

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 30, 1994 Commission file number 1-7182

MERRILL LYNCH & CO., INC.

(Exact name of Registrant as specified in its charter)

Delaware

13-2740599

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer Identification No.)

World Financial Center

North Tower

250 Vesey Street

New York, New York

(Address of principal executive offices)

10281

(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value \$1.33 1/3	New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange; and The Tokyo Stock Exchange
Depositary Shares representing 1/400th share of 9% Cumulative Preferred Stock, Series A	New York Stock Exchange
Rights to Purchase Series A Junior Preferred Stock	New York Stock Exchange; Chicago Stock Exchange; The Pacific Stock Exchange; The Paris Stock Exchange; London Stock Exchange; and The Tokyo Stock Exchange
S&P 500 Market Index Target-Term Securities ("MITTS") due August 29, 1997; S&P 500 MITTS due July 31, 1998; 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 ("CMTs"), 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; AMEX Oil Index SMART Notes due December 29, 2000; CMTs, expiring January 25, 1996; Nikkei Stock Index 300 Call Warrants, expiring February 3, 1997	American Stock Exchange

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

[Cover page 1 of 2 pages]

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. [X]

As of March 24, 1995, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$7.98 billion.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: 181,705,446 shares of Common Stock (as of March 24, 1995) (includes 6,427,091 shares held by Merrill Lynch & Co., Inc. Employee Stock Ownership Plan that are not considered outstanding for accounting purposes)

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the Merrill Lynch & Co., Inc. 1994 Annual Report to Stockholders (for the fiscal year ended December 30, 1994) are incorporated in Parts I and II by reference.

Certain portions of the Merrill Lynch & Co., Inc. Proxy Statement for its 1995 Annual Meeting of Stockholders dated March 13, 1995 are incorporated in Parts III and IV by reference.

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* 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.

[Cover page 2 of 2 pages]

PART I

ITEM 1. BUSINESS
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OVERVIEW

Merrill Lynch & Co., Inc., a Delaware corporation ("ML & Co."), /*/ is a holding company formed in 1973 that, through its subsidiaries and affiliates, provides investment, financing, insurance, and related services on a global basis. Such services include securities brokering, trading, and underwriting; investment banking and other corporate finance advisory activities, including loan syndication; investment advisory and other asset management services; trading of foreign exchange instruments, futures, commodities, and derivatives; securities clearance services; banking, trust, and lending services; and insurance sales and underwriting services.

The Corporation conducts its business from its World Headquarters facility in New York City, additional principal locations in New Jersey, various United States regional offices, numerous retail sales offices, and locations throughout the world. At December 30, 1994, ML & Co. employed approximately 43,800 people.

Financial information concerning ML & Co. for each of the three fiscal years ended on the last Friday in December of 1994, 1993 and 1992 is set forth on page 30 of the 1994 Annual Report to Stockholders (the "Annual Report") and 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 its consolidated revenues in any one of its last three fiscal years, is set forth on page 76 of the Annual Report and 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 74-75 of the Annual Report is incorporated herein by reference.

The financial services industry is highly competitive and highly regulated. It is directly affected by general economic conditions, trends in business and finance, government regulation, and investor sentiment, as well as by interest rate changes and currency volatility, both domestically and internationally. The Corporation's financial services revenues are particularly sensitive to industry conditions, including those mentioned above and the volume of securities transactions and securities price levels. In addition, its business is subject to foreign exchange rate fluctuations, restrictive regulations by foreign governments, and other factors inherent in international operations. Furthermore, its business activities are subject to varying degrees of risk and profitability depending upon the nature of the activity and the extent to which it has placed its capital at risk in the conduct of a variety of transactions, including dealer transactions, investment banking, derivative transactions, syndicated and bridge loan financing, and other related transactions. The discussion on highly leveraged transactions set forth on pages 40-41 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 61-62 of the Annual Report are incorporated herein by reference.

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/*/ Unless the context otherwise requires, Merrill Lynch & Co., Inc. and its consolidated subsidiaries are referred to herein as "ML & Co." or the "Corporation." In addition, the Consolidated Financial Statements and related Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are incorporated herein by reference, refer to Merrill Lynch & Co., Inc. and its consolidated subsidiaries as the "Corporation".

ML & Co. conducts its business activities through a number of highly integrated subsidiaries and affiliates which frequently participate in the facilitation and consummation of a single transaction. The business activities of certain significant ML & Co. subsidiaries are described below.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

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

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

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

As of December 30, 1994, there were approximately 7.1 million retail and institutional customer accounts worldwide at MLPF&S as compared to 6.9 million accounts as of year-end 1993. In the United States and Canada, these accounts were served by approximately 12,300 retail financial consultants and institutional account executives, including trainees (as compared to approximately 12,100 at year-end 1993), in more than 500 offices worldwide. In the rest of the world, these accounts were served through Merrill Lynch International Incorporated and its subsidiaries by approximately 1,125 retail financial consultants and institutional account executives at various international locations which are linked with the communications and trading network of MLPF&S.

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

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All futures and futures options transactions are cleared through and carried by MLF and other ML & Co. subsidiaries engaged in futures clearing activities. As a result of their membership in the clearing associations of various futures exchanges, these ML & Co. entities have potentially significant financial exposure in the event that other members of futures clearing houses default materially in their obligations to such clearing houses. In addition, as with any margin transaction, the risk of loss to MLF and its customers from the trading of futures contracts is greater than the risk in cash securities transactions, primarily as a result of the low initial margin requirements (good faith deposits) relative to the nominal value of the actual futures contracts. MLF may have financial exposure if a customer fails to meet a margin call. Net worth requirements, financial reviews, margin procedures, and other credit standards established for MLF customer futures accounts are intended to limit any exposure to MLF resulting from its trading in futures accounts. The discussion of Merrill Lynch's credit and risk management policies set forth on pages 45-48 of the Annual Report under the captions "Credit" and "Risk

Management" is incorporated herein by reference.

DEALER TRANSACTIONS. MLPF&S regularly makes a market in the common stock of approximately 900 United States corporations and in approximately 375 different foreign securities traded in the over-the-counter markets. Its market-making activities are conducted with customers and other dealers. In addition, as a block positioner, MLPF&S regularly acts as a market-maker in certain listed securities. MLPF&S is also a dealer in municipal, mortgage-backed, asset-backed, and corporate fixed-income securities. MLPF&S engages in certain commodity-related transactions, such as purchase and repurchase transactions and precious metals consignments as a principal.

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

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

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.

MLPF&S and its affiliates provide advice, valuation, and financing assistance and engage in the underwriting and private placement of high-yield securities in connection with leveraged

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buyouts and other acquisition-related transactions. MLPF&S and its affiliates have, from time to time, taken principal positions in such transactions. In addition, credit in the form of senior and subordinated debt, as well as bridge financing on a select and limited basis, may be extended to clients of MLPF&S and its affiliates. Substantial funds may be provided to such clients on a temporary basis until permanent financing is obtained. Before MLPF&S and its affiliates take any such positions, an analysis is performed to establish the underlying creditworthiness of the particular client and the liquidity of the market for securities that may be issued in connection with any such financings and to determine the likelihood of refinancing 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 40-41 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 61-62 of the Annual Report is incorporated herein by reference.

The Corporation, through various subsidiaries and affiliates, including Merrill Lynch Capital Partners, Inc. ("MLCP") and Merrill Lynch Capital Corporation ("ML Capital Corp."), has made investments in equity and debt securities in acquisition transactions, including leveraged buyouts, for which MLPF&S has acted as financial advisor or underwriter. MLCP, an affiliate of MLPF&S, acts as the general partner of two leveraged buyout funds, Merrill Lynch Capital Appreciation Fund I and Merrill Lynch Capital Appreciation Fund II (the "Funds"). The primary objective of the Funds is the realization of long-term capital appreciation through the acquisition of equity interests in companies. For both of these MLCP-managed Funds, the investment periods have expired and no new investment opportunities are being sought. The Funds' investments have been funded by their respective limited partners and, for each limited partnership investment made by any MLCP-sponsored partnership, ML & Co. (through affiliates) has co-invested up to 20% of the aggregate MLCP-sponsored investments made. Through its subsidiaries and affiliates, including MLPF&S, ML & Co. may underwrite, trade, invest, and make markets in certain securities of issuers in which the Funds have an investment. In addition, it may provide financial advisory services to these issuers. The Funds together hold investments in approximately 26 privately held or public companies and the aggregate carrying

value of the investments of MLCP and its affiliates (directly or indirectly through the Funds) was approximately \$276 million as of year-end 1994.

ML Capital Corp. has been a participant in middle-market leveraged acquisitions. Utilizing ML & Co.'s capital, this subsidiary, as principal, has provided senior and subordinated financing to, and acquired equity interests in, a number of companies, approximately 40 of which remained in the portfolio as of year-end 1994. Currently, ML Capital Corp. is not seeking new investment opportunities.

MARGIN LENDING. MLPF&S also provides financing to clients, including margin lending and other extensions of credit. In a margin-based transaction, MLPF&S extends credit to the customer for a portion of the market value of the securities in the customer's account up to the limit imposed by internal MLPF&S policies and applicable margin regulations. Any margin loan made by MLPF&S is collateralized by securities in the customer's margin account. Interest on margin loans is an important source of revenue for MLPF&S. To finance margin loans, MLPF&S uses funds on which it pays interest (including borrowings from ML & Co.), funds on which it does not pay interest, including its own capital, funds derived from customers' free credit balances to the extent permitted by regulations, and funds derived from securities loaned.

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SECURITIES AND ECONOMIC RESEARCH. The Global Securities Research and Economics Group of MLPF&S ("MLPF&S Research Group") provides its institutional and retail sales forces and customers with current information on investments and securities markets and equity, fixed income, and economic research services on a global basis. Through its Securities Research Division, the MLPF&S Research Group also provides technical market and quantitative analysis, convertible securities analysis, investment and fixed income strategy, high yield debt securities research, credit research on municipal securities, preferred stock and corporate bonds, and futures research information. By means of a computer-based retrieval system available in each MLPF&S branch or affiliate office, current information and investment opinions on the common equity securities of approximately 1,700 corporations worldwide are readily available to all MLPF&S retail and institutional customers through their financial consultants and account executives.

SECURITIES CLEARING SERVICES. Through its subsidiaries Broadcort Capital Corp. ("BCC") and Wagner Stott Clearing Corp. ("WSCC"), MLPF&S provides securities clearing services. BCC provides these services to approximately 75 unaffiliated broker-dealers. Those utilizing BCC's clearing services may also execute transactions through BCC's fixed-income desk and participate in unit investment trust fund underwritings sponsored by MLPF&S. While the broker-dealer firm retains all sales functions with their customers, BCC services the customers' accounts and handles all settlement and credit aspects of transactions.

WSCC clears transactions for specialists and market makers on various national and regional stock exchanges; clears commodities futures transactions for clients through a divisional clearing arrangement with MLF and 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.

OTHER ACTIVITIES. In 1994, MLPF&S sold more than \$28.8 billion of mutual funds, including income, balanced, and growth funds, of which approximately \$15.9 billion represented sales of mutual funds that are advised by Merrill Lynch Asset Management, L.P. and its affiliates.

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

In addition, MLPF&S offers the Merrill Lynch Consults(R) service for an annual fee to individual and institutional clients with at least \$100,000 to invest. Through the Merrill Lynch Consults service, MLPF&S assists these clients in identifying their investment objectives so that appropriate third party investment managers can be selected based on those stated objectives. In addition, periodic performance reports are provided on the managed account. More than 25 of the investment managers participating in the Merrill Lynch Consults service manage portfolios in seven risk categories using varying proportions of equity and fixed-income instruments. At the end of 1994, approximately \$14.4 billion was held in 78,500 client accounts subscribing to the Merrill Lynch Consults service.

MLPF&S also provides Cash Management Account(R) financial services (the "CMA(R) account service") in all MLPF&S retail offices. Through Visa(R) cards issued by Merrill Lynch National Financial and Merrill Lynch Bank & Trust Co. and through checking services provided by Bank One, Columbus, N.A., participating customers may access information concerning the

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securities and balances in their CMA accounts and the loan value of margin securities in such account (if a margin account). The CMA account service 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 associated Insured Savings Account. The CMA account service money market funds are managed by Merrill Lynch Asset Management, L.P. At the end of 1994, MLPF&S had more than 1,331,000 CMA accounts for its United States customers, with aggregate assets of approximately \$265 billion (as compared to approximately \$268 billion at year-end 1993). In addition, there are approximately 40,000 CMA accounts held by the Corporation's clients outside the United States with aggregate assets of more than \$12 billion.

MLPF&S also offers the Capital Builder/SM/ Account service, ("CBA(R) account") which was developed to meet the needs of the new investor, through all MLPF&S retail offices. At the end of 1994, MLPF&S had more than 306,000 CBA accounts with assets of approximately \$12 billion.

MERRILL LYNCH INTERNATIONAL INCORPORATED

Merrill Lynch International Incorporated ("MLI"), through its subsidiaries, provides comprehensive investment, financing, and related services on a global basis outside the United States and Canada to governments, corporations, other institutions, and individual investors.

MLI's worldwide trading operations, particularly in London and Tokyo, make it one of the largest dealers and secondary market-makers in Eurobonds and other internationally traded securities and futures and a significant participant in the over-the-counter equity derivatives business. MLI also engages in foreign exchange transactions (including options on foreign currencies) as a dealer and consequently assumes principal positions in numerous currencies and related options. MLI and its subsidiaries and affiliated companies are members of various foreign stock and futures exchanges. The investment, financing, and market-making operations of MLI and its affiliates are conducted through a network of offices, including representative and liaison offices, located in 32 countries outside the United States and Canada. This office network services major "money center" institutions as well as thousands of smaller regional institutions and individual investors.

Information on international banking and foreign exchange activities of MLI and certain of its subsidiaries is set forth below under the caption "Banking, Trust and Mortgage Lending Activities."

MERRILL LYNCH ASSET MANAGEMENT, L.P.

ML & Co.'s asset management activities are conducted through, or managed by, Merrill Lynch Asset Management, L.P. and Fund Asset Management, L.P. and related subsidiaries (together, "MLAM"). MLAM constitutes the investment management arm of ML & Co., and is one of the largest mutual fund managers in the world. In 1994, sales of equity and bond funds managed by MLAM approximated \$15.9 billion, as compared with \$19.4 billion in 1993.

MLAM's other major business activity is separate account management. Assets under management were \$24.3 billion at the end of 1994 (which amount includes approximately \$4.4 billion of general account assets managed on behalf of insurance companies affiliated with MLAM) as compared to approximately \$23.6 billion in 1993 (which amount includes

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approximately \$6.0 billion of general account assets managed on behalf of insurance companies affiliated with MLAM). By the end of 1994, total assets under management approximated \$164 billion, as compared with \$161 billion at year-end 1993.

At the end of 1994, MLAM managed 210 portfolios representing a wide variety of investment objectives ranging from money market funds to long-term taxable and tax-exempt fixed income funds, along a broad spectrum of quality ratings and maturities. In addition, MLAM offers a wide variety of equity funds which in the aggregate invest in more than 40 markets globally. MLAM open-end funds, other than money-market funds, are generally offered pursuant to the Merrill Lynch Select Pricing/SM/ System which allows investors four purchase alternatives.

MERRILL LYNCH GOVERNMENT SECURITIES INC.

Merrill Lynch Government Securities Inc. ("MLGSI") is a primary dealer in obligations issued or guaranteed by the United States Government and by Federal agencies or other government-sponsored entities, including Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), and Federal Home Loan Mortgage Corporation ("FHLMC"). It is one of 38 primary dealers in government securities that reports its positions and activities daily to the Federal Reserve Bank of New York. It is a dealer in GNMA, FNMA and FHLMC mortgage-backed-pass-through certificates and deals in futures, options and forward contracts for its own account, to hedge its own risk, and to facilitate customers' transactions.

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

MERRILL LYNCH CAPITAL SERVICES, INC. AND MERRILL LYNCH DERIVATIVE PRODUCTS, INC.

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 transactions. Another subsidiary, Merrill Lynch Capital Markets PLC, engages in the equity derivatives business in the over-the-counter markets.

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

MLDP acts as an intermediary for certain derivative products, including interest rate and currency swaps between MLCS and highly-rated counterparties. Its activities address the increasing desire of swap customers to limit their trading to dealers with the highest credit

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quality. MLDP has been assigned an Aaa, AAA, and AAA counterparty rating by the rating agencies, Moody's Investors Service, Inc., Standard & Poor's Ratings Group and Fitch Investors Service, Inc., respectively. Customers meeting certain credit criteria enter into swaps with MLDP, and, in turn, MLDP enters into offsetting mirror swaps with MLCS. However, MLCS is required to provide MLDP with collateral to meet certain exposures MLDP may have to MLCS.

For additional information regarding the Corporation's derivatives business, including its accounting, risk and credit policies, see pages 44-45 of the Annual Report under the caption "Derivative Financial Instruments", which information is incorporated herein by reference.

MERRILL LYNCH MONEY MARKETS INC.

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

MERRILL LYNCH MORTGAGE CAPITAL INC.

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

ML FUTURES INVESTMENT PARTNERS INC.

Another ML & Co. subsidiary, 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 acts 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 its management and by its financial resources. 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. As of December 30, 1994, there was approximately \$1.2

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billion in equity invested or to be invested in 48 domestic and international commodity futures funds which MLFIP has sponsored or been selected to manage (as compared to approximately \$1.3 billion in equity invested or to be invested in 35 commodity futures funds worldwide which MLFIP sponsored or had been selected to manage at the end of 1993).

MERRILL LYNCH BUSINESS FINANCIAL SERVICES INC.

Through Merrill Lynch Business Financial Services Inc. ("MLBFS"), the Corporation provides financing services to small- and medium-sized businesses in conjunction with the Working Capital Management/SM/ account ("WCMA(R) 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 30, 1994, there were more than 112,300 WCMA Accounts which in the aggregate had investment assets of more than \$35 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 1994, MLBFS originated more than \$453 million in new commercial loans for business customers. As of December 30, 1994, total outstanding loans were \$612 million, of which approximately 97% were secured by tangible assets pledged by customers.

INSURANCE ACTIVITIES

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

MLLIC, an Arkansas stock life insurance company, is authorized to underwrite insurance and annuities products in 49 states, the District of Columbia, Guam and the U.S. Virgin Islands which are marketed to MLPF&S customers. Although authorized, it does not presently underwrite accident and health insurance. At year-end 1994, MLLIC had approximately \$10.8 billion of life insurance in force as compared with \$10.9 billion at year-end 1993. At year-end 1994, MLLIC had annuity contracts in force of approximately \$6 billion in value as compared with \$6.1 billion at year-end 1993.

ML Life, a New York stock life insurance company, is authorized to underwrite life insurance, annuities and accident and health insurance in nine states; however, it does not presently underwrite accident and health insurance. At year-end 1994, ML Life had approximately \$2.1 billion of life insurance in force, compared to \$850 million of life insurance in force at year-end 1993. In 1994, ML Life agreed to reinsure approximately \$1.3 billion of yearly renewable term insurance of an unaffiliated insurer. At year-end 1994, ML Life had annuity contracts in force of approximately \$457 million in value, as compared with \$533 million at year-end 1993.

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

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BANKING, TRUST AND MORTGAGE LENDING ACTIVITIES

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

Merrill Lynch International Bank Limited ("MLIB"), a United Kingdom bank with branch offices in Germany, 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 loans, deposits, 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 Corporation provides personal trust, employee benefit trust and custodial services in certain states through five state-chartered trust companies. Trust services outside of the United States are provided by Merrill Lynch Bank and Trust Company (Cayman) Limited.

Merrill Lynch Credit Corporation ("MLCC") provides real estate-based lending products enabling clients to purchase and refinance their homes as well as to manage their other personal credit needs. MLCC offers a variety of adjustable-rate and fixed-rate first mortgage loans throughout the United States, including the PrimeFirst(R) mortgage program. In addition, MLCC originates and services home equity credit lines and other mortgage loans as well as services mortgage loans for affiliated and unaffiliated financial institutions. MLCC uses a variety of financing techniques to fund its loan portfolio, including securitizing its mortgages for sale into the secondary marketplace. MLCC also provides securities-based lending through its Omega/SM/ account, a personal line of credit using eligible securities as collateral that is accessible by VISA(R) card and by check.

COMPETITION

All aspects of ML & Co.'s business are intensely competitive. Through its subsidiaries, in the United States and internationally, it competes directly with other domestic and foreign investment banking and securities firms, brokers and dealers in securities and commodities, and with commercial banks, particularly in its derivative and wholesale capital markets businesses. Many of the Corporation's international competitors may have competitive advantages in their home markets. Through its subsidiaries, it also competes indirectly for investment funds with mutual fund management companies, insurance companies, finance and investment advisory companies, and banks. Its competitive position depends to an extent on prevailing worldwide economic conditions and domestic and foreign governmental policies.

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

There is increased competition from sources other than those traditionally engaged in the securities business, such as commercial banks and insurance companies. Certain United States judicial and regulatory actions in recent years concerning, among other things, the

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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 commercial banks and their affiliates.

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

REGULATION

The Corporation's business, as with that of its competitors, is subject to stringent regulation by the Securities and Exchange Commission (the "SEC" or the "Commission"), the Commodity Futures Trading Commission ("CFTC"), and other Federal and state agencies which are charged with the protection of the securities markets and the interest of those participating in those markets. MLPF&S, those ML & Co. subsidiaries engaged in securities clearing services, and Merrill Lynch Specialists Inc., a ML & Co. subsidiary acting as a specialist on certain securities exchanges, 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.

Certain of ML & Co.'s subsidiaries, including MLPF&S, are regulated as broker-dealers under the laws of the jurisdictions in which they operate. Those ML & Co. entities that are broker-dealers registered with the SEC and members of the United States national securities exchanges are subject to Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 (the "Exchange Act") which is designed to measure the general financial condition and liquidity of a broker-dealer. Under this rule, they are required to maintain the minimum net capital deemed necessary to meet broker-dealers' continuing commitments to customers and others. Under certain circumstances, this rule limits the ability of ML & Co. to make withdrawals of capital from such broker-dealers. 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 69 of the Annual Report, is incorporated herein by reference.

Broker-dealers are also subject to other regulations covering the operations of their business, including sales and trading practices, use of client funds and securities, and conduct of directors, officers, and employees. The Corporation is also subject to the temporary risk assessment rules adopted by the SEC under the Market Reform Act of 1990, which require, among other things, that certain broker-dealers maintain and preserve records and other information, describe risk management policies and procedures, and report on the financial condition of certain affiliates whose financial and securities activities are reasonably likely to have a material impact on the financial and operating condition of the broker-dealer.

Violations of the stringent regulations governing the actions of a broker-dealer can result in the revocation of broker-dealer licenses, the imposition of censures or fines, the issuance of cease and desist orders, and the suspension or expulsion from the securities business of a firm, its officers or employees. With the enactment of the Insider Trading and Securities Fraud Enforcement Act of 1988, the SEC and the securities exchanges have intensified their regulation of broker-dealers, emphasizing in particular the need for supervision and control by broker-dealers of their employees. In addition, the SEC, various banking regulators, the Financial Accounting Standards Board and Congressional committees, among others, are increasing regulation of, and disclosure for, the derivatives business. In March 1995, a committee known as the Derivatives Policy Group (the "DPG"), consisting of representatives of ML & Co. and five other major U.S. securities firms, agreed to implement a voluntary oversight

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framework to address issues raised by the OTC derivatives activities of unregulated affiliates of SEC-registered broker-dealers and CFTC-registered futures commission merchants. The DPG was formed in August 1994 at the suggestion of SEC Chairman Arthur Levitt and worked closely with Chairman Levitt and CFTC Chairman Mary Shapiro and their senior staffs in developing its voluntary oversight approach. The DPG's framework for voluntary oversight includes (1) implementation of internal management controls relating to derivatives; (2) periodic reports to regulators (on a confidential basis) on OTC derivatives portfolios with respect to risk exposures, including reports on credit concentration and quality; (3) development of a framework for estimating risk in relation to capital; and (4) guidelines for dealing with counterparties other than professional dealers in OTC derivatives. Additional legislation and regulations, changes in rules promulgated by the SEC or other governmental regulatory authorities and self-regulatory organizations or changes in the interpretation or enforcement of laws and rules may directly affect the manner of operation and profitability of the Corporation.

Certain of the ML & Co. subsidiaries, including MLPF&S and MLAM, are registered as investment advisers with the SEC and with certain states requiring such registration.

The Corporation's registered government securities dealer is also subject to regulation by the NASD and the Chicago Board of Trade and is required to maintain minimum net capital pursuant to rules of the U.S. Department of the Treasury. The Corporation's futures commission merchants are regulated by the CFTC, the National Futures Association ("NFA") and the commodity exchanges of which each is a member. The CFTC and the NFA impose net capital requirements on these companies. MLFIP is registered with the CFTC and is a member of the NFA in such capacities.

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

ML Life is subject to 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 primarily by the State of New Jersey and by the Federal Deposit Insurance Corporation. Merrill Lynch National Financial is regulated primarily by the State of Utah and by the Federal Deposit Insurance Corporation. The Corporation's trust companies are subject to regulation by the governmental agencies in the states in which they are incorporated. The Corporation's subsidiaries engaged in banking activities outside the United States are regulated by various governmental entities in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activities.

ITEM 2. PROPERTIES

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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. The North Tower and the South Tower are each occupied under separate

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leases held by an ML & Co. affiliate. Both the North and South Tower leases commenced in 1988. The aggregate rent (net of rental income to be received from the sublease of approximately two-thirds of the South Tower) is approximately \$122 million for each of the first 15 years and approximately \$179 million for each of the remaining 10 years of the leases. The ML & Co. affiliate is also primarily responsible for all of the operating expenses for the North and South Towers.

ML & Co. affiliates also occupy additional principal locations in New Jersey at which certain of the Corporation's business activities are conducted, including owned facilities in Plainsboro on 240 acres and in Somerset on 35 acres (which is the replacement facility for leased locations in Somerset where two leases expired in 1994 and one expires in 1995); a leased facility in Piscataway (lease expiring in 2005) and a leased facility in Jersey City (lease expiring in 2007, exclusive of renewals) 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 the lease for office space housing support functions. Other significant facilities are at three New York City locations held by MLPF&S under leases expiring in 2000, 2007 and 2024, exclusive of extensions. Affiliates of ML & Co. also own significant facilities in Lakewood, Colorado and Jacksonville, Florida.

Insurance activities are conducted by insurance subsidiaries of ML & Co. at locations in Plainsboro, New Jersey (fee-owned facility), Jacksonville, Florida (fee-owned facility), 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 which service MLPF&S branch offices.

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 more than 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 "Commitments and Contingencies-Leases" on page 74 of the Annual Report, is hereby incorporated by reference.

ITEM 3. LEGAL PROCEEDINGS

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ML & Co. and certain of its subsidiaries, including MLPF&S, have been named as parties in a number of civil actions, including the following, arising out of their business activities. Each of the following actions is reported as of March 24, 1995.

ORANGE COUNTY LITIGATION. The following actions have been filed against or on behalf of the Corporation in connection with the Corporation's business activities with Orange County, California ("Orange County") relating to transactions entered into on behalf of Orange County and the funds controlled by the Orange County Treasurer-Tax Collector (the "Pools"). Bankruptcy petitions were filed on behalf of Orange County and the Pools in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") on December 6, 1994. These actions include, in the order summarized below, an action in the names of Orange County and the Pools; actions by investors and

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participants in the Pools and Orange County taxpayers; actions by investors in the Corporation or affiliated entities; and actions by holders of bonds or other debt instruments issued by or on behalf of Orange County and other public entities with funds controlled by the Orange County Treasurer-Tax Collector.

On January 12, 1995, an action was commenced in the Bankruptcy Court in the names of Orange County and the Pools against the Corporation and certain of its subsidiaries (the "Orange County Action"). The complaint alleges, among other things, that various securities transactions between Orange County and/or the Pools and the Corporation and its subsidiaries violated California law and are null and void, that the Corporation and its subsidiaries committed violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and breach of fiduciary duty. Damages in excess of \$2 billion and injunctive and

declaratory relief are sought.

On March 1, 1995, the parties entered into an agreement pursuant to which the proceeds from the sale of securities purchased by the Corporation from Orange County pursuant to certain master repurchase agreements are to be used to purchase short-term United States Treasury Bills or United States Treasury Notes that will be identifiable and held separate and subject to any rights that the Corporation may have in the master repurchase agreements. This agreement may be terminated by the Corporation upon 30 days written notice.

On December 13, 1994, a purported class action was commenced in the Superior Court of the State of California, Orange County, on behalf of individuals whose funds were deposited with the Orange County Treasurer pursuant to proceedings in California Superior Court (the "DeLeon Action"). On December 27, 1994, this complaint was amended to include as additional plaintiffs those individuals who invested funds in the Pools representing deferred compensation and/or retirement funds. The DeLeon Action names as defendants a subsidiary of the Corporation, an employee of the Corporation, Robert L. Citron, formerly the Treasurer-Tax Collector of Orange County, Matthew Raabe, formerly the Assistant to the Treasurer-Tax Collector of Orange County, and Steven E. Lewis, the Auditor-Controller of Orange County and alleges, among other things, that the defendants affiliated with the Corporation committed fraud and breach of fiduciary duty in connection with the Corporation's business activities with Orange County. Damages in an unspecified amount are sought.

On December 16, 1994, a purported class action was commenced in the United States District Court for the Central District of California on behalf of persons whose funds were deposited in the Pools pursuant to proceedings in California Superior Court. A companion action was commenced in the Superior Court for the State of California, Orange County, on January 10, 1995 (the "Small Action"). The Corporation, a subsidiary of the Corporation, an employee of the Corporation, and Robert L. Citron are named defendants in both actions. The federal complaint alleges, among other things, that the Corporation and the defendants affiliated with the Corporation committed violations of Sections 10(b) and 20 of the Exchange Act and Rule 10b-5 promulgated thereunder and Sections 25400 and 25500 of the California Corporations Code (the "California Code") and breach of fiduciary duty in connection with the Corporation's business activities with Orange County and the Pools. The state complaint alleges claims for breach of fiduciary duty and fraud. Damages in an unspecified amount are sought. On January 26, 1995, the federal complaint was dismissed without prejudice.

On January 9, 1995, a purported class action was commenced in the United States District Court for the Central District of California on behalf of all investors and participants in the Pools between January 1, 1993 and December 6, 1994 (the "Schools Excess Liability Fund Action" or "SELF Action"), naming a subsidiary of the Corporation, an employee of the Corporation

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and Robert Citron as defendants. The complaint alleges, among other things, that the defendants affiliated with the Corporation committed violations of Sections 10(b) and 20 of the Exchange Act and Rule 10b-5 promulgated thereunder, Sections 25400 and 25500 of the California Code, breaches of fiduciary duties, fraud, negligence and negligent misrepresentation in connection with the Corporation's business activities with Orange County. Damages in an unspecified amount are sought.

On March 3, 1995, a purported class action was commenced in the United States District Court for the Central District of California on behalf of 31 municipalities in Orange County that have deposited funds in the Pools, as well as "any political subdivision which invested funds in the Pools through the municipalities" (the "Huntington Beach Action"). Named as defendants are the Corporation, certain subsidiaries of the Corporation, and an employee of the Corporation. The complaint alleges that various securities transactions between Orange County and/or the Pools and the Corporation violated California law and are null and void. The complaint further alleges, among other things, that the defendants violated Sections 10(b) and 20 of the Exchange Act and Rule 10b-5 promulgated thereunder, New York Stock Exchange Rule 405, Article III, Section 2 of the National Association of Securities Dealers' Rules of Fair Practice, Sections 25400 and 25500 of the California Code, Sections 1573, 1709 and 1710 of the California Civil Code, Section 27100.1 of the California Government Code, and committed common law fraud and deceit, breach of fiduciary duty, and aided and abetted a breach of fiduciary duty, in connection with the Corporation's business activities with Orange County and the Pools. In the alternative, the complaint alleges that the defendants breached an "implied covenant of good faith and fair dealing owed to the Pool participants" as third-party beneficiaries. Damages in an unspecified amount are sought.

On January 23, 1995, a purported class action was commenced in the Superior Court of the State of California, Orange County, on behalf of Orange County taxpayers (the "Darling Action"). The defendants are a subsidiary of the Corporation, Robert L. Citron, Matthew Raabe, Steven E. Lewis, and Jeffrey Leifer, allegedly Orange County's primary debt advisor. The complaint alleges, among other things, that the subsidiary of the Corporation committed waste and

gross mismanagement, breach of fiduciary duty, conspired to commit ultra vires acts, and violated Section 17200 of the California Business and Professions Code in connection with the Corporation's business activities with Orange County. Damages in an unspecified amount are sought.

Beginning on December 5, 1994, five purported derivative actions on behalf of the Corporation were commenced in the Supreme Court of the State of New York, New York County (the "Wilson Actions"). Named as defendants in one or more of these actions are a total of 22 present or past directors, officers or employees of the Corporation or its subsidiaries. The complaints allege, among other things, breach of fiduciary duty and oversight failures in connection with the Corporation's business activities with Orange County. The Corporation is named as a nominal defendant in these actions. Damages in an unspecified amount are sought on behalf of the Corporation against the individuals named as defendants.

