in 1992; 945 in 1991) | -- | (11,700) | (94,500) |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR (1,062 SHARES IN 1993 AND 1992; 945 IN 1991) | (106,200) | (106,200) | (94,500) |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR | \$ 193,800 | \$ 193,800 | \$ 205,500 |
| | ===== | ===== | ===== |
| COMMON STOCK, PAR VALUE \$1.33 1/3 | | | |
| Balance, beginning of year (234,692,848 shares in 1993 and 1992; 234,690,600 in 1991) | \$ 312,922 | \$ 312,922 | \$ 312,920 |
| Issued: | | | |
| Employee benefit plans (1,637,314 shares in 1993) | 2,183 | -- | -- |
| To debenture holders through conversion rights (2,248 shares in 1991) | -- | -- | 2 |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR (236,330,162 SHARES IN 1993; 234,692,848 IN 1992 AND 1991) | \$ 315,105 | \$ 312,922 | \$ 312,922 |
| | ===== | ===== | ===== |
| PAID-IN CAPITAL | | | |
| Balance, beginning of year | \$1,081,469 | \$ 999,612 | \$ 983,008 |

| | | | |
|--|--------------|--------------|--------------|
| Issuance of Common stock: | | | |
| To employees | (2,456) | (6,116) | (5,604) |
| Employee stock grants | 13,645 | 56,326 | 5,583 |
| To debenture holders through conversion rights | -- | -- | 68 |
| To ESOP (including allocation of shares in 1993, 1992 and 1991) | 63,709 | 31,647 | 16,557 |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR | \$1,156,367 | \$1,081,469 | \$ 999,612 |
| | ===== | ===== | ===== |
| FOREIGN CURRENCY TRANSLATION ADJUSTMENT | | | |
| Balance, beginning of year | \$ (6,129) | \$ 10,219 | \$ 14,585 |
| Translation adjustment* | (12,176) | (16,348) | (4,366) |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR | \$ (18,305) | \$ (6,129) | \$ 10,219 |
| | ===== | ===== | ===== |
| UNREALIZED APPRECIATION OF INVESTMENT SECURITIES AVAILABLE-FOR-SALE (NET OF APPLICABLE INCOME TAXES) | | | |
| BALANCE, END OF YEAR | \$ 21,355 | \$ -- | \$ -- |
| | ===== | ===== | ===== |
| RETAINED EARNINGS | | | |
| Balance, beginning of year | \$3,570,980 | \$2,803,392 | \$2,228,721 |
| Net earnings | 1,358,939 | 893,825 | 696,117 |
| Cash dividends declared: | | | |
| Remarketed Preferred stock | (5,290) | (6,745) | (18,080) |
| Common stock (\$.70 per share in 1993; \$.575 in 1992; \$.50 in 1991) | (147,487) | (119,492) | (103,366) |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR | \$4,777,142 | \$3,570,980 | \$2,803,392 |
| | ===== | ===== | ===== |
| COMMON TREASURY STOCK, AT COST | | | |
| Balance, beginning of year (16,288,488 shares in 1993; 15,612,392 in 1992; 18,949,362 in 1991) | \$ (286,599) | \$ (167,507) | \$ (211,669) |
| Treasury stock purchased (16,345,568 shares in 1993; 10,653,858 in 1992; 5,919,852 in 1991) | (695,431) | (259,526) | (116,612) |
| Issued out of treasury (net of reacquisitions): | | | |
| Employees (955,391 shares in 1993; 1,272,014 in 1992; 1,763,410 in 1991) | 33,299 | 34,421 | 30,462 |
| Employee stock grants (8,270,526 shares in 1993; 8,705,748 in 1992; 7,493,412 in 1991) | 252,943 | 106,013 | 130,312 |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR (23,408,139 SHARES IN 1993; 16,288,488 IN 1992; 15,612,392 in 1991) | \$ (695,788) | \$ (286,599) | \$ (167,507) |
| | ===== | ===== | ===== |
| UNALLOCATED ESOP SHARES, AT COST | | | |
| Balance, beginning of year (11,201,672 shares in 1993; 13,636,820 in 1992; 16,071,968 in 1991) | \$ (176,426) | \$ (214,780) | \$ (253,133) |
| Allocation of shares to participants (2,269,340 shares in 1993; 2,435,148 in 1992 and 1991) | 35,742 | 38,354 | 38,353 |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR (8,932,332 SHARES IN 1993; 11,201,672 IN 1992; 13,636,820 IN 1991) | \$ (140,684) | \$ (176,426) | \$ (214,780) |
| | ===== | ===== | ===== |
| EMPLOYEE STOCK TRANSACTIONS | | | |
| Balance, beginning of year | \$ (120,913) | \$ (131,270) | \$ (149,003) |
| Net issuance of employee stock grants | (115,251) | (105,342) | (62,025) |
| Amortization of employee stock grants | 106,867 | 109,908 | 74,127 |
| Repayment of loans | 6,218 | 5,791 | 5,631 |
| | ----- | ----- | ----- |
| BALANCE, END OF YEAR | \$ (123,079) | \$ (120,913) | \$ (131,270) |
| | ===== | ===== | ===== |
| TOTAL STOCKHOLDERS' EQUITY | \$5,485,913 | \$4,569,104 | \$3,818,088 |
| | ===== | ===== | ===== |

</TABLE>

*Net of income tax (expense) benefit of \$(1,837) in 1993, \$386 in 1992 and \$ (364) in 1991.

STATEMENTS OF CONSOLIDATED CASH FLOWS

<TABLE>
<CAPTION>

| (Dollars in Thousands) | Year Ended Last Friday in December | | |
|---|------------------------------------|---------------------|---------------------|
| | 1993 | 1992 | 1991 |
| <S> | <C> | <C> | <C> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net Earnings | \$ 1,358,939 | \$ 893,825 | \$ 696,117 |
| Noncash items included in earnings: | | | |
| Cumulative effect of changes in accounting principles | 35,420 | 58,580 | -- |
| Depreciation and amortization | 308,499 | 281,228 | 276,125 |
| Policyholder reserves | 516,741 | 624,012 | 717,352 |
| Other | 649,100 | 795,220 | 678,636 |
| (Increase) decrease in operating assets: | | | |
| Trading inventories | (19,829,640) | (6,794,804) | (7,610,914) |
| Cash and securities segregated for regulatory purposes or deposited with clearing organizations | (644,713) | (70,120) | 687,437 |
| Securities borrowed | (5,435,258) | (1,734,088) | (4,145,484) |
| Customers | (3,481,056) | (2,409,415) | (229,054) |
| Other | (3,708,028) | (550,705) | (3,344,726) |
| Increase (decrease) in operating liabilities: | | | |
| Commitments for securities sold but not yet purchased | 7,088,268 | 4,977,122 | 3,387,365 |
| Customers | 3,673,980 | (340,505) | 755,849 |
| Insurance | (2,028,539) | (1,221,883) | 55,158 |
| Other | 4,388,965 | 276,785 | (506,402) |
| CASH USED FOR OPERATING ACTIVITIES | (17,107,322) | (5,214,748) | (8,582,541) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Proceeds from (payments for): | | | |
| Maturities and sales of investments by insurance subsidiaries | 3,983,077 | 3,904,587 | 4,537,265 |
| Purchases of investments by insurance subsidiaries | (2,438,571) | (3,304,652) | (5,552,334) |
| Marketable investment securities | (575,284) | (828,647) | (194,147) |
| Other investments and other assets | (176,322) | 344,263 | (158,461) |
| Property, leasehold improvements and equipment | (406,348) | (131,246) | (188,946) |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | 386,552 | (15,695) | (1,556,623) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from (payments for): | | | |
| Repurchase agreements, net of resale agreements | 10,872,443 | (1,770,519) | 7,318,966 |
| Commercial paper and other short-term borrowings | 4,445,206 | 4,593,854 | 841,211 |
| Issuance and resale of long-term borrowings | 7,861,813 | 6,773,739 | 6,395,992 |
| Settlement and repurchases of long-term borrowings | (5,263,104) | (3,861,745) | (4,859,142) |
| Repurchases of Remarketed Preferred stock | -- | (11,700) | (94,500) |
| Other common stock transactions | (510,975) | (189,301) | (54,772) |
| Dividends | (152,777) | (126,237) | (121,446) |
| CASH PROVIDED BY FINANCING ACTIVITIES | 17,252,606 | 5,408,091 | 9,426,309 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 531,836 | 177,648 | (712,855) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,251,572 | 1,073,924 | 1,786,779 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,783,408 | \$ 1,251,572 | \$ 1,073,924 |

</TABLE>

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Income taxes totaled \$1,031,980 in 1993, \$590,481 in 1992 and \$354,773 in 1991.

Interest totaled \$5,788,218 in 1993, \$4,753,336 in 1992 and \$5,311,974 in 1991.

Supplemental Disclosure of Non-Cash Investing Activities:

Unrealized appreciation of investment securities available-for-sale totaled \$21,355, net of applicable income taxes of \$12,493 in 1993.

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, Except Per Share Amounts)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Merrill Lynch & Co., Inc. and all significant subsidiaries (collectively referred to as the "Corporation"). All material intercompany balances and transactions have been eliminated.

In 1993, the Corporation reclassified to "Asset management and portfolio service fees" certain fee-based revenues, previously shown on the Statements of Consolidated Earnings as "Other revenues." The reclassifications provide a more meaningful presentation of the Corporation's fee-based services by recording similar items in one revenue line.

On the Consolidated Balance Sheets in 1993, the Corporation reclassified certain fixed-income investment securities from "Other investments" to a new category, "Marketable investment securities." These investments, consisting principally of debt securities, are highly rated, liquid instruments held by subsidiaries of the Corporation to meet rating agency and other requirements. Certain investments in partnerships and joint ventures, previously recorded in "Other assets," were reclassified to "Other investments" to more accurately depict the nature of the asset. The Corporation reclassified its trade date adjustment for international subsidiaries from customer receivables or payables to broker and dealer receivables or payables. Certain other limited classification and format changes have been implemented in the Consolidated Balance Sheets, and Statements of Consolidated Earnings and Cash Flows. Prior years' financial statements have been reclassified to conform to the 1993 presentation.

TRADING POSITIONS

Trading inventories and commitments for securities sold but not yet purchased, including assets and liabilities arising from contractual agreements for futures, forwards, options, interest rate and currency swaps, and other derivative products, are recorded at fair value. Fair value is based on quoted market prices, pricing models (utilizing indicators of general market conditions or other such economic measurements) or determined by management based on estimates of amounts to be realized on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time. Net unrealized gains and losses resulting from trading activities are included in earnings of the current period. Trading inventories, commitments for securities sold but not yet purchased, commission revenues, and related expenses are recorded on a trade date basis.

The Corporation enters into when-issued and delayed delivery transactions. Unrealized gains and losses from these transactions are recorded in earnings of the current period.

INVESTMENT SECURITIES

Investments in debt and qualifying equity securities are classified as either "held-to-maturity," "trading," or "available-for-sale" in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"). (See Accounting Changes Note to the Consolidated Financial Statements.)

Held-to-maturity investments are debt securities which the Corporation has the positive intent and ability to hold to maturity. These investments are recorded at amortized cost unless a decline in value is deemed other than temporary, in which case the carrying value is adjusted. The amortization of premium or accretion of discount, as well as any unrealized loss deemed other than temporary, is included in current period earnings.

Debt and equity securities purchased principally for the purpose of resale in the near term are classified as trading investments and are recorded at fair value. Unrealized gains or losses on these investments are included in earnings of the current period.

Other debt and equity securities which are not categorized as held-to-maturity or trading are classified as available-for-sale and reported at fair

value. Unrealized gains or losses on these securities are reported as a separate component of stockholders' equity, net of applicable income tax expense or benefit, and other related items.

Restricted equity investment securities, which are excluded from the provisions of SFAS No. 115, are reported at the lower of cost or estimated net realizable value. Unrealized losses resulting from adjustments to carrying values are included in current period earnings.

COLLATERALIZED FINANCING ACTIVITIES

Repurchase and resale agreements are accounted for as collateralized financing transactions and are recorded at their contractual amounts, including accrued interest. The Corporation's policy is to take possession of securities purchased under resale agreements. This collateral is valued daily with additional collateral, as required through contractual provisions, obtained when appropriate to ensure that the market value of the underlying collateral remains sufficient.

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. For non-cash collateral transactions, the fee received or paid by the Corporation is recorded in the Statements of Consolidated Earnings as interest income or interest expense. Securities borrowed transactions require the Corporation to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. The Corporation receives collateral in the form of cash or other securities for securities loaned transactions. The Corporation measures the market value of securities borrowed or loaned against the collateral value daily with additional amounts obtained when appropriate.

Substantially all collateralized financing activities are transacted under master netting agreements which give the Corporation the right, in the event of default, to liquidate collateral held and to setoff receivables and payables with the same counterparty. For financial reporting, the Corporation nets receivables and payables with the same counterparty on the Consolidated Balance Sheets, when appropriate.

INCOME TAXES

Merrill Lynch & Co., Inc. and certain of its wholly owned subsidiaries file a consolidated Federal income

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tax return. The Corporation uses the asset and liability method in providing income taxes on all transactions that have been recognized in the financial statements, in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). (See Accounting Changes Note to the Consolidated Financial Statements.) The asset and liability method requires deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax benefits, as well as other changes in income tax laws, are recognized in net earnings in the period such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. The consolidated financial statements for 1991 reflect income taxes under the liability method, in accordance with Statement of Financial Accounting Standards No. 96 ("SFAS No. 96"). The Corporation does not provide for deferred income taxes on the undistributed earnings of foreign subsidiaries that are considered to be permanent in duration.

PROPERTY, LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Property (excluding land), leasehold improvements and equipment are reported at historical cost, net of accumulated depreciation and amortization. Land is reported at historical cost.