On January 12, 1995, a purported derivative action was commenced in the Superior Court of the State of California, Los Angeles County (the "Lewis Action"). Named as defendants are 13 present or past directors and/or officers of the Corporation. The complaint alleges, among other things, breach of fiduciary duty in connection with the Corporation's business activities with Orange County. The Corporation and certain of its subsidiaries are nominal defendants in this action. Damages in an unspecified amount are sought on behalf of the Corporation and certain of its subsidiaries against the individuals named as defendants.

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On December 16, 1994, a purported class action was commenced in the United States District Court for the Southern District of New York on behalf of purchasers of the Corporation's common stock between March 17, 1994 and December 6, 1994 (the "Balan Action"). The defendants are the Corporation and three of its directors and officers. The complaint alleges, among other things, violations of Sections 10(b) and 20 of the Exchange Act and Rule 10b-5 promulgated thereunder in connection with the Corporation's disclosure with respect to its business activities with Orange County and the Pools. Damages in an unspecified amount are sought.

On December 13, 1994, a purported class action was commenced in the Supreme Court of the State of New York, New York County on behalf of individuals who owned interests in the Merrill Lynch California Municipal Bond Fund (the "Fund") of the Merrill Lynch California Municipal Series Trust from January 1994 through December 1, 1994 (the "McDermott Action"). The defendants are the Corporation, certain of its subsidiaries and the Fund. The complaint alleges, among other things, fraud and negligent misrepresentation in connection with the Corporation's disclosure with respect to its business activities with Orange County and the Pools. Damages in an unspecified amount are sought.

Beginning on December 8, 1994, ten purported class actions were commenced in the United States District Court for the Central District of California on behalf of individuals who purchased bonds or other debt instruments issued by or on behalf of Orange County or other public entities with funds controlled by the Orange County Treasurer-Tax Collector during various periods of time (the "Smith Action"). As amended most recently on February 27, 1995 in a First Amended Consolidated Class Action Complaint, the purported class includes all persons who purchased bonds or other debt instruments between July 1, 1992 and December 6, 1994 that were issued by Orange County or the other public entities. Named as defendants are the Corporation, an employee of the Corporation, PaineWebber, Inc., CS First Boston Corp., Smith Barney, Inc., Lehman Brothers, Inc., Donaldson Lufkin & Jenrette, Inc., Kidder, Peabody & Co., Inc., Stone & Youngberg, Rauscher Pierce Refsnes, Inc., Leifer Capital, Inc., Fieldman Rolapp & Associates, Inc., CGMS, Inc., and O'Brien Partners, Inc. The First Amended Consolidated Class Action Complaint alleges, among other things, violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Sections 25400-25401, 25500-25501 and 25504.1 of the California Code, with respect to disclosure made in connection with the sale of bonds and other debt instruments issued by Orange County and the other public entities.

On March 13, 1995, an action was commenced in the Circuit Court of Cook County, Illinois, Chancery Division, by five money market mutual funds managed by Kemper Financial Services, Inc.: Cash Account Trust, Cash Equivalent Fund, Kemper Investors Fund, Kemper Money Market Fund, and Kemper Portfolios (the "Kemper Action"). Named as defendants are a subsidiary of the Corporation and an employee of the Corporation. The complaint alleges, among other things, that the defendants violated Sections 12A, 12F, 12G and 12I of the Illinois Securities Act and committed common law fraud with respect to disclosure made in connection with the issuance and sale of 1994-5 Taxable Notes that were issued by Orange County on July 8, 1994. Recission and damages in an unspecified amount are sought.

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

GSLIC LITIGATION. Several legal proceedings have arisen from certain securities trading transactions that occurred at year-end 1984, 1985, 1986 and 1988 between MLPF&S and

MLGSI and a Florida insurance company, Guarantee Security Life Insurance Company ("GSLIC"), which was taken into liquidation. 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").

On December 20, 1991, an action was commenced by the Florida Department of Insurance as Receiver of GSLIC (the "Receiver") in the Fourth Judicial Circuit Court in Duval County, Florida naming former officers, directors, and shareholders of GSLIC and Transmark, GSLIC's former outside attorneys and accountants, MLPF&S, MLGSI and a former managing director of MLPF&S as defendants (the "Receiver Action"). The complaint alleges state law claims against the above-mentioned Merrill Lynch defendants for fraud, breach of fiduciary duty, conspiracy, and aiding and abetting a 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 October 15, 1991 and on February 28, 1992 on behalf of an uncertified alleged class of purchasers of GSLIC insurance policies and annuities between 1984 and 1991 (the "Haag/Levine Action"). The complaint alleges substantially the same claims as the Receiver Action as well as claims grounded in the Racketeer Influenced and Corrupt Organizations Act ("RICO") and Section 10(b) of the Exchange Act and seeks unspecified money damages. The court has stayed the Haag/Levine Action pending the resolution of the Receiver Action.

The Resolution Trust Corporation ("RTC"), as receiver for four failed savings institutions (CenTrust Association Savings Bank, Imperial Savings Association, FarWest Savings and Loan Association, and Columbia Savings and Loan Association) in January and April, 1993 filed civil actions in federal court in Jacksonville, Florida against ML & Co., MLPF&S, MLGSI, a former MLPF&S managing director and former officers, directors and employees of Transmark and GSLIC (the "RTC Action"). The action seeks to recover damages as a result of purchases by the four above-named institutions of securities issued by Transmark, GSLIC's parent corporation. The claims alleged are substantially similar to those in the Haag/Levine action mentioned above. In April, 1993, Trans-Resources Inc., a company that alleges it also purchased Transmark securities, filed a complaint in the federal court in Jacksonville, Florida substantially following the allegations of the RTC Action and names substantially the same defendants (the "Trans-Resources Action"). The RTC Action and Trans-Resources Action each seek compensatory and punitive damages in unspecified amounts, trebling of damages under the RICO claim, rescissory relief, and reimbursement of costs of suit.

In October 1991, two ML & Co. stockholders, Charles Miller and Kenneth Steiner, commenced derivative actions, now consolidated, in New York State Supreme Court, naming as defendants all present directors of ML & Co. who were directors at the time of the year-end securities transactions in question, among others. The plaintiffs assert claims for breach of fiduciary duties in connection with the year-end securities transactions with GSLIC 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. However, the court has stayed the action for all purposes pending a resolution of the above-mentioned related litigation in Florida.

The Corporation believes it has strong defenses to, and will vigorously contest, the actions described above. Although the ultimate outcome of the actions described above and other civil actions, arbitration proceedings and claims pending against the Corporation or its subsidiaries as of March 24, 1995 cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of the management of the Corporation that the resolution of these actions will not have a material adverse effect on the financial condition or the results of operations of the Corporation as set forth in the consolidated financial statements contained herein.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS None.

The following table sets forth certain information concerning executive officers of ML & Co. as of March 24, 1995.

<TABLE> <CAPTION> NAME AND AGE	PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH 1990/*/
<S> Herbert M. Allison, Jr., 51	<C> Executive Vice President, Corporate and Institutional Business Group since January, 1995; Executive Vice President, Investment Banking Group from May, 1993 to January, 1995; Executive Vice President, Finance and Administration from October, 1990 to April, 1993; Executive Vice President, Administration from July, 1989 to October, 1990.
Edward L. Goldberg, 54	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, 56	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, 53	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.

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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.

<TABLE> <CAPTION> NAME AND AGE	PRESENT TITLE AND PRINCIPAL OCCUPATION SINCE MARCH 1990/*/
<S> David H. Komansky, 55	<C> President and Chief Operating Officer since January, 1995; President and Chief Executive Officer of MLPF&S since February, 1995; Executive Vice President, Debt and Equity Markets Group from May, 1993 to January, 1995; Executive Vice President, Debt Markets Group from June, 1992 to April, 1993; Executive Vice President, Equity Markets Group from October, 1990 to May, 1992; Senior Vice President and National Sales Director of MLPF&S from February, 1988 to October, 1990.
Winthrop H. Smith, Jr., 45	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.
John L. Steffens, 53	Executive Vice President, Private Client Group since October, 1990; Executive Vice President and President of the Consumer Markets Sector from July, 1985 to October, 1990.
Daniel P. Tully, 63	Chairman of the Board since June, 1993; Chief Executive Officer since May, 1992; President and Chief Operating Officer from July, 1985 to January, 1995; Chairman of the Board, President,

and Chief Executive Officer of MLPF&S from July, 1985 to February, 1995.

Joseph T. Willett, 43

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 Zeikel, 62

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.

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PART II

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

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 69 of the Annual Report; the information on page 78 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 Stock Exchange, 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 76 of the Annual Report is incorporated herein by reference and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto on pages 49-75 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 32-48 of the Annual Report and the information in the Notes to Consolidated Financial Statements under the caption "Regulatory Requirements and Dividend Restrictions" on page 69 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 49-75 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 49-75 in the Annual Report, the Independent Auditors' Report on page 75 in the Annual Report and the information on page 78 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 5-8 of ML & Co.'s Proxy Statement dated March 13, 1995 (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 13-26 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 pages 5-8 of the Proxy Statement is incorporated herein by reference.

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-8 HEREOF.

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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) Form of certificate representing the 9% Cumulative Preferred Stock, Series A, par value \$1.00 per share, of ML & Co. (the "9% Preferred Stock") (Exhibit 4(i) to 10-Q for the quarter ended September 30, 1994 ("3rd Quarter 1994 10-Q")).

- (d) Form of Depositary Receipt evidencing the Depositary Shares for the 9% Preferred Stock (Exhibit 4(ii) to 3rd Quarter 1994 10-Q).
- (e) Certificate of Designation of ML & Co. establishing the rights, preferences, privileges, qualifications, restrictions and limitations relating to the 9% Preferred Stock (Exhibit 4(iii) to 3rd Quarter 1994 10-Q).
- (f) Deposit Agreement, dated as of November 3, 1994 among ML & Co., Citibank, N.A. as Depositary, and the holders from time to time of the Depositary Receipts (Exhibit 4(iv) to 3rd Quarter 1994 10-Q).
- (g) Certificate of Designation, dated March 30, 1988 for Remarketed Preferred Stock, Series C (Exhibit 3(ii) to 1st Quarter 1993 10-Q).
- (h) Certificate of Designation, dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).
- (i) 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")).

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(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 (xv) 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 (xv) the form of each long-term security issued by the Registrant from January 1, 1994 through March 24, 1995.

- (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 6 1/4% Notes due January 15, 2006 (Exhibit 4 to 8-K dated January 20, 1994).
- (v) 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).
- (vi) Form of ML & Co.'s Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Constant Maturity U.S. Treasury Yield Increase Warrants expiring August 25, 1995 (Exhibit 4 to 8-K dated February 3, 1994).
- (vii) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Notes due March 24, 1997 (Exhibit 4 to 8-K dated March 24, 1994).
- (viii) Form of ML & Co.'s 6 3/8% Notes due March 30, 1999 (Exhibit 4 to 8-K dated March 30, 1994).
- (ix) Form of ML & Co.'s AMEX Oil Index Stock Market Annual Reset Term Notes due December 29, 2000 (Exhibit 4 to 8-K dated March

- (x) Form of ML & Co.'s Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Constant Maturity U.S. Treasury Yield Increase Warrants expiring January 25, 1996 (Exhibit 4 to 8-K dated November 3, 1994).
- (xi) Form of ML & Co.'s 8 3/8% Notes due February 9, 2000 (Exhibit 4 to 8-K dated February 9, 1995).
- (xii) Form of ML & Co.'s Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Nikkei Stock Index 300 Call Warrants expiring February 3, 1997 (Exhibit 4 to 8-K dated February 8, 1995).
- (xiii) Form of ML & Co.'s Japanese Yen Swap Rate Linked Medium-Term Notes, Series B (Exhibit 4(xviii) to 10-K for the fiscal year ended December 31, 1993 (the "1993 10-K")).
- * (xiv) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Medium-Term Notes, Series B.
- * (xv) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Medium-Term Notes II, Series B.

(10) MATERIAL CONTRACTS.

COMPENSATION PLANS AND ARRANGEMENTS:

- * (i) ML & Co. 1978 Incentive Equity Purchase Plan, as amended through January 16, 1995.
- * (ii) Form of ML & Co. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, as amended through November 10, 1994.
- * (iii) ML & Co. Long-Term Incentive Compensation Plan, as amended through December 5, 1994.
- * (iv) ML & Co. Equity Capital Accumulation Plan, as amended through December 5, 1994.
- (v) ML & Co. Executive Officer Compensation Plan (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 14, 1994 ("1994 Proxy Statement")).

- -----
*Filed herewith.

- (vi) Written description of Retirement Program for Non-Employee Directors of ML & Co., as amended June 29, 1988 (Page 23 of ML & Co.'s Proxy Statement for the 1995 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 10, 1995 ("1995 Proxy Statement")).
- (vii) ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 3rd Quarter 1992 10-Q for the quarter ended September 25, 1992 (the "3rd Quarter 1992 10-Q")).
- (viii) Executive Annuity Agreement, dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(iii) to 2nd Quarter 1991 10-Q for the quarter ended June 28, 1991 (the "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 for the quarter ended June 26, 1992).
- (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. (Exhibit 10(xi) to 1993 10-K).
- (xii) Written description of ML & Co.'s incentive compensation

programs (Exhibit 10(xii) to 1993 10-K).

- (xiii) Written description of ML & Co.'s compensation policy for directors (Page 13 of ML & Co.'s 1995 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)).
- (xx) Merrill Lynch KECALP L.P. 1994 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 33-51825)).

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- (xxi) Form of ML & Co. 1994 Deferred Restricted Unit Agreement for Executive Officers (Exhibit 10(i) to 10-Q for the quarter ended April 1, 1994 (the "1st Quarter 1994 10-Q")).
- * (xxii) Form of ML & Co. 1995 Deferred Compensation Agreement for a Select Group of Eligible Employees.
- * (xxiii) Form of ML & Co. Fee Deferral Plan for Non-Employee Directors, as amended through February 24, 1995.

-- 10(xxiv) 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 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).

*Filed herewith.

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

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- + (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(xxvi) (i) to 1993 10-K).
- + (j) Agreement of Sublease (with respect to a portion of Parcel B), dated December 17, 1993 between WFC/L and Deloitte & Touche (Exhibit 10(xxvi) (j) to 1993 10-K).

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

- (a) 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 for the quarter ended March 24, 1989).

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

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- (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 ("O&Y I") (which has succeeded to the interest of O&Y U.S. Development Corp.), O&Y Tower D Holding Company II ("O&Y 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 for the fiscal year ended December 28, 1990 ("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. (Exhibit 10(xxvii) (j) to 1993 10-K).

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.
- * (13) 1994 ANNUAL REPORT TO STOCKHOLDERS.
- * (21) SUBSIDIARIES OF THE REGISTRANT.
- * (23) CONSENT OF INDEPENDENT AUDITORS.
- * (27) FINANCIAL DATA SCHEDULE.

- -----

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

*Filed herewith.

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(B) REPORTS ON FORM 8-K

The following Current Reports on Form 8-K were filed by the Registrant during the fourth quarter of 1994 with the Commission under the caption "Item 5. Other Events":

- (i) Current Report on Form 8-K, dated October 18, 1994, for the purpose of filing Preliminary Unaudited Earnings Summaries for the three-and nine-month periods ended September 30, 1994.
- (ii) Current Report on Form 8-K, dated October 31, 1994, for the purpose of filing ML & Co.'s Preliminary Unaudited Consolidated Balance Sheet as of September 30, 1994 and statements regarding computation of ratios.
- (iii) Current Report on Form 8-K, dated November 3, 1994, for the purpose of filing the form of Warrant Agreement between ML & Co. and Citibank, N.A., dated as of November 3, 1994, including a form of Warrant certificate and the opinion of counsel relating thereto.
- (iv) Current Report on Form 8-K, dated November 3, 1994, for the purpose of filing the form of ML & Co.'s 9% Preferred Stock and Depositary Shares, including certificate evidencing the 9% Preferred Stock, the form of Depositary Receipt, the form of Certificate of Designation relating to the 9% Preferred Stock, and the form of Deposit Agreement.

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 "Act"), 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.

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DESCRIPTION OF COMMON STOCK

The authorized capital stock of ML & Co. consists of 500,000,000 shares of common stock, par value \$1.33 1/3 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value \$1.00 per share, issuable in series ("Preferred Stock"). As of March 24, 1995, 181,705,446 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 nonassessable. Each share is eligible to participate in the Rights under the Rights Agreement referenced below, to the extent specified therein, to purchase certain securities upon the occurrence of certain events specified in such Rights Agreement.

The Board of Directors of ML & Co., without further action by stockholders, has the authority to issue all of the 25,000,000 shares of Preferred Stock, which are currently authorized, from time to time in one or more series and, with respect to each such series, has authority to fix the powers (including voting power), designations, preferences as to dividends and liquidation, and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof. As of March 24, 1995, there were 17,000,000 Depositary Shares issued, each representing a one-four hundredth interest in a share of the 9% Preferred Stock. The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425,000,000. As of March 24, 1995, there were 42,500 shares of 9% Preferred Stock outstanding. From time to time, share positions in the Depositary Shares may be established in connection with the market-making activities of MLPF&S. As of March 24, 1995, approximately 800,000 Depositary Shares were held for this purpose. As of March 24, 1995, there were 3,000 shares of ML & Co.'s Remarketed Preferred/SM/ Stock (the "Remarketed Preferred Stock") issued, of which 1,938 were outstanding. The 9% Preferred Stock and Remarketed Preferred Stock have dividend and liquidation preference over the Common Stock and over the Series A Junior Preferred Stock issuable pursuant to a Rights Agreement, dated as of December 16, 1987 between ML & Co. and Chemical Bank (successor by merger to Manufacturers Hanover Trust Company), which is set forth herein as Exhibit 3(i) (i).

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

<TABLE>
<CAPTION>

	PAGE REFERENCE	
	FORM 10-K	ANNUAL REPORT
FINANCIAL STATEMENTS		
- - - - -		
<S>	<C>	<C>
Statements of Consolidated Earnings, Year Ended Last Friday in December 1994, 1993 and 1992		49
Consolidated Balance Sheets, December 30, 1994 and December 31, 1993		50-51
Statements of Changes in Consolidated Stockholders' Equity, Year Ended Last Friday in December 1994, 1993 and 1992		52-53
Statements of Consolidated Cash Flows, Year Ended Last Friday in December 1994, 1993 and 1992		54
Notes to Consolidated Financial Statements		55-75
Independent Auditors' Report		75
FINANCIAL STATEMENT SCHEDULES		
- - - - -		
Independent Auditors' Report	F-2	
Schedule I Condensed Financial Information of Registrant	F-3 to F-8	
Specifically incorporated elsewhere herein by reference are certain portions of the following unaudited items:		
(i) Selected Financial Data		30
(ii) Management's Discussion and Analysis		32-48
(iii) Five-Year Financial Summary		76
(iv) Quarterly Information		78
</TABLE>		

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.

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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 30, 1994 and December 31, 1993 and for each of the three years in the period ended December 30, 1994 and have issued our report thereon dated February 27, 1995; such consolidated financial statements and report are included in your 1994 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included Schedule I listed in the Index to Financial Statements and Financial Statement Schedules. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

New York, New York
February 27, 1995

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 30, 1994, DECEMBER 31 1993, AND DECEMBER 25, 1992

(Dollars in Thousands)

<TABLE>
<CAPTION>

	1994	1993
1992		

(52 Weeks)	(52 Weeks)	(53 Weeks)
<S>	<C>	<C>
<C>		
REVENUES		
Management service fees (from affiliates).....	\$ 264,997	\$ 260,156
\$ 230,452		
Interest (principally from affiliates).....	1,423,201	921,394
724,562		
Other.....	13,886	4,107
5,231		

Total Revenues.....	1,702,084	1,185,657
960,245		
Interest Expense.....	1,514,038	948,223
856,038		

Net Revenues.....	188,046	237,434
104,207		

NON-INTEREST EXPENSES		
Compensation and benefits.....	186,278	205,839
193,032		
Other.....	228,718	355,494
265,583		

Total Non-Interest Expenses.....	414,996	561,333
458,615		

LOSS BEFORE INCOME TAX BENEFITS, EQUITY IN EARNINGS OF AFFILIATES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES.....	(226,950)	(323,899)
(354,408)		

INCOME TAX BENEFITS.....	(20,814)	(105,243)
(153,765)		
LOSS BEFORE EQUITY IN EARNINGS OF AFFILIATES AND CUMULATIVE EFFECT OF CHANGES IN -----	-----	-----
ACCOUNTING PRINCIPLES.....	(206,136)	(218,656)
(200,643)		
EQUITY IN EARNINGS OF AFFILIATES.....	1,222,897	1,613,015
1,153,048		
EARNINGS BEFORE CUMULATIVE EFFECT OF -----	-----	-----
CHANGES IN ACCOUNTING PRINCIPLES.....	1,016,761	1,394,359
952,405		
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.....	\$1,016,761	\$1,358,939
\$ 893,825		
=====	=====	=====
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS.....	\$1,004,050	\$1,353,558
\$ 887,486		
=====	=====	=====

</TABLE>

See Notes to Condensed Financial Statements

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED BALANCE SHEETS

DECEMBER 30, 1994 AND DECEMBER 31, 1993

(Dollars in Thousands, Except Per Share Amounts)

<TABLE>

<CAPTION>

	1994	1993
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 88,049	\$ 78,438
Loans to, receivables from and preference securities of affiliates	33,058,979	31,666,915
Investments in affiliates, at equity	5,721,971	5,421,164
Property, leasehold improvements and equipment (net of accumulated depreciation and amortization of \$266,206 in 1994 and \$264,090 in 1993) ..	252,362	281,777
Other receivables and assets	1,023,140	740,653
TOTAL ASSETS	\$ 40,144,501	\$ 38,188,947
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Commercial paper and other short-term borrowings	\$ 14,747,039	\$ 15,725,247
Loans from and payables to affiliates	2,137,010	1,312,214
Other liabilities and accrued interest	2,154,171	2,041,270
Long-term borrowings	15,288,736	13,624,303
Total Liabilities	34,326,956	32,703,034
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity:	618,800	193,800
	-----	-----

Common Stockholders' Equity:

Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000

shares; issued: 1994 and 1993 - 236,330,162 shares;	315,105	315,105
Paid-in capital	1,196,093	1,156,367
Foreign currency translation adjustment	3,703	(18,305)
Net unrealized (losses) gains on investment securities available-for-sale (net of applicable income tax (benefit) expense of \$ (30,924) in 1994 and \$12,493 in 1993)	(56,957)	21,355
Retained earnings	5,605,616	4,777,142
Subtotal	7,063,560	6,251,664
Less: Treasury stock, at cost:		
1994- 48,423,944 shares;		
1993- 23,408,139 shares	1,627,108	695,788
Unallocated ESOP reversion shares, at cost:		
1994- 6,427,091 shares;		
1993- 8,932,332 shares	101,227	140,684
Employee stock transactions	136,480	123,079
Total Common Stockholders' Equity	5,198,745	5,292,113
Total Stockholders' Equity	5,817,545	5,485,913
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 40,144,501	\$ 38,188,947

</TABLE>

See Notes to Condensed Financial Statements

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(Parent Company Only)

CONDENSED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 30, 1994, DECEMBER 31, 1993, AND DECEMBER 25, 1992

(Dollars in Thousands)

	1994	1993	
1992			-
<S>	<C>	<C>	
<C>			
Cash flows from operating activities:			
Net earnings	\$ 1,016,761	\$ 1,358,939	\$
893,825			
Noncash items included in earnings:			
Cumulative effect of changes in			
accounting principles	--	35,420	
58,580			
Equity in earnings of affiliates	(1,222,897)	(1,613,015)	
(1,153,048)			
Depreciation and amortization	38,660	39,448	
40,883			
Deferred income taxes	(7,206)	(84,501)	
31,738			
Other	64,305	188,470	
70,805			
(Increase) decrease in:			
Intercompany receivables, net of			
payables	507,950	(7,808,864)	
(4,022,763)			
Investments in affiliates	(90,196)	(175,772)	
(120,976)			
Other operating assets, net of			
liabilities	(954,688)	(802,053)	
(862,532)			
Proceeds from dividends from			
affiliates	946,722	913,554	
1,067,091			
Cash provided by (used for)			
operating activities	299,411	(7,948,374)	
(3,996,397)			

Cash flows from investing activities:		
Proceeds from (payments for):		
Investment securities	--	7,774
--		
Property, leasehold improvements and equipment	(33,379)	(21,526)
(25,146)		

Cash used for investing activities	(33,379)	(13,752)
(25,146)		

Cash flows from financing activities:		
Proceeds from (payments for):		
Commercial paper and other short-term borrowings	(978,208)	6,009,955
1,562,823		
Issuance and resale of long-term borrowings	8,450,602	7,282,252
5,813,405		
Settlement and repurchases of long- term borrowings	(6,917,341)	(4,590,455)
(3,032,843)		
Repurchases of Remarketed Preferred stock	--	--
(11,700)		
Issuance of Preferred Stock	425,000	--
--		
Other common stock transactions	(1,048,187)	(510,975)
(189,301)		
Dividends	(188,287)	(152,777)
(126,237)		

Cash (used for) provided by financing activities.	(256,421)	8,038,000
4,016,147		

Increase (decrease) in cash and cash equivalents ...	9,611	75,874
(5,396)		
Cash and cash equivalents, beginning of year	78,438	2,564
7,960		

Cash and cash equivalents, end of year	\$ 88,049	\$ 78,438
\$ 2,564		
=====		

</TABLE>

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Income taxes totaled \$1,056,559 in 1994, \$1,003,871 in 1993, and \$543,796 in 1992.

Interest totaled \$1,489,648 in 1994, \$897,498 in 1993, and \$877,817 in 1992.

See Notes to Condensed Financial Statements

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SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF REGISTRANT

MERRILL LYNCH & CO., INC.

(Parent Company Only)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share amounts)

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

The condensed financial statements of Merrill Lynch & Co., Inc. (the "Parent Company") should be read in conjunction with the consolidated financial statements of Merrill Lynch & Co., Inc. and subsidiaries (the "Corporation") and the notes thereto incorporated elsewhere herein by reference. Where appropriate, prior years' financial statements have been reclassified to conform to the 1994 presentation.

DIVIDENDS RECEIVED FROM AFFILIATES

Cash dividends totaling \$946,722, \$913,554 and \$1,067,091 were received from consolidated subsidiaries in 1994, 1993 and 1992, respectively.

LONG-TERM BORROWINGS AND GUARANTEES

Reference is made to pages 67 and 68 of the Annual Report for additional information on Parent Company long-term borrowings. At December 30, 1994, Parent Company borrowings totaling \$425,353 were held for purposes of resale by affiliates which also purchased \$2,172,150 and resold \$1,902,200 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 affiliated dealer in such instruments, are used to hedge interest rate and foreign currency exposures associated with long-term borrowings. At December 30, 1994 and December 31, 1993, the notional amounts of these instruments were \$15,915,491 and \$11,904,797, 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, except per share amounts)

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 1993 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 57 and 58 of the Annual Report for additional information on Accounting Changes.

NON-INTEREST EXPENSES - OTHER

The Parent Company recorded a non-recurring 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. This space was sublet in 1994.

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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, except per share amounts)

STOCKHOLDERS' EQUITY

In the 1994 fourth quarter, the Corporation issued 17,000,000 Depositary Shares, each representing a one-four hundredth interest in a share of 9% Cumulative Preferred Stock, Series A, \$10,000 liquidation preference per share ("9% Preferred Stock"). The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425,000. At December 30, 1994, 42,500 shares, represented by 17,000,000 Depositary Shares, were outstanding.

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 65 and 66 of the Annual Report for additional information on Stockholders' Equity.

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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 27th day of March, 1995.

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 27th day of March, 1995.

Signature -----	Title -----
/s/ Daniel P. Tully ----- (Daniel P. Tully)	Chairman of the Board, Chief Executive Officer and Director
/s/ David H. Komansky ----- (David H. Komansky)	President, Chief Operating Officer 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/ 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 -----	Director

(Robert P. Luciano)

/s/ Aulana L. Peters Director

(Aulana L. Peters)

/s/ John J. Phelan, Jr. Director

(John J. Phelan, Jr.)

/s/ Charles A. Sanders Director

(Charles A. Sanders)

/s/ William L. Weiss Director

(William L. Weiss)

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) Form of certificate representing the 9% Cumulative Preferred Stock, Series A, par value \$1.00 per share, of ML & Co. (the "9% Preferred Stock") (Exhibit 4(i) to 10-Q for the quarter ended September 30, 1994 ("3rd Quarter 1994 10-Q")).
- (d) Form of Depositary Receipt evidencing the Depositary Shares for the 9% Preferred Stock (Exhibit 4(ii) to 3rd Quarter 1994 10-Q).
- (e) Certificate of Designation of ML & Co. establishing the rights, preferences, privileges, qualifications, restrictions and limitations relating to the 9% Preferred Stock (Exhibit 4(iii) to 3rd Quarter 1994 10-Q).
- (f) Deposit Agreement, dated as of November 3, 1994 among ML & Co., Citibank, N.A. as Depositary, and the holders from time to time of the Depositary Receipts (Exhibit 4(iv) to 3rd Quarter 1994 10-Q).
- (g) Certificate of Designation, dated March 30, 1988 for Remarketed Preferred Stock Series C (Exhibit 3(ii) to 1st Quarter 1993 10-Q).
- (h) Certificate of Designation, dated December 17, 1987 for Series A Junior Preferred Stock (Exhibit 3(f) to S-3 (File No. 33-19975)).
- (i) 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).

EXHIBIT -----

- (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 6 1/4% Notes due January 15, 2006 (Exhibit 4 to 8-K dated January 20, 1994).
- (v) 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).
- (vi) Form of ML & Co.'s Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Constant Maturity U.S. Treasury Yield Increase Warrants expiring August 25, 1995 (Exhibit 4 to 8-K dated February 3, 1994).
- (vii) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Notes due March 24, 1997 (Exhibit 4 to 8-K dated March 24, 1994).
- (viii) Form of ML & Co.'s 6 3/8% Notes due March 30, 1999 (Exhibit 4 to 8-K dated March 30, 1994).
- (ix) Form of ML & Co.'s AMEX Oil Index Stock Market Annual Reset Term Notes due December 29, 2000 (Exhibit 4 to 8-K dated March 31, 1994).
- (x) Form of ML & Co.'s Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Constant Maturity U.S. Treasury Yield Increase Warrants expiring January 25, 1996 (Exhibit 4 to 8-K dated November 3, 1994).
- (xi) Form of ML & Co.'s 8 3/8% Notes due February 9, 2000 (Exhibit 4 to 8-K dated February 9, 1995).
- (xii) Form of ML & Co.'s Index Warrant Agreement, including form of Global Warrant Certificate, relating to ML & Co.'s Nikkei Stock Index 300 Call Warrants expiring February 3, 1997 (Exhibit 4 to 8-K dated February 8, 1995).
- (xiii) Form of ML & Co.'s Japanese Yen Swap Rate Linked Medium-Term Notes, Series B (Exhibit 4(xviii) to 10-K for the fiscal year ended December 31, 1993 (the "1993 10-K")).
- * (xiv) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Medium-Term Notes, Series B.
- * (xv) Form of ML & Co.'s Constant Maturity Treasury Rate Indexed Medium-Term Notes II, Series B.

- - - - -
*Filed herewith.

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EXHIBIT

- - - - -
(10) MATERIAL CONTRACTS.

COMPENSATION PLANS AND ARRANGEMENTS:

- * (i) ML & Co. 1978 Incentive Equity Purchase Plan, as amended through January 16, 1995.
- * (ii) Form of ML & Co. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees, as amended through November 10, 1994.
- * (iii) ML & Co. Long-Term Incentive Compensation Plan, as amended through December 5, 1994.
- * (iv) ML & Co. Equity Capital Accumulation Plan, as amended through December 5, 1994.
- (v) ML & Co. Executive Officer Compensation Plan (Exhibit 10(i) to ML & Co.'s Proxy Statement for the 1994 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 14, 1994 ("1994 Proxy Statement")).
- (vi) Written description of Retirement Program for Non-Employee

Directors of ML & Co., as amended June 29, 1988 (Page 23 of ML & Co.'s Proxy Statement for the 1995 Annual Meeting of Stockholders contained in ML & Co.'s Schedule 14A filed on March 10, 1995 ("1995 Proxy Statement")).

- (vii) ML & Co. Non-Employee Directors' Equity Plan (Exhibit 10(iv) to 3rd Quarter 1992 10-Q for the quarter ended September 25, 1992 (the "3rd Quarter 1992 10-Q")).
- (viii) Executive Annuity Agreement, dated July 24, 1991, by and between ML & Co. and Daniel P. Tully (Exhibit 10(iii) to 2nd Quarter 1991 10-Q for the quarter ended June 28, 1991 (the "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 for the quarter ended June 26, 1992).
- (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. (Exhibit 10(xi) to 1993 10-K).
- (xii) Written description of ML & Co.'s incentive compensation programs (Exhibit 10(xii) to 1993 10-K).
- (xiii) Written description of ML & Co.'s compensation policy for directors (Page 13 of ML & Co.'s 1995 Proxy Statement).

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*Filed herewith.

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EXHIBIT

- (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)).
- (xx) Merrill Lynch KECALP L.P. 1994 (Exhibit 1(a)(ii) to Registration Statement on Form N-2 (File No. 33-51825)).
- (xxi) Form of ML & Co. 1994 Deferred Restricted Unit Agreement for Executive Officers (Exhibit 10(i) to 10-Q for the quarter ended April 1, 1994 (the "1st Quarter 1994 10-Q")).
- * (xxii) Form of ML & Co. 1995 Deferred Compensation Agreement for a Select Group of Eligible Employees.
- * (xxiii) Form of ML & Co. Fee Deferral Plan for Non-Employee Directors, as amended through February 24, 1995.

-- 10(xxiv) 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 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).

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*Filed herewith.

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

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EXHIBIT

- + (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(xxvi)(i) to 1993 10-K).
- + (j) Agreement of Sublease (with respect to a portion of Parcel B), dated December 17, 1993 between WFC/L and Deloitte & Touche (Exhibit 10(xxvi)(j) to 1993 10-K).

(xxvii) The following are amendments to certain of the documents that are related to the Registrant's 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).

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

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EXHIBIT

- (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 for the quarter ended March 24, 1989).

- (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 ("O&Y I") (which has succeeded to the interest of O&Y U.S. Development Corp.), O&Y Tower D Holding Company II ("O&Y 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 for the fiscal year ended December 28, 1990 ("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. (Exhibit 10(xxvii)(j) to 1993 10-K).

- * (11) STATEMENT RE COMPUTATION OF PER SHARE EARNINGS.
- * (12) STATEMENT RE COMPUTATION OF RATIOS.
- * (13) 1994 ANNUAL REPORT TO STOCKHOLDERS.
- * (21) SUBSIDIARIES OF THE REGISTRANT.
- * (23) CONSENT OF INDEPENDENT AUDITORS.
- * (27) FINANCIAL DATA SCHEDULE. (THE FINANCIAL DATA SCHEDULE TO BE CONTAINED IN THIS EXHIBIT 27 IS REQUIRED TO BE SUBMITTED ONLY IN THE REGISTRANT'S ELECTRONIC FILING OF THIS ANNUAL REPORT ON FORM 10-K BY MEANS OF THE EDGAR SYSTEM.)

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

FLOATING RATE GLOBAL MEDIUM-TERM NOTE

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY (THE "DEPOSITORY") TO A NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED CUSIP No. _____ PRINCIPAL AMOUNT
No. BFLR _____ \$ _____

MERRILL LYNCH & CO., INC.
MEDIUM-TERM NOTE,
SERIES B
(Floating Rate)

INTEREST RATE BASIS: ORIGINAL ISSUE DATE: STATED MATURITY:

Constant Maturity
Treasury Rate

INDEX MATURITY: INITIAL INTEREST RATE: SPREAD:

INITIAL INTEREST RESET DATE: INTEREST PAYMENT DATES:

SPREAD MULTIPLIER: INTEREST RESET DATES:

MAXIMUM INTEREST RATE: MINIMUM INTEREST RATE: INITIAL REDEMPTION DATE:

INITIAL REDEMPTION ANNUAL REDEMPTION OPTIONAL REPAYMENT
PERCENTAGE: PERCENTAGE REDUCTION: DATE(S):

CALCULATION AGENT:
(Merrill Lynch, Pierce,
Fenner & Smith Incorporated,
unless otherwise specified)

IF INTEREST RATE BASIS
IS LIBOR:
INDEX CURRENCY:

DESIGNATED LIBOR PAGE:
[] Reuters Page: _____
[] Telerate Page: _____

INTEREST CALCULATION:
[] Regular Floating Rate Note
[] Floating Rate/Fixed Rate

DAY COUNT CONVENTION
[] Actual/360 for the period
from to .

Fixed Rate Commencement Date:
Fixed Interest Rate:
[] Inverse Floating Rate Note
Fixed Interest Rate:

[] Actual/Actual to the period
from to .

ADDENDUM ATTACHED:

[X] Yes
[] No

DENOMINATIONS:
(Integral multiples of \$1,000,
unless otherwise specified)

IF INTEREST RATE BASIS
IS PRIME RATE:
[] Prime Rate--Major Banks
[] Prime Rate--H.15

OTHER PROVISIONS:

MERRILL LYNCH & CO., INC., a Delaware corporation ("Issuer" or the "Company," which terms include any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of

DOLLARS on the Stated Maturity specified above (except to the extent redeemed or repaid prior to the Stated Maturity Date), and to pay interest thereon, at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, and such other terms specified above, until the principal hereof is paid or duly made available for payment. Reference herein to "this Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

The Company will pay interest on each Interest Payment Date specified above, commencing on the first Interest Payment Date specified above next succeeding the Original Issue Date specified above, and on the Stated Maturity or any Redemption Date or Optional Repayment Date (as defined below) (the date of each such Stated Maturity, Redemption Date and Optional Repayment Date and the date on which principal or an installment of principal is due and payable by declaration of acceleration pursuant to the Indenture being referred to hereinafter as a "Maturity" with respect to principal payable on such date); provided, however, that if the Original Issue Date is between a Regular Record

Date (as defined below) and the next succeeding Interest Payment Date, interest payments will commence on the second Interest Payment Date succeeding the Original Issue Date; and provided further, that if an Interest Payment Date

(other than an Interest Payment Date at Maturity) would fall on a day that is not a Business Day (as defined below), such Interest Payment Date shall be postponed to the following day that is a Business Day, except that in the case the Interest Rate Basis is LIBOR, as indicated above, if such next Business Day falls in the next calendar month, such Interest Payment Date shall be the next preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown above. Unless otherwise specified above, the "Regular Record Date" shall be the date 15 calendar days (whether or not a Business Day) prior to the applicable Interest Payment Date. Interest on this Note will accrue from and including the Original Issue Date specified above, at the rates determined from time to time as specified herein, until the principal hereof has been paid or made available for payment. If the Maturity falls on a day which is not a Business Day as defined below, the payment due on such Maturity will be paid on the next succeeding Business Day with the same force and effect as if made on such Maturity and no interest shall accrue with respect to such payment for the period from and after such Maturity. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will as provided in the Indenture be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such Interest Payment Date. Any such interest which is payable, but not punctually paid or duly provided for on any Interest Payment Date (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder on such Regular Record Date, and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holder of this Note not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in the Indenture.

Payment of the principal of and interest on this Note will be made at the Office or Agency of the Company maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Unless the certificate of authentication hereon has been executed by or on behalf of The Chase Manhattan Bank (National Association), the Trustee with respect to the Notes under the Indenture, or its successor thereunder, by the manual signature of one of its authorized officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Securities (hereinafter called the "Securities") of the Company designated as its Medium-Term Notes, Series B (the "Notes"). The Securities are issued and to be issued under an indenture (the "Indenture") dated as of October 1, 1993, between the Company and The Chase Manhattan Bank (National Association) (herein called the "Trustee", which term includes any successor Trustee under the

is hereby made for a statement of the respective rights thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the Notes are to be authenticated and delivered. The terms of individual Notes may vary with respect to interest rates or interest rate formulas, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture.

The Notes are issuable only in registered form without coupons in denominations of, unless otherwise specified above, \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes as requested by the Holder surrendering the same. If (x) the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 60 days, (y) the Company executes and delivers to the Trustee a Company Order to the effect that this Note shall be exchangeable or (z) an Event of Default has occurred and is continuing with respect to the Notes, this Note shall be exchangeable for Notes in definitive form of like tenor and of an equal aggregate principal amount, in authorized denominations. Such definitive Notes shall be registered in such name or names as the Depository shall instruct the Trustee. If definitive Notes are so delivered, the Company may make such changes to the form of this Note as are necessary or appropriate to allow for the issuance of such definitive Notes.

This Note is not subject to any sinking fund.

This Note may be subject to repayment at the option of the Holder prior to its Stated Maturity on the Holder's Optional Repayment Date(s), if any, indicated on the face hereof. If no Holder's Optional Repayment Dates are set forth on the face hereof, this Note may not be so repaid at the option of the Holder hereof prior to the Stated Maturity. On any Holder's Optional Repayment Date, this Note shall be repayable in whole or in part in an amount equal to \$1,000 or integral multiples thereof (provided that any remaining principal amount shall be an authorized denomination) at the option of the Holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with interest thereon payable to the date of repayment. For this Note to be repaid in whole or in part at the option of the Holder hereof, this Note must be received, with the form entitled "Option to Elect Repayment" below duly completed, by the Trustee at its office at 4 Chase MetroTech Center, Brooklyn, New York 11245, Attention: Corporate Trust Administration, or such address which the Company shall from time to time notify the Holders of the Medium-Term Notes (the "Corporate Trust Office"), not more than 60 nor less than 30 days prior to a Holder's Optional Repayment Date. This Note must be received by the Trustee by 5:00 P.M., New York City time, on the last day for giving such notice. Exercise of such repayment option by the Holder hereof shall be irrevocable. In the event of payment of this Note in part only, a new Note for the unpaid portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

This Note may be redeemed at the option of the Company prior to its Stated Maturity on any date on and after the Initial Redemption Date, if any, specified on the face hereof (the "Redemption Date"). If no Initial Redemption Date is set forth on the face hereof, this Note may not be redeemed at the option of the Company prior to the Stated Maturity. On and after the Initial Redemption Date, if any, this Note may be redeemed at any time in whole or from time to time in part in increments of \$1,000 or integral multiples thereof (provided that any remaining principal amount shall be an authorized denomination) at the option of the Company at the applicable Redemption Price (as defined below) together with interest thereon payable to the Redemption Date, on notice given not more than 60 nor less than 30 days prior to the Redemption Date. In the event of redemption of this Note in part only, a new Note for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

If this Note is redeemable at the option of the Company prior to its Stated Maturity, the "Redemption Price" shall initially be the Initial Redemption Percentage, specified on the face hereof, of the principal amount of this Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

The interest rate borne by this Note shall be determined as follows:

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1. If this Note is designated as a Regular Floating Rate Note above, then, except as described below, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis shown above (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified above; provided, however, that the interest

rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Note is designated as a Floating Rate/Fixed Rate Note above, then, except as described below, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis shown above (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified above; provided, however,

that (i) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate, and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date to the Maturity shall be the Fixed Interest Rate, if such a rate is specified above, or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the day immediately preceding the Fixed Rate Commencement Date.

3. If this Note is designated as an Inverse Floating Rate Note above, then, except as described below, this Note will bear interest equal to the Fixed Interest Rate indicated above minus the rate determined by reference to the applicable Interest Rate Basis shown above (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described above; provided, however, that unless otherwise specified on the face hereof, the

interest rate hereon will not be less than zero percent. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified above; provided, however, that the interest rate in effect for the period from the

Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

4. Notwithstanding the foregoing, if this Note is designated above as having an Addendum attached, the Note shall bear interest in accordance with the terms described in such Addendum.

Except as provided above, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the immediately preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis specified on the face hereof is LIBOR and such next Business Day falls in the next succeeding calendar month, such Interest Reset Date shall be the next preceding Business Day.

Unless otherwise specified above, interest payable on this Note on any Interest Payment Date shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified above, if no interest has been paid), to but excluding the related Interest Payment Date; provided, however, that the interest payments on Maturity will include interest

accrued to but excluding such Maturity. Unless otherwise specified above, accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day from the date of issue or from the last date to which interest shall have been paid or duly provided for, to the date for which accrued interest is being calculated. Unless otherwise specified above, the interest factor for each such day shall be computed by dividing the interest rate applicable to such day by 360, if the Day Count Convention specified above is "Actual/360" for the period specified thereunder or by the actual number of days in the year if the Day Count Convention specified above is "Actual/Actual" for the period specified thereunder. Unless otherwise specified above, the interest factor for each such day shall be computed by dividing the interest rate applicable to such day by 360, if the Interest Rate

Basis specified above is the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR or the Prime Rate for the period specified thereunder, or by the actual number of days in the year if the Interest Rate Basis specified above is the Treasury Rate for the period specified thereunder. Unless otherwise specified above, the interest factor for Notes for which the interest rate is calculated with reference to two or more

Interest Rate Bases will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified above, the "Interest Determination Date" with respect to the CD Rate and the Commercial Paper Rate shall be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Federal Funds Rate and the Prime Rate shall be the Business Day immediately preceding each Interest Reset Date; the "Interest Determination Date" with respect to LIBOR shall be the second London Business Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate shall be the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); and the "Interest Determination Date" with respect to the Treasury Rate shall be the day in the week in which the related Interest Reset Date falls on which day Treasury bills (as defined below) are normally auctioned (Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an

auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Reset Date,

then the related Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Note is determined with reference to two or more Interest Rate Bases, the Interest Determination Date pertaining to this Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis shall be determinable. Each Interest Rate Basis shall be determined and compared on such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Unless otherwise specified above, the "Calculation Date", if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day, or (ii) the Business Day preceding the applicable Interest Payment Date or date of Maturity, as the case may be. All calculations on this Note shall be made by the Calculation Agent specified above or such successor thereto as is duly appointed by the Company.

All percentages resulting from any calculation on this Note will be rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

As used herein, "Business Day" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are generally authorized or obligated by law or executive order to close and, if the applicable Interest Rate Basis shown above is LIBOR, is also a London Business Day.

As used herein, "London Business Day" means any day (a) if the Index Currency specified above is other than the European Currency Unit ("ECU"), on which dealings in deposits in such Index Currency are transacted in the London interbank market or (b) if the Index Currency specified above is the ECU, that is not designated as an ECU Non-Settlement Day by the ECU Banking Association in Paris or otherwise generally regarded in the ECU interbank market as a day on which payments on ECUs shall not be made.

Determination of CD Rate. If an Interest Rate Basis for this Note is the

CD Rate, as indicated above, the CD Rate shall be determined on the applicable Interest Determination Date (a "CD Rate Interest Determination Date"), as the rate on such date for negotiable certificates of deposit having the Index Maturity specified above as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)", or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified above as published by the Federal Reserve Bank of New York in its statistical daily release "Composite 3:30 P.M. Quotations for U.S.

Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit". If such rate is not yet published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage

point, with five one millionths of a percentage point rounded upwards) of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate Interest Determination Date of three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity designated above in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers selected as

aforesaid by the Calculation Agent are not quoting as set forth above, the CD Rate determined on such CD Rate Interest Determination Date shall be the CD Rate in effect on such CD Rate Interest Determination Date.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this

Note is the Commercial Paper Rate, as indicated above, the Commercial Paper Rate shall be determined on the applicable Interest Determination Date (a "Commercial Paper Rate Interest Determination Date"), as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified above as published in H.15(519), under the heading "Commercial Paper". In the event such rate is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper having the Index Maturity shown above as published in Composite Quotations under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate for such Commercial Paper Rate Interest Determination Date shall be as calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity specified above placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized securities rating agency; provided, however, that if the dealers selected as aforesaid by

the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined on such Commercial Paper Rate Interest Determination Date shall be the rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the interest period for which interest is being calculated.

Eleventh District Cost of Funds Rate. If an Interest Rate Basis for this

Note is the Eleventh District Cost of Funds Rate, as indicated above, the Eleventh District Cost of Funds Rate shall be determined on the applicable Interest Determination Date (an "Eleventh District Cost of Funds Rate Interest Determination Date"), and shall be the rate equal to the monthly weighted average cost of funds for the calendar month preceding such Eleventh District Cost of Funds Rate Interest Determination Date as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on any related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month preceding the date of such announcement. If the FHLB of San

Francisco fails to announce such rate for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

Determination of Federal Funds Rate. If an Interest Rate Basis for this

Note is the Federal Funds Rate, as indicated above, the Federal Funds Rate shall be determined on the applicable Interest Determination Date (a "Federal Funds Rate Interest Determination Date"), and shall be the rate on that date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date, as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of federal funds transactions in The City of New York selected by the Calculation Agent prior to 9:00 A.M., New York City time on such Federal Funds Rate Interest Determination Date; provided,

however, that if the brokers selected as aforesaid by the Calculation Agent are

not quoting as mentioned in this sentence, the Federal Funds Rate determined on such Federal Funds Rate Interest Determination Date shall be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of LIBOR. If an Interest Rate Basis for this Note is LIBOR,

as indicated above, LIBOR will be determined on the applicable Interest Determination Date (a "LIBOR Interest Determination Date"), and will be, either: (a) if "LIBOR Reuters" is specified above, the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity designated above, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appear on the Designated LIBOR Page specified above as of 11:00 A.M. London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified above, the rate for deposits in the Index Currency having the Index Maturity designated above commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appears on the Designated LIBOR Page specified above as of 11:00 A.M. London time, on that LIBOR Interest Determination Date. If, as described in the immediately preceding sentence, fewer than two offered rates appear, or no rate appears, LIBOR in respect of the related LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in the immediately succeeding paragraph.

With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity shown above, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of such quotations as determined by the Calculation Agent. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date shall be calculated by the Calculation Agent as the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the rates quoted at approximately 11:00 A.M. (or such other time specified above under "OTHER PROVISIONS") in the applicable Principal Financial Center(s), on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center(s) selected by the Calculation Agent for loans in the Index Currency to leading European banks having the Index Maturity specified above and in a principal amount that is representative

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for a single transaction in the Index Currency in such market at such time; provided, however, that if the banks selected as aforesaid by the Calculation

Agent are not quoting as mentioned in this sentence, LIBOR determined on such LIBOR Interest Determination Date shall be LIBOR in effect on such LIBOR Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified above as the currency for which LIBOR shall be calculated. If no such

currency is specified above, the Index Currency shall be U.S. dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is designated above, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is designated above, the display on the Dow Jones Telerate Service (or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for the Index Currency) for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency. If neither LIBOR Reuters nor LIBOR Telerate is specified above, LIBOR for the applicable Index Currency will be determined as if LIBOR Telerate (and, in the case U.S. dollars is the Index Currency, Page 3750) had been specified.

"Principal Financial Center" will be, unless otherwise specified above, the following city or cities for the related Index Currency:

Index Currency -----	Principal Financial Center(s) -----
Australian Dollar	Sydney
Belgian Franc	Brussels
Canadian Dollar	Toronto
Danish Krone	Copenhagen
Dutch Guilder	Amsterdam
Finnish Markka	Helsinki
French Franc	Paris
Hong Kong Dollar	Hong Kong
Italian Lira	Milan
Luxembourg Franc	Brussels and Luxembourg
New Zealand Dollar	Wellington and Auckland
Norwegian Krone	Oslo
Spanish Peseta	Madrid
Sterling	London
Swedish Krona	Stockholm
Swiss Franc	Zurich
U.S. Dollar	New York
Yen	Tokyo

Determination of Prime Rate. "Prime Rate" means the rate determined by the

Calculation Agent in accordance with the provisions set out in clause (i) or in clause (ii) below, depending upon whether such rate is specified as "Prime Rate--Major Banks" or as "Prime Rate--H.15" on the face hereof:

(i) If an Interest Rate Basis for this Note is the "Prime Rate--Major Banks", as indicated above, the Prime Rate shall be determined on the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) determined by the Calculation Agent of the prime rates of interest publicly announced by three major banks in The City of New York, as selected by the Calculation Agent, as its United States dollar prime rate or base lending rate as in effect for that day. Each change in the prime rate or base lending rate of any bank so announced by such bank will be effective as of the effective date of the announcement or, if no effective date is specified, as of the date of the announcement. If fewer than three such quotations are provided, the Prime Rate shall be calculated by the Calculation Agent and shall be determined as the arithmetic mean (rounded to the

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nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) determined by the Calculation Agent on the basis of the prime rates quoted in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, each having total equity capital of at least \$500 million and being subject to supervision or examination by a federal or state authority, selected by the Calculation Agent to quote such rate or rates; provided, however, that if

the banks or trust companies selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined on such Prime Rate Interest Determination Date shall be the Prime Rate in effect on such Prime Rate Interest Determination Date.

(ii) If an Interest Rate Basis for this Note is "Prime Rate--H.15", as indicated above, "Prime Rate" means, with respect to any Prime Rate Interest Determination Date, the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan". If such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean (rounded

to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the rates of interest publicly announced by each bank that appears on the Reuters Screen NYMF Page as such bank's prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer than four such rates but more than one such rate appear on the Reuters Screen NYMF Page for such Prime Rate Interest Determination Date, the Prime Rate shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent. If fewer than two such rates appear on the Reuters Screen NYMF Page, the Prime Rate will be determined by the Calculation Agent on the basis of the rates furnished in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least \$500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; provided, however, that if the banks or trust companies selected as

aforesaid are not quoting as mentioned in this sentence, the Prime Rate for such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen NYMF Page" means the display designated as page "NYMF" page on that service for the purpose of displaying prime rates or base lending rates of major United States banks.

Determination of Treasury Rate. If an Interest Rate Basis for this Note is

the Treasury Rate, as specified above, the Treasury Rate shall be determined on the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate applicable to the most recent auction of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified above, as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the Index Maturity specified above are not reported as provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate hereon shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date of three leading primary United States government securities dealers as selected by the Calculation Agent for the issue of Treasury Bills with a remaining Maturity closest to the Index Maturity specified above; provided, however, that if the dealers selected as aforesaid by

the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate for such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

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Any provisions contained herein with respect to the determination of one or more Interest Rate Bases, the specification of one or more Interest Rate Bases, calculation of the Interest Rate applicable to this Note, its payment dates or any other matter relating hereto may be modified by the terms as specified above under "Other Provisions" or in an Addendum relating hereto if so specified above.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. The interest rate on this Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Unless otherwise above, Merrill Lynch, Pierce, Fenner & Smith Incorporated will be the "Calculation Agent". At the request of the Holder hereof, the Calculation Agent shall provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date with respect to this Note.

If an Event of Default (as defined in the Indenture) with respect to the Notes shall occur and be continuing, the principal of all the Notes may be

declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in aggregate principal amount of the Securities at any time Outstanding, as defined in the Indenture, of each series affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all the Securities of each series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the time, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations set forth therein and on the face hereof, the transfer of this Note may be registered on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

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All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and an imprint or facsimile of its corporate seal to be imprinted hereon.

Dated: _____

MERRILL LYNCH & CO., INC.

By: _____
Theresa Lang
Treasurer

[FACSIMILE OF SEAL]

Attest:

By: _____
Gregory T. Russo
Secretary

CERTIFICATE OF AUTHENTICATION
This is one of the Securities
of the series designated therein
referred to in the within-mentioned
Indenture.

By: _____
Authorized Officer

OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this Note (or portion hereof specified below) pursuant to its terms at a price equal to the principal amount hereof together with interest to the repayment date, to the undersigned, at _____

(Please print or typewrite name and address of the undersigned)

For this Note to be repaid, the Trustee must receive at its Corporate Trust Office, or at such other place or places of which the Company shall from time to time notify the Holder of this Note, not more than 60 nor less than 30 days prior to an Optional Repayment Date, if any, shown on the face of this Note, this Note with this "Option to Elect Repayment" form duly completed. This Note must be received by the Trustee by 5:00 P.M., New York City time, on the last day for giving such notice.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be in an amount equal to \$1,000 or an integral multiple thereof, provided that any remaining principal amount shall be an authorized denomination) which the Holder elects to have repaid and specify the denomination or denominations (which shall be in an amount equal to an authorized denomination) of the Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid).

\$ _____

Date _____

NOTICE: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of this Note in every particular, without alteration or enlargement or any change whatever.

ASSIGNMENT/TRANSFER FORM

FOR VALUE RECEIVED the undersigned registered Holder hereby sell(s), assign(s) and transfer(s) unto (insert Taxpayer Identification No.)

(Please print or typewrite name and address including postal zip code of assignee)

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to

transfer said Note on the books of the Company with full power of substitution in the premises.

Dated: _____

NOTICE: The signature of the registered Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

ADDENDUM FOR CONSTANT MATURITY TREASURY RATE INDEXED NOTES

The "Interest Determination Date" with respect to the Constant Maturity Treasury Rate shall be the second Business Day preceding each Interest Reset Date.

Determination of the Constant Maturity Treasury Rate. If an Interest Rate

Basis for the attached Note is the Constant Maturity Treasury Rate, as indicated on such Note, the Constant Maturity Treasury Rate shall be determined on the applicable Interest Determination Date as follows:

(i) The one-week average yield on United States Treasury securities at "constant maturity", as published in the most recent H.15(519) (as defined below) available on the applicable Interest Determination Date, with respect to such Interest Reset Date, provided that such H.15(519) was first available not earlier than ten calendar days prior to such Interest Determination Date, in the column entitled "Week Ending" for the most recent date opposite the heading "Treasury constant maturities" for the Index Maturity specified on the attached Note.

(ii) If the latest H.15(519) available on the applicable Interest Determination Date with respect to such Interest Reset Date was first available earlier than ten calendar days prior to such Interest Determination Date, the Constant Maturity Treasury Rate shall be such United States Treasury constant maturity rate (or other United States Treasury rate) for the Index Maturity specified on the attached Note for such Interest Determination Date (a) as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of Treasury, and (b) that the Calculation Agent determines to be comparable to the rate formerly published in H.15(519).

(iii) If the Constant Maturity Treasury Rate as described in clause (ii) is not published on the Interest Determination Date, the Constant Maturity Treasury Rate shall be a yield to maturity for direct noncallable fixed rate obligations of the United States ("Treasury Notes") most recently issued with an original maturity of approximately the Index Maturity specified on the attached Note and an original issue date within the immediately preceding year based on the yield (which yield is based on asked prices) for such issue of Treasury Notes for such Interest Determination Date, as published by the Federal Reserve Bank of New York in its daily statistical release entitled "Composite 3:30 P.M. Quotations for U.S. Government Securities" (or any successor or similar publication selected by the Calculation Agent published by the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York or any other Federal Reserve Bank or affiliated entity).

(iv) If the Constant Maturity Treasury Rate as described in clause (iii) is not published on the Interest Determination Date, the Constant Maturity Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to a maturity (expressed as a bond equivalent and as a decimal rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with five one-millionths of a percentage point rounded up, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City Time, on such Interest Determination Date of three primary United States government securities dealers in The City of New York selected by the Calculation Agent (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) for Treasury Notes with an original maturity of approximately the Index Maturity specified on the attached Note and an original issue date within the immediately preceding year. If three or four (and not five) of such dealers are quoting as described in this clause (iv), then the Constant

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Maturity Treasury Rate shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations will be eliminated.

(v) If fewer than three dealers selected by the Calculation Agent are quoting as described in clause (iv), the Constant Maturity Treasury Rate shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent and as a decimal rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with five one-millionths of a percentage point rounded up, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 p.m., New York City Time, on the applicable Interest Determination Date of three leading primary United States government securities dealers in The City of New York selected by the Calculation

Agent (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for Treasury Notes with an original maturity of approximately ten years and a remaining term to maturity closest to the Index Maturity specified on the attached Note. If three or four (and not five) of such dealers are quoting as described in this clause (v), then the Constant Maturity Treasury Rate shall be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations will be eliminated.

(vi) If fewer than three dealers selected by the Calculation Agent are quoting as described in clause (v), the Constant Maturity Treasury Rate shall be the Constant Maturity Treasury Rate in effect on the preceding Interest Reset Date (or, in the case of the initial Interest Determination Date, the one-week average yield on United States Treasury securities at "constant maturity" for the Index Maturity specified on the attached Note, as published in the most recent H.15(519)).

In the case of clause (v), if two Treasury Notes with an original maturity of approximately ten years have remaining terms to maturity equally close to the Index Maturity specified on the attached Note, the quotes for the Treasury Note with the shorter remaining term to maturity shall be used.

"H.15(519)" means the weekly statistical release designated as such, published by the Board of Governors of the Federal Reserve System.

FLOATING RATE GLOBAL MEDIUM-TERM NOTE

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN CERTIFICATED FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITORY TRUST COMPANY (THE "DEPOSITORY") TO A NOMINEE OF THE DEPOSITORY OR BY THE DEPOSITORY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITORY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITORY. UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED CUSIP No. _____ PRINCIPAL AMOUNT
No. BFLR _____ \$ _____

MERRILL LYNCH & CO., INC.
MEDIUM-TERM NOTE,
SERIES B
(Floating Rate)

INTEREST RATE BASIS: ORIGINAL ISSUE DATE: STATED MATURITY:

Constant Maturity
Treasury Rate

INDEX MATURITY: INITIAL INTEREST RATE: SPREAD:

INITIAL INTEREST RESET DATE: INTEREST PAYMENT DATES:

SPREAD MULTIPLIER: INTEREST RESET DATES:

MAXIMUM INTEREST RATE: MINIMUM INTEREST RATE: INITIAL REDEMPTION DATE:

INITIAL REDEMPTION ANNUAL REDEMPTION OPTIONAL REPAYMENT
PERCENTAGE: PERCENTAGE REDUCTION: DATE(S):

CALCULATION AGENT: IF INTEREST RATE BASIS
(Merrill Lynch, Pierce, IS LIBOR:
Fenner & Smith Incorporated, INDEX CURRENCY:
unless otherwise specified)
DESIGNATED LIBOR PAGE:
[] Reuters Page: _____
[] Telerate Page: _____

INTEREST CALCULATION: DAY COUNT CONVENTION
[] Regular Floating Rate Note [] Actual/360 for the period
[] Floating Rate/Fixed Rate from to .
Fixed Rate Commencement Date: [] Actual/Actual to the period
Fixed Interest Rate: from to .
[] Inverse Floating Rate Note
Fixed Interest Rate:

ADDENDUM ATTACHED: DENOMINATIONS:
[X] Yes (Integral multiples of \$1,000,
unless otherwise specified)
[] No

IF INTEREST RATE BASIS OTHER PROVISIONS:
IS PRIME RATE:
[] Prime Rate--Major Banks
[] Prime Rate--H.15

MERRILL LYNCH & CO., INC., a Delaware corporation ("Issuer" or the "Company," which terms include any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of

DOLLARS on the Stated Maturity specified above (except to the extent redeemed or repaid prior to the Stated Maturity Date), and to pay interest thereon, at a rate per annum equal to the Initial Interest Rate specified above until the Initial Interest Reset Date specified above and thereafter at a rate per annum determined in accordance with the provisions hereof and any Addendum relating hereto depending upon the Interest Rate Basis or Bases, and such other terms specified above, until the principal hereof is paid or duly made available for payment. Reference herein to "this Note", "hereof", "herein" and comparable terms shall include an Addendum hereto if an Addendum is specified above.

The Company will pay interest on each Interest Payment Date specified above, commencing on the first Interest Payment Date specified above next succeeding the Original Issue Date specified above, and on the Stated Maturity or any Redemption Date or Optional Repayment Date (as defined below) (the date of each such Stated Maturity, Redemption Date and Optional Repayment Date and the date on which principal or an installment of principal is due and payable by declaration of acceleration pursuant to the Indenture being referred to hereinafter as a "Maturity" with respect to principal payable on such date); provided, however, that if the Original Issue Date is between a Regular Record

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Date (as defined below) and the next succeeding Interest Payment Date, interest payments will commence on the second Interest Payment Date succeeding the Original Issue Date; and provided further, that if an Interest Payment Date

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(other than an Interest Payment Date at Maturity) would fall on a day that is not a Business Day (as defined below), such Interest Payment Date shall be postponed to the following day that is a Business Day, except that in the case the Interest Rate Basis is LIBOR, as indicated above, if such next Business Day falls in the next calendar month, such Interest Payment Date shall be the next preceding day that is a Business Day. Except as provided above, interest payments will be made on the Interest Payment Dates shown above. Unless otherwise specified above, the "Regular Record Date" shall be the date 15 calendar days (whether or not a Business Day) prior to the applicable Interest Payment Date. Interest on this Note will accrue from and including the Original Issue Date specified above, at the rates determined from time to time as specified herein, until the principal hereof has been paid or made available for payment. If the Maturity falls on a day which is not a Business Day as defined below, the payment due on such Maturity will be paid on the next succeeding Business Day with the same force and effect as if made on such Maturity and no interest shall accrue with respect to such payment for the period from and after such Maturity. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will as provided in the Indenture be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such Interest Payment Date. Any such interest which is payable, but not punctually paid or duly provided for on any Interest Payment Date (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder on such Regular Record Date, and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holder of this Note not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more fully provided in the Indenture.

Payment of the principal of and interest on this Note will be made at the Office or Agency of the Company maintained by the Company for such purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Unless the certificate of authentication hereon has been executed by or on behalf of The Chase Manhattan Bank (National Association), the Trustee with respect to the Notes under the Indenture, or its successor thereunder, by the manual signature of one of its authorized officers, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Note is one of a duly authorized issue of Securities (hereinafter called the "Securities") of the Company designated as its Medium-Term Notes, Series B (the "Notes"). The Securities are issued and to be issued under an Indenture (the "Indenture") dated as of October 1, 1993, between the Company and The Chase Manhattan Bank (National Association) (herein called the "Trustee", which term includes any successor Trustee under the

Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights thereunder of the Company, the Trustee and the Holders of the Notes and the terms upon which the

Notes are to be authenticated and delivered. The terms of individual Notes may vary with respect to interest rates or interest rate formulas, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture.

The Notes are issuable only in registered form without coupons in denominations of, unless otherwise specified above, \$1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate principal amount of Notes as requested by the Holder surrendering the same. If (x) the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 60 days, (y) the Company executes and delivers to the Trustee a Company Order to the effect that this Note shall be exchangeable or (z) an Event of Default has occurred and is continuing with respect to the Notes, this Note shall be exchangeable for Notes in definitive form of like tenor and of an equal aggregate principal amount, in authorized denominations. Such definitive Notes shall be registered in such name or names as the Depository shall instruct the Trustee. If definitive Notes are so delivered, the Company may make such changes to the form of this Note as are necessary or appropriate to allow for the issuance of such definitive Notes.