Depreciation and amortization are computed using the straight-line method. Property and equipment are depreciated over the estimated useful lives of the assets, while leasehold improvements are amortized over the lesser of the estimated economic useful life of the asset or the term of the lease. Maintenance and repair costs are expensed as incurred.

Facilities-related depreciation and amortization expense was \$140,340, \$130,448 and \$130,286 in 1993, 1992 and 1991, respectively. Non-facilities-related depreciation and amortization expense for 1993, 1992 and 1991 was \$168,159, \$150,780 and \$145,839, respectively.

INSURANCE

Insurance liabilities represent future benefits payable related to annuity and interest-sensitive life contracts and reflect deposits received plus interest credited during the contract accumulation period, the present value of future payments for contracts which have annuitized, and a mortality provision

for certain products. Certain policyholder liabilities are also adjusted for those investments classified as available-for-sale (see discussion below). Interest crediting rates range from 2.4% to 10.0%. Liabilities for unpaid claims and claim adjustment expenses are based on the experience of the Corporation. Policy deposits are recorded as insurance liabilities when received. Policy withdrawal, maintenance and other fees are recognized as revenue when earned.

Substantially all investments of insurance subsidiaries, principally debt securities, are classified as available-for-sale and recorded at fair value in accordance with SFAS No. 115. The Corporation records an adjustment to deferred acquisition costs and policyholder account balances which, when combined, are equal to the adjustment that would have been recorded if those available-for-sale investments had been sold at their estimated fair value and the proceeds reinvested at current yields. The corresponding credits or charges for those adjustments are recorded as unrealized gains or losses in stockholders' equity, net of applicable income tax expense or benefit. (See Accounting Changes Note to the Consolidated Financial Statements.) Prior to December 31, 1993, these investments were recorded at amortized cost.

Certain variable costs related to the sale or acquisition of new and renewal insurance contracts have been deferred to the extent such costs are deemed recoverable from future income. Deferred costs are amortized, based on actuarial factors, over the lives of the contracts in proportion to the estimated gross profit expected to be realized for each group of contracts.

The Corporation maintains separate accounts representing segregated funds held for purposes of funding variable annuity and variable life contracts. Subsidiaries of the Corporation receive various administrative and advisory fees for managing such funds. Separate account assets are accounted for as customer assets since the contract holders bear the risk of ownership, consistent with the Corporation's other investment products. Accordingly, separate account assets and the related liabilities are not consolidated with the assets and liabilities of the Corporation.

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries are translated at year-end currency exchange rates, while revenues and expenses are translated at average currency exchange rates during the year. Adjustments that result from translating foreign currency financial statements, net of hedging gains or losses and related tax effects, are reported as a separate component of stockholders' equity. Gains or losses from foreign currency transactions are included in earnings of the current period.

CASH FLOWS

For purposes of the Statements of Consolidated Cash Flows, the Corporation defines cash equivalents as short-term, highly liquid floating rate securities and interest-earning deposits with original maturities of less than 90 days.

INTEREST EXPENSE

Interest expense includes payments in lieu of dividends of \$21,436, \$12,556 and \$32,520 in 1993, 1992 and 1991, respectively.

OTHER SIGNIFICANT EVENTS

ACCOUNTING CHANGES

During the fourth quarter of 1993, the Corporation adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS No. 112") and SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 112 was effective as of the 1993 first quarter. Quarterly information has been restated to reflect the impact of this pronouncement. SFAS No. 115 was effective as of the last day of the fiscal year.

SFAS No. 112 establishes accrual accounting standards for employer-provided benefits which cover former or inactive employees after employment but before retirement ("postemployment benefits"). Prior to 1993, the Corporation accounted for such costs on a modified "pay-as-you-go" basis. Postemployment benefits include severance benefits, short- and long-term disability, workers' compensation, and the continuation of certain health care and life insurance coverage. The cumulative effect of this change in accounting principle reported in the Statements of Consolidated Earnings resulted in a charge of \$35,420 (net of applicable income tax benefits of \$25,075). The effect of adopting SFAS No. 112 on the current year's results of operations was not material.

SFAS No. 115 requires certain subsidiaries of the Corporation, principally insurance and banking, to classify their investments in debt and qualifying

equity securities into three categories: "trading," "available-for-sale" or "held-to-maturity." Investments that are classified as trading and available-for-sale are recorded at fair value. Investments in debt securities classified as held-to-maturity continue to be carried at amortized cost. Prior to adoption, the Corporation's non-broker-dealer subsidiaries recorded investments in debt securities at amortized cost and investments in equity securities at the lower of cost or estimated net realizable value. Under SFAS No. 115, unrealized gains or losses on trading investments are reported in current period earnings. Unrealized gains or losses on available-for-sale investments are recorded as a separate component of stockholders' equity (net of applicable income taxes). At December 31, 1993, the increase to stockholders' equity for available-for-sale investments totaled \$21,355 (net of \$12,493 applicable income taxes). The impact of trading investments on the Corporation's financial statements was not material.

In 1992, the Corporation adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS No. 106") and SFAS No. 109, "Accounting for Income Taxes." These changes were effective as of the 1992 first quarter.

SFAS No. 106 requires accrual accounting for postretirement benefits, primarily health care and life insurance benefits. Prior to 1992, the Corporation accounted for such costs on a modified "pay-as-you-go" basis. The cumulative effect of this change in accounting principle, reported in the Statements of Consolidated Earnings, resulted in a charge of \$76,354 (net of related income tax benefits of \$55,291). The adoption of SFAS No. 106 increased compensation and benefits expense in 1992 by \$8,500.

SFAS No. 109 superseded SFAS No. 96 and changed the conditions under which deferred tax assets are recognized. The cumulative effect of this change in accounting principle reported in the Statements of Consolidated Earnings was a credit of \$17,774, and related principally to recognition of deferred state and local tax benefits.

OCCUPANCY CHARGE

The Corporation recorded a non-recurring pretax charge totaling \$103,000 (\$59,700 after income taxes) in the 1993 first quarter. The non-recurring charge related to the Corporation's decision not to occupy certain office space at its World Financial Center Headquarters facility and, instead, to offer for sublease the unused space to third parties. An agreement to sublet this space was entered into in December 1993.

FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 1993 and December 25, 1992, approximately 98% and 90% of financial instrument assets, and all financial instrument liabilities, respectively, are carried at fair value or amounts which approximate fair value.

Assets carried at amounts which approximate fair value consist predominantly of short-term financial instruments, which include cash and cash equivalents, cash and securities segregated for regulatory purposes or deposited with clearing organizations, resale agreements, securities borrowed, and receivables. Similarly, short-term liabilities, including repurchase agreements, commercial paper and other short-term borrowings, customers, brokers and dealers, and other liabilities and accrued interest, are carried at amounts which approximate fair value. The Corporation's insurance liabilities are exempt from the fair value disclosure requirements.

Trading positions and commitments for securities sold but not yet purchased are carried at fair value. Fair value for these instruments is estimated using market quotations for traded instruments, market quotations of similarly traded instruments and pricing models. Market quotations for traded instruments are obtained from various sources, including the major securities exchanges and dealers. Pricing models, which consider the time value and volatility of the underlying financial instrument, are used to value derivatives and other contractual agreements.

For substantially all long-term borrowings, the Corporation enters into swap agreements to convert fixed interest rate payments into floating rate payments and, in certain instances, to hedge foreign currency exposures. Fair value of these borrowings and related hedge instruments is estimated using current market prices and pricing models. At December 31, 1993 and December 25, 1992, the fair value of these borrowings and related hedge instruments approximated carrying value.

Financial instruments with carrying values different than fair values are presented below:

<TABLE>
<CAPTION>

| | DECEMBER 31, 1993(1) | | DECEMBER 25, 1992 | |
|---|----------------------|---------------|-------------------|---------------|
| | CARRYING VALUE | FAIR VALUE | CARRYING VALUE | FAIR VALUE |
| <S> | <C> | <C> | <C> | <C> |
| Insurance subsidiaries' investments | \$7,841,444 | \$7,841,444 | \$9,052,839 | \$9,337,816 |
| Merchant banking equity and debt portfolio | \$ 780,665 | \$ 996,581 | \$1,192,319 | \$1,480,123 |
| Loans, notes and mortgages (excluding loans related to merchant banking) | \$1,628,225 | \$1,639,551 | \$1,746,333 | \$1,756,706 |
| Excess mortgage servicing rights | \$ 72,117 | \$ 117,823 | \$ 49,065 | \$ 67,402 |

</TABLE>

(1) Includes debt and equity securities identified as available-for-sale (see Investments Note to the Consolidated Financial Statements).

Marketable investment securities principally include U.S. Government and agencies securities, municipal securities, commercial paper, medium-term notes, and corporate debt held by subsidiaries of the Corporation to meet rating agency and other requirements. The fair value of these investment securities is estimated using market quotations. At December 31, 1993 and December 25, 1992, carrying value approximated fair value.

The fair value of insurance subsidiaries' investments is generally estimated by market quotes obtained from exchanges for listed securities or dealers for unlisted securities.

In connection with its merchant banking activities, the Corporation holds certain equity instruments including partnership interests (included in other investments in the Consolidated Balance Sheets), and loans consisting primarily of senior and subordinated debt. Fair value for equity instruments is estimated using a number of methods including earnings multiples, cash flow analyses, review of underlying financial conditions and other market factors. These instruments may be subject to restrictions on disposition (e.g., minority ownership, consent of other investors), which may limit the Corporation's ability to realize currently the estimated fair value. Accordingly, the Corporation's current estimate of fair value and its ultimate realization on these instruments may differ. Loans made in connection with merchant banking activities are carried at unpaid principal balances less a reserve for estimated losses. Fair value is estimated using discounted cash flows.

The Corporation's estimate of fair value for its loans, notes and mortgages (excluding loans made in connection with merchant banking activities) is determined based on loan characteristics. For certain homogeneous categories of loans, including residential mortgages and home equity loans, fair value is estimated using market price quotations or previously executed transactions for securities backed by similar loans adjusted for credit risk and other individual loan characteristics. For the Corporation's floating rate loan receivables, carrying value approximates fair value.

Other assets include capitalized excess mortgage servicing rights. Capitalized excess servicing represents the net present value of estimated future servicing rights for mortgages securitized by the Corporation. Fair value is computed based on the present value of estimated future servicing revenues, using current market assumptions for discount rates, prepayment speeds, default estimates, and interest rate assumptions.

INVESTMENTS

The Corporation has several broad categories of investments on its Consolidated Balance Sheets, including investments of insurance subsidiaries, marketable investment securities and other investments.

The Corporation's insurance subsidiaries have investments which are used to fund policyholder liabilities. Marketable investment securities consist of equity and debt securities held for rating agency purposes or to manage cash flows related to certain liabilities of the Corporation's banking subsidiaries. Other investments consist principally of equity and debt securities which were acquired principally in connection with prior years' merchant banking activities. Certain merchant banking investments are subject to restrictions which may limit the Corporation's ability to realize its investment until such restrictions expire.

On December 31, 1993, the Corporation adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (see Accounting Changes Note to the Consolidated Financial Statements). A reconciliation of the Corporation's investment securities to those reported in the Consolidated Balance Sheets is presented below:

<TABLE>

| <S> | <C> |
|--|-------------|
| Investments of insurance subsidiaries: | |
| Available-for-sale | \$6,088,443 |
| Trading | 164,620 |
| Non-qualifying | 1,588,381 |
| TOTAL | \$7,841,444 |
| Marketable investment securities: | |
| Available-for-sale | \$ 471,862 |
| Held-to-maturity | 1,277,392 |
| TOTAL | \$1,749,254 |
| Other investments: | |
| Available-for-sale | \$ 151,801 |
| Held-to-maturity | 16,635 |
| Non-qualifying | 705,370 |
| TOTAL | \$ 873,806 |

</TABLE>

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Information regarding investment securities subject to SFAS No. 115 follows:

<TABLE>

<CAPTION>

| | AVAILABLE-FOR-SALE | | | |
|----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|
| | COST/ AMORTIZED COST | GROSS UNREALIZED GAINS | GROSS UNREALIZED LOSSES | ESTIMATED FAIR VALUE |
| <S> | <C> | <C> | <C> | <C> |
| 1993 | | | | |
| Corporate debt | \$ 3,516,922 | \$ 173,206 | \$ (21,644) | \$ 3,668,484 |
| Governments and agencies | 366,690 | 1,128 | (55) | 367,763 |
| Municipals | 233,595 | 12,646 | (1,152) | 245,089 |
| Mortgage-backed securities | 2,294,935 | 91,144 | (4,214) | 2,381,865 |
| Total debt securities | 6,412,142 | 278,124 | (27,065) | 6,663,201 |
| Equity securities | 45,934 | 6,591 | (3,620) | 48,905 |
| TOTAL (1) | \$ 6,458,076 | \$ 284,715 | \$ (30,685) | \$ 6,712,106 |

</TABLE>

(1) See reconciliation below of net unrealized appreciation of investment securities classified as available-for-sale.

For registrants subject to the information reporting requirements of the Securities Exchange Act of 1934, SFAS No. 115 requires the Corporation's insurance subsidiaries to adjust deferred acquisition costs and certain policyholder liabilities associated with investments classified as available-for-sale. These adjustments are recorded in stockholders' equity and assume that the unrealized gain or loss on available-for-sale securities were realized. The table below provides the components of the amount recorded in stockholders' equity for available-for-sale investments.