This Note is not subject to any sinking fund.

This Note may be subject to repayment at the option of the Holder prior to its Stated Maturity on the Holder's Optional Repayment Date(s), if any, indicated on the face hereof. If no Holder's Optional Repayment Dates are set forth on the face hereof, this Note may not be so repaid at the option of the Holder hereof prior to the Stated Maturity. On any Holder's Optional Repayment Date, this Note shall be repayable in whole or in part in an amount equal to \$1,000 or integral multiples thereof (provided that any remaining principal amount shall be an authorized denomination) at the option of the Holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with interest thereon payable to the date of repayment. For this Note to be repaid in whole or in part at the option of the Holder hereof, this Note must be received, with the form entitled "Option to Elect Repayment" below duly completed, by the Trustee at its office at 4 Chase MetroTech Center, Brooklyn, New York 11245, Attention: Corporate Trust Administration, or such address which the Company shall from time to time notify the Holders of the Medium-Term Notes (the "Corporate Trust Office"), not more than 60 nor less than 30 days prior to a Holder's Optional Repayment Date. This Note must be received by the Trustee by 5:00 P.M., New York City time, on the last day for giving such notice. Exercise of such repayment option by the Holder hereof shall be irrevocable. In the event of payment of this Note in part only, a new Note for the unpaid portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

This Note may be redeemed at the option of the Company prior to its Stated Maturity on any date on and after the Initial Redemption Date, if any, specified on the face hereof (the "Redemption Date"). If no Initial Redemption Date is set forth on the face hereof, this Note may not be redeemed at the option of the Company prior to the Stated Maturity. On and after the Initial Redemption Date, if any, this Note may be redeemed at any time in whole or from time to time in part in increments of \$1,000 or integral multiples thereof (provided that any remaining principal amount shall be an authorized denomination) at the option of the Company at the applicable Redemption Price (as defined below) together with interest thereon payable to the Redemption Date, on notice given not more than 60 nor less than 30 days prior to the Redemption Date. In the event of redemption of this Note in part only, a new Note for the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the surrender hereof.

If this Note is redeemable at the option of the Company prior to its Stated Maturity, the "Redemption Price" shall initially be the Initial Redemption Percentage, specified on the face hereof, of the principal amount of this Note to be redeemed and shall decline at each anniversary of the Initial Redemption Date by the Annual Redemption Percentage Reduction, if any, specified on the face hereof, of the principal amount to be redeemed until the Redemption Price is 100% of such principal amount.

The interest rate borne by this Note shall be determined as follows:

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1. If this Note is designated as a Regular Floating Rate Note above, then, except as described below, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis shown above (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified above; provided, however, that the interest

rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate.

2. If this Note is designated as a Floating Rate/Fixed Rate Note above, then, except as described below, this Note shall bear interest at the rate determined by reference to the applicable Interest Rate Basis shown above (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described above. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified above; provided, however,

that (i) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate, and (ii) the interest rate in effect commencing on, and including, the Fixed Rate Commencement Date to the Maturity shall be the Fixed Interest Rate, if such a rate is specified above, or if no such Fixed Interest Rate is so specified, the interest rate in effect hereon on the day immediately preceding the Fixed Rate Commencement Date.

3. If this Note is designated as an Inverse Floating Rate Note above, then, except as described below, this Note will bear interest equal to the Fixed Interest Rate indicated above minus the rate determined by reference to the applicable Interest Rate Basis shown above (i) plus or minus the applicable Spread, if any, and/or (ii) multiplied by the applicable Spread Multiplier, if any, specified and applied in the manner described above; provided, however, that unless otherwise specified on the face hereof, the

interest rate hereon will not be less than zero percent. Commencing on the Initial Interest Reset Date, the rate at which interest on this Note is payable shall be reset as of each Interest Reset Date specified above; provided, however, that the interest rate in effect for the period from the

Original Issue Date to the Initial Interest Reset Date shall be the Initial Interest Rate.

4. Notwithstanding the foregoing, if this Note is designated above as having an Addendum attached, the Note shall bear interest in accordance with the terms described in such Addendum.

Except as provided above, the interest rate in effect on each day shall be (a) if such day is an Interest Reset Date, the interest rate determined as of the Interest Determination Date (as defined below) immediately preceding such Interest Reset Date or (b) if such day is not an Interest Reset Date, the interest rate determined as of the Interest Determination Date immediately preceding the immediately preceding Interest Reset Date. Each Interest Rate Basis shall be the rate determined in accordance with the applicable provision below. If any Interest Reset Date (which term includes the term Initial Interest Reset Date unless the context otherwise requires) would otherwise be a day that is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that if an Interest Rate Basis specified on the face hereof is LIBOR and such next Business Day falls in the next succeeding calendar month, such Interest Reset Date shall be the next preceding Business Day.

Unless otherwise specified above, interest payable on this Note on any Interest Payment Date shall be the amount of interest accrued from and including the next preceding Interest Payment Date in respect of which interest has been paid (or from and including the Original Issue Date specified above, if no interest has been paid), to but excluding the related Interest Payment Date; provided, however, that the interest payments on Maturity will include interest

accrued to but excluding such Maturity. Unless otherwise specified above, accrued interest hereon shall be an amount calculated by multiplying the face amount hereof by an accrued interest factor. Such accrued interest factor shall be computed by adding the interest factor calculated for each day from the date of issue or from the last date to which interest shall have been paid or duly provided for, to the date for which accrued interest is being calculated. Unless otherwise specified above, the interest factor for each such day shall be computed by dividing the interest rate applicable to such day by 360, if the Day Count Convention specified above is "Actual/360" for the period specified thereunder or by the actual number of days in the year if the Day Count Convention specified above is "Actual/Actual" for the period specified thereunder. Unless otherwise specified above, the interest factor for each such day shall be computed by dividing the interest rate applicable to such day by 360, if the Interest Rate

Basis specified above is the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR or the Prime Rate for the period specified thereunder, or by the actual number of days in the year if the Interest Rate Basis specified above is the Treasury Rate for the period specified thereunder. Unless otherwise specified above, the interest factor for Notes for which the interest rate is calculated with reference to two or more Interest Rate Bases will be calculated in each period in the same manner as if only one of the applicable Interest Rate Bases applied.

Unless otherwise specified above, the "Interest Determination Date" with respect to the CD Rate and the Commercial Paper Rate shall be the second Business Day preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Federal Funds Rate and the Prime Rate shall be the Business Day immediately preceding each Interest Reset Date; the "Interest Determination Date" with respect to LIBOR shall be the second London Business Day (as defined below) preceding each Interest Reset Date; the "Interest Determination Date" with respect to the Eleventh District Cost of Funds Rate shall be the last working day of the month immediately preceding each Interest Reset Date on which the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco") publishes the Index (as defined below); and the "Interest Determination Date" with respect to the Treasury Rate shall be the day in the week in which the related Interest Reset Date falls on which day Treasury bills (as defined below) are normally auctioned (Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that such auction may be held on the preceding Friday); provided, however, that if an

auction is held on the Friday of the week preceding the related Interest Reset Date, the related Interest Determination Date shall be such preceding Friday; and provided, further, that if an auction shall fall on any Interest Reset Date,

then the related Interest Reset Date shall instead be the first Business Day following such auction. If the interest rate of this Note is determined with reference to two or more Interest Rate Bases, the Interest Determination Date pertaining to this Note will be the latest Business Day which is at least two Business Days prior to such Interest Reset Date on which each Interest Rate Basis shall be determinable. Each Interest Rate Basis shall be determined and compared on such date, and the applicable interest rate shall take effect on the related Interest Reset Date.

Unless otherwise specified above, the "Calculation Date", if applicable, pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if such day is not a Business Day, the next succeeding Business Day, or (ii) the Business Day preceding the applicable Interest Payment Date or date of Maturity, as the case may be. All calculations on this Note shall be made by the Calculation Agent specified above or such successor thereto as is duly appointed by the Company.

All percentages resulting from any calculation on this Note will be rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upward).

As used herein, "Business Day" means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are generally authorized or obligated by law or executive order to close and, if the applicable Interest Rate Basis shown above is LIBOR, is also a London Business Day.

As used herein, "London Business Day" means any day (a) if the Index Currency specified above is other than the European Currency Unit ("ECU"), on which dealings in deposits in such Index Currency are transacted in the London interbank market or (b) if the Index Currency specified above is the ECU, that is not designated as an ECU Non-Settlement Day by the ECU Banking Association in Paris or otherwise generally regarded in the ECU interbank market as a day on which payments on ECUs shall not be made.

Determination of CD Rate. If an Interest Rate Basis for this Note is the

CD Rate, as indicated above, the CD Rate shall be determined on the applicable Interest Determination Date (a "CD Rate Interest Determination Date"), as the rate on such date for negotiable certificates of deposit having the Index Maturity specified above as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication ("H.15(519)") under the heading "CDs (Secondary Market)", or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such CD Rate Interest Determination Date for negotiable certificates of deposit of the Index Maturity specified above as published by the Federal Reserve Bank of New York in its statistical daily release "Composite 3:30 P.M. Quotations for U.S.

Government Securities" or any successor publication ("Composite Quotations") under the heading "Certificates of Deposit". If such rate is not yet published in either H.15(519) or the Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, then the CD Rate on such CD Rate Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD

Rate Interest Determination Date of three leading non-bank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the Calculation Agent for negotiable certificates of deposit of major United States money market banks with a remaining maturity closest to the Index Maturity designated above in an amount that is representative for a single transaction in that market at that time; provided, however, that if the dealers selected as

aforesaid by the Calculation Agent are not quoting as set forth above, the CD Rate determined on such CD Rate Interest Determination Date shall be the CD Rate in effect on such CD Rate Interest Determination Date.

Determination of Commercial Paper Rate. If an Interest Rate Basis for this

Note is the Commercial Paper Rate, as indicated above, the Commercial Paper Rate shall be determined on the applicable Interest Determination Date (a "Commercial Paper Rate Interest Determination Date"), as the Money Market Yield (as defined below) on such date of the rate for commercial paper having the Index Maturity specified above as published in H.15(519), under the heading "Commercial Paper". In the event such rate is not published by 3:00 P.M., New York City time, on the related Calculation Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper having the Index Maturity shown above as published in Composite Quotations under the heading "Commercial Paper" (with an Index Maturity of one month or three months being deemed to be equivalent to an Index Maturity of 30 days or 90 days, respectively). If by 3:00 P.M., New York City time, on the related Calculation Date such rate is not yet published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate for such Commercial Paper Rate Interest Determination Date shall be as calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity specified above placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized securities rating agency; provided, however, that if the dealers selected as aforesaid by

the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined on such Commercial Paper Rate Interest Determination Date shall be the rate in effect on such Commercial Paper Rate Interest Determination Date.

"Money Market Yield" shall be a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the interest period for which interest is being calculated.

Eleventh District Cost of Funds Rate. If an Interest Rate Basis for this

Note is the Eleventh District Cost of Funds Rate, as indicated above, the Eleventh District Cost of Funds Rate shall be determined on the applicable Interest Determination Date (an "Eleventh District Cost of Funds Rate Interest Determination Date"), and shall be the rate equal to the monthly weighted average cost of funds for the calendar month preceding such Eleventh District Cost of Funds Rate Interest Determination Date as set forth under the caption "11th District" on Telerate Page 7058 as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate Interest Determination Date. If such rate does not appear on Telerate Page 7058 on any related Eleventh District Cost of Funds Rate Interest Determination Date, the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced (the "Index") by the FHLB of San Francisco as such cost of funds for the calendar month preceding the date of such announcement. If the FHLB of San

Francisco fails to announce such rate for the calendar month immediately preceding such Eleventh District Cost of Funds Rate Interest Determination Date, then the Eleventh District Cost of Funds Rate for such Eleventh District Cost of Funds Rate Interest Determination Date shall be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate Interest Determination Date.

Determination of Federal Funds Rate. If an Interest Rate Basis for this

Note is the Federal Funds Rate, as indicated above, the Federal Funds Rate shall be determined on the applicable Interest Determination Date (a "Federal Funds

Rate Interest Determination Date"), and shall be the rate on that date for Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the rate on such Federal Funds Rate Interest Determination Date, as published in Composite Quotations under the heading "Federal Funds/Effective Rate." If such rate is not yet published in either H.15(519) or Composite Quotations by 3:00 P.M., New York City time, on the related Calculation Date, the Federal Funds Rate for such Federal Funds Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the rates for the last transaction in overnight United States dollar federal funds arranged by three leading brokers of federal funds transactions in The City of New York selected by the Calculation Agent prior to 9:00 A.M., New York City time on such Federal Funds Rate Interest Determination Date; provided, -----
however, that if the brokers selected as aforesaid by the Calculation Agent are -----
not quoting as mentioned in this sentence, the Federal Funds Rate determined on such Federal Funds Rate Interest Determination Date shall be the Federal Funds Rate in effect on such Federal Funds Rate Interest Determination Date.

Determination of LIBOR. If an Interest Rate Basis for this Note is LIBOR, -----
as indicated above, LIBOR will be determined on the applicable Interest Determination Date (a "LIBOR Interest Determination Date"), and will be, either: (a) if "LIBOR Reuters" is specified above, the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency having the Index Maturity designated above, commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appear on the Designated LIBOR Page specified above as of 11:00 A.M. London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified above, the rate for deposits in the Index Currency having the Index Maturity designated above commencing on the second London Business Day immediately following that LIBOR Interest Determination Date, that appears on the Designated LIBOR Page specified above as of 11:00 A.M. London time, on that LIBOR Interest Determination Date. If, as described in the immediately preceding sentence, fewer than two offered rates appear, or no rate appears, LIBOR in respect of the related LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in the immediately succeeding paragraph.

With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity shown above, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the Index Currency in such market at such time. If at least two such quotations are provided, LIBOR determined on such LIBOR Interest Determination Date shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of such quotations as determined by the Calculation Agent. If fewer than two quotations are provided, LIBOR determined on such LIBOR Interest Determination Date shall be calculated by the Calculation Agent as the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the rates quoted at approximately 11:00 A.M. (or such other time specified above under "OTHER PROVISIONS") in the applicable Principal Financial Center(s), on such LIBOR Interest Determination Date by three major banks in such Principal Financial Center(s) selected by the Calculation Agent for loans in the Index Currency to leading European banks having the Index Maturity specified above and in a principal amount that is representative

for a single transaction in the Index Currency in such market at such time; provided, however, that if the banks selected as aforesaid by the Calculation -----
Agent are not quoting as mentioned in this sentence, LIBOR determined on such LIBOR Interest Determination Date shall be LIBOR in effect on such LIBOR Interest Determination Date.

"Index Currency" means the currency (including composite currencies) specified above as the currency for which LIBOR shall be calculated. If no such currency is specified above, the Index Currency shall be U.S. dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is designated above, the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency, or (b) if "LIBOR Telerate" is designated above, the display on the Dow Jones Telerate Service (or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for the Index Currency) for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency. If neither LIBOR Reuters nor LIBOR Telerate is specified above, LIBOR for the applicable Index Currency will be determined as if LIBOR Telerate (and, in the case U.S. dollars is the Index Currency, Page 3750) had been specified.

"Principal Financial Center" will be, unless otherwise specified above, the following city or cities for the related Index Currency:

Index Currency -----	Principal Financial Center(s) -----
Australian Dollar	Sydney
Belgian Franc	Brussels
Canadian Dollar	Toronto
Danish Krone	Copenhagen
Dutch Guilder	Amsterdam
Finnish Markka	Helsinki
French Franc	Paris
Hong Kong Dollar	Hong Kong
Italian Lira	Milan
Luxembourg Franc	Brussels and Luxembourg
New Zealand Dollar	Wellington and Auckland
Norwegian Krone	Oslo
Spanish Peseta	Madrid
Sterling	London
Swedish Krona	Stockholm
Swiss Franc	Zurich
U.S. Dollar	New York
Yen	Tokyo

Determination of Prime Rate. "Prime Rate" means the rate determined by the

Calculation Agent in accordance with the provisions set out in clause (i) or in clause (ii) below, depending upon whether such rate is specified as "Prime Rate--Major Banks" or as "Prime Rate--H.15" on the face hereof:

(i) If an Interest Rate Basis for this Note is the "Prime Rate--Major Banks", as indicated above, the Prime Rate shall be determined on the applicable Interest Determination Date (a "Prime Rate Interest Determination Date") as the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) determined by the Calculation Agent of the prime rates of interest publicly announced by three major banks in The City of New York, as selected by the Calculation Agent, as its United States dollar prime rate or base lending rate as in effect for that day. Each change in the prime rate or base lending rate of any bank so announced by such bank will be effective as of the effective date of the announcement or, if no effective date is specified, as of the date of the announcement. If fewer than three such quotations are provided, the Prime Rate shall be calculated by the Calculation Agent and shall be determined as the arithmetic mean (rounded to the

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nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) determined by the Calculation Agent on the basis of the prime rates quoted in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, each having total equity capital of at least \$500 million and being subject to supervision or examination by a federal or state authority, selected by the Calculation Agent to quote such rate or rates; provided, however, that if

the banks or trust companies selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Prime Rate determined on such Prime Rate Interest Determination Date shall be the Prime Rate in effect on such Prime Rate Interest Determination Date.

(ii) If an Interest Rate Basis for this Note is "Prime Rate--H.15", as indicated above, "Prime Rate" means, with respect to any Prime Rate Interest Determination Date, the rate on such date as such rate is published in H.15(519) under the heading "Bank Prime Loan". If such rate is not published prior to 3:00 P.M., New York City time, on the related Calculation Date, then the Prime Rate shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the rates of interest

publicly announced by each bank that appears on the Reuters Screen NYMF Page as such bank's prime rate or base lending rate as in effect for that Prime Rate Interest Determination Date. If fewer than four such rates but more than one such rate appear on the Reuters Screen NYMF Page for such Prime Rate Interest Determination Date, the Prime Rate shall be the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the prime rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate Interest Determination Date by four major money center banks in The City of New York selected by the Calculation Agent. If fewer than two such rates appear on the Reuters Screen NYMF Page, the Prime Rate will be determined by the Calculation Agent on the basis of the rates furnished in The City of New York by three substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least \$500 million and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; provided, however, that if the banks or trust companies selected as

aforesaid are not quoting as mentioned in this sentence, the Prime Rate for such Prime Rate Interest Determination Date will be the Prime Rate in effect on such Prime Rate Interest Determination Date.

"Reuters Screen NYMF Page" means the display designated as page "NYMF" page on that service for the purpose of displaying prime rates or base lending rates of major United States banks.

Determination of Treasury Rate. If an Interest Rate Basis for this Note is

the Treasury Rate, as specified above, the Treasury Rate shall be determined on the applicable Interest Determination Date (a "Treasury Rate Interest Determination Date") as the rate applicable to the most recent auction of direct obligations of the United States ("Treasury Bills") having the Index Maturity specified above, as such rate is published in H.15(519) under the heading "Treasury Bills -- auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the related Calculation Date, the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the Index Maturity specified above are not reported as provided by 3:00 P.M., New York City time, on such Calculation Date, or if no such auction is held in a particular week, then the Treasury Rate hereon shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean (rounded to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upwards) of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date of three leading primary United States government securities dealers as selected by the Calculation Agent for the issue of Treasury Bills with a remaining Maturity closest to the Index Maturity specified above; provided, however, that if the dealers selected as aforesaid by

the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate for such Treasury Rate Interest Determination Date will be the Treasury Rate in effect on such Treasury Rate Interest Determination Date.

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Any provisions contained herein with respect to the determination of one or more Interest Rate Bases, the specification of one or more Interest Rate Bases, calculation of the Interest Rate applicable to this Note, its payment dates or any other matter relating hereto may be modified by the terms as specified above under "Other Provisions" or in an Addendum relating hereto if so specified above.

Notwithstanding the foregoing, the interest rate hereon shall not be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any, specified above. The Calculation Agent shall calculate the interest rate hereon in accordance with the foregoing on or before each Calculation Date. The interest rate on this Note will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

Unless otherwise above, Merrill Lynch, Pierce, Fenner & Smith Incorporated will be the "Calculation Agent". At the request of the Holder hereof, the Calculation Agent shall provide to the Holder hereof the interest rate hereon then in effect and, if determined, the interest rate which shall become effective as of the next Interest Reset Date with respect to this Note.

If an Event of Default (as defined in the Indenture) with respect to the Notes shall occur and be continuing, the principal of all the Notes may be declared due and payable in the manner and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of 66 2/3% in aggregate principal amount of the Securities at any time Outstanding, as defined in the Indenture, of each series affected thereby. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all the Securities of each series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the time, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations set forth therein and on the face hereof, the transfer of this Note may be registered on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

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All terms used in this Note which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed, manually or in facsimile, and an imprint or facsimile of its corporate seal to be imprinted hereon.

Dated: _____

MERRILL LYNCH & CO., INC.

By: _____
Theresa Lang
Treasurer

[FACSIMILE OF SEAL]

Attest:

By: _____
Gregory T. Russo
Secretary

CERTIFICATE OF AUTHENTICATION
This is one of the Securities
of the series designated therein
referred to in the within-mentioned
Indenture.

THE CHASE MANHATTAN BANK

(National Association)
as Trustee

By: _____
Authorized Officer

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OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this Note (or portion hereof specified below) pursuant to its terms at a price equal to the principal amount hereof together with interest to the repayment date, to the undersigned, at _____

(Please print or typewrite name and address of the undersigned)

For this Note to be repaid, the Trustee must receive at its Corporate Trust Office, or at such other place or places of which the Company shall from time to time notify the Holder of this Note, not more than 60 nor less than 30 days prior to an Optional Repayment Date, if any, shown on the face of this Note, this Note with this "Option to Elect Repayment" form duly completed. This Note must be received by the Trustee by 5:00 P.M., New York City time, on the last day for giving such notice.

If less than the entire principal amount of this Note is to be repaid, specify the portion hereof (which shall be in an amount equal to \$1,000 or an integral multiple thereof, provided that any remaining principal amount shall be an authorized denomination) which the Holder elects to have repaid and specify the denomination or denominations (which shall be in an amount equal to an authorized denomination) of the Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any such specification, one such Note will be issued for the portion not being repaid).

\$ _____
Date _____

NOTICE: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of this Note in every particular, without alteration or enlargement or any change whatever.

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ASSIGNMENT/TRANSFER FORM

FOR VALUE RECEIVED the undersigned registered Holder hereby sell(s), assign(s) and transfer(s) unto (insert Taxpayer Identification No.) _____

(Please print or typewrite name and address including postal zip code of assignee)

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the Company with full power of substitution in the premises.

Dated: _____

NOTICE: The signature of the registered Holder to this assignment must correspond with the name as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatsoever.

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MERRILL LYNCH & CO., INC.
MEDIUM-TERM NOTES, SERIES B

ADDENDUM FOR CONSTANT MATURITY TREASURY RATE INDEXED NOTES

The "Interest Determination Date" with respect to the Constant Maturity Treasury Rate shall be the second Business Day preceding each Interest Reset Date.

Determination of the Constant Maturity Treasury Rate. If an Interest Rate

Basis for the attached Note is the Constant Maturity Treasury Rate, as indicated on such Note, the Constant Maturity Treasury Rate shall be determined on the applicable Interest Determination Date as follows:

(i) The Constant Maturity Treasury Rate will equal the rate which appears on Telerate Page 7052, "WEEKLY AVG YIELDS ON TREASURY CONSTANT MATURITIES", under the column corresponding to the Index Maturity specified above and in the row opposite the date of the last Business Day of the week prior to the Interest Determination Date appearing in the column entitled "WEEK END", which appears as of 5:00 P.M., New York City time, on the applicable Interest Determination Date. "Telerate Page 7052" means the display designated as page 7052 on the Dow Jones Telerate Service (or such page as may replace page 7052 on that service). The rate which appears on Telerate Page 7052 under the column corresponding to the Index Maturity is the rate described in paragraph (ii) below published in the most recent H.15(519) (as defined below).

(ii) If the Constant Maturity Treasury Rate as described in clause (i) is not available by 5:00 P.M., New York City time, on the applicable Interest Determination Date, the Constant Maturity Treasury Rate will equal the one-week average yield on United States Treasury securities at "constant maturity", as published in the most recent H.15(519) in the column entitled "Week Ending" for the date of the last Business Day of the week prior to the Interest Determination Date and opposite the heading "Treasury constant maturities" for the Index Maturity specified above.

(iii) If the most recent date appearing on Telerate Page 7052 under the column entitled "WEEK END" described in clause (i) above is a date other than the date of the last Business Day of the week prior to the Interest Determination Date and if the most recent H.15(519) available on the applicable Interest Determination Date as described in clause (ii) above does not contain a heading for the date of the last Business Day of the week prior to the Interest Determination Date under the column entitled "Week Ending", the Constant Maturity Treasury Rate will be such United States Treasury constant maturity rate (or other United States Treasury rate) for the Index Maturity specified above for such Interest Determination Date (a) as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of Treasury, and (b) that the Calculation Agent determines to be comparable to the rate formerly published in H.15(519).

(iv) If the Constant Maturity Treasury Rate as described in clause (iii) is not published on the Interest Determination Date, the Constant Maturity Treasury Rate will be a yield to maturity for direct noncallable fixed rate obligations of the United States ("Treasury Notes") most recently issued with an original maturity of approximately the Index Maturity specified above and an original issue date within the immediately preceding year based on the yield (which yield is based on asked prices) for such issue of Treasury Notes for such Interest Determination Date, as published by the Federal Reserve Bank of New York in its daily statistical release entitled "Composite 3:30 P.M. Quotations for U.S. Government Securities" (or any successor or similar publication selected by the Calculation Agent published by the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York or any other Federal Reserve Bank or affiliated entity).

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(v) If the Constant Maturity Treasury Rate as described in clause (iv) is not published on the Interest Determination Date, the Constant Maturity Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent and as a decimal rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with five one-millionths of a percentage point rounded up, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on such Interest Determination Date of three primary United States government securities dealers in The City of New York selected by the Calculation Agent (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for Treasury Notes with an original maturity of approximately the Index Maturity specified above and an original issue date within the immediately preceding year. If three or four (and not five) of such dealers are quoting as described in this clause (v), then the Constant Maturity Treasury Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations will be eliminated.

(vi) If fewer than three dealers selected by the Calculation Agent are quoting as described in clause (v), the Constant Maturity Treasury Rate will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent and as a decimal rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with five one-

millionths of a percentage point rounded up, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) based on the arithmetic mean of the secondary market bid prices as of approximately 3:30 P.M., New York City time, on the applicable Interest Determination Date of three leading primary United States government securities dealers in The City of New York selected by the Calculation Agent (from five such dealers and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)) for Treasury Notes with an original maturity of approximately ten years and a remaining term to maturity closest to the Index Maturity specified above. If three or four (and not five) of such dealers are quoting as described in this clause (vi), then the Constant Maturity Treasury Rate will be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations will be eliminated.

(vii) If fewer than three dealers selected by the Calculation Agent are quoting as described in clause (vi), the Constant Maturity Treasury Rate will be the Constant Maturity Treasury Rate in effect on the preceding Interest Reset Date (or, in the case of the initial Interest Determination Date, the one-week average yield on United States Treasury securities at "constant maturity" for the Index Maturity specified above, as published in the most recent H.15(519)).

In the case of clause (vi), if two Treasury Notes with an original maturity of approximately ten years have remaining terms to maturity equally close to the Index Maturity specified above, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

"H.15(519)" means the weekly statistical release designated as such, published by the Board of Governors of the Federal Reserve System.

As amended through January 16, 1995

MERRILL LYNCH & CO., INC.

1978 INCENTIVE EQUITY PURCHASE PLAN

MERRILL LYNCH & CO., INC.

1978 INCENTIVE EQUITY PURCHASE PLAN

1. PURPOSE AND EFFECT OF PLAN.

The purpose of this 1978 Incentive Equity Purchase Plan (the "Plan") is to secure for Merrill Lynch & Co., Inc., a Delaware corporation (the "Company"), and its stockholders the benefits of the incentive inherent in Common Stock ownership by selected employees of the Company and its subsidiaries who will be responsible for continued long-term growth and to stimulate the efforts of such employees by encouraging capital appreciation and giving suitable recognition to services which will contribute materially to the success of the Company. It is intended that the Plan will aid in retaining, encouraging and attracting employees of exceptional ability because of the opportunity offered to acquire a proprietary interest in the business.

2. SHARES RESERVED FOR THE PLAN.

No further shares of Common Stock, par value \$1.33 1/3 per share, of the Company ("Common Stock") may be sold under the Plan, the sale of shares under the Plan having been discontinued; provided, however, that the Plan shall

continue in effect with respect to all Book Value Shares sold under the Plan prior to January 16, 1995, and the rights and obligations of the holders of such Book Value Shares, and the rights and obligations of the Company with respect to such Book Value Shares, under the Plan and the related agreements of sale shall be unaffected by the discontinuation of the sale of shares under the Plan. For purposes of the Plan, the terms "Market Shares" and "Book Value Shares" shall have the following meanings: "Market Shares" shall mean shares of Common Stock of the Company for which there is a generally recognized trading market and which are freely transferable; "Book Value Shares" shall mean shares of Common Stock of the Company, which shall be shares of the same class as Market Shares and which shall have all of the same designations, preferences and relative, participating, optional or other rights, and qualifications, limitations or restrictions thereon (including, without limitation, voting, dividend and liquidation rights), as Market Shares, except that they shall not be transferable except to the Company and except that they shall be subject to the repurchase provisions set forth in Section 5 hereof and in the repurchase agreement referred to therein. Book Value Shares shall include any shares issued in respect of any Book Value Shares by reason of dividends thereon or splits, combinations or reclassifications thereof.

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3. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by a committee, to be known as the Management Development and Compensation Committee (the "Committee"), of not less than three members appointed by and composed of members of the Board of Directors of the Company. Members of the Committee shall not be eligible to participate in the Plan while serving on the Committee, nor shall they have been eligible to participate in the Plan for a period of one year prior to the commencement of their service on the Committee. The Committee shall have full authority, from time to time: (1) subject to the provisions of Section 4 hereof, to determine, after receiving the recommendations of the management of the Company, which of the employees of the Company or any of its present or future subsidiaries shall participate in the Plan and the extent and terms of such participation; (2) to prescribe the form or forms of the instruments and repurchase agreements evidencing any sale or rights under the Plan (which forms shall be consistent with the Plan); (3) to adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan; and (4) to construe and interpret the Plan, the rules and regulations

and the instruments and repurchase agreements utilized under the Plan and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee's interpretation and construction of any provision of the Plan or any instrument or repurchase agreement utilized thereunder and any determination by the Committee pursuant to any provision of the Plan or any such instrument or repurchase agreement shall be final and conclusive.

(b) Any offer of Book Value Shares under the Plan shall be in writing and shall be entirely discretionary and nothing in the Plan shall be deemed to give any officer or employee any right to purchase any shares. All decisions, determinations, and implementation by the Committee shall be final and binding.

(c) The Committee shall hold meetings at such times and places as it may determine. The Committee may request advice or assistance or employ such other persons as are necessary for proper administration of the Plan. A quorum of the Committee shall consist of a majority of its members and the Committee may act by vote of a majority of its members at a meeting at which a quorum is present, or without a meeting by a written consent to the action taken signed by all members of the Committee. The Board of Directors may from time to time appoint members of the Committee in substitution of members previously appointed and may fill vacancies, however caused, in the Committee.

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4. ELIGIBILITY AND PARTICIPATION.

(a) Subject to the provisions of this Plan, Book Value Shares may be sold only to such employees of the Company or any of its present or future subsidiaries (defined to include any corporation, partnership or other organization of which the Company 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) who, (i) in the opinion of the Committee, after receiving the recommendations of the management of the Company, exercise such functions or discharge such responsibilities that they merit consideration as selected employees; and (ii) have not made, during the 12-month period preceding the Purchase Date with respect to any offer of Book Value Shares hereunder, a hardship withdrawal of Elective 401(k) Deferrals as defined under the Merrill Lynch & Co., Inc. Savings & Investment Plan.

(b) An eligible employee may be sold Book Value Shares hereunder and may thereafter be sold additional Book Value Shares if the Committee shall so determine.

5. SALES OF BOOK VALUE SHARES.

Book Value Shares may be sold to eligible employees from time to time upon the following terms and conditions:

(a) The purchase price for each Book Value Share shall be the Book Value Per Share on the Valuation Date next preceding the Purchase Date such Book Value Share is purchased by an eligible employee.

"Book Value Per Share" as of any given date, for purposes of the Plan, shall mean the common stockholders' equity as reported in the consolidated financial statements of the Company (as distributed to stockholders of the Company) at the Valuation Date coincident with or next preceding such given date (except as provided in clause (d)), in each case divided by the number of shares of the Common Stock of the Company outstanding as of such Valuation Date (excluding treasury stock and shares of Series A Junior Preferred Stock, par value \$1.00 per share, if any), which calculation shall be made before giving effect to the sale or repurchase of Book Value Shares on such Valuation Date; provided, however, that the Book Value Per Share, only for purposes of calculating the price at which Book Value Shares will be repurchased by the Company under clause (d), may be adjusted to such an extent as may be determined by the Committee to preserve the benefit of the arrangement for the Company, its employees and stockholders, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions or other unusual or extraordinary items have disproportionately and materially affected the number of shares of Common Stock outstanding or the Company's common stockholders' equity. "Valuation Date", for purposes of the Plan, shall mean the last day of each quarterly accounting period then utilized by the Company. "Purchase Date", for purposes of the Plan, shall mean a date

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fixed by the Committee in connection with each offer of a Book Value Share under the Plan, provided, however, that such date shall be at least seven business days before the Valuation Date immediately next succeeding the Valuation Date utilized for calculating the purchase price of such Book Value Share pursuant to clause (a).