<TABLE>

| <S> | <C> |
|---|------------|
| Net unrealized appreciation of investment securities available-for-sale | \$ 254,030 |
| Adjustments for policyholder liabilities | (205,495) |
| Adjustments for deferred policy acquisition costs | (14,687) |
| Deferred income taxes | (12,493) |

Net unrealized appreciation of
investment securities classified as
available-for-sale

\$ 21,355
=====

</TABLE>

<TABLE>
<CAPTION>

| | HELD-TO-MATURITY | | | |
|----------------------------|-------------------|------------------------------|-------------------------------|----------------------------|
| | AMORTIZED COST | GROSS UNREALIZED GAINS | GROSS UNREALIZED LOSSES | ESTIMATED FAIR VALUE |
| <S> | <C> | <C> | <C> | <C> |
| 1993 | | | | |
| Corporate debt | \$ 534,452 | \$1,455 | \$ (648) | \$ 535,259 |
| Governments and agencies | 203,992 | 246 | (42) | 204,196 |
| Municipals | 778 | 46 | -- | 824 |
| Foreign government debt | 2,992 | 40 | -- | 3,032 |
| Mortgage-backed securities | 483,966 | 7,887 | -- | 491,853 |
| Other debt securities | 67,847 | 41 | (1) | 67,887 |
| TOTAL | \$1,294,027 | \$9,715 | \$ (691) | \$1,303,051 |

</TABLE>

At December 31, 1993, the Corporation had \$164,620 of insurance trading investment securities which are recorded at fair value. The Corporation's insurance subsidiaries hold policy loans and other non-qualifying investments totaling \$1,588,381. The estimated fair value of all investments of insurance subsidiaries was \$7,841,444 at December 31, 1993, with gross unrealized gains of \$273,482 and gross unrealized losses of \$29,096. During 1993, certain debt investments of insurance subsidiaries were sold. Proceeds from sales of debt securities during 1993 were \$3,828,224, with gross gains and gross losses realized of \$76,145 and \$4,564, respectively.

Prior to the adoption of SFAS No. 115, substantially all investments of insurance subsidiaries were carried at amortized cost, unless a decline in value was deemed other than temporary, in which case the carrying value was adjusted.

Information regarding investments of insurance subsidiaries as of December 25, 1992 is presented below:

<TABLE>
<CAPTION>

| | AMORTIZED | GROSS | GROSS | ESTIMATED |
|----------------------------|-------------|---------------------|----------------------|---------------|
| | COST | UNREALIZED GAINS | UNREALIZED LOSSES | FAIR VALUE |
| <S> | <C> | <C> | <C> | <C> |
| 1992 | | | | |
| Corporate debt | \$3,510,703 | \$153,911 | \$ (10,006) | \$3,654,608 |
| Mortgage-backed securities | 3,704,475 | 153,543 | (14,867) | 3,843,151 |
| Other debt securities | 202,870 | 4,121 | (3,312) | 203,679 |
| Total debt securities | 7,418,048 | 311,575 | (28,185) | 7,701,438 |
| Policy loans and other | 1,634,791 | 1,587 | -- | 1,636,378 |
| TOTAL | \$9,052,839 | \$313,162 | \$ (28,185) | \$9,337,816 |

</TABLE>

The carrying value and estimated fair value of debt securities at December 31, 1993 by contractual maturity, for available-for-sale and held-to-maturity investments follow:

<TABLE>
<CAPTION>

| | AVAILABLE-FOR-SALE | | HELD-TO-MATURITY | |
|--|--------------------|----------------------------|-------------------|----------------------------|
| | AMORTIZED COST | ESTIMATED FAIR VALUE | AMORTIZED COST | ESTIMATED FAIR VALUE |

| <S> | <C> | <C> | <C> | <C> |
|--|-------------|-------------|-------------|-------------|
| Due in one year or less | \$ 588,783 | \$ 595,169 | \$ 151,431 | \$ 152,655 |
| Due after one year through five years | 1,346,131 | 1,397,348 | 633,677 | 633,346 |
| Due after five years through ten years | 1,633,096 | 1,722,222 | 2,781 | 2,803 |
| Due after ten years | 549,197 | 566,597 | 22,172 | 22,394 |
| | ----- | ----- | ----- | ----- |
| Subtotal | 4,117,207 | 4,281,336 | 810,061 | 811,198 |
| Mortgage-backed securities | 2,294,935 | 2,381,865 | 483,966 | 491,853 |
| | ----- | ----- | ----- | ----- |
| TOTAL (1) | \$6,412,142 | \$6,663,201 | \$1,294,027 | \$1,303,051 |
| | ===== | ===== | ===== | ===== |

</TABLE>

(1) Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

STOCKHOLDERS' EQUITY

COMMON EQUITY

On October 11, 1993 the Corporation's Board of Directors declared a two-for-one common stock split, effected in the form of a 100 percent stock dividend. The new shares were distributed on November 24, 1993 to stockholders of record on October 22, 1993. The par value of these shares remained at \$1.33 1/3 per share. Accordingly, an adjustment totaling \$157,553 from paid-in capital to common stock was required to preserve the par value of the post-split shares. All share and per share data presented in this Annual Report to Stockholders have been restated for the effect of the split.

During the 1993 second quarter, stockholders of the Corporation approved an increase in the authorized number of shares of common stock from 200 million to 500 million shares. In addition, the Corporation issued 1,637,314 shares of common stock in connection with certain employee benefit plans.

PREFERRED EQUITY

The Corporation is authorized to issue 25,000,000 shares of \$1.00 par value per share preferred stock of which 3,000 shares of Remarketed Preferred (Service Mark) ("RP") (Registered Trademark) stock, Series C, were issued at \$100,000 per share and 1,938 shares are outstanding.

At the end of each dividend period, the RP stock, Series C, is subject to a remarketing process. As part of the remarketing process, both the dividend period and the dividend rate may be adjusted for periods generally of seven or 49 days with a maximum dividend rate dependent on the credit rating assigned to the RP shares. Dividends on RP stock, Series C, are cumulative and payable when declared by the authority of the Corporation's Board of Directors. Dividend rates in effect during 1993 on RP stock, Series C, ranged from 2.45% to 3.40% per annum. The maximum dividend rate on the RP stock, Series C, ranges from 115% to 250% of the "AA" Composite Commercial Paper Rate based on the Moody's and Standard and Poor's ratings on the date on which the dividend rate is reset. Total dividends declared on RP shares in 1993 were \$5,290. Generally, the Corporation has the option to redeem the RP stock, Series C shares, in whole or in part, at \$100,000 per share plus accumulated dividends on any dividend payment date.

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a subsidiary of the Corporation, acts as one of the remarketing agents for the RP stock. As a market maker, MLPF&S may occasionally acquire a temporary position in the RP stock. At December 31, 1993, RP stock held by MLPF&S for the purpose of resale was not material.

The Corporation's Stockholder Rights Plan provides for the distribution of preferred stock purchase rights to common stockholders which separate from the common stock ten days following: (a) an announcement of an acquisition by a person or group ("acquiring party") of 20% or more of the outstanding common shares of the Corporation; or (b) the commencement of a tender offer or exchange offer for 30% or more of the common shares. One-half right is attached to each outstanding share of common stock and will attach to all subsequently issued shares. Rights entitle the holder to purchase fractions of a share ("units") of Series A Junior Preferred Stock, par value \$1.00 per share, at an exercise price of \$100 per unit. The units of preferred stock are nonredeemable, voting and are entitled to certain preferential dividend rights. The exercise price and the number of units issuable are subject to adjustment to prevent dilution.

If, after the rights have been distributed, the Corporation is a party to a business combination or other specifically defined transaction, each right (other than those held by the acquiring party) will entitle the holder to receive, upon exercise, units of preferred stock or shares of common stock of the surviving company with a value equal to two times the exercise price of the right. The rights expire December 16, 1997 and are redeemable (at the option of a majority of the independent directors of the Corporation) at \$.01 per right at any time until the tenth day following an announcement of the acquisition of 20%

PER COMMON SHARE COMPUTATION

In 1993 and 1992, the Corporation computed its earnings per common share calculation using the modified treasury stock method ("modified method") in accordance with Accounting Principles Board Opinion No. 15. The modified method is used when the number of shares obtainable upon exercise of outstanding options, warrants and their equivalents exceed 20% of the Corporation's outstanding common stock.

Under this method, all options, warrants and their equivalents are assumed exercised (whether dilutive or antidilutive) with the aggregate proceeds obtained used to repurchase up to 20% of the Corporation's outstanding common stock, subject to certain limitations. If the combined effect of the assumed exercise is dilutive, all options, warrants and their equivalents are included in the computation.

In 1991, the Corporation computed earnings per common share using the treasury stock method. The treasury stock method assumes that any proceeds obtainable upon exercise of dilutive options, warrants or their equivalents would be used to repurchase the Corporation's outstanding common stock.

Primary earnings per common share is computed by dividing net earnings, after deducting preferred stock dividend requirements of \$5,381, \$6,339 and \$17,725 for 1993, 1992 and 1991, respectively, by the weighted average number of common shares and common stock equivalents outstanding during each year. Shares of common stock issuable under various employee stock plans are considered common stock equivalents (incremental shares).

The weighted average number of common shares and incremental shares included in the primary and fully diluted per common share computations follows:

<TABLE>
<CAPTION>

| | 1993 | 1992 | 1991 |
|--------------------------------|-------------|-------------|-------------|
| <S> | <C> | <C> | <C> |
| Primary: | | | |
| Weighted average common shares | 209,276,000 | 207,730,000 | 204,754,000 |
| Incremental shares | 17,055,000 | 18,672,000 | 20,596,000 |
| TOTAL | 226,331,000 | 226,402,000 | 225,350,000 |
| Fully Diluted: | | | |
| Weighted average common shares | 209,276,000 | 207,730,000 | 204,754,000 |
| Incremental shares | 18,204,000 | 19,124,000 | 25,162,000 |
| TOTAL | 227,480,000 | 226,854,000 | 229,916,000 |

</TABLE>

COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS

At December 31, 1993 and December 25, 1992, commercial paper totaled \$14,895,540 and \$9,578,612, respectively. The weighted average interest rates on these borrowings were 3.10% in 1993 and 3.82% in 1992.

Other short-term borrowings at December 31, 1993 and December 25, 1992 are presented below:

<TABLE>
<CAPTION>

| | 1993 | 1992 |
|--------------------------|-------------|-------------|
| <S> | <C> | <C> |
| Demand and time deposits | \$5,946,244 | \$5,569,754 |
| Securities loaned | 1,047,059 | 3,357,555 |
| Bank loans and other | 1,325,486 | 263,202 |
| TOTAL | \$8,318,789 | \$9,190,511 |

</TABLE>

LONG-TERM BORROWINGS

Long-term borrowings at December 31, 1993 and December 25, 1992 consisted of the following:

<TABLE>
<CAPTION>

| | 1993 | 1992 |
|---|--------------|--------------|
| <S> | <C> | <C> |
| SENIOR DEBT* | | |
| U.S. Dollar denominated fixed-rate obligations due 1994 to 2019 at interest rates ranging from 4.75% to 12.125% | \$ 5,814,146 | \$ 5,222,387 |
| Foreign currency denominated fixed-rate obligations due 1994 to 2001 at interest rates ranging from 5.10% to 12.10% | 684,637 | 838,912 |
| U.S. Dollar denominated variable-rate and indexed obligations | 782,055 | 454,637 |
| Foreign currency denominated variable-rate obligations | 97,554 | 17,263 |
| U.S. Dollar denominated medium-term notes | 5,983,837 | 4,239,638 |
| Foreign currency denominated medium-term notes | 106,671 | 98,263 |
| TOTAL | \$13,468,900 | \$10,871,100 |

</TABLE>

*Rates and maturities presented are as of December 31, 1993.

Maturities of long-term borrowings at December 31, 1993 consisted of the following:

<TABLE>
<CAPTION>

| MATURITIES | SENIOR DEBT |
|---------------------|--------------|
| <S> | <C> |
| 1994 | \$ 5,693,067 |
| 1995 | 1,878,032 |
| 1996 | 1,061,188 |
| 1997 | 718,746 |
| 1998 | 564,893 |
| 1999 and thereafter | 3,552,974 |
| TOTAL | \$13,468,900 |

</TABLE>

Substantially all of the Corporation's fixed-rate long-term borrowings are swapped into floating interest rates. These swaps are used to hedge interest rate and foreign currency exposures related to the Corporation's long-term borrowings. Payments or receipts from these swaps are recognized as adjustments to interest over the life of the debt obligation.

At December 31, 1993, floating interest rates were obtained on \$6,423,370 or 99% of the Corporation's \$6,498,783 total U.S. Dollar denominated fixed-rate obligations and foreign currency denominated fixed-rate obligations. Foreign currency denominated fixed-rate

floating-rate obligations was 3.42% in 1993. The Corporation's remaining fixed-rate long-term obligations totaling \$75,413 had an effective weighted average interest rate of 10.54% in 1993.

Included in U.S. Dollar denominated variable-rate obligations are various derivative-linked indexed instruments issued by the Corporation. Payments on these instruments may be linked to a specific index (e.g., S&P 500) or industry basket of stocks (e.g., telecommunications stocks). These instruments may be exchange listed or sold privately. The Corporation hedges its exposure on these indexed instruments through a combination of swaps and option contracts to purchase the underlying index, or through replication of the stock portfolio.

The effective weighted average interest rates on the Corporation's U.S. Dollar denominated variable-rate obligations and the Corporation's foreign currency denominated variable-rate obligations were both 3.42% in 1993. Floating interest rates are generally based on variable rates such as the London Interbank Offered Rate ("LIBOR"), the "AA" Commercial Paper Composite Rate, U.S. Treasury Bill Rate, or the Federal Funds Rate ("Fed Funds").

The effective weighted average interest rate on all medium-term notes was 3.59% in 1993. Maturities of medium-term notes currently range from nine months to fifteen years from the date of issue.

Certain long-term borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the holder at specified dates prior to maturity. Pursuant to these provisions, long-term borrowings that mature in 1995 and thereafter may be redeemed at the earliest in 1994 and 1995 in the amounts of \$373,355 and \$10,000, respectively. Management believes, however, that a significant portion of such borrowings may remain outstanding beyond their earliest redemption date.