(b) An employee who is offered the right, through a written offer, to purchase Book Value Shares under the Plan must irrevocably agree on or prior to the Purchase Date set forth in such offer to purchase any or all of the number of Book Value Shares indicated in such offer; provided, however, that if an offer is not accepted in full it must be accepted in a number of shares which is an integral multiple of 100. Book Value Shares shall be sold to an employee only upon the simultaneous receipt by the Company of the full purchase price for such shares, determined in accordance with clause (a), and a repurchase agreement, in form satisfactory to the Committee, executed by the employee and containing the restrictions set forth in clause (c), providing for the resale to the Company of the Book Value Shares so purchased upon the terms specified in clause (d), and containing such other provisions as the Committee shall determine. The purchase price for Book Value Shares shall be payable in cash or, at the discretion of the Committee, all or part of the purchase price may be paid through the assignment and delivery to the Company of Market Shares (valued at the Fair Market Value thereof on the date of such delivery in accordance with clause (i)).

(c) Book Value Shares may not be sold, assigned or transferred, but may be pledged or otherwise encumbered.

(d) Each employee purchasing any Book Value Shares shall agree that upon the earlier of (i) termination of such employee's employment for any reason other than retirement or disability (as both terms are defined by the Committee) or death or (ii) the lapse of a period of five years from the date of such employee's retirement or disability or (iii) the lapse of a period of six months from the date of such employee's death or (iv) the delivery of a written request by the Committee or the delivery of a written request by such employee to the Company (provided, however, that such request may not be made by such employee until a period of at least six months has elapsed since such Book Value Shares were purchased by such employee) or, in the case of death, the legal representative of such employee's estate, such employee or his estate, as the case may be, shall, on a date specified by the Committee, within thirty days of such termination, lapse or request, unless such Book Value Shares have been surrendered pursuant to clause (f), sell to the Company, and the Company shall repurchase, all Book Value Shares then owned by such employee or his estate, as the case may be; provided, however, that in the case of a request pursuant to (iv) above, such request may state that only a particular number of Book Value Shares (in integral multiples of 100) shall be sold to the Company whereupon only such number of Book Value Shares shall be sold to the Company and repurchased by the Company. Any purchase by the Company pursuant to this clause (d) shall be at a price per share equal to the Book Value Per Share as of the Valuation Date coincident with or next preceding the date of

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such termination, lapse or request; provided, however, that if the Board of Directors has ordered the preparation of, or has received, consolidated financial statements of the Company certified by the Company's independent public accountants since such Valuation Date, the Book Value Per Share shall be based on such certified financial statements until the next succeeding Valuation Date. Payment for Book Value Shares repurchased, less any applicable transfer taxes and amounts required to be withheld pursuant to Section 13 hereof, shall be made by the Company, as promptly as the amount of such payment becomes ascertainable, in cash, or, in the discretion of the Committee, in a number of Market Shares or other securities issued by the Company having an aggregate Fair Market Value as at the business day preceding the date of resale to the Company equal to the amount payable to the employee (except that an employee whose employment was terminated due to retirement or disability, or the estate of such employee, may request that the Company's obligation be satisfied by the delivery of Market Shares, but the decision to deliver any such Market Shares shall be in the sole discretion of the Committee) or in a combination of the foregoing; provided, however, that in the event the payment is to be made in securities issued by the Company other than Market Shares, notice of such payment shall be delivered to the employee or his estate, as the case may be, at least ten business days prior to the intended date of payment by the Company. In the event that the Committee has given notice that payment is to be made in other than cash or Market Shares, then at any time after a termination, lapse or request under this clause (d) and the surrender of Book Value Shares hereunder, and until five business days prior to the intended date of payment by the Company, such Book Value Shares may be surrendered pursuant to clause (f) and the surrender under this clause (d) shall be deemed withdrawn.

(e) Each certificate issued in respect of Book Value Shares sold under the Plan shall be registered in the name of the employee, and shall bear a legend that includes the following language:

"The transferability of this certificate and the shares of stock represented hereby is restricted and the shares are subject to the further terms and conditions contained in the Merrill Lynch & Co., Inc. 1978 Incentive Equity Purchase Plan and in a repurchase agreement executed pursuant thereto. A copy of such Plan is on file in the office of the Secretary of Merrill Lynch & Co., Inc."

(f) At any time, or from time to time, any employee or, in the case of

death, the legal representative of the employee's estate, may surrender to the Company any Book Value Shares then owned by such employee or estate, as the case may be, and request that such shares be released from the restrictions and rights contained in the governing repurchase agreement. As soon as practicable after receipt of the foregoing, the Company shall deliver to such employee or estate, as the case may be, for each Book Value Share surrendered, a number of Market Shares equal to the quotient (not to exceed 1.00) obtained by dividing the Book Value Per Share at which such Book Value Share was purchased by the employee from the Company by the Fair Market

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Value per share of Common Stock on the business day immediately preceding the Purchase Date on which such Book Value Share was purchased by the employee; provided, however, that under no circumstances shall the Company be required, in connection with any surrender, pursuant to this clause (f), to deliver a number of Market Shares in excess of the number of Book Value Shares surrendered.

(g) The Company shall not be obligated to deliver any fractional Market Shares under this Plan as a result of the repurchase of any Book Value Shares under clause (d) or the surrender of any Book Value Shares under clause (f), but instead shall deliver to the employee or estate, as the case may be, an amount of cash equal to the corresponding fraction of the Fair Market Value per share of Common Stock on the date of surrender of such Book Value Shares. In addition, the number of Market Shares deliverable to an employee or estate, as the case may be, shall be reduced for any applicable transfer taxes and amounts required to be withheld pursuant to Section 13 hereof.

(h) After the delivery of Market Shares to an employee or the estate of an employee under either clause (d) or (f), the repurchase agreement or agreements previously entered into between the Company and such employee or estate, as the case may be, shall continue in full force and effect, but only as to the Book Value Shares, if any, which the employee continues to own.

(i) For purposes of the Plan, "Fair Market Value" of any security on any given date shall be determined by the Committee by any fair and reasonable means, including (a) if the security is not listed for trading on a national securities exchange but is traded in the over-the-counter market, the mean of the highest and lowest bid prices for such security on the date in question, or if there are no such bid prices for such security on such date, the mean of the highest and lowest bid prices on the first day prior thereto on which such prices appear, or (b) if the security is listed for trading on one or more national securities exchanges, the mean of the high and low sales prices on the principal such exchange on the date in question, or if such security shall not have been traded on such principal exchange on such date, the mean of the high and low sales prices on such principal exchange on the first day prior thereto on which such security was so traded, provided, however, if the Distribution

Date (as defined in the Rights Agreement dated as of December 16, 1987) (the "Rights Agreement") between the Company and Manufacturers Hanover Trust Company shall have occurred and the Rights (as defined in the Rights Agreement) shall then be represented by separate certificates rather than by certificates representing the Common Stock, there shall be added to such value as determined in (a) or (b) above, as the case may be, (i) if the Rights are not listed for trading on a national securities exchange but are traded in the over-the-counter market, the mean of the highest and lowest bid prices of the Rights on the date in question, or, if there are no such bid prices for the Rights on such date, the mean of the highest and lowest bid prices on the first date prior thereto on which such prices appear or (ii) if the Rights are listed for trading on one or more national securities exchanges, the mean of the high and low sales prices of the Rights on the

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principal such exchange on the date in question, or if the Rights shall not have been traded on such principal exchange on such date, the mean of the high and low sales prices on such principal exchange on the first day prior thereto on which the Rights were so traded.

6. RIGHTS NOT TRANSFERABLE.

No rights granted under the Plan or repurchase agreements are assignable or transferable by an employee other than by will or the laws of descent and distribution.

7. TAX LITIGATION.

The Company shall have the right to contest, at its expense, any tax ruling or decision, administrative or judicial on an issue which is related to the Plan or any repurchase agreement and which the Committee believes to be important to holders of shares of Common Stock sold under the Plan, and to conduct any such contest or any litigation arising therefrom to a final decision.

8. AMENDMENT OF THE PLAN.

The Board of Directors or the Committee (but no other committee of the Board of Directors) may from time to time alter, amend, modify, suspend or discontinue the Plan or alter or amend any and all of the repurchase agreements entered into hereunder; provided, however, that no change shall be made in the maximum number of shares which may be sold under the Plan (other than adjustments made pursuant to Section 9 hereof), the method by which the price at which Book Value Shares may be sold or repurchased is determined, the method of ascertaining Book Value Per Share (other than adjustments made pursuant to Section 5 hereof) or the terms of the exchange of Book Value Shares for Market Shares without the approval of the holders of a majority of the shares of Common Stock represented in person or by proxy at a meeting of stockholders. No amendment or modification of the Plan or any repurchase agreement shall operate so as to adversely affect any employee with respect to Book Value Shares already purchased without the consent of such employee.

9. ADJUSTMENT IN CASE OF CHANGES AFFECTING THE COMMON STOCK.

In the event of a subdivision or consolidation of outstanding shares of Common Stock or other capital adjustment, or the payment of a stock dividend thereon, the number of shares reserved or authorized to be reserved under the Plan shall be increased or reduced proportionately and the Book Value Per Share and the terms of the exchange of Book Value Shares for Market Shares increased or reduced proportionately, and such other adjustments shall be made as may be deemed necessary or equitable by the Committee. Subject to any required action by the stockholders of the Company, if the Company shall be the surviving or resulting corporation in any merger or consolidation, any repurchase agreement under the Plan

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shall cover the shares which the employee receives upon the merger or consolidation in respect of the shares covered by the repurchase agreement. In the event of a change in the Company's presently authorized Common Stock which 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 Common Stock within the meaning of the Plan. In the event of any other change affecting the Common Stock, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

10. GOVERNMENTAL AND OTHER REGULATIONS.

The Plan, and the sale of shares hereunder, and the Company's obligation to repurchase or exchange shares, shall be subject to all applicable Federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency which may, in the opinion of counsel for the Company, be required.

11. INDEMNIFICATION OF COMMITTEE.

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

12. EFFECTIVE DATE.

The Plan shall not become effective unless and until approved by the vote of the holders of a majority of the shares of Common Stock represented in person or by proxy at the meeting of stockholders to which it is presented.

13. WITHHOLDING.

Amounts paid or shares delivered under the Plan shall be reduced by any sums required to be withheld by the Company.

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DATED AS OF NOVEMBER 10, 1994

MERRILL LYNCH & CO., INC.

AMENDED AND RESTATED

1994 DEFERRED COMPENSATION AGREEMENT

FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

MERRILL LYNCH & CO., INC.

AMENDED AND RESTATED

1994 DEFERRED COMPENSATION AGREEMENT

FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

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MERRILL LYNCH & CO., INC.

AMENDED AND RESTATED
1994 DEFERRED COMPENSATION AGREEMENT
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

WHEREAS, Merrill Lynch & Co., Inc. ("ML & Co.") has entered into agreements to defer compensation with certain of its employees or the employees of its affiliates;

WHEREAS, ML & Co. now wishes to amend and restate such agreements to increase the flexibility and benefit of such agreements to the participants therein in order to encourage the participants to continue their employment;

NOW, THEREFORE, effective November 10, 1994, all agreements collectively known as the Merrill Lynch & Co., Inc. 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees are hereby amended and restated in their entirety as set forth below:

ARTICLE I

GENERAL

1.1 PURPOSE AND INTENT.

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

1.2 DEFINITIONS.

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

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

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

"Adjusted Compensation" means the financial consultant incentive compensation, account executive incentive compensation, or estate planning and business insurance specialist incentive compensation, in each case exclusive of base salary, earned by a Participant during the period from October 1, 1993 to December 31 1994, and payable after January 1, 1994, as a result of the Participant's production credit level.

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

functional successor, or any other person or committee designated as Administrator of the Agreement by the MDCC.

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

"Agreement" means this Merrill Lynch & Co., Inc. Amended and Restated 1994 Deferred Compensation Agreement for a Select Group of Eligible Employees.

"Agreement Year" means the Fiscal Year ending in 1995.

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

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

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

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

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

"Compensation" means, as relevant, a Participant's Adjusted Compensation, Variable Incentive Compensation, FCCAAP Payment and/or Sign-On Bonus. In no event shall a Participant's base pay be considered Compensation (i.e., an amount subject to deferral under this Agreement).

"Deferral Percentage" means the percentage (which shall be in whole percentage increments and not more than 90%), specified by the Participant to be the percentage of each payment of Compensation he or she wishes to defer under the Agreement.

"Deferred Amounts" means the amounts of Compensation actually deferred by the Participant under this Agreement.

"Election Year" means the 1993 calendar year.

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

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

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

"FCCAAP" means the Merrill Lynch 1984 Asset Accumulation Award Plan.

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"FCCAAP Payment" means the amount of cash, if any, that would, but for deferral under this Agreement, be payable to the Participant as soon as practicable following January 1, 1995 in accordance with the terms of Section 8 of FCCAAP (including a Proportional Amount of any Forfeited Amount).

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

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

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

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

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

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

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

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

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

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

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

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

"Sign-On Bonus" means a single-sum amount paid or payable during the Agreement Year upon commencement of employment to a new Eligible Employee, in addition to base pay and other Compensation, to induce him or her to become an employee of the Company.

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

ARTICLE II

ELIGIBILITY

2.1 ELIGIBLE EMPLOYEES.

(a) GENERAL RULE. An individual is an Eligible Employee if he or she (i) is a Full-Time Domestic Employee or a Full-Time Expatriate Employee, (ii) has at least \$200,000 of Eligible Compensation for the Election Year, (iii) has attained at least the title of Vice President, Director or Managing Director, or holds a National Sales Management position with the Company (a "National Sales Manager"), and (iv) (A) is a financial consultant or an estate planning and business insurance specialist, who was a member in 1993 of the Chairman's Club, the Charles E. Merrill Circle, the Society of Eagles, the Falcons Club or the Win Smith Fellows, (B) is a National Sales Manager (C) is a member of the International Private Banking Group, (D) is a non-producing employee in the Senior Manager or Senior Consultant Band (Q Band) or above, or (E) is a producing employee in grade 95 or above; provided, that non-producing employees

in the Director Band (R Band) or above and producing employees in grade 97 or above (or their executive equivalents) shall not be required to meet condition (ii) hereof, and provided, further, that employees who were 1993 Win Smith

Fellows shall not be required to meet condition (iii) hereof.

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

(c) WAGES SUBJECT TO LEGAL PROCESS. An individual shall not, however, be an Eligible Employee if as of the deadline for submission of elections specified in Section 3.1(a) the individual's wages have been attached or are being garnished or are otherwise restrained pursuant to legal process.

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ARTICLE III

3.1 DEFERRAL ELECTIONS.

(a) TIMING AND MANNER OF MAKING OF ELECTIONS. An election to defer Compensation for payment in accordance with Section 5.1 shall be made by submitting to the Administrator such forms as the Administrator may prescribe. Each election submitted must specify a Maximum Deferral and a Deferral Percentage with respect to each category of Compensation to be deferred. All elections by a Participant to defer Compensation under the Agreement must be received by the Administrator or such person as he may designate for the purpose by no later than September 30, 1993; provided, however, that the

Eligible Employee's election to defer a Sign-On Bonus must be part of such Eligible Employee's terms and conditions of employment agreed to prior to the Eligible Employee's first day of employment with the Company.

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

(c) APPLICATION OF ELECTION. The Participant's Deferral Percentage will be applied to each payment of Compensation to which the Participant's deferral election applies, provided, that the aggregate of the Participant's Deferred

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

3.2 CREDITING TO ACCOUNTS.

A Participant's Deferred Amounts will be credited to the Participant's Account, as soon as practicable (but in no event later than 90 days) after the last day of the Fiscal Month during which such Deferred Amounts would, but for deferral, have been paid and will be accounted for in accordance with Section 3.4.

3.3 MINIMUM REQUIREMENTS FOR DEFERRAL.

(a) MINIMUM REQUIREMENTS. Notwithstanding any other provision of this Agreement, no deferral will be effected under this Agreement with respect to a Participant if:

- (i) the Participant is not an Eligible Employee as of December 31, 1993,
- (ii) the Participant's election as applied to the Participant's Variable Incentive Compensation (determined by substituting the Election Year for the Agreement Year) or Adjusted Compensation (determined by substituting the Fiscal Year ending in 1992 for the Fiscal Year ending in 1994) would have resulted in an annual deferral of less than \$15,000, or

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- (iii) the greater of (A) the sum of (1) the compensation amount listed on the Participant's W-2 form for 1994 and (2) any Compensation that is accelerated which the Participant may receive in December 1993 which would have been payable in calendar year 1994 in the absence of the action of the Company to accelerate the payment, and (B) the Participant's Eligible Compensation for calendar year 1995, is less than \$200,000;

provided, that any Participant who first becomes an employee of the Company

during the Agreement Year shall not be required to satisfy conditions (i) and (ii).

(b) FAILURE TO MEET REQUIREMENTS. If any of the requirements of Section 3.3(a) are not met by a Participant, the Deferred Amounts will be paid to the Participant, without adjustment to reflect the performance of any Selected Benchmark Return Option, as soon as practicable after it has been determined that the requirement has not been met provided, however, that if the

Participant fails to meet the requirements of Section 3.3(a) (iii), the Participant will receive the greater of the Deferred Amounts or the Account Balance.

3.4 BENCHMARK RETURN OPTIONS; ADJUSTMENT OF ACCOUNTS.

(a) SELECTION OF BENCHMARK RETURN OPTIONS. Coincident with the Participant's election to defer Compensation, the Participant must select one

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

(b) ADJUSTMENT OF ACCOUNTS. While each Participant's Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Account shall be adjusted to reflect the investment experience of the Participant's Selected Benchmark Return Options in the same manner as if investments in accordance with the Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Participants' Accounts (the "ML II System"). In adjusting Accounts, the timing of receipt of Participant instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected Benchmark Return Options in accordance with the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make corresponding investments were actually to be made, except that in connection with the crediting of Deferred Amounts to the Participant's Account and distributions from the Account, appropriate deferral allocation instructions shall be treated as received from the Participant prior to the close of transactions through the ML II System on the relevant day. Each Selected Benchmark Return Option shall be valued using the Net Asset Value of the Selected Benchmark Return Option as of the relevant day, provided, that, in

valuing a Selected Benchmark Return Option for which a Net Asset Value is not computed, the value of the security involved for determining Participants' rights under the Agreement shall be the price reported for actual transactions in that security through the ML II System on the relevant day, without giving effect to any transaction charges or costs associated with such transactions,

provided, further, that, if there are no such transactions effected through the

ML II System on the relevant day, the value of the security shall be:

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

(c) ANNUAL CHARGE. As of the last day of each Fiscal Year or such earlier day in December as the Administrator shall determine, an Annual Charge of 2.0% of the Participant's Deferred Amounts (exclusive of any appreciation or depreciation determined under Section 3.4 (b)) shall be applied to reduce the Account Balance (but not below zero). In the event that the Participant elects to have the Account Balance paid in installments, this Annual Charge will be charged on the Remaining Deferred Amounts after giving effect to the installment payments. In the event that the Account Balance is paid out completely during a Fiscal Year prior to the date that the Annual Charge is assessed, a pro rata Annual Charge will be deducted from amounts to be paid to

the Participant to cover that fraction of the Fiscal Year that Deferred Amounts (or Remaining Deferred Amounts in the case of installment payments) were maintained hereunder. The Annual Charge shall be applied as a pro rata

reduction of the Account Balance indexed to each of the Participant's Selected Benchmark Return Options. In applying the Annual Charge, the pricing principles set forth in Section 3.4(b) will be followed.

3.5 RESCISSION OF DEFERRAL ELECTION.

(a) PRIOR TO DECEMBER 1, 1993. A deferral election hereunder may be rescinded at the request of a Participant only (i) on or before December 1, 1993, and (ii) if the Administrator, in his sole discretion and upon evidence of such basis that he finds persuasive (including a material applicable change

in the Participant's U.S. Federal and/or foreign income tax rate during the period between October 1, 1993 and December 1, 1993), agrees to the rescission of the election. The Deferred Amounts will be paid to the Participant as soon as practicable subject to a reduction for any applicable withholding taxes.

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

(c) RESCISSION FOR AMOUNTS NOT YET EARNED. Upon the Participant's written request, the Administrator may in his sole discretion terminate any deferral elections made hereunder with

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respect to compensation not yet earned and no further amounts will be deferred. Amounts previously deferred will continue to be governed by the terms of this Agreement.

ARTICLE IV

STATUS OF DEFERRED AMOUNTS AND ACCOUNT

4.1 NO TRUST OR FUND CREATED; GENERAL CREDITOR STATUS.

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

4.2 NON-ASSIGNABILITY.

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

4.3 EFFECT OF DEFERRAL ON BENEFITS UNDER PENSION AND WELFARE BENEFIT PLANS.

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

ARTICLE V

PAYMENT OF ACCOUNT

5.1 PAYMENT DATE.

A Participant's Account Balance will be paid by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single sum to be paid, or in the number of annual installments (not to exceed 15) chosen by the Participant to commence, as specified, (i) in the month following the month of the Participant's Retirement or death, (ii) in any month and year selected by the Participant after the end of 1994, (iii) in any month in the calendar year following the Participant's Retirement, but in no event may the date elected under clause (i), (ii) or (iii) result in payment (in the case of a single sum) or commencement of payment (in the case of installment payments) later than the month following the Participant's 70th birthday. The amount of each annual installment, if any, shall be a fraction of the Account Balance as of the last day of the month immediately preceding the month in which the payment is to be made, the numerator of such

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fraction shall be one and the denominator of such fraction shall be the number

of remaining installments (including the installment to be made).

5.2 TERMINATION OF EMPLOYMENT.

(a) DEATH OR RETIREMENT. If the Participant dies or retires prior to payment, then the Account Balance will be paid to the Participant in accordance with the Participant's election (in the event of Retirement) or to the Participant's beneficiary (in the event of death) in accordance with the Participant's election of either installment payments or a lump sum, provided,

however, that in the event that a beneficiary of the Participant's Account

Balance is the Participant's estate or is otherwise not a natural person, the applicable portion of the Account Balance will be paid in lump sum to such beneficiary.

(b) OTHER TERMINATION OF EMPLOYMENT. If the Participant's employment terminates at any time for any reason other than death or Retirement, the Account Balance will be paid to the Participant, in a lump sum, as soon thereafter as is practicable.

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

(d) DISCRETION TO ALTER PAYMENT DATE. Notwithstanding the provisions of Sections 5.2(a) and (b), if the Participant's employment terminates for any reason, the Administrator may, in his sole discretion, direct that the Account Balance be paid at some other time or that it be paid in installments;

provided, that no such direction that adversely affects the rights of the

Participant or his or her beneficiary under this Agreement shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his sole discretion.

5.3 WITHHOLDING OF TAXES.

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

5.4 BENEFICIARY.

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

(b) CHANGE IN BENEFICIARY. The Participant may change his or her beneficiary or contingent beneficiary (without the consent of any prior beneficiary) in a writing delivered to the

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

(c) DEFAULT BENEFICIARY. Effective January 1, 1995, in the event a Participant does not designate a beneficiary, or no designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's surviving spouse, if the Participant is married at the time of his or her death and not subject to a court-approved agreement or court decree of separation, or otherwise the person or persons designated to receive benefits on account of the Participant's death under the ML & Co. Basic Group Life Insurance Plan (the "Life Insurance Plan"). However, if an unmarried Participant does not have coverage in effect under the Life Insurance Plan, or the Participant has assigned his or her death benefit under the Life Insurance Plan, any amounts payable to the Participant's beneficiary under the Agreement will be paid to the Participant's estate.

(d) IF THE BENEFICIARY DIES DURING PAYMENT. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant dies, but before all the payments have been made, the portion of the Account Balance to which that beneficiary was entitled will be paid as soon as practicable in one lump sum to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated.

5.5 HARDSHIP DISTRIBUTIONS.

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

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ARTICLE VI

ADMINISTRATION OF THE AGREEMENT

6.1 POWERS OF THE ADMINISTRATOR.

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

6.2 PAYMENTS ON BEHALF OF AN INCOMPETENT.

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

6.3 CORPORATE BOOKS AND RECORDS CONTROLLING.

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

ARTICLE VII

MISCELLANEOUS PROVISIONS

7.1 LITIGATION.

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

7.2 HEADINGS ARE NOT CONTROLLING.

The headings contained in this Agreement are for convenience only and will

not control or affect the meaning or construction of any of the terms or provisions of this Agreement.

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7.3 GOVERNING LAW.

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

7.4 AMENDMENT AND TERMINATION.

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

7.5 AGREEMENT BINDING ON SUCCESSORS AND ASSIGNS.

This Agreement will be binding upon and inure to the benefit of ML & Co. and its successors and assigns; the Participant and the Participant's heirs, executors, administrators and legal representatives; and the Participant's beneficiary(ies) and the heirs, executors, administrators and legal representatives of such beneficiary(ies).

7.6 INVALIDITY OF PROVISIONS.

If any provision of this Agreement or the application thereof shall for any reason be invalid or unenforceable, such provision shall be limited only to the extent necessary in the circumstances to make it valid and enforceable. In any event, the remaining provisions of this Agreement will continue in full force and effect.

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AS AMENDED THROUGH DECEMBER 5, 1994

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

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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 months beginning with the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective, during which such Restricted Shares or Restricted Units may be forfeited if the Participant terminates employment.

(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 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

*/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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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 months, measured from the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective. Each such Restricted Period shall have a duration of 12 or more consecutive months, measured from the first day of the month in which the grant of the applicable Restricted Shares is effective, but in no event shall any Restricted Period applicable to a Restricted Share be of shorter duration than the Vesting Period applicable to such Restricted Share.

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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 to such Vesting Period in accordance with the provisions of Section 3.2 hereof, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and allows a Participant whose employment has so 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 EXTENSION OF VESTING; DEFERRAL OF PAYMENT.

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

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.

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 on the

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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

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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 or the Committee (but no other committee of 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 an adjustment 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.

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As amended through December 5, 1994

MERRILL LYNCH & CO., INC.

EQUITY CAPITAL ACCUMULATION PLAN

EXHIBIT (10) (iv)

AS AMENDED THROUGH DECEMBER 5, 1994

MERRILL LYNCH & CO., INC.

EQUITY CAPITAL ACCUMULATION PLAN

1. PURPOSE.

The purposes of the Equity Capital Accumulation 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 (which will be realized through continued employment and, in the case of Performance Shares, upon attainment of established performance objectives) 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; and (c) to further the identity of interests of such employees with those of stockholders of ML & Co.

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) "COMPANY" shall mean ML & Co. and shall include each of its present or future subsidiaries, which are defined to include any corporation, partnership, or other organization in which ML & Co. has a proprietary interest by reason of stock ownership or otherwise, but only if ML & Co. owns or controls, directly or indirectly, stock or other interests possessing not less than 50% of the total combined voting power of all classes of stock or other equity interests in such corporation, partnership, or organization.

(c) "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. It shall consist of three or more members of the Board who are not officers or in the employ of the Company, who are not eligible, and for a period of one year prior to the commencement of their service on the Committee have not been eligible, to participate in the Plan and who are disinterested persons within the terms of Rule 16b-3 promulgated under the Securities Exchange Act of 1934. Committee members shall serve at the pleasure of the Board of Directors.

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(d) "COMMON STOCK" shall mean the Common Stock, par value \$1.33 1/3 per share, of ML & Co.

(e) "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.

(f) "FAIR MARKET VALUE" of Common Stock on any given date(s) shall be:

(a) if Common Stock is not listed for trading on a national securities exchange but is traded in the over-the-counter market, the mean of the

highest and lowest bid prices for the Common Stock on the date(s) in question, or, if there are no such bid prices for the Common Stock on any such date(s), the mean of the highest and lowest bid prices on the first day prior thereto on which such prices appear; (b) if the Common Stock is listed for trading on one or more national securities exchanges, the mean of the high and low sales prices on the principal such exchange on the date(s) in question, or, if the Common Stock shall not have been traded on such principal exchange on any such date(s), the mean of the high and low sales prices on such principal exchange on the first day prior thereto on which the Common Stock was so traded; provided, however, if the Distribution Date

(as defined in the Rights Agreement) shall have occurred and the Rights shall then be represented by separate certificates rather than by certificates representing the Common Stock, there shall be added to such value calculated in accordance with (a) or (b) above, as the case may be, (i) if the Rights are not listed for trading on a national securities exchange but are traded in the over-the-counter market, the mean of the highest and lowest bid prices of the Rights on the date(s) in question, or, if there are no such bid prices for the Rights on any such date(s), the mean of the highest and lowest bid prices on the first day prior thereto on which such prices appear or (ii) if the Rights are listed for trading on one or more national securities exchanges, the mean of the high and low sales prices of the Rights on the principal such exchange on the date(s) in question, or if the Rights shall not have been traded on such principal exchange on any such date(s), the mean of the high and low sales prices on such principal exchange on the first day prior thereto on which the Rights were so traded; or (c) such other amount as may be determined by the Committee by any fair and reasonable means.

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

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(h) "PARTICIPANT" shall mean any employee who has met the eligibility requirements set forth in Section 5 hereof and to whom a grant has been made and is outstanding under the Plan.

(i) "PERFORMANCE PERIOD" shall mean, in relation to Performance Shares, any period, for which performance objectives have been established, of not less than three nor more than five consecutive ML & Co. fiscal years, commencing with the first day of the fiscal year in which such Performance Shares were granted.

(j) "PERFORMANCE SHARE" shall mean a unit granted to a Participant deemed to be equivalent in value to the Fair Market Value of one share of Common Stock.

(k) "RESTRICTED PERIOD" shall mean any period of not less than 12 nor more than 60 consecutive months, commencing with the first day of the month in which Restricted Shares are granted, during which restrictions on such Restricted Shares are in effect.

(l) "RESTRICTED SHARE" shall mean a share of Common Stock and one Right granted to a Participant subject to the restrictions set forth in Section 7 hereof.

(m) "RETIREMENT" shall mean the cessation of employment by the Company after reaching age 55 and having completed at least 10 years of service, including approved leaves of absence of one year or less.

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

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

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 5 hereof, select Participants after receiving the recommendations of the management of the Company; (ii) determine the number of Performance Shares or Restricted Shares subject to each grant; (iii) determine the time or times when grants are to be made; (iv) determine the terms and conditions subject to which grants may be made; (v) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (vi) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (vii) construe and interpret the Plan, the rules and regulations, and the instruments utilized under the Plan; and (viii) 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 hold meetings at such times and places as it may determine. The Committee may request advice or assistance or employ such other persons as are necessary for proper administration of the Plan. A quorum of the Committee shall consist of a majority of its members, and the Committee may act by vote of a majority of its members at a meeting at which a quorum is present or without a meeting by a written consent to the action taken signed by all members of the Committee. The Board of Directors may from time to time appoint members to the Committee in substitution of members previously appointed and fill any vacancies, however caused, in the Committee.

4. SHARES SUBJECT TO THE PLAN.

The total number of shares of Common Stock which may be issued under the Plan shall be 26,200,000/* (whether granted as Restricted Shares or reserved for issuance upon grant of Performance Shares), subject to adjustment as provided in Section 8 hereof. Any Performance Shares or Restricted Shares that have been granted 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. Shares of Common Stock issued under the Plan may be treasury shares or authorized but unissued shares.

5. ELIGIBILITY AND PARTICIPATION.

Participation in the Plan shall be limited to officers (who may also be members of the Board of Directors) or other full-time, salaried, key employees of the Company who, in the opinion of the Committee, after receiving the recommendations of the management of the Company, exercise such functions or discharge such responsibilities that they merit consideration as employees selected to receive grants and become Participants under the Plan. Performance Shares shall be granted only to those employees recognized by the Committee as members of the executive management group. Restricted Shares shall be granted only to those employees recognized by the Committee as members of general management or as professional employees and to other employees who, in the opinion of the Committee (based on the recommendations of the management of the Company), have made or are in a position to make a contribution to the Company that warrants such a grant.

6. PROVISIONS APPLICABLE TO PERFORMANCE SHARES.

(a) PERFORMANCE PERIODS. The Committee shall establish Performance Periods at its discretion. Each such Performance Period shall commence with the beginning of a fiscal year and have a duration of not less than three nor more than five consecutive fiscal years. There shall be no limitation on the number of Performance

/*Shares under the Plan were adjusted (as of October 22, 1993) for the Company's 2 for 1 stock split, effected in the form of a stock dividend. As of such date and giving effect to the stock split, 2,807,920 shares remained available for issuance under the Plan.

Periods established by the Committee, and more than one Performance Period may encompass the same fiscal year, but no more than one Performance Period for any Performance Shares granted to any one Participant can commence in the same fiscal year.

(b) 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 with respect to such Period. Performance objectives shall be based on one or more measures such as return on stockholders' equity, growth in earnings per share, 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 shall be payable, and a full performance level, at or above which 100% of the Performance Shares shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the

Performance Shares shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 6(d), 6(e), and 8 hereof.

(c) GRANTS OF PERFORMANCE SHARES. The Committee may select employees to become Participants (subject to the provisions of Section 5 hereof) and grant Performance Shares to 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 6(e) hereof, a grant of Performance Shares 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 granted, the Performance Period, the performance objective or objectives, the proportion of payments for performance between the minimum and full performance levels, if any, 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 for issuance the number of whole shares of Common Stock authorized for issuance under this Plan equal to at least one-half of the Performance Shares so granted.

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(d) ADJUSTMENT OF PERFORMANCE OBJECTIVES. Any other provision of the Plan to the contrary notwithstanding, at any time during a Performance Period, the Committee may adjust (up or down) the performance objectives and minimum or full performance levels (and any intermediate levels and proportion of payments related thereto) for such Period or may adjust the way such performance objectives are measured if it determines that conditions, including but not limited to changes in the economy, 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. Notwithstanding any provision of this Section 6(d) to the contrary, the performance objectives shall be determined without taking into account any Units of Junior Preferred Stock that may be outstanding at the time of such calculation.

(e) TERMINATION OF EMPLOYMENT.

(i) If a Participant ceases to be an employee of the Company prior to the end of any Performance Period by reason of death, any outstanding Performance Shares with respect to such Participant shall become payable and be paid to such Participant's beneficiary or estate, as the case may be, in accordance with the provisions of Section 6(f) hereof. In computing Performance Shares payable, if any, to such Participant's beneficiary or estate, as the case may be, the Performance Period shall be deemed to end as of the end of the fiscal year in which the Participant's death occurred. The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of the Plan and such Participant shall not forfeit any Performance Shares held by him, provided that the 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.

(ii) If a Participant ceases to be an employee prior to the end of a Performance Period for any reason other than death, the Participant immediately forfeits all Performance Shares granted under the Plan and all right to receive any payment for such Performance Shares, except that the Committee may, within six months after such termination, direct payment in accordance with the provisions of Section 6(f) hereof for a number of Performance Shares, as it may determine, granted under the Plan to a Participant whose employment has so terminated (but not exceeding the number of Performance Shares 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 this provision, the Performance Period shall be deemed to end as of the end of the fiscal year in which termination occurred. Termination of employment after the end of a Performance Period but before the payment of Performance Shares relating to such Performance Period shall not affect

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the amount, if any, to be paid pursuant to Section 6(f) hereof. Approved leaves of absence of one year or less shall not be deemed to be terminations under this Section. Leaves of absence of more than one year will be deemed to be terminations under this Section unless the Committee determines otherwise.

(f) PAYMENT OF PERFORMANCE SHARES. Within 90 days after the end or deemed

end of any Performance Period, the Company shall determine the extent to which performance objectives established by the Committee pursuant to Section 6(b) hereof for such Performance Period have been met during such Performance Period and the resultant extent to which Performance Shares granted for such Performance Period are payable. Payment to a Participant or his beneficiary or estate, as the case may be, for any Performance Shares which have been granted to such Participant and which are determined to be payable shall be made, as soon as practicable after the end of the Performance Period and the determination of both the extent to which performance objectives have been met and the value of the Performance Shares payable, as follows: (i) a certificate for the number of shares of Common Stock equal to one-half the number of Performance Shares payable shall be delivered to the Participant or his beneficiary or estate, as the case may be, or such shares shall be credited to a brokerage account if the Participant or his beneficiary or estate, as the case may be, so directs, and (ii) cash equal to one-half of the value of Performance Shares payable, valued at the mean of the Fair Market Value of Common Stock during the calendar month of February next following the end or deemed end of the Performance Period, shall be paid to the Participant or his beneficiary or estate, as the case may be; provided, however, that the Company shall not be

required to deliver any fractional shares of Common Stock to any Participant under (i) above, but will pay the value of such fractional shares, measured as set forth in (ii) above, to the Participant or his beneficiary or estate, as the case may be.

(g) DEFERRAL OF PAYMENT. If the Committee, in its sole discretion, offers a Participant the right to defer, then, within 90 days after any grant of Performance Shares but in any event before the end of the fiscal year in which the grant is made, any Participant may elect, by execution of a written agreement, to defer all or any portion of the payment, if any, for such Performance Shares. If such an election is made, the stock portion of any payment for Performance Shares shall be deferred as stock units equal in number to and convertible, at the end of the deferral period, into the number of shares of Common Stock which would have been paid to the Participant. Such stock units represent only a contractual right and do not give the Participant any interest, right, or title to any Common Stock during the deferral period. During the period of deferral of stock units, the Company shall, for each stock unit, periodically credit a cash amount to the Participant's account. Such cash amount shall be paid in the same manner and at the same time, and be measured by the amount paid, as a dividend on a share of Common Stock, plus, if any shares of Junior Preferred Stock shall then be outstanding, the amount, if any, paid on one one-hundredth of a share of Junior Preferred Stock. A Participant's right to receive such cash amount is a contractual right only. Any such cash amounts shall be deferred as cash in the manner

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set forth for the deferral of the cash portion of any payment for Performance Shares. The cash portion of any payment for Performance Shares shall be deferred as cash units and credited annually with the appreciation factor contained in the Deferred Compensation Program of the Company for the year of grant. All other terms and conditions of deferred payments shall be the same as those contained in such Deferred Compensation Program.

7. PROVISIONS APPLICABLE TO RESTRICTED SHARES.

(a) RESTRICTED PERIOD. The Committee shall establish one or more Restricted Periods at its discretion, provided no Restricted Period shall have a duration of less than 12 nor more than 60 consecutive months, measured from the first day of the month in which Restricted Shares are granted with respect to such Restricted Period, provided that, for any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, such Restricted Period may not be less than 36 months.

(b) GRANTS OF RESTRICTED SHARES. The Committee may select employees to become Participants (subject to the provisions of Section 5 hereof) and grant Restricted Shares to 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 7(d) hereof, a grant of Restricted Shares shall be effective for the entire applicable Restricted Period 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 Restricted Period, the restrictions applicable to such Restricted Shares, and any other terms, conditions, and rights with respect to such grant.

(c) RESTRICTIONS. At the time of grant of Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock and the appropriate number of Rights 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 and Rights, including the right to receive dividends, the right to exercise the Rights for Junior Preferred Stock and the right to vote such Common Stock and Junior Preferred Stock, subject to the following restrictions: (i) subject to Section 7(d) hereof, the Participant shall not be entitled to delivery of the stock or Rights certificates until the expiration of the Restricted Period; (ii) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (iii) 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 Restricted Period in relation to which such Restricted Shares were granted, except as

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allowed by Section 7(d) hereof. Any shares of Common Stock, Rights, or Junior Preferred Stock or other securities or property received as a result of a stock distribution to holders of Restricted Shares or as a stock dividend on Restricted Shares shall be subject to the same restrictions as such Restricted Shares.

(d) TERMINATION OF EMPLOYMENT. If a Participant ceases to be an employee of the Company prior to the end of a Restricted Period by reason of death, all restrictions contained in the Restricted Share Agreement(s) and in the Plan shall lapse as to all Restricted Shares granted to such Participant, and a certificate for such shares shall be delivered or such shares shall be credited as set forth in Section 7(e) hereof. The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of the Plan and such Participant shall not forfeit any Restricted Shares 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 Restricted 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. If a Participant ceases to be an employee prior to the end of a Restricted Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares previously granted in accordance with the provisions of Section 7(c) hereof, except that the Committee may, if it finds that the circumstances in the particular case so warrant, allow a Participant whose employment has so terminated to retain any or all of the Restricted Shares granted to such Participant, and all restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to such Restricted Shares, and a certificate for such shares shall be delivered or such shares shall be credited as set forth in Section 7(e) hereof. Approved leaves of absence of one year or less shall not be deemed terminations or interruptions in continuous service under this Section. Leaves of absence of more than one year will be deemed to be terminations under this Section unless the Committee determines otherwise.

(e) PAYMENT OF RESTRICTED SHARES. At the end of the Restricted Period or at such earlier time as provided for in Section 7(d) hereof, 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 a stock certificate for the appropriate number of shares of Common Stock, free of the restrictions, shall be delivered to the Participant or his beneficiary or estate, as the case may be, or such shares shall be credited to a brokerage account if the Participant or his beneficiary or estate, as the case may be, so directs.

(f) SHORTENING OF RESTRICTED PERIOD. Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time shorten any Restricted Period to no less than 12 months if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or

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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, provided that, for any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, such Restricted Period may not be less than 36 months.

8. CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect Common Stock on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of Common

Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the Common Stock ceases 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 Common Stock, 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 issuance under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance and Restricted Share grants; and (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. In the event of a change in the presently authorized Common Stock which 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 Common Stock within the meaning of the Plan. In the event of any other change affecting the Common Stock, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

9. PAYMENTS UPON TERMINATION OF EMPLOYMENT AFTER A CHANGE IN CONTROL.

(a) 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 in a lump sum in cash, as promptly as possible after termination of his employment; provided, however, that if the Participant, at least 30 days prior to such termination, has made an election in writing pursuant to this Section, payment may be made in the number of annual installments (not to exceed 5) specified in such election. For Performance Shares granted prior to January 1, 1988, any payment under this Section shall be calculated as if the maximum performance objectives for the Performance Period had been met in full and as if all the relevant

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Performance Periods had been fully completed on the first day of the month in which the Participant's employment is terminated; for Performance Shares granted on or after January 1, 1988, any payment under this Section shall be calculated by applying performance objectives for any outstanding Performance Shares as if the applicable Performance Period had ended on the first day of the month in which the Participant's employment is terminated. The value of the Performance Shares payable pursuant to this Section shall be the amount equal to the number of Performance Shares payable in accordance with the preceding sentence multiplied by the Fair Market Value of a share of the 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").

(b) 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 all of his Restricted Shares in a lump sum in cash as promptly as possible after termination of his employment; provided, however, that if the Participant, at least 30 days

prior to such termination, has made an election in writing pursuant to this Section, payment may be made in the number of annual installments (not to exceed 5) specified in such election. Any payment under this Section shall be calculated as if all the relevant Restricted Periods had been fully completed 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 shall be reduced by the amount of any payment previously made to the Participant with respect to the Restricted Shares, 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 payable pursuant to this Section shall be the amount equal to the number of the Restricted Shares outstanding in a Participant's name multiplied by the Fair Market Value of the Common Stock on the day the Participant's employment is terminated or, if higher, the Pre-CIC Value.

(c) A "CHANGE IN CONTROL" shall mean 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, however, 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, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the

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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.; or

(ii) during any period of two 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 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.

(d) If ML & Co. executes an agreement, the consummation of which would result in the occurrence of a Change in Control as described in paragraph (c), 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.

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

(i) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than 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

(ii) the willful engaging by the Participant in conduct which 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.

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 (i) or (ii) of the first sentence of this Subsection and specifying the particulars thereof in detail.

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(f) "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:

(i) the assignment to the Participant of any duties inconsistent with his position, duties, responsibilities and status with the Company as in effect immediately prior to a Change in Control, a change in his reporting responsibilities, titles or offices as in effect immediately prior to the Change in Control, or any removal of the Participant from or any failure to reelect him to any of such positions;

(ii) a reduction by the Company of the Participant's base salary as in effect just prior to the Change in Control;

(iii) the relocation of the office of the Company where the Participant was employed at the time of the Change in Control (the "CIC LOCATION") to a location more than fifty miles away from the CIC Location, or the Company's requiring the Participant to be based more than fifty miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with the Participant's

business travel obligations just prior to the Change in Control);

(iv) the failure of the Company to continue in effect any benefit or compensation plan, including but not limited to this Plan or the Company's retirement program, the Payroll-Based Stock Ownership Plan for Employees of Merrill Lynch & Co., Inc. and Affiliates, the Company's Employee Stock Purchase Plan, 1978 Incentive Equity Purchase Plan, Career Compensation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, limited partnership offerings, cash incentive compensation or deferred compensation programs, in which the Participant is participating at the time of the Change in Control or any substitute 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 participation of the Participant therein on at least as favorable a basis, in terms of both the amount of benefits provided and the level of his participation relative to other Participants, as existed at the time of the Change in Control; or

(v) 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 at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him at the time of the Change in Control, 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

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accordance with the Company's normal vacation policy in effect at the time of the Change in Control.

(g) In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares or Restricted Shares, 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 Section shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to Sections 2(f), 3, 6, 7, 8 or 19 of the Plan. Once a Participant has received a payment pursuant to this Section, shares of Common Stock that were reserved for issuance in connection with any Performance Shares for which payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares 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 pursuant to Section 6(g) hereof shall be null and void.

10. DESIGNATION OF BENEFICIARY.

A Participant may designate, in 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.

11. 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.

12. 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.

13. 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, or local taxes, including transfer taxes, required by law to be withheld or to require the Participant or his beneficiary or estate, as the case may be, to pay any amount, or the balance of any amount, required to be withheld.

14. 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.

15. 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.

16. EXPENSES.

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

17. 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.

18. 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.

19. AMENDMENT AND TERMINATION.

The Board of Directors or the Committee (but no other committee of the Board of Directors) may modify, amend, or terminate the Plan at any time except that the maximum number of shares of Common Stock available for issuance under the Plan may not be increased (other than increases due to adjustments in accordance with the Plan) without approval of the holders of a majority of shares of Common Stock represented in person or by proxy at a meeting of the stockholders. 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.

20. 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 which may, in the opinion of the counsel for the Company, be required.

21. GOVERNING LAW.

The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the State of New York.

22. EFFECTIVE DATE.

The Plan shall not be effective unless or until approved by the vote of the holders of a majority of the shares of Common Stock represented in person or by proxy at a meeting of the stockholders to which it is presented.

MERRILL LYNCH & CO., INC.

1995 DEFERRED COMPENSATION PLAN

FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

MERRILL LYNCH & CO., INC.
1995 DEFERRED COMPENSATION PLAN
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

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MERRILL LYNCH & CO., INC.
1995 DEFERRED COMPENSATION PLAN
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

ARTICLE I

GENERAL

1.1 PURPOSE AND INTENT.

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

1.2 DEFINITIONS.

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

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

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

"Adjusted Compensation" means the financial consultant incentive compensation, account executive incentive compensation, or estate planning and business insurance specialist incentive compensation, in each case exclusive of base salary, earned by a Participant during the Fiscal Year ending in 1995, and payable after January 1, 1995, as a result of the Participant's production credit level.

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

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

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

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

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

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

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

"Compensation" means, as relevant, a Participant's Adjusted Compensation, Variable Incentive Compensation and/or Sign-On Bonus. In no event shall a Participant's base pay be considered Compensation (i.e., an amount subject to deferral under this Plan).

"Deferral Percentage" means the percentage (which shall be in whole percentage increments and not more than 90%), specified by the Participant to be the percentage of each payment of Compensation he or she wishes to defer

under the Plan.

"Deferred Amounts" means the amounts of Compensation actually deferred by the Participant under this Plan.

"Election Year" means the 1994 calendar year.

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

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

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

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

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

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

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

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

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

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

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

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

"Plan" means this Merrill Lynch & Co., Inc. 1995 Deferred Compensation Plan for a Select Group of Eligible Employees.

"Plan Year" means the Fiscal Year ending in 1995.

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

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

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

"Sign-On Bonus" means a single-sum amount paid or payable during the Plan Year upon commencement of employment to a new Eligible Employee, in addition to base pay and other Compensation, to induce him or her to become an employee of the Company.

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

ARTICLE II

ELIGIBILITY

2.1 ELIGIBLE EMPLOYEES.

(a) GENERAL RULE. An individual is an Eligible Employee if he or she (i) is a Full-Time Domestic Employee or a Full-Time Expatriate Employee, (ii) has at least \$200,000 of Eligible Compensation for the Election Year, (iii) has attained at least the title of Vice President, Director or Managing Director, or holds a National Sales Management position with the Company (a "National Sales Manager"), and (iv) (A) is a financial consultant or an estate planning and business insurance specialist, who was a member in 1994 of the Chairman's Club, the Charles E. Merrill Circle, the Society of Eagles, the Falcons Club or the Win Smith Fellows, (B) is a National Sales Manager (C) is a member of the International Private Banking Group, (D) is a non-producing employee in the Senior

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Manager or Senior Consultant Band (Q Band) or above, or (E) is a producing employee in grade 95 or above; provided, that non-producing employees

in the Director Band (R Band) or above and producing employees in grade 97 or above (or their executive equivalents) shall not be required to meet condition (ii) hereof, and provided, further, that employees who were 1994 Win Smith

Fellows shall not be required to meet condition (iii) hereof.

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

(c) WAGES SUBJECT TO LEGAL PROCESS. An individual shall not, however, be an Eligible Employee if as of the deadline for submission of elections specified in Section 3.1(a) the individual's wages have been attached or are being garnished or are otherwise restrained pursuant to legal process.

ARTICLE III

DEFERRAL ELECTIONS; ACCOUNTS

3.1 DEFERRAL ELECTIONS.

(a) TIMING AND MANNER OF MAKING OF ELECTIONS. An election to defer Compensation for payment in accordance with Section 5.1 shall be made by submitting to the Administrator such forms as the Administrator may prescribe. Each election submitted must specify a Maximum Deferral and a Deferral Percentage with respect to each category of Compensation to be deferred. All elections by a Participant to defer Compensation under the Plan must be received by the Administrator or such person as he may designate for the purpose by no later than September 30, 1994; provided, however, that the

Eligible Employee's election to defer a Sign-On Bonus must be part of such Eligible Employee's terms and conditions of employment agreed to prior to the Eligible Employee's first day of employment with the Company.

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

(c) APPLICATION OF ELECTION. The Participant's Deferral Percentage will be applied to each payment of Compensation to which the Participant's deferral election applies, provided, that the aggregate of the Participant's Deferred

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

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3.2 CREDITING TO ACCOUNTS.

A Participant's Deferred Amounts will be credited to the Participant's Account, as soon as practicable (but in no event later than 90 days) after the

last day of the Fiscal Month during which such Deferred Amounts would, but for deferral, have been paid and will be accounted for in accordance with Section 3.4.

3.3 MINIMUM REQUIREMENTS FOR DEFERRAL.

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

- (i) the Participant is not an Eligible Employee as of December 31, 1994,
- (ii) the Participant's election as applied to the Participant's Variable Incentive Compensation (determined by substituting the Election Year for the Plan Year) or Adjusted Compensation (determined by substituting the Fiscal Year ending in 1993 for the Fiscal Year ending in 1995) would have resulted in an annual deferral of less than \$15,000, or
- (iii) the greater of (A) the sum of (1) the compensation amount listed on the Participant's W-2 form for 1995 and (2) any Compensation that is accelerated which the Participant may receive in December 1994 which would have been payable in calendar year 1995 in the absence of the action of the Company to accelerate the payment, and (B) the Participant's Eligible Compensation for calendar year 1996, is less than \$200,000;

provided, that any Participant who first becomes an employee of the Company

during the Plan Year shall not be required to satisfy conditions (i) and (ii).

(b) FAILURE TO MEET REQUIREMENTS. If any of the requirements of Section 3.3(a) are not met by a Participant, the Deferred Amounts will be paid to the Participant, without adjustment to reflect the performance of any Selected Benchmark Return Option, as soon as practicable after it has been determined that the requirement has not been met provided, however, that if the

Participant fails to meet the requirements of Section 3.3(a) (iii), the Participant will receive the greater of the Deferred Amounts or the Account Balance.

3.4 BENCHMARK RETURN OPTIONS; ADJUSTMENT OF ACCOUNTS.

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

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(b) ADJUSTMENT OF ACCOUNTS. While each Participant's Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Account shall be adjusted to reflect the investment experience of the Participant's Selected Benchmark Return Options in the same manner as if investments in accordance with the Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Participants' Accounts (the "ML II System"). In adjusting Accounts, the timing of receipt of Participant instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected Benchmark Return Options in accordance with the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make corresponding investments were actually to be made, except that in connection with the crediting of Deferred Amounts to the Participant's Account and distributions from the Account, appropriate deferral allocation instructions shall be treated as received from the Participant prior to the close of transactions through the ML II System on the relevant day. Each Selected Benchmark Return Option shall be valued using the Net Asset Value of the Selected Benchmark Return Option as of the relevant day, provided, that, in

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

ML II System on the relevant day, the value of the security shall be:

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

(c) ANNUAL CHARGE. As of the last day of each Fiscal Year or such earlier day in December as the Administrator shall determine, an Annual Charge of 2.0% of the Participant's Deferred Amounts (exclusive of any appreciation or depreciation determined under Section 3.4 (b)) shall be applied to reduce the Account Balance (but not below zero). In the event that the Participant elects to have the Account Balance paid in installments, this Annual Charge will be charged on the Remaining Deferred Amounts after giving effect to the installment payments. In the event that the Account Balance is paid out completely during a Fiscal Year prior to the date that the Annual Charge is assessed, a pro rata Annual Charge will be deducted from amounts to be paid to

the Participant to cover that fraction of the Fiscal Year that Deferred Amounts (or Remaining Deferred Amounts in the case of installment payments) were maintained hereunder. The Annual Charge shall be applied as a pro rata

reduction of the Account Balance indexed to each of the Participant's Selected Benchmark Return Options. In applying the Annual Charge, the pricing principles set forth in Section 3.4(b) will be followed.

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3.5 RESCISSION OF DEFERRAL ELECTION.

(a) PRIOR TO DECEMBER 1, 1994. A deferral election hereunder may be rescinded at the request of a Participant only (i) on or before December 1, 1994, and (ii) if the Administrator, in his sole discretion and upon evidence of such basis that he finds persuasive (including a material applicable change in the Participant's U.S. Federal and/or foreign income tax rate during the period between October 1, 1994 and November 30, 1994), agrees to the rescission of the election. The Deferred Amounts will be paid to the Participant as soon as practicable subject to a reduction for any applicable withholding taxes.

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

(c) RESCISSION FOR AMOUNTS NOT YET EARNED. Upon the Participant's written request, the Administrator may in his sole discretion terminate any deferral elections made hereunder with respect to compensation not yet earned and no further amounts will be deferred. Amounts previously deferred will continue to be governed by the terms of this Plan.

ARTICLE IV

STATUS OF DEFERRED AMOUNTS AND ACCOUNT

4.1 NO TRUST OR FUND CREATED; GENERAL CREDITOR STATUS.

Nothing contained herein and no action taken pursuant hereto will be construed to create a trust or separate fund of any kind or a fiduciary relationship between the ML & Co. and any Participant, the Participant's beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by the Account Balance will at all times remain in ML & Co.; such funds will continue for all purposes to be a part of the general funds of ML & Co. and may be used for any corporate purpose. No person will, by virtue of the provisions of this Plan, have any interest whatsoever in any

specific assets of the Company. TO THE EXTENT THAT ANY PERSON ACQUIRES A RIGHT TO RECEIVE PAYMENTS FROM ML & CO. UNDER THIS PLAN, SUCH RIGHT WILL BE NO GREATER THAN THE RIGHT OF ANY UNSECURED GENERAL CREDITOR OF ML & CO.

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4.2 NON-ASSIGNABILITY.

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

4.3 EFFECT OF DEFERRAL ON BENEFITS UNDER PENSION AND WELFARE BENEFIT PLANS.

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

ARTICLE V

PAYMENT OF ACCOUNT

5.1 PAYMENT DATE.

A Participant's Account Balance will be paid by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single sum, or in the number of annual installments (not to exceed 15) chosen by the Participant to commence, as specified, (i) in the month following the month of the Participant's Retirement or death, (ii) in any month or year selected by the Participant after the end of 1995, (iii) in any month in the calendar year following the Participant's Retirement, but in no event may the date elected under clause (i), (ii) or (iii) result in commencement of payments later than the month following the Participant's 70th birthday. The amount of each annual installment, if any, shall be a fraction of the Account Balance as of the last day of the month immediately preceding the month in which the payment is to be made, the numerator of such fraction shall be one and the denominator of such fraction shall be the number of remaining installments (including the installment to be made).

5.2 TERMINATION OF EMPLOYMENT.

(a) DEATH OR RETIREMENT. If the Participant dies or retires prior to payment, then the Account Balance will be paid to the Participant in accordance with the Participant's election (in the event of Retirement) or to the Participant's beneficiary (in the event of death) in accordance with the Participant's election of either installment payments or a lump sum, provided,

however, that in the event that a beneficiary of the Participant's Account

Balance is the Participant's estate or is otherwise not a natural person, the applicable portion of the Account Balance will be paid in lump sum to such beneficiary.

(b) OTHER TERMINATION OF EMPLOYMENT. If the Participant's employment terminates at any time for any reason other than death or Retirement, the Account Balance will be paid to the Participant, in a lump sum, as soon thereafter as is practicable.

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

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(d) DISCRETION TO ALTER PAYMENT DATE. Notwithstanding the provisions of Sections 5.2(a) and (b), if the Participant's employment terminates for any reason, the Administrator may, in his sole discretion, direct that the Account Balance be paid at some other time or that it be paid in installments;

provided, that no such direction that adversely affects the rights of the

Participant or his or her beneficiary under this Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his sole discretion.

5.3 WITHHOLDING OF TAXES.

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

Participant's beneficiary to pay any amount, or the balance of any amount, required to be withheld.

5.4 BENEFICIARY.

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

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

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

(d) IF THE BENEFICIARY DIES DURING PAYMENT. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant but before all the payments have been made, the portion of the Account Balance to which that beneficiary was entitled will be paid as soon as practicable in one lump sum to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated.

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5.5 HARDSHIP DISTRIBUTIONS.

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

ARTICLE VI

ADMINISTRATION OF THE PLAN

6.1 POWERS OF THE ADMINISTRATOR.

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

attributable to his willful misconduct or lack of good faith. The Administrator may designate persons to carry out the specified responsibilities of the Administrator and shall not be liable for any act or omission of a person as designated.

6.2 PAYMENTS ON BEHALF OF AN INCOMPETENT.

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

6.3 CORPORATE BOOKS AND RECORDS CONTROLLING.

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

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ARTICLE VII

MISCELLANEOUS PROVISIONS

7.1 LITIGATION.

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

7.2 HEADINGS ARE NOT CONTROLLING.

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

7.3 GOVERNING LAW.

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

7.4 AMENDMENT AND TERMINATION.

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

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AS AMENDED THROUGH FEBRUARY 24, 1995

MERRILL LYNCH & CO., INC.

FEE DEFERRAL PLAN

FOR NON-EMPLOYEE DIRECTORS

MERRILL LYNCH & CO., INC.

FEE DEFERRAL PLAN FOR NON-EMPLOYEE DIRECTORS

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MERRILL LYNCH & CO., INC.

FEE DEFERRAL PLAN
FOR NON-EMPLOYEE DIRECTORS

ARTICLE I

GENERAL

1.1 PURPOSE.

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

1.2 DEFINITIONS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Current Market Value" per share of Common Stock for any date, shall mean

the average of the Daily Market Prices of a share of Common Stock for each Business Day for which such Daily Market Prices are available during a period commencing on a date 21 consecutive Business Days prior to such date and ending on the second Business Day prior to such date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the Exchange Act with respect to any ML & Co. equity security.

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

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

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

"Non-Employee Director" means a Director who is not employed by the Company.

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

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

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

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

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

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

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ARTICLE II

DEFERRAL ELECTIONS; ACCOUNT(S)

2.1 DEFERRAL ELECTIONS.

(a) TIMING AND MANNER OF MAKING OF ELECTIONS. An election to defer Fees for payment in accordance with Section 4.1 shall be made by submitting to the Administrator such forms as the Administrator may prescribe. Each election submitted must specify a Mutual Fund Index Deferral Percentage and/or a ML Stock Unit Deferral Percentage, which will be applied to reduce all payments of Fees during the Plan Year. All elections by a Participant to defer Fees under the Plan must be received by the Administrator or such person as he or she may designate for the purpose by the date specified by the Administrator, which shall be no later than the last Business Day of the Election Year; provided,

however, that any Non-Employee Director who is first nominated for election to

the Board at the Annual Meeting occurring in the Plan Year may make an election to defer Fees for the Plan Year by submitting the appropriate forms to the Administrator or his designee no later than ten business days prior to the date of such Annual Meeting.

(b) IRREVOCABILITY OF DEFERRAL ELECTIONS. Except as provided in Section 2.5, an election to defer the receipt of any Fees made under Section 2.1(a) is irrevocable once submitted to the Administrator or his or her designee. Furthermore, an election to defer Fees into a Mutual Fund Index Account may not subsequently be changed to an election to defer Fees into a ML Stock Unit Account, and an election to defer Fees into a ML Stock Unit Account may not subsequently be changed to an election to defer Fees into a Mutual Fund Index Account.

2.2 CREDITING TO ACCOUNTS.

(a) MUTUAL FUND INDEX DEFERRED AMOUNTS. A Participant's Mutual Fund Index Deferred Amounts will be credited to the Participant's Mutual Fund Index Account as a dollar-denominated balance as soon as practicable (but in no event later than 90 days) after the last day of the calendar month with respect to which

such Mutual Fund Index Deferred Amounts would, but for deferral, have been paid, and will be accounted for in accordance with Section 2.3. Mutual Fund Index Deferred Amounts may not subsequently be converted to ML Stock Unit Deferred Amounts.

(b) ML STOCK UNIT DEFERRED AMOUNTS. A Participant's ML Stock Unit Deferred Amounts will be converted to ML Stock Units and credited to the Participant's ML Stock Unit Account as soon as practicable (but in no event later than 90 days) after the last day of the calendar month with respect to which such ML Stock Unit Deferred Amounts would, but for deferral, have been paid, and will be accounted for in accordance with Section 2.4. The number of ML Stock Units to be credited will be determined by dividing the ML Stock Unit Deferred Amounts for the relevant calendar month by the Daily Market Price per share of Common Stock for the last Business Day in such calendar month and rounding the result to the nearest 1/100th of an ML Stock Unit (with .005 being rounded upwards). ML Stock Unit Deferred Amounts may not subsequently be converted to Mutual Fund Index Deferred Amounts.

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2.3 ADJUSTMENT OF MUTUAL FUND INDEX ACCOUNTS; MUTUAL FUND INDEX ACCOUNT RETURN OPTIONS.

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

(b) ADJUSTMENT OF MUTUAL FUND INDEX ACCOUNTS. While a Participant's Mutual Fund Index Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Mutual Fund Index Account shall be adjusted to reflect the investment experience of the Participant's Selected Mutual Fund Index Account Return Options in the same manner as if investments in accordance with the Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Participants' Mutual Fund Index Accounts (the "ML II System"). In adjusting Mutual Fund Index Accounts, the timing of receipt of Participant instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected Mutual Fund Index Account Return Options in accordance with the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make corresponding investments were actually to be made, except that in connection with the crediting of Mutual Fund Index Deferred Amounts to the Participant's Mutual Fund Index Account and distributions from the Mutual Fund Index Account, deferral allocation instructions shall be treated as if received by the ML II System prior to the close of transactions through the ML II System on the relevant day. Each Selected Mutual Fund Index Account Return Option shall be valued using the Net Asset Value of the Selected Mutual Fund Index Account Return Option as of the relevant day, provided, that, in valuing a Selected Mutual Fund Index Account

Return Option for which a Net Asset Value is not computed, the value of the security involved for determining Participants' rights under the Plan shall be the price reported for actual transactions in that security through the ML II System on the relevant day, without giving effect to any transaction charges or costs associated with such transactions, provided, further, that, if there are

no such transactions effected through the ML II System on the relevant day, the value of the security shall be:

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

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2.4 ADJUSTMENT OF ML STOCK UNIT ACCOUNTS.

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

provided that, if the Participant's ML Stock Unit Account Balance is fully
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distributed (i.e., reduced to zero) in accordance with the Plan between the

record date and the payment date for such cash dividend, then, in lieu of such adjustment, the Participant will be paid the amount of cash determined by multiplying the per share amount of the cash dividend by the ML Stock Unit Account Balance on the record date for the cash dividend and rounding the result to the nearest whole cent, at the same time and in the same manner as such cash dividend is paid to the holders of the Common Stock.

(b) CHANGES IN CAPITALIZATION. Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends), including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, the Executive Committee shall make such adjustments to ML Stock Unit Accounts, if any, as shall be necessary to maintain the proportionate interest of the Participants and to preserve, without exceeding, the value of their ML Stock Unit Account Balances. In the event of a change in the presently authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan.

2.5 RESCISSION OF MUTUAL FUND INDEX DEFERRAL ELECTIONS.

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

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

(c) NO RESCISSION OF ML STOCK UNIT DEFERRAL ELECTIONS. No rescission of an election to defer Fees into an ML Stock Unit Account shall be permitted under the Plan.

ARTICLE III

STATUS OF ACCOUNT(S)

3.1 NO TRUST OR FUND CREATED; GENERAL CREDITOR STATUS.

Nothing contained herein and no action taken pursuant hereto will be construed to create a trust or separate fund of any kind or a fiduciary relationship between ML & Co. and any Participant, the Participant's beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by the Account Balance(s) will at all times remain in ML & Co.; such funds will continue for all purposes to be a part of the general funds of ML & Co. and may be used for any corporate purpose. No person will, by virtue of the

provisions of this Plan, have any interest whatsoever in any specific assets of the Company. TO THE EXTENT THAT ANY PERSON ACQUIRES A RIGHT TO RECEIVE PAYMENTS FROM ML & CO. UNDER THIS PLAN, SUCH RIGHT WILL BE NO GREATER THAN THE RIGHT OF ANY UNSECURED GENERAL CREDITOR OF ML & CO.