Subsequent to year-end 1993 and through February 22, 1994, long-term borrowings, net of repayments and repurchases, increased in the amount of approximately \$965,698.

INCOME TAXES

Income tax provisions (benefits) on earnings before the cumulative effect of changes in accounting principles consisted of:

| | | 1993 | 1992 | 1991 |
|------------------|----------|-------------|-----------|-----------|
| <S> | | <C> | <C> | <C> |
| Federal: | Current | \$ 877,903 | \$435,093 | \$218,013 |
| | Deferred | (274,517) | (59,007) | (51,774) |
| State and Local: | Current | 376,085 | 252,498 | 127,961 |
| | Deferred | (57,760) | (20,868) | (7,343) |
| Foreign: | Current | 163,690 | 65,271 | 33,265 |
| | Deferred | (54,952) | (4,003) | 1,179 |
| TOTAL | | \$1,030,449 | \$668,984 | \$321,301 |

A reconciliation of the statutory Federal income tax to the Corporation's income tax provision for earnings before the cumulative effect of accounting changes follows:

| | | 1993 | 1992 | 1991 |
|--|--|-------------|-----------|-----------|
| <S> | | <C> | <C> | <C> |
| Federal income tax at statutory rates | | \$ 848,683 | \$551,272 | \$345,922 |
| State and local income taxes, net | | 206,911 | 152,876 | 79,607 |
| Tax-exempt interest | | (16,228) | (13,706) | (4,142) |
| Dividends received deduction | | (8,249) | (23,730) | (13,378) |
| Foreign operations | | 2,704 | 5,636 | 12,370 |
| Pension plan transaction | | 13,705 | 14,885 | 20,713 |
| Alternative minimum tax, net of credits recognized | | -- | -- | (77,508) |
| Utilization of net operating loss tax benefits | | -- | -- | (42,588) |
| Other, net | | (17,077) | (18,249) | 305 |
| TOTAL | | \$1,030,449 | \$668,984 | \$321,301 |

</TABLE>

The Omnibus Budget Reconciliation Act of 1993 (the "Revenue Act") was enacted on August 10, 1993. Under the Revenue Act, the corporate statutory rate was increased to 35.0% retroactive to January 1, 1993. The impact of this change is included in the current year's results of operations. The adjustment to record the retroactive increase in the corporate statutory rate was not material.

For financial reporting purposes, the Corporation had no unrecognized net operating loss or alternative minimum tax benefit carryforwards, at December 31, 1993.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. These temporary differences result in taxable or deductible amounts in future years. At December 31, 1993, the Corporation had deferred tax assets and liabilities totaling \$998,000 and \$315,000, respectively. Deferred tax assets consist principally of valuation and liability reserves of \$659,000 and deferred compensation of \$91,000. Deferred tax liabilities consist primarily of accelerated tax depreciation of \$114,000, lease transactions of \$78,000 and unrealized gains on trading inventories of \$36,000. At December 31, 1993, the Corporation had a deferred tax valuation allowance of approximately \$2,500 for benefits related to losses from certain foreign subsidiaries. During 1993, \$75,150 of net income tax benefits were allocated to stockholders' equity related to employee compensation transactions.

At December 25, 1992, the Corporation had deferred tax assets and liabilities totaling \$705,000 and \$457,000, respectively. Deferred tax assets consisted principally of valuation and liability reserves of \$442,000 and deferred compensation of \$114,000. Deferred tax liabilities consisted primarily of accelerated tax depreciation of \$138,000, lease transactions of \$141,000 and unrealized gains on trading inventories of \$41,000. At

December 25, 1992, the Corporation had no deferred tax asset valuation allowance. In 1992, \$114,487 of net income tax benefits were allocated to stockholders' equity related to employee compensation transactions.

In 1991, the deferred Federal tax provision computed under SFAS No. 96 included tax benefits from both deferred compensation plans of \$(26,000) and the divestiture of a subsidiary of \$(28,000).

Earnings before income taxes include approximately \$395,000, \$130,000 and \$133,000 of earnings attributable to foreign entities for 1993, 1992 and 1991, respectively. Cumulative undistributed earnings of foreign subsidiaries amounted to approximately \$673,000, at December 31, 1993. No deferred Federal income taxes have been provided for the undistributed earnings as these earnings have been, and will continue to be, reinvested in the Corporation's foreign operations. Assuming utilization of foreign tax credits, the Corporation estimates that approximately \$84,000 of Federal taxes and \$32,000 of foreign withholding taxes would be incurred on the repatriation of the foreign subsidiaries' earnings.

REVOLVING CREDIT AGREEMENTS

The Corporation has obtained committed, unsecured revolving lines of credit aggregating \$4,680,000 under agreements with two groups of banks. There have never been any borrowings under current or prior revolving credit agreements. The agreements contain covenants that require, among other things, that the Corporation maintain specified levels of net worth, as defined in the agreements, on the date of an advance. The details of these agreements as of December 31, 1993 are presented below:

<TABLE>
<CAPTION>

| | 1993 | MATURITY |
|----------------------------------|-------------|----------|
| <S> | <C> | <C> |
| Committed Unsecured | | |
| Revolving Lines of Credit: | | |
| International and Regional Banks | \$3,455,000 | 1994* |
| Money Center Banks | 1,225,000 | 1994** |
| TOTAL | \$4,680,000 | |

</TABLE>

*\$935,000 expires in March 1994; \$1,105,000 expires in June 1994; \$1,415,000

expires in November 1994. At maturity, the Corporation may convert amounts then borrowed, if any, into term loans which would mature in March, June and November 1996, respectively.

**At maturity in June 1994, the Corporation may convert amounts then borrowed, if any, into a term loan which would mature in June 1996.

REGULATORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

MLPF&S, a registered broker-dealer, is subject to the Securities and Exchange Commission's ("SEC") Net Capital Rule 15c3-1. Under the alternative method permitted by this rule, the minimum required net capital, as defined, shall not be less than 2% of aggregate debit items arising from customer transactions. At December 31, 1993, MLPF&S's regulatory net capital of \$1,178,421 was 9% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$928,951.

In addition to amounts presented in the accompanying Consolidated Balance Sheets as cash and securities segregated for regulatory purposes or deposited with clearing organizations, securities with a market value of \$837,725, primarily collateralizing resale agreements, have been segregated in a special reserve bank account for the exclusive benefit of customers pursuant to the Reserve Formula requirements of SEC Rule 15c3-3.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities and a subsidiary of the Corporation, is subject to the Capital Adequacy Rule of the Government Securities Act of 1986. This rule requires dealers to maintain liquid capital in excess of market and credit risk, as defined, by 20% (a 1.2-to-1 capital-to-risk standard). At December 31, 1993, MLGSI's liquid capital of \$1,309,081 was 211% of its total market and credit risk, and liquid capital in excess of the minimum required was \$566,089.

Merrill Lynch International Limited ("MLIL") is a United Kingdom registered broker-dealer and is subject to capital requirements of the Securities and Futures Authority. Minimum capital as defined, must exceed total financial resources. At December 31, 1993, MLIL's regulatory net capital was \$1,317,655, and exceeded the minimum required by \$313,762.

The Corporation's insurance subsidiaries are subject to various regulatory restrictions that limit the amount available for distribution as dividends. As of December 31, 1993, \$648,663, representing 88% of the insurance subsidiaries' net assets, was unavailable for distribution to the Corporation.

Over 40 U.S. and non-U.S. subsidiaries are subject to regulatory requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These regulatory restrictions may limit the amounts that these subsidiaries dividend or advance to the Corporation. At December 31, 1993, restricted net assets of all subsidiaries were \$4,338,640. In addition, to satisfy rating agency standards, a subsidiary of the Corporation must also meet certain minimum capital requirements. At December 31, 1993, this minimum capital requirement was \$358,256.

There are no restrictions on the Corporation's present ability to pay dividends on common stock, other than (a) the Corporation's obligation first to make dividend payments on its preferred stock; and (b) the governing provisions of the Delaware General Corporation Law.

EMPLOYEE BENEFIT PLANS

The Corporation provides retirement benefits to its employees worldwide through defined contribution plans, a group annuity contract and international defined benefit plans. The Corporation reserves the right to amend or terminate these plans at any time.

DEFINED CONTRIBUTION PLANS

The U.S. defined contribution plans consist of the Retirement Accumulation Plan ("RAP"), the Employee Stock Ownership Plan ("ESOP"), and the 401(k) Savings & Investment Plan ("SIP"). The RAP, ESOP and SIP

cover substantially all U.S. employees who have met the age and/or service requirements.

Allocations of stock held in the ESOP and cash contributions to the RAP are made quarterly based on years of service, age and eligible compensation. Generally, only cash contributions are deductible for income tax purposes.

In 1989, the Corporation sold 24,341,470 shares of common stock to the ESOP trust. The ESOP trust acquired the shares with residual funds transferred from a terminated defined benefit pension plan and loan proceeds from a subsidiary of the Corporation.

Shares held in the ESOP resulting from cash funding are being allocated to participants' accounts over a period of not more than eight years, ending in 1997. Shares held in the ESOP funded by the loan are allocated to participants' accounts as principal as the loan is repaid. The loan to the ESOP trust, due September 5, 1999, bears interest at 9.1% per annum, with principal and interest payable quarterly upon receipt of dividends on certain shares of common stock or other cash contributions. Interest incurred on the ESOP debt during 1993, 1992 and 1991 amounted to \$4,675, \$5,119 and \$5,626, respectively. The 1993, 1992 and 1991 dividends on ESOP shares used for debt service amounted to \$10,044, \$9,678 and \$9,705, respectively.

As of December 31, 1993, 10,964,694 shares were allocated to participant accounts since the inception of the ESOP. The unallocated portion of shares purchased with the residual funds of \$140,684 from the terminated defined benefit pension plan, and the \$46,470 outstanding loan to the ESOP trust, which is included in employee stock transactions, are included as reductions to stockholders' equity.

Employees can participate in the SIP by contributing, on a tax deferred basis, up to 15% of their eligible compensation but not more than the maximum annual amount allowed by law. The Corporation's contributions are equal to one-half of the first 4% of each participant's eligible compensation contributed to the SIP, up to a maximum of fifteen hundred dollars annually. No corporate contributions are made for participants who are also Employee Stock Purchase Plan participants.

GROUP ANNUITY CONTRACT

In the U.S., the Corporation purchased a group annuity contract from Metropolitan Life Insurance Company ("Metropolitan") which guarantees the payment of benefits vested under a defined benefit plan terminated in accordance with the applicable provisions of the Employee Retirement Income Security Act of 1974. At December 31, 1993, a substantial portion of the assets of Metropolitan supporting the annuity were invested in U.S. Government and agency securities. The Corporation, under a supplemental agreement, may be responsible for, or benefit from, actuarial experience and investment performance of these annuity assets.

INTERNATIONAL DEFINED BENEFIT PLANS

Employees of certain non-U.S. subsidiaries participate in various local plans. These pension plans provide benefits that are generally based on years of credited service and a percentage of the employee's eligible compensation during the final years of employment. The Corporation's funding policy has been to contribute annually the amount necessary to satisfy local funding standards.

PENSION PLAN COST AND FUNDED STATUS

Pension cost includes the following components:

<TABLE>
<CAPTION>

| | 1993 | 1992 | 1991 |
|---|------------|------------|------------|
| Defined benefit plans (1): | | | |
| Service cost for benefits earned during the year(2) | \$ 12,328 | \$ 11,333 | \$ 8,512 |
| Interest cost on projected benefit obligation | 89,115 | 84,366 | 78,254 |
| Actual return on plan assets | (281,022) | (107,549) | (189,527) |
| Deferral and amortization of unrecognized items | 188,700 | 21,441 | 107,004 |
| Total defined benefit plan cost | 9,121 | 9,591 | 4,243 |
| Defined contribution plan cost | 146,148 | 133,264 | 111,904 |
| Total pension cost(3) | \$ 155,269 | \$ 142,855 | \$ 116,147 |

</TABLE>

(1) The following actuarial assumptions were used in calculating the defined benefit cost (credit) and benefit obligations. Rates as of the beginning of the year are:

<TABLE>
<CAPTION>

| | 1994 | 1993 | 1992 |
|---|------|------|------|
| <S> | <C> | <C> | <C> |
| Discount rate | 6.7% | 7.9% | 8.0% |
| Rate of compensation increase (not applicable to terminated plan) | 5.9% | 6.3% | 7.5% |
| Expected long-term rate of return on plan assets | 6.7% | 7.6% | 7.6% |

</TABLE>

(2) The Corporation calculated service cost using the projected unit credit method based on years of service to date.

(3) Total pension cost excludes supplemental retirement and other benefit plan costs.

The funded status of the defined benefit plans (including the terminated plan) follows:

<TABLE>
<CAPTION>

| | 1993 | | 1992 | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | PENSION PLANS IN WHICH: | | PENSION PLANS IN WHICH: | |
| | ASSETS EXCEEDED ACCUMULATED BENEFITS | ACCUMULATED EXCEEDED ASSETS BENEFITS | ASSETS EXCEEDED ACCUMULATED BENEFITS | ACCUMULATED EXCEEDED ASSETS BENEFITS |
| <S> | <C> | <C> | <C> | <C> |
| Actuarial present value of: | | | | |
| Vested accumulated benefit obligation | \$ (1,266,994) | \$ (33,072) | \$ (1,060,598) | \$ (27,478) |
| Non-vested accumulated benefit obligation | (3,903) | (4,877) | (3,523) | (3,663) |
| Accumulated benefit obligation | (1,270,897) | (37,949) | (1,064,121) | (31,141) |
| Effect of assumed increase in compensation levels | (17,430) | (17,309) | (18,050) | (15,743) |
| Projected benefit obligation | (1,288,327) | (55,258) | (1,082,171) | (46,884) |
| Plan assets at fair value | 1,445,016 | 12,503 | 1,191,834 | 13,162 |
| Plan assets in excess of (less than) projected benefit obligation | 156,689 | (42,755) | 109,663 | (33,722) |
| Unrecognized net liability at transition | 3,460 | 1,368 | 3,759 | 1,620 |
| Unrecognized net (gain) loss | (13,526) | 13,224 | 17,740 | 5,236 |
| Unrecognized prior service (benefit) cost | (2,833) | (1,594) | 2,945 | (1,178) |
| Prepaid (accrued) benefit cost | \$ 143,790 | \$ (29,757) | \$ 134,107 | \$ (28,044) |

</TABLE>

SUPPLEMENTAL RETIREMENT AND OTHER BENEFIT PLANS

The Corporation also has supplemental retirement and other benefit plans. The unfunded projected benefit obligation was \$8,959 and \$7,711 in 1993 and 1992, respectively. Supplemental retirement and other benefit plan costs were \$1,469, \$1,305 and \$1,464 in 1993, 1992, and 1991, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Corporation provides health and life insurance benefits to retired employees. The health care component is contributory, with retiree contributions adjusted periodically. The life insurance component of the plan is noncontributory. The accounting for health care anticipates future changes in cost-sharing provisions. The Corporation reserves the right to amend or terminate these programs at any time. Full-time employees of the Corporation become eligible for these benefits upon attainment of age 55 and completion of 10 years of service. Prior to the adoption of SFAS No. 106 (see Accounting Changes Note to the Consolidated Financial Statements), the cost of these benefits was expensed as claims were paid and totaled \$6,379 in 1991.

Net periodic postretirement benefit expense included the following components:

<TABLE>
<CAPTION>

| | 1993 | 1992 |
|--|-----------------|-----------------|
| Service cost | \$ 4,593 | \$ 4,144 |
| Interest cost on accumulated postretirement benefit obligation | 11,254 | 10,293 |
| TOTAL | \$15,847 | \$14,437 |

</TABLE>

The Corporation pays claims as incurred. As of December 31, 1993, the plan had not been funded. The amounts recognized for the Corporation's postretirement benefit plans follow:

<TABLE>
<CAPTION>

| | 1993 | 1992 |
|--|--------------|--------------|
| Accumulated postretirement benefit obligation: | | |
| Retirees | \$ (58,597) | \$ (61,738) |
| Fully eligible active plan participants | (36,769) | (37,600) |
| Other active plan participants | (42,254) | (40,783) |
| Subtotal | (137,620) | (140,121) |
| Unrecognized net gain from past experience different from that assumed and from changes in assumptions | (16,900) | -- |
| Postretirement benefits accrued liability | \$ (154,520) | \$ (140,121) |

</TABLE>

The following actuarial assumptions were used in calculating the postretirement benefit cost and obligations. Rates as of the beginning of the year are:

<TABLE>
<CAPTION>

| | 1994 | 1993 |
|--|----------------|----------------|
| Discount rate | 6.8% | 8.0% |
| Health care cost trend rates (assumed to decrease gradually until the year 2000 and remain constant thereafter): | | |
| Pre-65 | 12.0%- 5.5% | 14.0%- 7.0% |
| Post-65 | 10.0%- 4.5% | 11.0%- 5.0% |

</TABLE>

The assumed health care cost trend rate has a significant effect on the amounts reported above. Increasing the assumed trend rate by one percentage

point per year would increase the accumulated postretirement benefit obligation as of December 31, 1993 and December 25,

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1992 by \$19,312 and \$18,636, respectively, and increase the aggregate of service and interest costs for 1993 and 1992 by \$2,659 and \$2,180, respectively.

POSTEMPLOYMENT BENEFITS

The Corporation provides salary, medical coverage, life insurance and retirement benefits for employees on extended leave due to injury or illness. The Corporation reserves the right to amend or terminate this program at any time. The Corporation is mandated by state regulation to provide reimbursements for medical costs, rehabilitation costs, and certain lost wages to employees in the event of work-related illness or injury. Federal law also requires the Corporation to offer continued medical coverage to all terminated employees for up to 18 months. Full-time employees are eligible for all of these benefits as of their first day of employment. The Corporation funds these benefit requirements through a combination of self-insured and insured plans.

In 1993, the Corporation adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits" (see Accounting Changes Note to the Consolidated Financial Statements). A charge of \$60,495 (\$35,420 after income taxes), representing the transition obligation, was recorded as a cumulative effect of a change in accounting principle. Excluding the cumulative effect charge, the adoption of SFAS No. 112 had no material effect on the Corporation's results of operations.

EMPLOYEE STOCK PLANS

EMPLOYEE STOCK PURCHASE PLAN

The Employee Stock Purchase Plan ("ESPP") allows eligible employees to invest from 1% to 10% of their eligible compensation, subject to certain limitations, in the Corporation's common stock at a purchase price equal to 85% of the fair market value of the stock on four quarterly investment dates. Stock purchases are generally made through authorized payroll deductions. Up to 25,000,000 shares of the Corporation's common stock have been authorized for issuance under the ESPP.

The activity in the ESPP for the two most recent fiscal years was as follows:

<TABLE>
<CAPTION>

| | ESPP SHARES | |
|------------------------------|-------------|-------------|
| | 1993 | 1992 |
| <S> | <C> | <C> |
| Available, beginning of year | 7,914,788 | 9,246,704 |
| Authorized during the year | -- | -- |
| Purchased through plan | (984,432) | (1,331,916) |
| Available, end of year | 6,930,356 | 7,914,788 |

</TABLE>

EQUITY CAPITAL ACCUMULATION PLAN

The Equity Capital Accumulation Plan ("ECAP") provides for grants for both Performance and Restricted Shares to senior management and other eligible employees who pay no cash consideration therefor. Upon grant, Restricted Shares become issued and outstanding shares of the Corporation's common stock and are subject to forfeiture during the established Restricted Period. A Performance Share is deemed to be equivalent in fair market value to one share of the Corporation's common stock and is subject to forfeiture during the established Performance Period. Performance Shares are payable 50% in cash and 50% in the Corporation's common stock. Payment of Restricted Shares and Performance Shares is contingent upon continued employment for a specified period of time and, with respect to Performance Shares, the achievement of specific performance goals. Up to 26,200,000 shares of the Corporation's common stock have been authorized for issuance under the ECAP. At December 31, 1993, there were 2,813,148 shares available for issuance to employees under the ECAP, which would be reduced to 2,310,480 shares as long as the Corporation continues to have the ECAP qualify under Rule 16b-3 of the Securities Exchange Act of 1934 ("Rule 16b-3 Qualification").

The activity in the ECAP for the years ended December 31, 1993 and December 25, 1992 was as follows:

<TABLE>
<CAPTION>

| | RESTRICTED SHARES | | PERFORMANCE SHARE GRANTS | |
|-------------------------------------|-------------------|-------------|--------------------------|-----------|
| | 1993 | 1992 | 1993 | 1992 |
| <S> | <C> | <C> | <C> | <C> |
| Outstanding, beginning of year | 6,962,698 | 11,595,946 | -- | 645,000 |
| Granted | 67,638 | 25,540 | -- | -- |
| Paid or released from contingencies | (4,795,464) | (4,455,956) | -- | (361,200) |
| Forfeited | (143,082) | (202,832) | -- | (283,800) |
| Outstanding, end of year | 2,091,790 | 6,962,698 | -- | -- |

</TABLE>

FINANCIAL CONSULTANT CAPITAL ACCUMULATION AWARD PLAN

Under the Financial Consultant Capital Accumulation Award Plan and its predecessor plans ("FCCAAP"), eligible employees are granted awards generally based upon their prior year's performance. Payment for an award is contingent upon continued employment for a specified period of time and is subject to forfeiture during that period. The award is payable at the end of such period in either common shares of the Corporation or in cash, depending on the market value of the Corporation's common stock. A total of 20,222,830 shares of the Corporation's common stock are authorized for issuance under the FCCAAP. Shares of common stock issuable under the FCCAAP may only be from shares held as treasury stock. Although the first grant is scheduled to be paid in 1996, under certain circumstances grants may be paid prior to the scheduled dates. At December 31, 1993, there were 6,869,898 shares available for issuance under the FCCAAP.

LONG-TERM INCENTIVE COMPENSATION PLAN

The Long-Term Incentive Compensation Plan ("Long-Term Plan") provides for grants of Performance Shares and Units, Restricted Shares and Units, Incentive and Nonqualified Stock Options, Stock Appreciation Rights and Other ML & Co. Securities to certain key employ-

ees. Up to 80,000,000 shares of the Corporation's common stock have been authorized for distribution under the Long-Term Plan. Performance Units, Restricted Units and in certain circumstances Stock Appreciation Rights and Other ML & Co. Securities are paid in cash.

Payments under the Long-Term Plan are contingent upon continued employment for a specified period of time, and with respect to Performance Shares and Performance Units, the achievement of specific performance goals.

Upon grant, a Performance Share is deemed to be equivalent in fair market

value to one share of the Corporation's common stock, and shares issued in payment could be subject to a Restricted Period subsequent to the termination of the Performance Period. Restricted Shares are shares of the Corporation's common stock that are subject to forfeiture during a Vesting Period. Each Performance and Restricted Unit is deemed to be equivalent in fair market value to one share of common stock and is payable in cash at the end of the Performance Period, or Vesting Period. Performance Shares or Restricted Shares could be subject to a certain Restricted Period subsequent to the termination of the Performance Period or Vesting Period. Cash amounts equal to cash dividends payable on an equivalent number of shares of the Corporation's common stock are payable to Restricted Unit holders and may be payable to Performance Unit and Performance Share holders. As of December 31, 1993, there have been no grants of Performance Shares, Performance Units, Stock Appreciation Rights, Incentive Stock Options, or Other ML & Co. Securities under the Long-Term Plan.

The activity for Restricted Shares and Units under the Long-Term Plan for the years ended December 31, 1993 and December 25, 1992 is presented below:

<TABLE>
<CAPTION>

| | RESTRICTED SHARES | | RESTRICTED UNIT GRANTS | |
|--|-------------------|-------------|------------------------|-------------|
| | 1993 | 1992 | 1993 | 1992 |
| Outstanding, beginning of year | 4,918,230 | 6,200,802 | 5,083,318 | 6,361,934 |
| Granted | 1,720,818 | 1,624,776 | 1,765,306 | 1,632,832 |
| Forfeited or released from contingencies | (4,906,894) | (2,907,348) | (4,950,356) | (2,911,448) |
| Outstanding, end of year | 1,732,154 | 4,918,230 | 1,898,268 | 5,083,318 |

</TABLE>

Under the Long-Term Plan, eligible employees may also be granted Incentive and Nonqualified Stock Options to purchase shares of the Corporation's common stock. The exercise price of Incentive Stock Options may not be less than 100% of the fair market value of the Corporation's common stock at time of grant. The exercise price for Nonqualified Stock Options is established at the time of grant and cannot be less than 50% of the fair market value of a share of common stock at the time of grant. Stock Options granted in 1989 through 1993 are exercisable in four equal installments commencing one year after the date of grant. The Stock Options expire 10 years after their grant date.

The activity for Nonqualified Stock Options under the Long-Term Plan for the years ended December 31, 1993 and December 25, 1992 was as follows:

<TABLE>
<CAPTION>

| | SHARES SUBJECT TO OPTION | |
|----------------------------|--------------------------|-------------|
| | 1993 | 1992 |
| Balance, beginning of year | 27,408,324 | 27,280,924 |
| Granted | 5,862,666 | 5,440,700 |
| Exercised | (5,742,374) | (4,607,822) |
| Forfeited or surrendered | (523,845) | (705,478) |
| Balance, end of year | 27,004,771 | 27,408,324 |

</TABLE>

At December 31, 1993, approximately 8,741,000 options were exercisable at prices per share ranging from \$10.6875 to \$34.3750. During 1993, share prices for the attributed fair market value of shares acquired by the exercise of options ranged from \$29.4063 to \$50.4688.

At December 31, 1993, there were 34,460,360 shares available (net of shares reserved for issuance upon exercise of options) for issuance to employees under the Long-Term Plan. Restricted Shares forfeited by employees after October 31, 1991 (totaling 239,452 shares) have been excluded from shares available for issuance because the Corporation has elected Rule 16b-3 Qualification for the Long-Term Plan. In January 1994, eligible participants were granted Nonqualified Stock Options for 4,526,300 shares. In February 1994, 1,257,827

and 1,495,645 Restricted Shares and Units, respectively, were granted to eligible employees.

INCENTIVE EQUITY PURCHASE PLAN

The Incentive Equity Purchase Plan ("IEPP") allows selected employees to purchase the Corporation's common stock at a price equal to the book value per share as of the valuation date preceding the purchase date ("Book Value Shares"). These shares may be sold back to the Corporation at the book value per share as of the valuation date preceding the sale (adjusted for certain non-recurring items), provided they have been held for a minimum of six months.

Alternatively, Book Value Shares may be exchanged at any time for a specified number of freely transferable market shares, the number of which is determined by the ratio of book value to market value at the time of purchase. Up to 30,000,000 shares of the Corporation's common stock have been authorized for issuance under the IEPP. At December 31, 1993, 23,788,290 shares were available for purchase by eligible employees. Because the Corporation has elected Rule 16b-3 Qualification for the IEPP, shares reacquired from employees after April 25, 1991 through purchase or exchange have been excluded from total Book Value Shares available for purchase. Book Value Shares outstanding as of December 31, 1993 and December 25, 1992 were 1,464,900 and 1,530,800, respectively.