3.2 NON-ASSIGNABILITY.

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

Account(s) will be paid to the Participant's spouse or former spouse to the extent directed by a valid court order entered in a domestic relations proceeding involving the Participant's divorce or legal separation.

3.3 EFFECT OF DEFERRAL ON BENEFITS UNDER PENSION AND WELFARE BENEFIT PLANS.

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

ARTICLE IV

PAYMENT OF ACCOUNT(S)

4.1 PAYMENT.

(a) PAYMENT ELECTION. A Participant's Account Balance(s) will be paid in cash by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single payment to be made, or in the number of annual installment payments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's End of Service Date or death, (ii) in any month and year selected by the Participant not less than seven months after the end of the Plan Year or (iii) in any month in the calendar year following the Participant's End of Service Date, but in no event may the date elected under clause (i), (ii) or (iii) result in the

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payment (in the case of a single payment) or commencement of payments (in the case of installment payments) later than the month following the Participant's 72nd birthday. The amount of each annual installment payment, if applicable, shall be determined by multiplying the Account Balance(s) as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made).

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

(c) DEATH PRIOR TO PAYMENT. If the Participant dies prior to payment, then the Account Balance(s) will be paid to the Participant's beneficiary in accordance with the Participant's election of either installment payments or a single payment, provided, however, that in the event that a beneficiary of the

Participant's Account Balance(s) is the Participant's estate or is otherwise not a natural person, the applicable portion of the Account Balance(s) will be paid in a single payment to such beneficiary.

(d) DISCRETION TO ALTER PAYMENT DATE FOR MUTUAL FUND INDEX ACCOUNT BALANCE. Notwithstanding the other provisions of this Section 4.1, if the Participant ceases to be a Director for any reason, the Administrator may, in his or her sole discretion, direct that any Mutual Fund Index Account Balance be paid at some other time or that it be paid in installments; provided, that no such

direction that adversely affects the rights of the Participant or his or her beneficiary under this Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his or her sole discretion. This Section 4.1(d) shall not be applicable to the payment of any ML Stock Unit Account Balance.

4.2 CHANGE IN CONTROL.

(a) PAYMENT OF MUTUAL FUND INDEX ACCOUNT BALANCE. Notwithstanding any other provision of this Plan, in the event that (i) ML & Co. receives a Tender Offer Statement on Schedule 14D-1 under the Securities Exchange Act of 1934

relating to a Tender Offer or (ii) a Change in Control shall occur, any Mutual Fund Index Account Balance will be paid to the Participant in a lump sum as soon as practicable after the receipt of such Tender Offer Statement or the occurrence of such Change in Control, and in any event, not later than 30 days thereafter.

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

4.3 WITHHOLDING OF TAXES.

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

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4.4 BENEFICIARY.

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

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

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

(d) IF THE BENEFICIARY DIES DURING PAYMENT. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant but before all the payments have been made, the portion of the Account Balance(s) to which that beneficiary was entitled will be paid as soon as practicable in a single payment to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated.

ARTICLE V

ADMINISTRATION OF THE PLAN

5.1 POWERS OF THE ADMINISTRATOR.

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

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5.2 PAYMENTS ON BEHALF OF AN INCOMPETENT.

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

5.3 CORPORATE BOOKS AND RECORDS CONTROLLING.

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

ARTICLE VI

MISCELLANEOUS PROVISIONS

6.1 LITIGATION.

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

6.2 HEADINGS ARE NOT CONTROLLING.

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

6.3 GOVERNING LAW.

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

6.4 AMENDMENT AND TERMINATION.

The Executive Committee may amend or terminate this Plan at any time, provided that no amendment or termination may be made that (i) would cause the
- -----
ML Stock Units to be deemed to be "derivative securities" as defined in Rule 16a-1 of the Exchange Act with respect to any ML & Co. equity security or (ii) adversely affect the right of a Participant to his or her Account Balance(s) as of the date of such amendment or termination.

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES

 Computation of Earnings Per Common Share
 (In Thousands, Except Per Share Amounts)

<TABLE>
 <CAPTION>

	Year Ended Last Friday in December				
	1994 (A)	1993 (A)	1992 (A)	1991	1990
	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)	(52 Weeks)
	<C>	<C>	<C>	<C>	<C>
<S>					
Primary:					
Earnings before cumulative effect of changes in accounting principles	\$1,016,761	\$1,394,359	\$952,405	\$696,117	\$191,856
Cumulative effect of changes in accounting principles	-	(35,420)	(58,580)	-	-
Net earnings	1,016,761	1,358,939	893,825	696,117	191,856
Preferred stock dividends	(12,711)	(5,381)	(6,339)	(17,725)	(23,924)
Net earnings applicable to common stockholders	\$1,004,050	\$1,353,558	\$887,486	\$678,392	\$167,932
Weighted average shares outstanding:					
Common stock	195,661	209,276	207,730	204,754	205,220
Assuming issuance of shares relating to employee incentive plans	15,580	17,055	18,672	20,596	5,832
Total shares	211,241	226,331	226,402	225,350	211,052
Per common share amounts:					
Earnings before cumulative effect of changes in accounting principles	\$ 4.75	\$ 6.14	\$ 4.18	\$ 3.01	\$.80
Cumulative effect of changes in accounting principles	-	(.16)	(.26)	-	-
Net earnings	\$ 4.75	\$ 5.98	\$ 3.92	\$ 3.01	\$.80
Fully diluted:					
Earnings before cumulative effect of changes in accounting principles	\$1,016,761	\$1,394,359	\$952,405	\$696,117	\$191,856
Cumulative effect of changes in accounting principles	-	(35,420)	(58,580)	-	-
Net earnings	1,016,761	1,358,939	893,825	696,117	191,856
Preferred stock dividends	(12,711)	(5,381)	(6,339)	(17,725)	(23,924)
Net earnings applicable to common stockholders	\$1,004,050	\$1,353,558	\$887,486	\$678,392	\$167,932

</TABLE>

<TABLE>

	<C>	<C>	<C>	<C>	<C>
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Weighted average shares outstanding:					
Common stock	195,661	209,276	207,730	204,754	205,220
Assuming issuance of shares relating to employee incentive plans	16,034	18,204	19,124	25,162	5,832
Total shares	211,695	227,480	\$226,854	229,916	211,052
Per common share amounts:					
Earnings before cumulative effect of changes in accounting principles	\$ 4.74	\$ 6.11	\$ 4.17	\$ 2.95	\$.80
Cumulative effect of changes in accounting principles	-	(.16)	(.26)	-	-
Net earnings	\$ 4.74	\$ 5.95	\$ 3.91	\$ 2.95	\$.80

</TABLE>

(A) In accordance with Accounting Principles Board Opinion No. 15, the modified treasury stock method was used to calculate Per Common Share Earnings in

1994, 1993, and 1992.

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES

 Computation of Ratio of Earnings to Fixed Charges
 (Dollars in Thousands)

<TABLE>
 <CAPTION>

	Year Ended Last Friday in December				
	1994	1993	1992	1991	1990
	-----	-----	-----	-----	-----
	(52 Weeks)	(53 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
	<C>	<C>	<C>	<C>	<C>
<S>					
Pretax earnings from continuing operations	\$ 1,729,604	\$2,424,808	\$1,621,389	\$1,017,418	\$ 282,328
Deduct equity in undistributed net earnings of unconsolidated subsidiaries	(18,817)	(13,029)	(12,913)	(10,677)	(9,429)
	-----	-----	-----	-----	-----
Total pretax earnings from continuing operations	1,710,787	2,411,779	1,608,476	1,006,741	272,899
	-----	-----	-----	-----	-----
Add: Fixed charges:					
Interest	8,585,832	6,008,511	4,822,711	5,073,824	5,343,107
Amortization of debt expense	2,738	3,921	4,232	4,366	3,890
Capitalized interest	-	-	-	929	555
	-----	-----	-----	-----	-----
Total interest	8,588,570	6,012,432	4,826,943	5,079,119	5,347,552
Interest factor in rents	128,744	141,654	141,546	141,438	135,038
	-----	-----	-----	-----	-----
Total fixed charges	8,717,314	6,154,086	4,968,489	5,220,557	5,482,590
	-----	-----	-----	-----	-----
Pretax earnings before fixed charges (excluding capitalized interest)	\$10,428,101	\$8,565,865	\$6,576,965	\$6,226,369	\$5,754,934
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	1.20	1.39	1.32	1.19	1.05
	=====	=====	=====	=====	=====

</TABLE>

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FINANCIAL HIGHLIGHTS

(Dollars in Thousands, Except Per Share Amounts)	1990		1991		Year Ended Last Friday in December			
	(52 Weeks) <C>	(52 Weeks) <C>	(52 Weeks) <C>	(53 Weeks) <C>	(52 Weeks) <C>	1992	1993	1994
<S>								
OPERATING RESULTS								
Total Revenues	\$ 11,147,229	\$ 12,352,812	\$ 13,412,668	\$ 16,588,177	\$ 18,233,091			
Net Revenues	\$ 5,783,329	\$ 7,246,468	\$ 8,577,401	\$ 10,558,230	\$ 9,624,521			
Net Earnings	\$ 191,856	\$ 696,117	\$ 893,825	\$ 1,358,939	\$ 1,016,761			
Pretax Margin (a)	4.9%	14.0%	18.9%	23.0%	18.0%			
Profit Margin (b)	3.3%	9.6%	11.1%	13.2%	10.6%			
Return on Average Common Stockholders' Equity	5.8%	20.8%	22.0%	27.3%	18.6%			
FINANCIAL POSITION								
Total Assets	\$ 68,129,527	\$ 86,259,343	\$ 107,024,173	\$ 152,910,362	\$ 163,749,327			
Total Stockholders' Equity	\$ 3,225,430	\$ 3,818,088	\$ 4,569,104	\$ 5,485,913	\$ 5,817,545			
PER COMMON SHARE								
Primary Earnings	\$.80	\$ 3.01	\$ 3.92	\$ 5.98	\$ 4.75			
Fully Diluted Earnings	\$.80	\$ 2.95	\$ 3.91	\$ 5.95	\$ 4.74			
Dividends Paid	\$.50	\$.50	\$.575	\$.70	\$.89			
Book Value	\$ 14.99	\$ 17.88	\$ 21.37	\$ 26.17	\$ 28.87			
OTHER STATISTICS (c)								
Assets Under Management	\$110,000,000	\$124,000,000	\$139,000,000	\$161,000,000	\$164,000,000			
Assets in Domestic Private Client Accounts	\$361,000,000	\$422,000,000	\$463,000,000	\$527,000,000	\$537,000,000			
Assets in Worldwide Private Client Accounts	\$377,000,000	\$440,000,000	\$487,000,000	\$557,000,000	\$568,000,000			
COMMON SHARES								
OUTSTANDING (d)	199,669,270	205,443,636	207,202,688	203,989,691	181,479,127			

</TABLE>

- (a) Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (b) Earnings Before Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (c) Client accounts have been redefined to include certain institutional private portfolio accounts.
- (d) Does not include 16,071,968, 13,636,820, 11,201,672, 8,932,332, and 6,427,091 unallocated reversion shares held in the Employee Stock Ownership Plan at year-end 1990, 1991, 1992, 1993, and 1994, respectively, which are not considered outstanding for accounting purposes.

Graph titled "NET EARNINGS AND PER SHARE AMOUNTS"

Presented is side by side bar graphs (in millions, except per share amounts) showing Merrill Lynch & Co., Inc.'s earnings per share amounts of \$0.80, \$3.01, \$3.92, \$5.98, and \$4.75 for the years ended 1990 through 1994, respectively and Merrill Lynch & Co., Inc.'s net earnings of \$192, \$696, \$894, \$1,359, and \$1,017 for the years ended 1990 through 1994, respectively.

Graph titled "BOOK VALUE PER COMMON SHARE"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s book value per common share for the past five years of \$14.99, \$17.88, \$21.37, \$26.17, and \$28.87 at year-end 1990 through 1994, respectively.

<TABLE>
<CAPTION>

December	Year Ended Last Friday in				
	1994	1993	1992	1991	
(Dollars in Thousands, Except Per Share Amounts)					
1990					
	(52 Weeks)	(53 Weeks)	(52 Weeks)	(52 Weeks)	(52 Weeks)
Weeks)					
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING RESULTS					
Revenues	\$ 18,233,091	\$ 16,588,177	\$ 13,412,668	\$ 12,352,812	\$
11,147,229					
Interest Expense	8,608,570	6,029,947	4,835,267	5,106,344	
5,363,900					
Net Revenues	9,624,521	10,558,230	8,577,401	7,246,468	
5,783,329					
Non-Interest Expenses	7,894,917	8,133,422	6,956,012	6,229,050	
5,501,001					
Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles	1,729,604	2,424,808	1,621,389	1,017,418	
282,328					
Income Tax Expense	712,843	1,030,449	668,984	321,301	
90,472					
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 1,016,761	\$ 1,394,359	\$ 952,405	\$ 696,117	\$
191,856					
Net Earnings	\$ 1,016,761	\$ 1,358,939	\$ 893,825	\$ 696,117	\$
191,856					
Net Earnings Applicable to Common Stockholders	\$ 1,004,050	\$ 1,353,558	\$ 887,486	\$ 678,392	\$
167,932					
FINANCIAL POSITION					
Total Assets	\$163,749,327	\$152,910,362	\$107,024,173	\$ 86,259,343	\$
68,129,527					
Short-Term Borrowings (a)	\$ 78,304,239	\$ 79,632,477	\$ 51,179,530	\$ 38,697,544	\$
27,340,915					
Long-Term Borrowings	\$ 14,863,383	\$ 13,468,900	\$ 10,871,100	\$ 7,964,424	\$
6,341,559					
Total Stockholders' Equity	\$ 5,817,545	\$ 5,485,913	\$ 4,569,104	\$ 3,818,088	\$
3,225,430					
TAX INFORMATION					
Other Taxes, Principally Payroll and Property	\$ 254,862	\$ 223,377	\$ 221,930	\$ 191,291	\$
169,457					
Total Taxes (b)	\$ 967,705	\$ 1,253,826	\$ 890,914	\$ 512,592	\$
259,929					
COMMON SHARE DATA					
Primary:					
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 4.75	\$ 6.14	\$ 4.18	\$ 3.01	\$
.80					
Net Earnings	\$ 4.75	\$ 5.98	\$ 3.92	\$ 3.01	\$
.80					
Fully Diluted:					
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 4.74	\$ 6.11	\$ 4.17	\$ 2.95	\$
.80					
Net Earnings	\$ 4.74	\$ 5.95	\$ 3.91	\$ 2.95	\$
.80					

=====				
Weighted Average Shares Outstanding:				
Primary	211,241,000	226,331,000	226,402,000	225,350,000
211,052,000				
Fully Diluted	211,695,000	227,480,000	226,854,000	229,916,000
211,052,000				
Shares Outstanding at Year-End (c)	181,479,127	203,989,691	207,202,688	205,443,636
199,669,270				
Shares Repurchased	29,988,523	16,345,568	10,653,858	5,919,852
11,779,712				
Average Share Repurchase Price	\$ 37.96	\$ 42.55	\$ 24.36	\$ 19.70
10.32				
Book Value	\$ 28.87	\$ 26.17	\$ 21.37	\$ 17.88
14.99				
Total Taxes (b)	\$ 4.58	\$ 5.54	\$ 3.94	\$ 2.27
1.23				
Dividends Paid	\$.89	\$.70	\$.575	\$.50
.50				

FINANCIAL RATIOS				
Pretax Margin (d)	18.0%	23.0%	18.9%	14.0%
4.9%				
Profit Margin (e)	10.6%	13.2%	11.1%	9.6%
3.3%				
Common Dividend Payout Ratio	17.5%	10.9%	13.5%	15.2%
61.8%				
Return on Average Assets	0.6%	1.0%	0.8%	0.8%
0.3%				
Return on Average Common Stockholders' Equity	18.6%	27.3%	22.0%	20.8%
5.8%				
Leverage	32.0x	27.4x	25.1x	24.1x
22.9x				
Adjusted Leverage (f)	18.9x	16.6x	15.9x	16.3x
15.3x				

OTHER STATISTICS				
Number of Full-Time Employees	43,800	41,900	40,100	38,300
39,000				
Number of Financial Consultants and Account Executives	13,400	13,100	12,700	12,100
11,800				

</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.
- (c) Does not include 6,427,091, 8,932,332, 11,201,672, 13,636,820, and 16,071,968 unallocated reversion shares held in the Employee Stock Ownership Plan at year-end 1994, 1993, 1992, 1991, and 1990, respectively, which are not considered outstanding for accounting purposes.
- (d) Earnings Before Income Taxes and Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (e) Earnings Before Cumulative Effect of Changes in Accounting Principles to Net Revenues.
- (f) Average total assets 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 and market 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 may also increase order flow, which drives many of the Corporation's businesses. Other global 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.

Financial markets, strong from 1991 through the first six weeks of 1994, changed significantly after inflationary fears prompted the Federal Reserve to increase short-term interest rates in February 1994. As the U.S. economy continued to expand, the Federal Reserve acted to further curb inflation and to moderate growth by increasing short-term interest rates five additional times during the year. The combination of rising interest rates, a falling U.S. dollar, unsettled global stock, bond, and currency markets, reduced foreign investment in U.S. financial markets, and overall investor caution contributed to lower earnings for most U.S. securities firms.

Institutional trading results were affected by rising interest rates and volatility in world currency and securities markets. Trading in interest-sensitive products and equities, particularly convertible securities, was generally lower industrywide. Foreign exchange trading decreased due to a weakening in the U.S. dollar versus other major currencies. Values of emerging market inventories declined due primarily to higher interest rates, increased political uncertainty, and the devaluation of the Mexican peso in the 1994 fourth quarter. Trading in swaps and other derivative products continued at relatively strong levels as global investors continued to use these instruments to manage exposure to changes in interest rates and currency values. Reaction to highly publicized losses, however, resulted in reduced activity in certain complex or structured derivatives transactions.

Investment banking results were mixed in 1994. Underwriting volumes were down sharply, while merger and acquisition and advisory assignments increased, approaching the record transaction value levels of 1988. Domestic underwriting volumes for debt and equity securities declined to their lowest levels since 1991. In 1994, new domestic stock and bond issuance volume fell 33% to \$711 billion industrywide, with initial public offerings down 41% from last year. Worldwide, aggregate underwriting volume for new stock and bond issues decreased 27% from 1993.

Strategic services revenues were strong in 1994 and benefited from increased merger and acquisition and advisory services activity, primarily in the healthcare, communication, defense, and financial services industries. Companies seeking strategic alliances were helped by a stronger economy, higher cash flows related to recent balance sheet restructurings and improved operating results, and attractive market values of target companies. Many European multinational companies continued to increase their presence in the U.S. through acquisition or joint venture activities. Cross-border merger and acquisition activity, particularly in Europe, increased as global financial markets developed and trade liberalization continued. Frontier barriers were lowered within Europe and Latin America, the European Union expanded to 15 countries, and the North American Free Trade Agreement entered its second year. Further development of global financial markets improved the access to capital. The privatization of state-run enterprises by a record number of countries continued to provide financing for reinvestment to stimulate economic growth.

Institutional and individual investors continued to diversify their portfolios, but remained cautious as market conditions changed. As interest rates increased throughout 1994, investors redirected assets from longer-term bond funds to stock funds and more liquid investments, such as short-term U.S. Treasury securities and money market instruments. Foreign investors were less active in U.S. markets, while international mutual funds continued to attract new U.S. investors.

The financial services industry is cyclical. As a result, the Corporation's businesses are evaluated across market cycles for profitability and alignment with long-term strategic objectives. Fiscal 1994 was characterized by adverse financial markets and changing economic conditions. The Corporation seeks to mitigate the effect of market cycles by closely monitoring costs and risks, continuing to diversify revenue sources, and expanding its global presence.

RESULTS OF OPERATIONS

Unsettled global financial markets in 1994 contributed to reduced volumes for many of the Corporation's businesses. These business conditions contributed to progressively lower quarterly net earnings for the Corporation in 1994. Net earnings for 1994 were \$1.02 billion or \$4.75 per common share primary (\$4.74 fully diluted), down 25% from record 1993 earnings of \$1.36 billion or \$5.98 per common share primary (\$5.95 fully diluted). In 1992, net earnings were \$893.8 million or \$3.92 per common share primary (\$3.91 fully diluted).

The 1993 results included the 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 net earnings by \$35.4 million 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 included 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 the World Financial Center Headquarters ("Headquarters") facility. This space was sublet

during 1994.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 net 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 in 1994 were \$1.73 billion, down 29% from \$2.42 billion reported in 1993. In 1992, pretax earnings were \$1.62 billion. The pretax profit margin on net revenues was 18.0% in 1994, compared with 23.0% in 1993 and 18.9% in 1992.

Total revenues for 1994 were \$18.23 billion, up 10% and 36%, respectively, from the previous record levels of 1993 and 1992. In 1994, net revenues (revenues after interest expense) totaled \$9.62 billion, down 9% from \$10.56 billion in 1993. Net revenues in 1992 were \$8.58 billion.

Graph titled "NET REVENUE CATEGORIES AND COMPENSATION AND BENEFITS"

Presented are side by side bar graphs 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 \$5.8, \$7.2, \$8.6, \$10.6, and \$9.6 for the years ended 1990 through 1994, respectively, and compensation and benefits of \$3.1, \$3.9, \$4.4, \$5.3, and \$5.0 for the years ended 1990 through 1994, respectively.

Non-interest expenses were \$7.89 billion in 1994, down 3% from 1993 and up 13% from 1992. Excluding the non-recurring 1993 pretax lease charge of \$103.0 million, non-interest expenses declined 2% from 1993. In 1994, many expense categories decreased as business activity slowed. Incentive compensation declined due to lower profitability, while production-related Financial Consultant compensation and advertising expenses were affected by lower business volumes. Occupancy costs benefited from relocations to lower-cost facilities and last year's decision to vacate and sublet additional Headquarters space.

The Corporation actively manages its expense structure by monitoring the mix of variable and fixed expenses. In 1994, certain discretionary projects were reduced based on market conditions.

The after-tax profit margin in 1994 was 10.6%, compared with 13.2% (12.9% after the cumulative effect of accounting change) in 1993 and 11.1% (10.4% after the cumulative effect of accounting changes) in 1992. The Corporation's return on average common stockholders' equity was 18.6% in 1994, compared with 27.3% and 22.0% in 1993 and 1992, respectively.

The 1994 financial statements contain limited reclassification and format changes. 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 provides details of major categories of revenues and expenses and other pertinent information regarding the Corporation's business activities, financial condition, liquidity, and risks.

COMMISSIONS

Commission revenues were \$2.87 billion in 1994, virtually unchanged from \$2.89 billion reported in 1993. Higher commission revenues from mutual funds and commodity transactions were offset by lower revenues from money market instruments, particularly medium-term notes, and listed securities transactions.

Mutual fund commissions increased 4% in 1994 to \$879 million due primarily to higher distribution and redemption fees offset by lower levels of mutual fund sales. Revenues from front-end mutual funds were down 31% to \$343 million. As stock and bond mutual fund net asset values declined during 1994, investors became more conservative, directing both existing and new funds into alternative short-term investments such as U.S. Treasury bills and other money market instruments. For the first time since 1974, both stock and bond funds fell in

value, on average, in the same year. U.S. stock funds, including dividends, lost 1.69% in value and taxable bond funds fell 3.70%, industrywide. For global investors, stock funds declined 0.71% and bond funds fell 7.45% in 1994. Distribution fees from deferred-charge funds increased 58% to \$460 million based on increased asset levels primarily attributable to strong fund sales in prior periods. Redemption fees increased 34% to \$76 million as clients repositioned invested assets.

Commissions from listed securities were \$1.36 billion, down 3% from 1993. Although volume was up on domestic stock exchanges, the Corporation's domestic listed securities commission revenues were 5% lower in 1994. This decline reflects a change in the relative amount of transactions by institutional clients versus retail clients. In 1994, domestic stock market activity, as measured by New York Stock Exchange ("NYSE") average daily trading volume, was 291 million shares. This average daily trading volume was 10% higher than 1993. The Dow Jones Industrial Average ("DJIA") daily closing index for 1994 averaged 3,794, 8% above the 1993 daily average close. Revenues from listed

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

securities on international stock exchanges increased as a result of higher demand and the Corporation's expanded presence in financial markets worldwide.

Commissions on commodities transactions increased 21% to \$217 million due to an increase in commodity-related hedge activities. Commissions on money market instruments declined 34% in 1994 to \$109 million primarily due to lower demand for higher commission products. The continued rise in interest rates during the period led investors to seek liquidity and principal protection in shorter-term instruments.

Other commission revenues, consisting primarily of over-the-counter, option, and insurance products, increased 2% to \$305 million from \$300 million in 1993.

In 1993, commission revenues advanced 19% from 1992 due primarily to the continued growth of listed securities transactions and increased sales of mutual funds, regulated commodities contracts, and over-the-counter securities. Listed securities commissions benefited from increased market participation as investors repositioned their investment portfolios to enhance potential yield and growth opportunities. Mutual fund commissions rose as individual investors shifted maturing certificates of deposit and other low-yielding cash investments into domestic and global equity mutual funds and, to a lesser extent, fixed-income mutual funds. Other commission revenues advanced 9% from 1992 levels.

INTEREST AND DIVIDENDS

Significant components of interest and dividend revenues and interest expense for 1994, 1993, and 1992, follow:

(IN MILLIONS)	1994	1993	1992
Interest and dividend revenues:			
Trading assets	\$3,431	\$2,493	\$2,007
Securities borrowed	2,285	1,521	823
Resale agreements	1,807	1,161	1,066
Margin lending	1,018	779	598
Other	1,037	1,145	1,312
Subtotal	9,578	7,099	5,806
Interest expense:			
Borrowings	3,381	2,515	1,697
Repurchase agreements	2,414	1,383	1,225
Trading liabilities	1,997	1,252	931
Other	817	880	982
Subtotal	8,609	6,030	4,835
Net interest and dividend profit	\$ 969	\$1,069	\$ 971

</TABLE>

Included in the "Borrowings" caption above is interest related to hedges

on the Corporation's borrowings. As part of the Corporation's asset, liability, and liquidity management strategies, substantially all fixed-rate, long-term borrowings are swapped into floating interest rates, while virtually all foreign currency-denominated fixed-rate obligations are swapped into U.S. dollar variable rate liabilities. These liability hedges are in the form of interest rate and currency swap agreements. Interest obligations on variable rate debt may also be modified through swap agreements that change the underlying interest rate basis or reset frequency. Contractual agreements used to modify payment obligations, principally related to long-term borrowings, reduced interest expense for 1994, 1993, and 1992 by \$153 million, \$326 million, and \$246 million, respectively.

Interest and dividend revenues increased 35% in 1994 to \$9.58 billion due to higher average levels of interest-earning assets, principally inventories and resale agreements, as well as increased interest rates. Interest expense, which includes dividend expense, increased 43% to \$8.61 billion due to increased levels of interest-bearing liabilities, primarily related to the Corporation's funding and hedging activities, and higher interest rates. Net interest and dividend profit declined 9% to \$969 million as a significant increase in short-term interest rates, year over year, led to a substantial flattening of the yield curve. The change in the yield curve, the relationship between interest rates and maturities, resulted from short-term interest rates rising faster than long-term interest rates during 1994. The one-year U.S. Treasury bill rate, for example, increased from 3.58% at December 31, 1993 to 7.16% at December 30, 1994, while the 30-year U.S. Treasury bond yield increased from 6.35% to 7.88% during the same period. As a result, interest spreads declined, while financing and hedging costs increased from 1993.

In 1993, net interest and dividend profit increased 10% over 1992 to \$1.07 billion. Contributing to this increase 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.

PRINCIPAL TRANSACTIONS

Principal transactions revenues fell 20% from 1993 record levels to \$2.33 billion in 1994. Rising interest rates, a declining U.S. dollar, and volatile world financial markets led to lower trading results in many products. Revenues from taxable fixed-income securities, equities and equity derivatives, and foreign exchange and commodities decreased, while interest rate and currency swaps, and municipal securities revenues increased.

Taxable fixed-income trading revenues declined 52% in 1994 to \$462 million as higher interest rates, wider credit spreads, and uncertainty in emerging markets led to reduced demand and lower inventory values. U.S. Government and agencies securities revenues were down 7% to \$253 million. Corporate bonds and preferred stock revenues, in the aggregate, decreased 72% to \$111 million and were affected by wider credit spreads and lower trading volume. Non-U.S. governments and agencies revenues were down 89% to \$20 million due primarily to increased interest rates, political uncertainty, and the devaluation of the Mexican peso in the 1994 fourth quarter. High-yield bond revenues declined 61% to \$27 million. Rising interest rates reduced inventory values and market liquidity, and renewed credit concerns related to lower quality issues.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Equities and equity derivatives trading revenues were \$627 million, 28% lower than 1993. Trading revenues were down in virtually all categories, including convertible securities, which reported a \$66 million loss for the year. Rising interest rates combined with falling equity values contributed to the loss. Approximately 40% of this loss occurred in the 1994 fourth quarter as the Corporation reduced inventory levels to limit exposure to interest rate volatility. Lower revenues were also reported for foreign and over-the-counter equities.

Foreign exchange and commodities revenues, in the aggregate, declined 31% to \$109 million. Weakness in the U.S. dollar versus other major currencies depressed foreign exchange trading, while commodities trading revenues benefited from increased volume.

Revenues from interest rate and currency swaps rose 24% to \$749 million due to the continued growth of these products as effective risk management tools, enhanced market liquidity, and increased global demand. (See discussion of Derivative Financial Instruments.) The revenue increase is primarily attributable to U.S. dollar-denominated swap trading activities. U.S. dollar-denominated swap trading revenues increased as institutional clients

continued to use these instruments to manage interest rate risk, which included the restructuring of existing contracts as the interest rate environment changed. Non-dollar swap trading revenues declined due to currency and interest rate volatility, particularly in European markets, partially offset by higher volume.

Municipal securities revenues increased 20% to \$388 million due to strong retail investor demand for tax-exempt investments. Higher interest rates led to increased after-tax returns for this product in 1994.

In 1993, principal transactions revenues reached record levels, up 35% from 1992 to \$2.92 billion. Taxable fixed-income trading revenues increased 31% due to favorable market conditions for corporate bonds and preferred stocks, and non-U.S. governments and agencies securities. Revenues from interest rate and currency swaps advanced 55%, benefiting from increased volume and market growth, as well as an expanding product base. Equities and equity derivatives revenues rose 42% principally on the strength of increases in revenues from international equities and improvement in revenues from U.S. over-the-counter markets. Municipal securities revenues increased 20% based on increased client demand for tax-exempt securities.

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 (i.e., the spread representing interest earned versus financing costs on financial instruments) for trading positions, including hedges, is recorded either as 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 any realized or unrealized gain or loss is included in principal transactions. Financial instruments requiring forward settlement, such as "to be announced" mortgage pools, have interest components built into their market value; any change in 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.

The table that follows provides information on aggregate trading profits, including net interest. Principal transactions revenues are based on financial reporting categories. Interest revenue and expense components are based on financial reporting categories and 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>
1994			
Taxable fixed-income	\$ 462	\$371	\$ 833
Interest rate and currency swaps	749	(24)	725
Equities and equity derivatives	627	(107)	520
Municipals	388	7	395
Foreign exchange and commodities	109	(9)	100
	-----	-----	-----
TOTAL	\$2,335	\$238	\$2,573
	=====	=====	=====
1993			
Taxable fixed-income	\$ 964	\$412	\$1,376
Interest rate and currency swaps	605	28	633
Equities and equity derivatives	871	(45)	826
Municipals	322	--	322
Foreign exchange and commodities	158	(1)	157
	-----	-----	-----
TOTAL	\$2,920	\$394	\$3,314
	=====	=====	=====
1992			
Taxable fixed-income	\$ 736	\$366	\$1,102
Interest rate and currency swaps	390	75	465

Equities and equity derivatives	614	(23)	591
Municipals	268	(1)	267
Foreign exchange and commodities	158	2	160
	-----	----	-----
TOTAL	\$2,166	\$419	\$2,585
	=====	=====	=====

</TABLE>

INVESTMENT BANKING

Investment banking revenues were \$1.24 billion in 1994, down 32% from record 1993 levels. Market conditions were significantly different in 1994 compared with the prior two

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

years. In 1992 and 1993, low interest rates were the key factor behind the surge in underwriting activity. As interest rates moved higher and share prices fell, issuers and investors became more selective, leading to reduced volumes for most products. As a result, underwriting of domestic debt and equity securities declined industrywide to the lowest level since 1991. Underwriting revenues declined in almost all categories, with significant decreases in equities, corporate bonds and preferred stock, and convertible securities. Partially offsetting these declines were higher underwriting revenues from asset-backed securities. Equity issuances, especially initial public stock offerings, were adversely affected by reduced demand attributable primarily to investor caution. Higher interest rates curtailed debt issuance, particularly refinancings. In 1994, new stocks and bonds issued in domestic markets totaled \$711 billion, a 33% decline from 1993. Domestic initial public offerings were 41% lower in 1994 compared with 1993.

Despite unfavorable market conditions and lower volumes, the Corporation retained its position as top underwriter for the seventh consecutive year domestically and sixth consecutive year globally. The Corporation's domestic and global share of underwriting volume in 1994 was 16.5% and 12.6%, respectively, versus 16.4% and 12.8% in the year-earlier period, according to Securities Data Co.