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MANAGEMENT CAPITAL ACCUMULATION PLAN

Under the Management Capital Accumulation Plan ("MCAP"), eligible retail management employees are granted MCAP Units. MCAP Units are equivalent to, and payable in, shares of the Corporation's common stock. Payment of MCAP Units is contingent upon continued employment for a specified period of time and is subject to forfeiture during this period. During this period, MCAP Units are credited with an amount equal to cash dividends payable on an equivalent number of shares of the Corporation's common stock. Such dividend equivalents are converted into additional MCAP Units. A total of 4,000,000 shares of the Corporation's common stock are authorized for issuance under the MCAP. Shares of common stock issued under the MCAP may only be from shares held as treasury stock. At December 31, 1993, there were 1,920,498 shares available for issuance to employees under the MCAP. At December 31, 1993, there were no MCAP Units outstanding. At December 25, 1992, 712,800 MCAP Units were outstanding.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Corporation operates in all major global financial markets and, as such, enters into transactions involving a wide variety of financial instruments that have both on- and off-balance-sheet implications. These financial instruments, often referred to as "derivatives," are represented by a contractual agreement and include financial futures, forward contracts, options, and interest rate, currency, and equity-linked swaps, including swap options, caps, collars and floors.

The Corporation uses derivatives in conjunction with on-balance-sheet financial instruments to facilitate customer transactions, to manage its own interest rate, currency and market risk, and to meet trading and financing needs. Derivative contracts often involve future commitments to swap interest payment streams, to purchase or sell other financial instruments (including mortgage-backed securities) at specified terms on a specified date, or to exchange currencies. In addition, the Corporation purchases and writes options on a wide range of financial instruments such as securities, currencies, futures and various market indices. (See the "Derivative Financial Instruments" section of Management's Discussion and Analysis-unaudited.)

Transactions involving derivative financial instruments may contain both market and credit risk in excess of amounts recognized in the Consolidated Balance Sheets.

MARKET RISK

Market risk is the potential change in value caused by movements in interest rates, foreign exchange rates or market prices of the underlying financial instrument. Market risk is also caused by volatility and illiquidity in the markets in which financial instruments are traded.

The notional or contractual amounts of derivative financial instruments provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. In many cases, these financial instruments limit the Corporation's exposure to losses from market risk by hedging other on- or off-balance-sheet transactions. The Corporation seeks to control market risk by developing and refining hedging strategies that correlate price and currency movements of trading inventories and related hedges.

The notional or contractual amounts of these instruments are set forth below:

<TABLE>
<CAPTION>

| (In Billions) | NOTIONAL OR CONTRACTUAL AMOUNT | |
|---------------------------------|-----------------------------------|-------|
| | 1993 | 1992 |
| <S> | <C> | <C> |
| Forward Contracts: | | |
| Securities(1) | \$ 53 | \$ 33 |
| Foreign Exchange(2) | 101 | 72 |
| Securities Futures Contracts(3) | 105 | 190 |
| Swap Agreements:(4) | | |
| U.S. Dollar | 360 | 224 |
| Non-Dollar | 200 | 133 |
| Options Written: | | |
| Securities | 48 | 17 |
| Foreign Exchange | 24 | 27 |

</TABLE>

- (1) Represents purchases of \$29 and sales of \$24 in 1993 and purchases of \$17 and sales of \$16 in 1992.
- (2) Represents purchases of \$50 and sales of \$51 in 1993 and purchases of \$34 and sales of \$38 in 1992.
- (3) Represents purchases of \$30 and sales of \$75 in 1993 and purchases of \$151 and sales of \$39 in 1992.
- (4) Includes swap options, caps, collars and floors.

The majority of the Corporation's off-balance-sheet transactions are short-term in duration with a weighted average maturity of approximately 2.62 years as of December 31, 1993 and 2.21 years as of December 25, 1992. The remaining maturities for notional or contractual amounts outstanding for swaps and other derivatives follow:

[GRAPHIC NO. 3 TO APPEAR HERE]

In addition to futures, forward, swap and option contracts, the Corporation enters into commitments to sell securities not yet purchased which are recorded as liabilities on the Consolidated Balance Sheets. The Corporation is exposed to off-balance-sheet risk that potential market price increases will cause the ultimate obligations under these commitments to exceed the amount recognized on the balance sheet.

CREDIT RISK

Credit risk is the amount of accounting loss that the Corporation would incur if a counterparty failed to perform its obligations under contractual terms and the collateral held was deemed worthless. The Corporation has controls in place to monitor credit exposures by limiting transactions with specific counterparties and assessing the future creditworthiness of counterparties.

The Corporation also seeks to control credit risk by following an established credit approval process, monitoring credit limits, and by requiring collateral where appropriate. Certain contracts require counterparties to pledge collateral at the onset of the transaction or when certain credit sensitive provisions are triggered during the life of the transaction. Collateral usually is in the form of cash, U.S. Government and government agency securities, medium-term notes or asset-backed securities, depending upon the nature of the transaction. Collateral exposures are monitored and collateral levels and transaction limits are adjusted, as appropriate, to minimize risk. The Corporation also seeks to limit its credit exposure through the use of legally enforceable master netting agreements. These agreements provide for the net settlement of covered contracts with the same counterparty in the event of default or early termination.

The notional or contractual values of financial futures, forward contracts and swap agreements do not represent exposure to credit risk, which is limited to the current cost of replacing those contracts in a gain position (i.e., the accounting loss). For futures contracts, the Corporation usually does not intend to take or make physical delivery of the underlying security, asset, or index. Since futures contracts require daily cash settlement, the related risk

of accounting loss at any given time is limited to a one-day net positive change in market value. The replacement cost for purchased option contracts in a gain position, or for written option contracts in a loss position, is recorded separately as an asset or a liability, respectively. Realized and unrealized gains and losses on forward contracts and swaps and other derivatives used for trading and hedging purposes are recognized currently in principal transactions revenues. The net unrealized gain or loss on these contracts is included in the Consolidated Balance Sheets.

Beginning in 1994, however, the Corporation is required to present unrealized gains as assets and unrealized losses as liabilities separately on the Consolidated Balance Sheets in accordance with Financial Accounting Standards Board Interpretation No. 39 ("Interpretation No. 39"), "Offsetting of Amounts Related to Certain Contracts." Interpretation No. 39 allows the offsetting of unrealized gains and losses for swap, forward and other similar exchange or conditional type contracts executed with the same counterparty covered by a legally enforceable master netting agreement.

The replacement cost not recorded on the Consolidated Balance Sheet at December 31, 1993 that would have been recorded under Interpretation No. 39 is summarized as follows:

<TABLE>
<CAPTION>

| (In Millions) | FORWARD CONTRACTS | SWAP AGREEMENTS |
|-------------------------------------|----------------------|--------------------|
| <S> | <C> | <C> |
| Replacement cost of contracts | | |
| in a gain position | \$ 952 | \$ 6,483 |
| Less: (liabilities) assets recorded | | |
| on the consolidated balance sheet | (6) | 735 |
| | ----- | ----- |
| Credit exposure not recorded on | | |
| the consolidated balance sheet | \$ 958 | \$ 5,748 |
| | ===== | ===== |

</TABLE>

At December 25, 1992, the replacement cost for forward contracts and swap agreements in a gain position was \$1,227,000 and \$3,396,000, respectively.

To reduce credit risk, the Corporation requires collateral on certain derivative financial instrument transactions, consisting principally of U.S. Government and agency securities. Presented below is a summary of counterparty credit ratings for the replacement cost (net of \$564,000 collateral) of contracts in a gain position. At December 31, 1993, 94% of such contracts were with investment grade counterparties.

[GRAPHIC NO. 4 TO APPEAR HERE]

In the normal course of business, the Corporation executes, settles and finances various customer securities and commodity transactions. These transactions include the purchase and sale (including "short sales") of securities, the writing of options, and the purchase and sale of commodity and financial futures contracts. These activities may expose the Corporation to off-balance-sheet risk arising from the potential that customers or counterparties may fail to satisfy their obligations and the collateral will be insufficient. In these situations, the Corporation

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may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to its customers or counterparties. The Corporation seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with regulatory and internal guidelines.

The Corporation also borrows and lends securities to finance securities transactions and to facilitate the settlement process, utilizing both securities owned by the Corporation and securities owned by customers collateralizing margin debt. In addition, security transactions are financed through collateralized resale and repurchase agreements.

The Corporation enters into resale agreements, generally collateralized by U.S. Government and government agency securities, medium-term notes or asset-backed securities with a market value in excess of the Corporation's receivable under the contract. For repurchase agreements, the Corporation

provides collateral to counterparties with a market value in excess of the Corporation's obligation under the contract.

Liabilities to other brokers and dealers related to unsettled transactions (i.e., securities failed to receive) are recorded at the amount for which the securities were acquired and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities failed to receive, the Corporation may purchase the underlying security in the market and seek reimbursement for losses from the counterparty.

The market value of securities owned by the Corporation that have been loaned or were collateralizing either repurchase agreements or obligations associated with various settlement processes at December 31, 1993 and December 25, 1992, was \$45,373,000 and \$20,492,000, respectively.

The Corporation, in the normal course of business, enters into commitments to extend credit, predominantly at floating interest rates, in connection with certain merchant banking transactions and to provide customers with lines of credit collateralized by first and second mortgages on real estate or certain liquid assets of small businesses. The Corporation also issues various guarantees to counterparties in connection with certain leasing, securitization, and other transactions. Such commitments and guarantees expose the Corporation to off-balance-sheet credit risk. These commitments and guarantees, which usually have a fixed expiration date, are contingent on certain contractual conditions and may require the payment of a fee by the counterparty. Once commitments are drawn upon or guarantees are issued, the Corporation may require the counterparty to post collateral depending upon the creditworthiness of the counterparty and market conditions. The contractual amounts of these commitments and guarantees represent the amounts at risk should the contract be fully drawn upon, the client default and the value of the existing collateral become worthless.

The total amount of outstanding commitments and guarantees may not represent future cash requirements as commitments may expire without being drawn upon. As of December 31, 1993 and December 25, 1992, the Corporation was committed to extend credit of \$1,248,000 and \$1,072,000, respectively. As of December 31, 1993 and December 25, 1992, the Corporation had outstanding guarantees totaling \$587,000 and \$631,000, respectively. The fair value of these outstanding guarantees was \$39,000 at year-end 1993 and \$43,000 at year-end 1992.

CONCENTRATIONS OF CREDIT RISK

The Corporation provides brokerage, investment, financing, insurance and related services to a diverse group of domestic and foreign clients which include governments, corporations, and institutional and individual investors. As a market-maker, the Corporation takes principal positions in domestic and foreign governments and corporate obligations.

The Corporation's exposure to credit risk associated with these transactions is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. Concentrations of credit risk can be affected by changes in geographic, industry or economic factors. To alleviate the potential for risk concentration, credit limits are established and continually monitored in light of changing counterparty and market conditions.

At December 31, 1993, the Corporation's most significant concentration of credit risk is with the U.S. Government and its agencies. This concentration arises from trading and investment securities owned. Total holdings of U.S. Government and agency securities, were \$8,533,000 or 6% of total assets at December 31, 1993.

At December 31, 1993, the Corporation had concentrations of credit risk with other counterparties including an Asian and a European sovereign both rated AA+ or above by Standard and Poor's or Aa1 or above by Moody's. In addition, the Corporation had a concentration of credit risk in short-term debt of a Latin American sovereign predominantly rated A-1+ by Standard and Poor's. The total exposure to these counterparties, excluding collateral held, was \$3,498,000 or 2% of total assets.

In addition to these specific exposures, the Corporation's most significant industry concentration is domestic and foreign financial institutions. These financial institutions include other brokers and dealers, commercial banks, insurance companies, and mutual funds. This concentration arises in the normal course of the Corporation's brokerage, trading, financing and underwriting activities. In connection with its mortgage trading activities, the Corporation had resale agreements totaling \$3,400,000 with mortgage bankers, banks, and thrifts at December 31, 1993. These agreements were collateralized by whole loans with a market value of \$3,800,000.

The Corporation's credit exposure relates to the risk of non-performance by customers or counterparties in fulfilling their contractual obligations, and can be directly influenced by volatile or illiquid trading markets. The Corporation attempts to minimize credit risk associated with these activities by monitoring

customer/counterparty credit exposure and collateral values daily and requiring additional collateral to be deposited with or returned to the Corporation when deemed necessary. Additionally, the Corporation monitors regional expo-

surens worldwide. Within these regions, sovereign governments represent the most significant concentration, followed by financial institutions, non-financial institutions and individuals.

In conjunction with its investment and merchant banking activities, the Corporation, from time to time, provides short-term bridge financing and other extensions of credit and equity investments to facilitate leveraged transactions. In the normal course of its business, the Corporation also purchases, sells and makes markets in non-investment grade securities. Non-investment grade securities have been defined as debt and preferred equity securities which are rated by Standard and Poor's as BB+ or lower and by Moody's as Bal or lower (or equivalent ratings for other instruments and non-U.S. securities), certain sovereign debt issued by emerging market countries, amounts due under various derivative contracts from non-investment grade counterparties, as well as non-rated securities which in the opinion of management are non-investment grade.

These activities expose the Corporation to a higher degree of credit risk than is associated with investing, extending credit, underwriting and trading in investment grade instruments. At December 31, 1993, the Corporation's aggregate exposure to credit risk (both on- and off-balance-sheet) associated with non-investment grade securities, high-yield financings and highly leveraged transactions amounted to \$4,721,000. (See "Non-Investment Grade Holdings and Highly Leveraged Transactions" included in Management's Discussion and Analysis-unaudited.)

COMMITMENTS AND CONTINGENCIES

LEASES

The Corporation has entered into various noncancelable long-term lease agreements for premises and equipment that expire through 2024 including the World Financial Center headquarters ("WFC"). The Corporation has also entered into various noncancelable short-term lease agreements which are primarily monthly commitments of less than one year under equipment leases. Future minimum rental commitments with initial or remaining noncancelable lease terms exceeding one year are presented below:

<TABLE>
<CAPTION>

| | WFC | OTHER | TOTAL |
|-----------------------------|-------------|-----------|-------------|
| <S> | <C> | <C> | <C> |
| Minimum Rental Commitments: | | | |
| 1994 | \$ 124,040 | \$172,108 | \$ 296,148 |
| 1995 | \$ 124,553 | \$165,941 | \$ 290,494 |
| 1996 | \$ 125,409 | \$149,906 | \$ 275,315 |
| 1997 | \$ 125,580 | \$131,209 | \$ 256,789 |
| 1998 | \$ 129,766 | \$115,248 | \$ 245,014 |
| Thereafter | \$2,446,263 | \$639,567 | \$3,085,830 |

</TABLE>

Total minimum rental commitments have not been reduced by \$956,858 of minimum sublease rentals to be received in the future under noncancelable subleases.

OTHER COMMITMENTS

In the normal course of business, the Corporation enters into when-issued transactions and underwriting commitments. Settlement of these transactions as of December 31, 1993, would not have a material effect on the consolidated financial condition of the Corporation.

In the normal course of business, the Corporation obtains letters of credit to satisfy various collateral requirements in lieu of the Corporation depositing securities or cash. A standby letter of credit represents the guarantee of an obligation to a beneficiary on the part of an issuer. Letters of credit aggregated \$2,667,000 at December 31, 1993.

The Corporation provides an investment certificate program for all Financial Consultants. Under this program Financial Consultants meeting minimum production and asset gathering criteria are issued investment certificates with a face amount of \$100. Such certificates mature 10 years from date issued and are payable if certain performance requirements are achieved. Failure to achieve such performance requirements and to be continuously employed by the

Corporation for the 10-year period results (with certain exceptions) in the certificates expiring. The certificates bear interest commencing with the date the requirements are achieved. Financial Consultants who do not initially meet the eligibility requirements become eligible to receive similar certificates upon meeting such requirements. As of December 31, 1993, the Corporation had \$102,798 accrued under this plan.

The Corporation has service agreements with providers of communications and data processing services. Under the terms of these agreements, the Corporation receives various communications and market data services. As of December 31, 1993, minimum fee commitments under these contracts aggregated \$96,400.

LITIGATION

There are numerous civil actions, arbitration proceedings and claims pending against the Corporation as of December 31, 1993, some of which involve claims for substantial amounts. Although the ultimate outcome of these matters cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the consolidated financial statements of the Corporation. Item 3, "Legal Proceedings," in the Corporation's 1993 Annual Report on Form 10-K, which is unaudited and available upon request, contains additional information concerning pending lawsuits.

INDUSTRY AND GLOBAL OPERATIONS

The Corporation operates principally in the financial services industry and services individual and institutional clients. These services, due to certain legal requirements, are conducted through various subsidiaries including those operating as brokers and dealers, insurance companies, and banks.

The Corporation operates in both international and domestic markets. The Corporation's international

66

business activities operate through regional offices in the Americas, including Latin America and Canada; Europe and the Middle East; and Asia/Pacific, which includes Japan, the Asia Pacific Region and Australia. In Canada, the Corporation is a broker for securities and commodities and a market-maker for bonds and money market instruments. The Corporation also provides investment banking and research for Canadian clients. The Latin American region provides international banking, brokerage and trust services and has been instrumental in the privatization of many Latin American companies. Europe and Middle Eastern operations offer international investment and private banking services, research, and dealer services in Eurobonds, derivatives, equity and fixed-income securities, futures, commodity contracts, and options.

The Corporation's Asia/Pacific operations conduct business throughout various countries including Japan, Hong Kong, Singapore, Australia, and China. The Corporation has exchange memberships in Tokyo, Hong Kong, Sydney, and Singapore. Traditional retail and institutional services are provided in virtually all locations.

Although no one method of allocating revenues, expenses, and assets is completely precise, the principal methodology used in preparing the international data set forth below includes the following: (i) commission revenues are recorded at the location of the sales force; (ii) trading revenues are principally recorded at the location of the trader; (iii) investment banking revenues are recorded at the location of the client; and (iv) asset management and portfolio service fees are recorded at the location of the fund manager. Earnings before income taxes include the allocation of certain shared expenses among regions. The information presented below, in management's judgment, provides a reasonable representation of each region's contribution to the consolidated amounts.

<TABLE>
<CAPTION>

| GLOBAL OPERATIONS | | | | | | |
|--------------------------|----------------|--------|--------|--------------|--------|--------|
| | 1993 | 1992 | 1991 | 1993 | 1992 | 1991 |
| (IN MILLIONS) | TOTAL REVENUES | | | NET REVENUES | | |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> |
| Canada and Latin America | \$ 526 | \$ 378 | \$ 238 | \$ 377 | \$ 259 | \$ 184 |
| Europe and Middle East | 3,111 | 1,867 | 1,304 | 1,358 | 953 | 772 |
| Asia/Pacific | 879 | 374 | 335 | 683 | 309 | 273 |
| Subtotal | 4,516 | 2,619 | 1,877 | 2,418 | 1,521 | 1,229 |
| United States | 13,475 | 11,685 | 11,136 | 9,309 | 7,833 | 6,512 |
| Eliminations | (1,403) | (891) | (660) | (1,169) | (777) | (495) |

| | | | | | | |
|-------|----------|----------|----------|----------|----------|----------|
| TOTAL | \$16,588 | \$13,413 | \$12,353 | \$10,558 | \$ 8,577 | \$ 7,246 |
|-------|----------|----------|----------|----------|----------|----------|

</TABLE>

<TABLE>
<CAPTION>

| <S> | <C> | EARNINGS BEFORE INCOME TAXES | | | TOTAL ASSETS | |
|--------------------------|----------|---------------------------------|----------|-----------|--------------|----------|
| | | <C> | <C> | <C> | <C> | <C> |
| Canada and Latin America | \$ 139 | \$ 89 | \$ 67 | \$ 5,658 | \$ 2,145 | \$ 1,076 |
| Europe and Middle East | 481 | 181 | 100 | 37,107 | 15,645 | 9,999 |
| Asia/Pacific | 191 | (3) | 12 | 8,546 | 2,865 | 1,569 |
| Subtotal | 811 | 267 | 179 | 51,311 | 20,655 | 12,644 |
| United States | 1,614 | 1,354 | 838 | 106,132 | 88,835 | 76,635 |
| Eliminations | - | - | - | (4,533) | (2,466) | (3,020) |
| TOTAL | \$ 2,425 | \$ 1,621 | \$ 1,017 | \$152,910 | \$107,024 | \$86,259 |

</TABLE>

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF MERRILL LYNCH & CO., INC.:

We have audited the accompanying consolidated balance sheets of Merrill Lynch & Co., Inc. and subsidiaries as of December 31, 1993 and December 25, 1992 and the related statements of consolidated earnings, changes in consolidated stockholders' equity and consolidated cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Corporation and its subsidiaries at December 31, 1993 and December 25, 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in the note to the consolidated financial statements entitled, "Accounting Changes," in 1993 the Corporation and its subsidiaries changed their method of accounting for postemployment benefits and their method of accounting for certain investments in debt and equity securities to conform with Statements of Financial Accounting Standards No. 112 and No. 115, respectively, and in 1992 changed their method of accounting for postretirement benefits other than pensions and their method of accounting for income taxes to conform with Statements of Financial Accounting Standards No. 106 and No. 109, respectively.

/s/ Deloitte and Touche

New York, New York
February 28, 1994

FIVE-YEAR FINANCIAL SUMMARY

<TABLE>
<CAPTION>

Year Ended Last

Friday in December

| CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES AND DISCONTINUED OPERATIONS | | | | | | | | | |
|--|-------|--------------|--------|------------|------|------------|------|------------|-------|
| 2,424,808 | 23.0 | (158,386) | (2.7) | 282,328 | 4.9 | 1,017,418 | 14.0 | 1,621,389 | 18.9 |
| Income Tax Expense | | 58,980 | 1.0 | 90,472 | 1.6 | 321,301 | 4.4 | 668,984 | 7.8 |
| 1,030,449 | 9.8 | | | | | | | | |
| EARNINGS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES AND DISCONTINUED OPERATIONS | | | | | | | | | |
| 1,394,359 | 13.2 | (217,366) | (3.7) | 191,856 | 3.3 | 696,117 | 9.6 | 952,405 | 11.1 |
| Cumulative Effect of Changes in Accounting Principles, Net of Income Taxes | | | | | | | | | |
| (35,420) | (.3) | -- | -- | -- | -- | -- | -- | (58,580) | (.7) |
| Discontinued Operations, Net of Income Taxes | | | | | | | | | |
| -- | -- | 3,981 | 0.1 | -- | -- | -- | -- | -- | -- |
| NET EARNINGS (LOSS) | | | | | | | | | |
| \$1,358,939 | 12.9% | \$ (213,385) | (3.6)% | \$ 191,856 | 3.3% | \$ 696,117 | 9.6% | \$ 893,825 | 10.4% |

</TABLE>

*Revenues and Interest Expense are presented as a percentage of Total Revenues. Non-Interest Expenses, Cumulative Effect of Changes in Accounting Principles, Discontinued Operations and Earnings are presented as a percentage of Net Revenues.

QUARTERLY INFORMATION

Presented below are the unaudited results of operations of the Corporation by quarter for 1993 and 1992. Quarterly information includes certain financial statement reclassifications and adjustments for the two-for-one common stock split. The first quarter of 1993 has been restated for the adoption of Statement of Financial Accounting Standards ("SFAS") No. 112. Quarterly results for 1992 include the adoption of SFAS No. 106 and SFAS No. 109 (see Accounting Changes Note to the Consolidated Financial Statements). The quarterly information is prepared in conformity with generally accepted accounting principles and reflects all adjustments (which consist of only normal recurring adjustments except as noted above, and a non-recurring \$103,000 1993 first quarter pretax lease charge related to the Corporation's decision not to occupy certain floors at its headquarters facility) that are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. The nature of the Corporation's business is such that the results of an interim period are not necessarily indicative of results for a full year.

<TABLE>
<CAPTION>

| Quarter Ended | For the | | | | | | |
|--|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| | Dec. 31, 1993 | Sept. 24, 1993 | June 25, 1993 | Mar. 26, 1993 | Dec. 25, 1992 | Sept. 25, 1992 | June 26, 1992 |
| (Dollars in Thousands, Except Per Share Amounts) | | | | | | | |
| | (14 weeks) | (13 weeks) | (13 weeks) | (13 weeks) | (13 weeks) | (13 weeks) | (13 weeks) |
| | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Total Revenues | \$4,526,136 | \$4,140,048 | \$3,963,009 | \$3,958,984 | \$3,263,718 | \$3,385,910 | \$3,352,714 |
| Interest Expense | 1,768,139 | 1,506,428 | 1,408,512 | 1,346,868 | 1,186,796 | 1,230,231 | 1,226,347 |
| Net Revenues | 2,757,997 | 2,633,620 | 2,554,497 | 2,612,116 | 2,076,922 | 2,155,679 | 2,126,367 |
| Non-Interest Expenses | 2,160,717 | 1,991,321 | 1,959,589 | 2,021,795 | 1,715,817 | 1,761,387 | 1,736,316 |

| | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|
| ----- | | | | | | | |
| Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles | 597,280 | 642,299 | 594,908 | 590,321 | 361,105 | 394,292 | 390,051 |
| 475,941 | | | | | | | |
| Income Tax Expense | 250,041 | 282,612 | 249,861 | 247,935 | 139,664 | 165,603 | 163,821 |
| 199,896 | | | | | | | |
| ----- | | | | | | | |
| Earnings Before Cumulative Effect of Changes in Accounting Principles | 347,239 | 359,687 | 345,047 | 342,386 | 221,441 | 228,689 | |
| 226,230 | 276,045 | | | | | | |
| Cumulative Effect of Changes in Accounting Principles (Net of Applicable Income Taxes) | -- | -- | -- | (35,420) | -- | -- | |
| -- (58,580) | | | | | | | |
| ----- | | | | | | | |
| Net Earnings | \$ 347,239 | \$ 359,687 | \$ 345,047 | \$ 306,966 | \$ 221,441 | \$ 228,689 | \$ 226,230 |
| \$ 217,465 | | | | | | | |
| ===== | | | | | | | |
| ----- | | | | | | | |
| Earnings Per Common Share: | | | | | | | |
| Primary | \$ 1.53 | \$ 1.57 | \$ 1.52 | \$ 1.35 | \$.99 | \$ 1.02 | \$ |
| .99 \$.93 | | | | | | | |
| ===== | | | | | | | |
| Fully Diluted | \$ 1.53 | \$ 1.56 | \$ 1.51 | \$ 1.35 | \$.98 | \$ 1.02 | \$ |
| .99 \$.93 | | | | | | | |
| ===== | | | | | | | |

</TABLE>

The 1993 and 1992 first quarters include the cumulative effect of changes in accounting principles of \$(.16) and \$(.26) per common share primary and fully diluted, respectively.

Earnings per common share have been restated for the two-for-one common stock split (see Stockholders' Equity Note to the Consolidated Financial Statements).

DIVIDENDS PER COMMON SHARE
(declared and paid)

<TABLE>
<CAPTION>

| | 1ST QTR. | 2ND QTR. | 3RD. QTR. | 4TH QTR. |
|------|----------|----------|-----------|----------|
| <S> | <C> | <C> | <C> | <C> |
| 1993 | \$.15 | \$.175 | \$.175 | \$.20 |
| 1992 | \$.125 | \$.15 | \$.15 | \$.15 |

</TABLE>

Dividends per common share amounts give effect to the two-for-one common stock split (see Stockholders' Equity Note to the Consolidated Financial Statements).

There are no restrictions on the Corporation's present ability to pay dividends on common stock, other than (a) the Corporation's obligation first to make dividend payments on its preferred stock and (b) the governing provisions of the Delaware General Corporation Law. Certain subsidiaries' ability to declare dividends may also be limited as described in the Regulatory Requirements and Dividends Restrictions Note to the Consolidated Financial Statements.

STOCKHOLDER INFORMATION

Consolidated Transaction Reporting System prices for the specified calendar quarters are noted below. Prices have been restated for the two-for-one common stock split as described in the Notes to Consolidated Financial Statements.

<TABLE>
<CAPTION>

| | 1ST QTR. | | 2ND QTR. | | 3RD QTR. | | 4TH QTR. | |
|------|-----------|------|------------|----------|----------|-----------|-----------|----------|
| | HIGH | LOW | HIGH | LOW | HIGH | LOW | HIGH | LOW |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| 1993 | \$37 1/16 | \$28 | \$40 15/16 | \$33 5/8 | \$50 7/8 | \$39 9/16 | \$51 3/16 | \$41 3/4 |

</TABLE>

The approximate number of record holders of common stock as of February 4, 1994 was 12,600.

GRAPHICS APPENDIX LIST

| Page Where Graphic Appears | DESCRIPTION OF GRAPHIC |
|----------------------------------|---|
| Graphic No. 1 | <p>The graph is entitled "NET REVENUE CATEGORIES AND COMPENSATION AND BENEFITS"</p> <p>Presented is a bar graph comparing Merrill Lynch & Co., Inc.'s net revenue categories with compensation and benefits expense levels for the past five years. Graph is presented in billions with net revenues comprised of commissions, principal transactions, investment banking, asset management and portfolio service fees, net interest, and other. The graph shows total net revenues of \$5.9, \$5.8, \$7.2, \$8.6, and \$10.6 for year-end 1989 through 1993, respectively, and compensation and benefits of \$3.1, \$3.1, \$3.9, \$4.4, and \$5.3 for 1989 through 1993, respectively.</p> |
| Graphic No. 2 | <p>The graph is entitled "FEE-BASED REVENUES AS A PERCENTAGE OF FIXED AND SEMI-FIXED EXPENSES"</p> <p>Presented is a bar graph showing Merrill Lynch & Co., Inc.'s fee-based revenues as a percentage of fixed and semi-fixed expenses. The graph is presented in millions with fixed and semi-fixed expenses of \$3,507, \$3,392, \$3,338, \$3,656, and \$4,103 for 1989 through 1993, respectively. Fee-based revenues as a percentage of fixed and semi-fixed expenses are 37%, 43%, 51%, 55%, and 59% for 1989 through 1993, respectively.</p> |
| Graphic No. 3 | <p>The graph is entitled "REMAINING MATURITIES OF SWAPS AND DERIVATIVES"</p> <p>Presented is a bar graph showing Merrill Lynch & Co., Inc.'s remaining maturities of swaps and derivatives. The graph is presented in billions with swap and derivatives comprised of swaps, forward contracts, futures contracts, and options written, which, in the aggregate total \$891, \$508, \$389, \$297, \$215, \$132, \$102, and \$73 for December 1993 through 1999, and after 1999, respectively.</p> |
| Graphic No. 4 | <p>The graph is entitled "CREDIT QUALITY OF SWAPS AND DERIVATIVES COUNTERPARTIES"</p> <p>Presented is a bar graph showing Merrill Lynch & Co., Inc.'s credit quality of swaps and derivatives counterparties. The graph is presented in millions with swaps and derivatives comprised of swaps and forward contracts totaling \$901, \$392, \$1,994, \$1,285, \$1,114, \$761, \$270, and \$154 in total for AAA (rating agency equivalent), AA+/AA, AA-, A+/A-, A-, BBB, BB+, and other, respectively.</p> |

SUBSIDIARIES OF THE REGISTRANT

The following are subsidiaries of ML & Co. as of March 15, 1994 and the states or jurisdictions in which they are organized. Indentation indicates the principal parent of each subsidiary. Except as otherwise specified, in each case ML & Co. owns, directly or indirectly, at least 99% of the voting securities of each subsidiary. The names of particular subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a "significant subsidiary" as that term is defined in Rule 1.02(v) of Regulation S-X, under the Securities Exchange Act of 1934.

<TABLE>
<CAPTION>

| NAME ----- | STATE OR JURIS- DICTION OF ENTITY ----- |
|--|---|
| <S> | <C> |
| Merrill Lynch & Co., Inc. | Delaware |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated/1/..... | Delaware |
| Broadcort Capital Corp. | Delaware |
| Merrill Lynch & Co., Canada Ltd. | Ontario |
| Merrill Lynch Canada Incorporated/Incorporee..... | Nova Scotia |
| Merrill Lynch Life Agency Inc. | Arizona |
| Merrill Lynch Life Agency Inc. | Arkansas |
| Merrill Lynch Life Agency Inc. | Idaho |
| Merrill Lynch Life Agency Inc. | Illinois |
| Merrill Lynch Life Agency Inc. | Massachusetts |
| Merrill Lynch Life Agency Inc. | Montana |
| Merrill Lynch Life Agency Inc. | New Mexico |
| Merrill Lynch Life Agency Inc. | Ohio |
| Merrill Lynch Life Agency Inc. | Oklahoma |
| Merrill Lynch Life Agency Inc. | Puerto Rico |
| Merrill Lynch Life Agency Inc. | South Dakota |
| Merrill Lynch Life Agency Inc. | Virgin Islands |
| Merrill Lynch Life Agency Inc. | Washington |
| Merrill Lynch Life Agency Inc. | Alabama |
| Merrill Lynch Life Agency of Maine, Inc. | Maine |
| Merrill Lynch Life Agency Ltd. | Mississippi |
| ML Life Agency Inc. | Texas |
| Merrill Lynch Princeton Incorporated..... | Delaware |
| ROC Denver, Inc. | Delaware |
| R.O.C. Florida, Inc. | Florida |
| ROC Texas, Inc. | Texas |
| Wagner Stott Clearing Corp./2/..... | Delaware |
| Green Equity, Inc. | New Jersey |
| Merrill Lynch Bank & Trust Co. | New Jersey |
| Merrill Lynch Capital Services, Inc. | Delaware |
| Merrill Lynch Derivative Products, Inc./3/..... | Delaware |
| Merrill Lynch Government Securities Inc. | Delaware |
| Merrill Lynch Government Securities of Puerto Rico S.A. | Delaware |
| Merrill Lynch Money Markets Inc. | Delaware |
| Merrill Lynch Mortgage Capital Inc. | Delaware |
| Merrill Lynch Group, Inc. | Delaware |
| HQ North Company, Inc. | New York |
| Investor Protection Insurance Company..... | Vermont |
| Merrill Lynch Capital Partners, Inc. | Delaware |
| Merrill Lynch Fiduciary Services, Inc. | New York |

</TABLE>

- /1/ MLPF&S also conducts business as "Merrill Lynch & Co."
- /2/ The preferred stock of the corporation is owned by an unaffiliated group of investors.
- /3/ ML & Co. owns 100% of this corporation's outstanding common voting stock. 100% of the outstanding preferred voting stock is held by outside parties. The board of directors consist of 14 members, 12 of which are ML & Co. employees and 2 of which represent outside parties.

<TABLE>
<CAPTION>

| NAME ----- | STATE OR JURIS- DICTION OF ENTITY ----- |
|------------------------------------|---|
| <S> | <C> |
| MERRILL LYNCH & CO., INC. (CONT'D) | |
| MERRILL LYNCH GROUP, INC. (CONT'D) | |
| Merrill Lynch Futures Inc. | Delaware |
| Merrill Lynch, Hubbard Inc. | Delaware |

| | |
|--|--|
| MLH Group Inc./4/..... | Delaware |
| Merrill Lynch Corporate Pass-Through Securities, Inc. | Delaware |
| Merrill Lynch Insurance Group, Inc. | Delaware |
| Merrill Lynch Life Insurance Company..... | Arkansas |
| ML Life Insurance Company of New York..... | New York |
| Merrill Lynch International Finance Corporation..... | New York |
| Merrill Lynch International Bank Limited..... | England |
| Merrill Lynch Bank (Suisse) S.A. | Switzerland |
| Merrill Lynch Trust Company (Jersey) Limited..... | Jersey, Channel Islands |
| Merrill Lynch L.P. Holdings, Inc. | Delaware |
| Merrill Lynch MBP Inc. | Delaware |
| Merrill Lynch National Financial..... | Utah |
| Merrill Lynch Private Capital Inc./5/..... | Delaware |
| Merrill Lynch Trust Company of America..... | Illinois |
| Merrill Lynch Trust Company of California..... | California |
| Merrill Lynch Trust Company..... | New Jersey |
| Merrill Lynch Trust Company..... | Florida |
| Merrill Lynch Trust Company of Texas..... | Texas |
| Merrill Lynch Business Financial Services Inc. | Delaware |
| Merrill Lynch Credit Corporation..... | Delaware |
| Merrill Lynch Home Equity Acceptance, Inc. | Delaware |
| Merrill Lynch/WFC/L, Inc. | New York |
| ML Futures Investment Partners Inc. | Delaware |
| ML IBK Positions Inc. | Delaware |
| Merrill Lynch Interfunding Inc./6/..... | Delaware |
| ML Leasing Equipment Corp./7/..... | Delaware |
| Merlease Leasing Corp. | Delaware |
| Merrill Lynch Venture Capital Inc. | Delaware |
| Princeton Services, Inc. /8/..... | Delaware |
| Merrill Lynch International Incorporated..... | Delaware |
| Merrill Lynch GFX, Inc. | Delaware |
| Merrill Lynch International (Australia) Limited..... | New South Wales |
| Merrill Lynch International Bank..... | United States |
| Merrill Lynch International Holdings Inc. | Delaware |
| Merrill Lynch Bank (Austria) Aktiengesellschaft A.G. | Austria |
| Merrill Lynch Bank and Trust Company (Cayman) Limited..... | Cayman Islands, British West Indies |
| Merrill Lynch International & Co./9/..... | Netherlands Antilles |
| Merrill Lynch Capital Markets A.G. | Switzerland |
| Merrill Lynch Europe Limited..... | England |
| Merrill Lynch International Limited..... | England |

</TABLE>

-
- /4/ This corporation has over 30 direct or indirect subsidiaries operating in the United States and serving as either general partners or associate general partners of real estate limited partnerships.
 - /5/ This corporation has 16 subsidiaries which have engaged in direct principal lending and investment management.
 - /6/ This company has 10 subsidiaries holding or having a direct or indirect interest in specific investments on its behalf.
 - /7/ This corporation has 48 direct or indirect subsidiaries operating in the United States and serving as either general partners or associate general partners of limited partnerships.
 - /8/ This corporation is the general partner of Merrill Lynch Asset Management, L.P. (whose co-limited partners are ML & Co. and an indirect subsidiary of ML & Co.).
 - /9/ A partnership among subsidiaries of ML & Co.

<TABLE>

<CAPTION>

| NAME | STATE OR JURIS- DICTION OF ENTITY |
|---|--|
| ----- | ----- |
| <S> | <C> |
| MERRILL LYNCH & CO., INC. (CONT'D) | |
| MERRILL LYNCH INTERNATIONAL INCORPORATED (CONT'D) | |
| MERRILL LYNCH INTERNATIONAL HOLDINGS INC. (CONT'D) | |
| MERRILL LYNCH EUROPE LIMITED (CONT'D) | |
| Merrill Lynch Limited..... | England |
| Merrill Lynch, Pierce, Fenner & Smith (Brokers & Dealers) Limited..... | England |
| Merrill Lynch Europe Ltd. | Cayman Islands, British West Indies |
| Merrill Lynch Holding GmbH/10/..... | Fed. Rep. of Germany |
| Merrill Lynch Bank A.G. | Fed. Rep. of Germany |
| Merrill Lynch GmbH..... | Fed. Rep. of Germany |
| Merrill Lynch Holding S.A.F. | France |
| Merrill Lynch Capital Markets (France) S.A. ... | France |
| Merrill Lynch Hong Kong Securities Limited..... | Hong Kong |
| Merrill Lynch Japan Incorporated..... | Delaware |
| Merrill Lynch Specialists Inc. | Delaware |

</TABLE>

- /10/ ML & Co. holds a 50% interest in this corporation, with the remaining 50% interest held by an outside party.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the following Registration Statements of Merrill Lynch & Co., Inc. of our reports dated February 28, 1994 included in and incorporated by reference in this Annual Report on Form 10-K of Merrill Lynch & Co., Inc. for the year ended December 31, 1993.

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. 33-48846 (401(K) Savings and Investment 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))

Filed on Form S-3:

- Debt Securities or Warrants
- Registration Statement No. 33-54218
- Registration Statement No. 2-78338
- Registration Statement No. 2-89519
- Registration Statement No. 2-83477
- Registration Statement No. 33-03602
- Registration Statement No. 33-17965
- Registration Statement No. 33-27512
- Registration Statement No. 33-35456
- Registration Statement No. 33-42041
- Registration Statement No. 33-45327
- Registration Statement No. 33-49947
- Registration Statement No. 33-51489
- Registration Statement No. 33-52647
- Medium Term Notes
- Registration Statement No. 2-96315
- Registration Statement No. 33-03079
- Registration Statement No. 33-05125
- Registration Statement No. 33-09910
- Registration Statement No. 33-16165
- Registration Statement No. 33-19820
- Registration Statement No. 33-23605
- Registration Statement No. 33-27549
- Registration Statement No. 33-38879

Other Securities

Registration Statement No. 33-19975 (Remarketed Preferred Stock, Series C)

Registration Statement No. 33-33335 (Common Stock)

Registration Statement No. 33-45777 (Common Stock)

/s/ Deloitte & Touche

New York, New York
March 29, 1994