Foreign issuers continued to access U.S. capital markets in 1994. New issues from outside the U.S. accounted for more than 30% of equities sold in domestic markets industrywide. International underwriting activity also benefited from privatizations of state-owned industries in Europe and Latin America. In 1994, international equity underwritings represented 16% of the Corporation's total equity underwritings, compared with 5% in 1993.

Strategic services revenues, which include fees for debt restructuring, merger and acquisition activity, and other advisory services, increased 36% to \$251 million. Companies worldwide sought strategic partners to capitalize on business opportunities attributable to lower trade barriers and to promote growth and financial strength. In 1994, the volume of announced global mergers and acquisitions advisory deals reached \$534 billion industrywide. The Corporation's market share of announced global deals was 10.3% in 1994, up from 7.9% in 1993, according to Securities Data Co.

In 1993, investment banking revenues increased 23% from 1992 to a record \$1.83 billion, as lower interest rates and higher share prices spurred underwriting activity. These favorable conditions led to significant balance sheet refinancings and reissuance of debt by corporate treasurers, and increased demand for equity securities. Strategic services revenues grew 5% to \$184 million in 1993.

ASSET MANAGEMENT AND
PORTFOLIO SERVICE FEES

Revenues from asset management and portfolio service fees rose 12% in 1994 to a record \$1.74 billion as a result of higher fees earned from asset management activities and other fee-based services.

Asset management fees, which include fees earned on mutual funds sponsored by the Corporation and third parties, increased 12% from 1993 to \$794 million. In 1994, approximately 90% of asset management fees were attributable to Merrill Lynch-sponsored funds. During the period, assets under management increased in money market and equity funds, but decreased in bond funds as investors redeployed assets. Despite lower asset values, assets under management by Merrill Lynch Asset Management ("MLAM") increased due principally to new money investments in 1994.

The Corporation's strategy of advising clients to (i) prepare a plan to

establish financial objectives; (ii) begin saving early and methodically to achieve short- and long-term financial goals; (iii) use mutual funds as long-term investments; and (iv) allocate assets by type (i.e., stocks, bonds, cash) and by region (i.e., domestic and international) to achieve greater after-tax returns and diversification, contributed to increased levels of assets under management.

Assets under management by MLAM increased 2%, or \$3 billion, to \$164 billion. As indicated earlier, the increase was attributable to money market and stock funds, which grew by \$8 billion to \$104 billion. Bond funds, representing 22% of assets under management, declined \$6 billion in 1994 to \$36 billion. Assets under management also include private portfolio assets of \$20 billion and investments of insurance subsidiaries totaling \$4 billion. Private portfolio assets represent funds related to privately managed individual and institutional accounts. Investments of insurance subsidiaries support the insurance liabilities for fixed-rate life insurance and annuity products.

Portfolio service fees increased 19% in 1994 to \$438 million based on the continued growth of products offering multiple investment services. Fees from Merrill Lynch Consults (Registered Trademark) ("ML Consults"), a portfolio management service, increased 4% in 1994 to \$306 million due primarily to higher asset levels during the 1994 first quarter. Fee levels during the remainder of the year declined due to a reduction in asset levels and a decrease in the number of accounts. At December 30, 1994, asset values for ML Consults were \$14.4 billion, down 15% from 1993. The approximate number of accounts totaled 78,500, compared with 87,000 at year-end 1993. Fee revenues also advanced in Mutual Fund Advisor ("MFA (Service Mark)"), a personalized portfolio management service, and Asset Power (Registered Trademark), a product with fees and transaction limits based on asset levels. Combined revenues from MFA and Asset Power accounts increased 177% to \$36 million. Assets under management for these products totaled \$3 billion representing approximately 22,900 accounts. Other portfolio service fees, principally insurance and trust fees, increased 57% to \$96 million.

Other fee-based revenues were up 5% from 1993 to \$508 million due primarily to increased revenues from transfer agency, CMA (Registered Trademark), IRA, and Keogh fees.

Total client assets in worldwide private client accounts were \$568 billion at year-end 1994 compared with \$557 billion at year-end 1993. In 1994, client accounts were redefined to include certain institutional private portfolio accounts

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

managed by the Corporation. Prior years' client account assets have been restated.

In 1993, asset management and portfolio service fee revenues rose 24% to \$1.56 billion, principally as a result of increased fees earned from asset management activities, the ML Consults portfolio management service, and other fee-based services. Asset management fees increased 21% to \$706 million due principally to growth in stock and bond funds. In 1993, revenues from ML Consults advanced 66% to \$294 million as the total number of accounts grew 36% to 87,000. Other fee-based revenues were up 8% to \$483 million due to increased revenues from mortgage servicing, insurance, and custodial fees for retirement accounts.

OTHER REVENUES

Other revenues increased 65% in 1994 to \$471 million. Other revenues include investment gains and losses, transaction processing fees, and proxy activities.

In 1994, net realized investment gains related to merchant banking activities were \$81 million, compared with \$133 million of net investment losses a year ago. In certain instances, sales of merchant banking positions are subject to restrictions, limiting the Corporation's ability to dispose of these investments until required holding periods expire. In 1994, restrictions applicable to certain investments lapsed and market conditions changed, enabling the Corporation to dispose of certain merchant banking investments. Merchant banking positions are carried at the lower of cost or estimated net realizable value. Loss provisions related to these investments are established, as appropriate, to reduce the carrying value to estimated net realizable value. (See discussion of Non-Investment Grade Holdings and Highly Leveraged Transactions.) Revenues generated from transaction processing, proxy services, and other activities declined 7% in 1994 to \$390 million.

In 1993, other revenues were up 1% to \$285 million due primarily to higher fees generated from growth in home equity loan activity, partially

offset by higher net investment losses related primarily to provisions for merchant banking investments.

NON-INTEREST EXPENSES

Non-interest expenses declined 3% in 1994 to \$7.89 billion. Excluding the 1993 first quarter non-recurring lease charge of \$103.0 million, non-interest expenses declined 2%.

Compensation and benefits, the largest expense, declined 6% to \$4.95 billion as lower incentive and production-related Financial Consultant compensation was partially offset by increases in base wages, severance, and Financial Consultant up-front hiring bonuses. Incentive compensation decreased with lower profitability, while production-related compensation was down due to volume declines in certain products.

The Corporation regularly evaluates its staffing levels given business conditions. At year-end 1994, full-time personnel totaled 43,800 compared with 41,900 at year-end 1993. Hirings in 1994 consisted primarily of producers and selected support staff in private client and international business areas. The increase in personnel was concentrated in early 1994 with nearly 70% of the hirings occurring before July. In the second half of 1994, approximately 53% of the additional hirings were recent graduates, the result of the annual recruiting cycle. Selected reductions in personnel related to overall business contraction contributed to a charge for severance expense totaling \$66 million in 1994. Compensation and benefits, as a percentage of net revenues, was 51.5% compared with 49.8% in 1993. The Corporation's ratio of support employees and sales assistants to producers increased to 1.46 to 1 in 1994, from 1.43 to 1 in 1993.

Occupancy costs declined 24% (7% excluding the non-recurring lease charge), benefiting from continued relocation of support staff to lower-cost facilities and reduced space requirements at the Headquarters facility. Communications and equipment rental expenses were 12% higher in 1994 due to increased use of market data, news, and statistical services. Depreciation and amortization expense rose 5% due primarily to the acquisition of technology-related equipment that is depreciated over shorter useful lives.

Advertising and market development expenses were down 1% with discretionary costs decreasing as business conditions became less favorable. Lower sales promotion costs and a reduction in advertising campaigns were partially offset by increased travel related to international business activities.

Professional fees increased 26% from a year ago, due primarily to the use of system and management consultants to upgrade technology and processing capabilities in trading, credit, and customer systems, as well as higher legal fees.

Brokerage, clearing, and exchange fees increased 20% from 1993 due to higher international equity volume and expanded risk management activities related to volatile global market conditions. Other expenses were up 1% due primarily to an increase in office supplies and postage costs.

In 1993, non-interest expenses increased 17% to \$8.13 billion. Excluding the 1993 first quarter non-recurring lease charge, non-interest expenses rose 15%. Favorable markets, increased business volumes, and record profitability contributed to a 20% increase in compensation and benefits expense. Occupancy costs rose 20% as a result of the non-recurring lease charge (down 2% excluding the non-recurring lease charge). Communications and equipment rental expense increased 5% due to the expanded use of telephone, market data, and news services. Depreciation and amortization expense rose 10% due to replacement of technology-related equipment. Advertising and market development expenses rose 25% reflecting higher sales promotion costs, recognition programs, and business travel. Professional fees increased 13% due to increased use of system and management consultants, and higher employment agency fees. Brokerage, clearing, and exchange fees were up 1% as a result of increased trading volume. Other expenses rose 5% in 1993 principally as a result of additions to loss provisions related to litigation and claims, offset by a reduction in loss provisions related to specific business activities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

INCOME TAXES

The Corporation's 1994 income tax provision was \$713 million and represented a 41.2% effective tax rate. In 1993 and 1992, income tax provisions were \$1.03 billion and \$669 million, respectively, representing

effective tax rates of 42.5% in 1993 and 41.3% in 1992. The effective tax rate in 1994 decreased primarily as a result of lower state income taxes. In 1993, the effective tax rate was higher as legislation increased the Federal statutory tax rate from 34.0% to 35.0%.

The Corporation records deferred tax assets for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. To recognize these deferred tax assets, the Corporation anticipates future taxable income. The Corporation assessed its ability to realize its deferred tax assets primarily on a strong earnings history and the absence of negative evidence as discussed in SFAS No. 109, "Accounting for Income Taxes." During the last 12 years, average pretax earnings were \$788 million per year. Accordingly, the Corporation believes it is more likely than not that its deferred tax asset will be realized.

In 1992, the Corporation adopted SFAS No. 109. 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. All available alternative minimum tax credits and net operating loss tax benefit carryforwards from prior years were utilized by the end of 1992.

STOCKHOLDERS' EQUITY

Stockholders' equity at December 30, 1994 increased 6% to \$5.82 billion from \$5.49 billion at year-end 1993. The increase in 1994 was principally the result of net earnings and the issuance of \$425 million 9% Preferred Stock, Series A (see Stockholders' Equity in the Notes to Consolidated Financial Statements). These advances were primarily offset by an increase in treasury stock related to the Corporation's share repurchase program, common and preferred dividends declared by the Corporation, and a fair value adjustment related to SFAS No. 115, "Accounting for Investments in Certain Debt and Equity Securities."

In 1994, the Corporation repurchased approximately 30 million common shares at an average price of \$37.96 per share to meet share requirements under employee benefit plans, to make appropriate adjustments to the Corporation's capital structure, and for other general corporate purposes.

The Corporation granted a total of approximately 1.4 million shares of common stock during 1994 to certain employees under the Long-Term Incentive Compensation Plan and the Equity Capital Accumulation Plan.

In 1993, the Corporation adopted SFAS No. 115, which increased stockholders' equity 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 shares from 200 million to 500 million shares. In addition, 1,637,314 shares of common stock were issued in 1993 under certain employee benefit plans.

At December 30, 1994, total common shares outstanding, excluding the unallocated Employee Stock Ownership Plan ("ESOP") reversion common shares, amounted to 181.5 million, 11% lower than the 204.0 million shares outstanding at December 31, 1993. The decrease was principally attributable to common stock repurchases. Including unallocated ESOP reversion shares, total outstanding common shares were 187.9 million at the end of 1994. Total outstanding common shares, including unallocated ESOP reversion shares, and commitments for shares related to employee benefit plans (whether or not specific awards of such shares have been made) approximated 300.6 million at December 30, 1994. Subsequent to year-end, the Corporation amended the Incentive Equity Purchase Plan by reducing the number of shares authorized to zero. This amendment reduced committed amounts by approximately 24 million shares.

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, obtains committed, unsecured, revolving credit facilities (the "Credit Facilities"), issues term debt, concentrates debt issuance through Merrill Lynch & Co., Inc. (the "Parent"), and pursues expansion and diversification of funding sources.

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 principally 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 restrictions on upstreaming cash from regulated 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 include liquidating cash equivalents, securitizing additional home equity and other mortgage loan assets, and drawing on Credit Facilities. At December 30, 1994, the Credit Facilities totaled \$5.3 billion and have not been drawn upon.

As an additional measure, the Corporation regularly reviews the level and mix of its assets and liabilities to ascertain its ability to conduct core businesses beyond one year

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

without reliance on issuing new unsecured debt or drawing upon Credit Facilities. The composition of the Corporation's asset mix provides a great degree of flexibility in managing liquidity. The Corporation's liquidity position is enhanced since most of the Corporation's assets turn over frequently or are match-funded with a liability whose cash flow characteristics closely match those of the asset. At December 30, 1994, approximately 3% of the Corporation's assets, principally certain other investments, and fixed and other assets, were considered not readily marketable by management. The Corporation monitors the liquidity of assets, the quality of Credit Facilities, and the overall level of equity and 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 borrowings at the Parent level, except where tax regulations, time differences, or other business considerations make this impractical. The benefits of this strategy are: a) lower financing costs from the reduced risks of a diversified asset and business base; b) simplicity, control, and wider name recognition by banks, creditors, and rating agencies; and c) flexibility to meet varying funding requirements within subsidiaries.

The third element is to expand and diversify the Corporation's funding instruments and its investor and creditor base. The Corporation maintains strict concentration standards for short-term lenders, which include limits for any single investor. The Corporation's funding programs benefit from the ability to market commercial paper through its own sales force to a large, diversified customer base and the financial creativity of the Corporation's capital markets and private client operations. Commercial paper remains the Corporation's major source of short-term general purpose funding. Commercial paper outstanding totaled \$14.8 billion at December 30, 1994 and \$14.9 billion at December 31, 1993, which represented 9% and 10% of total assets at year-end 1994 and 1993, respectively.

Total term debt issuance in 1994 exceeded 1993 levels as the Corporation continued to be active in both domestic debt markets and Euro markets through public issues and private placements. Foreign currency denominations and interest rate indices were hedged, as required, to match the economic characteristics of the Corporation's assets. Outstanding term debt at December 30, 1994 grew to \$14.9 billion from \$13.5 billion at December 31, 1993.

At December 30, 1994, the Corporation's senior long-term debt was rated by seven recognized credit rating agencies, as follows:

<TABLE>

<CAPTION>

RATING AGENCY	RATING
Duff & Phelps Credit Rating Co.	AA-
Fitch Investors Service, Inc.	AA
IBCA Ltd.	AA-
The Japan Bond Research Institute	AA
Moody's Investors Service, Inc.	A1
Standard & Poor's Ratings Group	A+
Thomson BankWatch, Inc.	AA

</TABLE>

The Corporation issued \$8.5 billion of long-term debt during 1994. During the same period, maturities and repurchases were \$6.9 billion. In addition, approximately \$1.9 billion of the Corporation's securities held by subsidiaries were sold and \$2.2 billion were purchased. At December 30, 1994, \$6.1 billion of term debt had maturity dates in 1995 and \$8.8 billion of term debt had maturity dates beyond one year. The average maturity

on all outstanding term debt was 3.0 years, compared with 2.9 years at year-end 1993. Approximately \$30.5 billion of the Corporation's indebtedness at December 30, 1994 is considered senior indebtedness as defined under various indentures.

As part of the Corporation's overall liquidity program, its insurance subsidiaries regularly review the funding requirements of their contractual obligations for in-force, fixed-rate life insurance and annuity contracts and expected future acquisition and maintenance expenses for all contracts. The liquidity and duration of the fixed-rate asset and liability portfolios are closely monitored.

During the past few years, the Corporation's insurance subsidiaries have changed the mix of products offered to policyholders. Currently, variable life insurance and variable annuity products are actively marketed. These products do not subject the insurance subsidiaries to the interest rate, asset/liability matching, and credit risks attributable to fixed-rate products, thereby reducing the risk profile and liquidity demands on the insurance subsidiaries. The insurance subsidiaries maintain predominantly high quality, liquid investment portfolios to fund their various business activities. At December 30, 1994, approximately 81% of invested assets of insurance subsidiaries were considered liquid by management.

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 \$5.82 billion at December 30, 1994, including \$5.20 billion in common equity supplemented by \$619 million in preferred stock. The Corporation's average leverage ratios, computed as the ratio of average month-end assets to average month-end stockholders' equity, were 32.0x and 27.4x for 1994 and 1993, respectively. The Corporation's leverage ratios at the end of 1994 and 1993 were 28.1x and 27.9x, respectively. During 1994, leverage ratios were affected by the adoption of Financial Accounting Standards Board Interpretation ("Interpretation") No. 39, "Offsetting of Amounts Related to Certain Contracts," as modified by Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements." The effect of these Interpretations increased assets by approximately \$8.5 billion at December 30, 1994.

To compute the Corporation's average adjusted leverage ratio, resale agreements and securities borrowed transactions are subtracted from total assets. The average adjusted leverage ratios were 18.9x and 16.6x for 1994 and 1993, respectively. The Corporation's adjusted leverage ratios at the end of 1994 and 1993 were 16.9x and 17.5x, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Corporation operates in many regulated businesses that require various minimum levels of capital to conduct business (see Regulatory Requirements and Dividend Restrictions in the Notes to Consolidated Financial Statements). The Corporation's broker-dealer, insurance, and futures commission merchant activities are subject to regulatory requirements which may restrict the free flow of funds to affiliates. Regulatory approval is required for certain transactions, including payment of dividends in excess of certain established levels, making affiliated investments, and entering into management and service agreements with affiliated companies.

The Corporation's overall capital needs are continually reviewed to ensure that its capital base can support the estimated risks of its businesses as well as the regulatory and legal capital requirements of subsidiaries. Based upon these analyses, management believes that 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 continually. The Corporation monitors and manages the change of its balance sheet using point-in-time average daily balances. Average daily balances are 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 those

underlying changes in year-end balances.

The increase in average balance sheet levels in 1994 was attributable to many factors, including the effect of Interpretation No. 39, expanded match-funding of repurchase and resale agreements, and increased trading activity, particularly in the 1994 first quarter. In 1994, average daily assets were \$182 billion, up 29% from \$141 billion in 1993. Average daily liabilities in 1994 rose 30% to \$177 billion from \$137 billion in 1993. Excluding the effect of Interpretation No. 39, average assets and liabilities increased by approximately \$28 billion, or 20%, in 1994. Interpretation No. 39 primarily affected balances related to contractual agreements and resale and repurchase agreements. Although average asset and liability levels have increased year over year, these balances have each declined 4% from first quarter 1994 peak levels. The decrease corresponds with lower levels of business activity after the 1994 first quarter.

The major components in the growth of average daily assets and liabilities are summarized as follows:

<TABLE>
<CAPTION>

	INCREASE IN AVERAGE DAILY ASSETS	PERCENT INCREASE
	-----	-----
<S>	<C>	<C>
(IN MILLIONS)		
Resale agreements	\$17,856	48%
Trading assets	17,217	37
Securities borrowed	2,489	11
Customer receivables	2,397	21

</TABLE>

<TABLE>
<CAPTION>

	INCREASE IN AVERAGE DAILY LIABILITIES	PERCENT INCREASE
	-----	-----
<S>	<C>	<C>
Repurchase agreements	\$20,345	39%
Trading liabilities	12,393	56
Commercial paper and other short-term borrowings	3,142	14
Long-term borrowings	2,941	23

</TABLE>

In managing its balance sheet, the Corporation strives to match-fund its interest-earning assets with interest-bearing liabilities having similar maturities. The Corporation match-funds its repurchase agreements/resale agreements and its securities borrowed/securities loaned business, for example, earning an interest spread on these transactions. Repurchase and resale agreements rose during 1994 as a result of an increase in match-funded transactions involving foreign securities and an increase in collateralized lending activities to facilitate client demand.

In 1994, inventory levels were up due to the effect of Interpretation No. 39 and increases in trading activity. On-balance-sheet hedges included in trading liabilities also advanced due, in part, to increased market volatility during 1994. The Corporation uses hedges principally to reduce risk in connection with its trading activities. Securities borrowed increased primarily to facilitate deliveries to customers. Customer receivables also advanced as trading volume, on average, was higher.

The Corporation's assets, based on liquidity and maturity characteristics, are funded through diversified sources which include repurchase agreements, commercial paper and other short-term borrowings, long-term borrowings, and equity.

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 investment banking, market-making, and derivative structuring activities. During the past three years, the Corporation increased its non-investment grade trading inventories to satisfy client demand for higher-yielding investments, including emerging market and other international securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Non-investment grade securities have been defined as debt and preferred equity securities rated as BB+ or lower, or equivalent ratings by recognized credit rating agencies, certain sovereign debt in emerging markets, amounts due under various derivative contracts from non-investment grade counterparties, and non-rated securities which, in the opinion of management, are non-investment grade. At December 30, 1994, long and short non-investment grade inventories accounted for 4.3% of aggregate consolidated trading inventories, compared with 4.6% at year-end 1993 and 4.2% at year-end 1992. Non-investment grade trading inventories are carried at fair value.

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. The Corporation provides extensions of credit to leveraged companies in the form of senior and subordinated debt, as well as bridge financing on a select and limited basis. In addition, the Corporation syndicates loans for non-investment grade counterparties or counterparties engaged in highly leveraged transactions. 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 year-end 1994, 1993, and 1992, no bridge loans were outstanding.

The Corporation holds non-investment grade securities, direct equity investments in leveraged companies, and interests in partnerships that invest in leveraged transactions. Equity investments in privately held companies for which sale is restricted by government or contractual requirements are carried at the lower of cost or estimated net realizable value. Prior to July 1, 1994, the Corporation had a co-investment arrangement to enter into direct equity investments. The Corporation also has committed to participate in limited partnerships that invest in leveraged transactions. Future commitments to participate in limited partnerships and other direct equity investments will be determined on a select and limited basis.

The Corporation's involvement in non-investment grade securities and highly leveraged transactions 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 investing in, financing, underwriting, and trading investment grade instruments. The Corporation recognizes such risks and, whenever possible, employs strategies to mitigate exposures.

The specific components and overall level of non-investment grade and highly leveraged positions may vary significantly from period to period as a result of inventory turnover, investment sales, and asset redeployment. The Corporation continually 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. The Corporation also uses certain non-investment grade trading inventories, principally non-U.S. governments and agencies securities, to hedge the exposure arising from structured derivative transactions. Collateral, consisting principally of U.S. Government securities, may be obtained to reduce credit risk related to these transactions.

The Corporation's insurance subsidiaries hold non-investment grade securities to support fixed-rate liabilities. As a percentage of total insurance investments, non-investment grade securities were 5.5% at year-end 1994, compared with 5.8% at year-end 1993 and 4.5% at year-end 1992. Non-investment grade securities of insurance subsidiaries are classified as available-for-sale and 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 at year-end 1994, 1993, and 1992 follows:

<TABLE>
<CAPTION>

(IN MILLIONS)	1994	1993	1992
<S>	<C>	<C>	<C>
Non-investment grade trading assets	\$3,309	\$3,129	\$1,723
Non-investment grade trading liabilities	456	214	209
Non-investment grade investments of insurance subsidiaries	314	458	409
Loans (net of allowance for loan losses) (a)	257	435	822
Equity investments (b)	289	276	360
Partnership interests	93	92	120

Additional commitments to invest in partnerships	\$ 80	\$ 19	\$ 27
Additional co-investment commitments	--	49	89
Unutilized revolving lines of credit and other lending commitments	50	49	75

</TABLE>

- (a) Represented outstanding loans to 35, 42, and 50 medium-sized companies at year-end 1994, 1993, and 1992, respectively.
- (b) Invested in 80, 82, and 103 enterprises at year-end 1994, 1993, and 1992, respectively.

At December 30, 1994, the largest non-investment grade concentration consisted of various issues of a South American sovereign totaling \$235 million, of which \$60 million represented on-balance-sheet hedges for off-balance-sheet instruments. No one industry sector accounted for more than 21% of total non-investment grade positions. Included in the table above are debt and equity securities of issuers in various stages of bankruptcy proceedings or in default. At December 30, 1994, the carrying value of these securities totaled \$292 million, of which 71% resulted from the Corporation's market-making activities in such securities.

CASH FLOWS

The Statements of Consolidated Cash Flows classifies the flow of cash into three broad activities: operating, investing, and financing. The Corporation's net cash flows are principally associated with operating and financing activities, which

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

support the Corporation's trading, customer, and investment banking activities. Cash flows from investing activities are primarily related to the Corporation's insurance business.

The Corporation's cash and cash equivalents totaled \$2.3 billion at December 30, 1994, an increase of \$0.5 billion and \$1.1 billion, respectively, from the end of 1993 and 1992.

Cash flows from operating activities in 1994 totaled \$7.4 billion. Cash was provided from an increase in trading liabilities totaling \$5.6 billion, primarily related to hedge activities, and a decrease in trading assets consistent with business levels, totaling \$6.6 billion. Trading assets and trading liabilities exclude the effect of Interpretation No. 39. Net earnings adjusted for noncash items also provided cash of \$2.4 billion. Cash used for remaining operating assets and liabilities totaled \$7.2 billion and related primarily to securities borrowed transactions, insurance liabilities, and customer-related activity.

Cash flows from investing activities in 1994 totaled \$0.3 billion. Cash of \$1.1 billion, principally related to net proceeds from sales and maturities of investment securities, was provided from investing activities. Cash used to acquire property, leasehold improvements, equipment, and other assets totaled \$0.8 billion.

The Corporation's financing activities used cash of \$7.2 billion in 1994. Cash of \$12.1 billion was used for payments under repurchase agreements, net of resale agreements, repurchases of common stock, and stock dividend payments. Offsetting these amounts was cash totaling \$4.9 billion provided by proceeds from commercial paper and issuance of long-term borrowings and preferred stock.

In 1993, cash and cash equivalents increased \$0.5 billion to \$1.8 billion. Cash used for operating activities totaled \$17.1 billion, cash provided by investing activities totaled \$0.4 billion, and cash provided by financing activities totaled \$17.2 billion. In 1993, the decrease in cash from operating activities reflected net increases in operating assets consistent with an increase in the level of business activity. Cash provided from investing activities represented a reduction in insurance investments offset by net purchases of marketable investment securities, property, leasehold improvements, and equipment, and other assets. Cash provided from financing activities was used to fund the growth in the Corporation's balance sheet to accommodate business levels. Cash was provided from repurchase agreements, net of resale agreements, commercial paper, and other short- and long-term borrowings. Financing activities used cash for share repurchases and stock dividends.

Cash and cash equivalents increased \$0.2 billion to \$1.3 billion in 1992. Cash used for operating activities totaled \$5.2 billion, while financing

activities provided cash of \$5.4 billion. Cash from investing activities was virtually unchanged.

RECENT DEVELOPMENTS

New Accounting Pronouncements

In May 1993, the Financial Accounting Standards Board ("FASB") issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." SFAS No. 114, effective for fiscal years beginning after December 15, 1994, establishes accounting standards for creditors to measure the impairment of certain loans.

In October 1994, the FASB issued SFAS No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures." SFAS No. 118 amends SFAS No. 114 to allow creditors to use existing methods for recognizing interest income on an impaired loan, rather than the method originally required by SFAS No. 114.

The Corporation has evaluated the impact of these pronouncements on its financial statements as of December 30, 1994 and has determined that the effect is not material.

Business

As disclosed in the Corporation's Current Report on Form 8-K dated January 12, 1995 filed pursuant to the Securities Exchange Act of 1934, certain actions have been filed against the Corporation by Orange County, California and The Orange County Investment Pools as well as by others in connection with the Corporation's business activities with Orange County or from the purchase of debt instruments issued by Orange County that were underwritten by the Corporation's subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated. The information set forth under the caption "Litigation" in the Notes to Consolidated Financial Statements is incorporated by reference herein. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these actions will not have a material adverse effect on the financial condition or the results of operations of the Corporation as set forth in the consolidated financial statements contained herein. The Corporation does not believe that the Orange County matter will have a material impact on its business activities.

GLOBAL OPERATIONS

The Corporation has continued to strategically expand its international business activities in 1994 to capitalize on the further globalization of financial markets, the increase in cross-border transactions, and the demand for global investments. The Corporation's international activities are organized as follows: Europe and the Middle East, Latin America and Canada, and the Asia Pacific region which includes Japan and Australia. In 1994, the Corporation's international businesses were influenced by market conditions comparable to those that negatively affected the Corporation's U.S. operating results, including rising interest rates, volatile world currency and securities markets, and investor sentiment. Accordingly, international results in each of the Corporation's primary geographic regions decreased from 1993 levels. (See Industry and Global Operations in the Notes to Consolidated Financial Statements.)

Europe and the Middle East

The Corporation operates in Europe and the Middle East as a dealer in fixed-income securities, swaps and other derivatives, foreign exchange, equities, commodities, and Eurobonds. The Corporation also provides investment banking, private banking, and research services.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Corporation continued to expand its businesses in Europe and the Middle East. In 1994, the Corporation's capital market activities spread to the emerging markets of Eastern Europe, Russia, Portugal, Greece, and South Africa. These markets will require additional capital and investment, providing financing opportunities for the Corporation. The Corporation has also expanded its trading and banking activities in Western Europe through memberships on major European exchanges such as the London, Frankfurt, and Zurich stock exchanges, and the Paris and German futures exchanges. Moreover, the Corporation became a gilt-edged market-maker in the United Kingdom and established a French government bond trading presence in Paris during the year.

In 1994, total revenues for Europe and the Middle East were \$3.5 billion,

up 11% from 1993. Net revenues totaled \$1.1 billion, down 16% from 1993. The region's earnings before income taxes were \$176 million for 1994, compared with \$481 million in 1993, a decrease of 63%.

Trading results for the region declined from 1993. Fixed-income securities were negatively affected by rising interest rates. Losses were recorded in structured money market products and equity-linked warrants. Partially offsetting these declines were higher revenues from commodities trading activities. Investment banking revenues were virtually unchanged although volume in sovereign and equity issuances increased.

The decrease in earnings before income taxes is attributable to higher financing and other trading-related costs and an increase in compensation and benefits expense. The number of full-time employees increased from 2,449 at year-end 1993 to 2,857 at the end of 1994 to support business expansion.

In 1993, total revenues were \$3.1 billion, up 67% from \$1.9 billion in 1992, while net revenues were \$1.4 billion, up 42% from \$953 million in 1992. Earnings before income taxes were \$481 million in 1993 compared with \$181 million in 1992, an increase of 166%.

In 1993, this region benefited from market volatility in Europe and falling interest rates. As a result, corporate debt, government bonds, and swaps and other derivatives trading revenues increased. Customer lending revenues, portfolio management fees, and commissions also rose during the period. In 1993, the Corporation increased staffing by 14% to support strategic expansion in this region.

Canada and Latin America

In Canada, the Corporation provides investment banking and research, securities and commodities brokerage, and market-making services, particularly in corporate and government bonds and money market instruments. In Latin America, the Corporation provides international banking, brokerage, trust, and investment banking services. Included in the Latin America region are certain offices located in the U.S. which primarily service Latin American clients. Latin America has been a region of growth for the Corporation. The Corporation has expanded its presence in this region primarily through increased private client, investment banking, and equity trading activities.

Total revenues for Canada and Latin America increased to \$617 million for 1994, up 17% from \$526 million in 1993, while net revenues decreased 12% to \$333 million in 1994. Earnings before income taxes were \$137 million, down 2% from 1993. Investment banking activities in Latin America were lower than a year ago due to market and political uncertainties in the region. The devaluation of the Mexican peso affected securities valuations and investor demand, particularly in the 1994 fourth quarter. This trend continued into the 1995 first quarter. The region benefited from the continued growth of matched-book activity and fixed-income trading in Canada, as well as equity sales to private banking clients in Latin America. Staffing increased from 751 at year-end 1993 to 834 at December 30, 1994. The staffing increase was primarily in Latin America, which continued to expand its range of products and client services. Certain of these hires represented the foundation for an expanded equity trading operation, which commenced in Brazil during early 1995.

In 1993, total revenues were \$526 million, up 39% from \$378 million in 1992. Net revenues were \$377 million in 1993, up 46% from \$259 million in 1992. Earnings before income taxes were \$139 million versus \$89 million in 1992, a 56% increase. Most of the growth was in principal transactions revenues, primarily Canadian government bonds, as well as increases in commission revenues related to private banking clients in Latin America.

Staffing increased to 751 in 1993, compared with 663 in 1992 to facilitate expansion.

Asia Pacific

In the Asia Pacific region, the Corporation has a variety of operating centers serving a broad retail and institutional client base. In Japan and China, the focus is principally on institutional business opportunities, while in other locations, such as Taiwan, Korea, Hong Kong, Singapore, and Australia, both retail and institutional businesses are conducted. The Corporation has securities and futures exchange memberships in the major financial centers and has increased its trading and product capacity in Tokyo, Hong Kong, and Singapore. Moreover, the Corporation recently expanded its presence in India, Indonesia, and Thailand through strategic investments and joint ventures.

Total revenues for the Asia Pacific region in 1994 were \$963 million, up 10% from 1993. Net revenues and earnings before income taxes were \$554 million and \$75 million, down 19% and 61% from 1993, respectively. Trading results in this region were mixed, with higher revenues from non-dollar swaps, equity derivatives, and Australian debt offset by lower revenues from Japanese Government Bonds ("JGB"). The decline in JGB trading revenues was attributable to rising interest rates which also affected net interest profit in 1994.

In 1994, the number of full-time employees increased 17% to 1,383. This strategic growth increased expense levels during 1994 contributing to lower earnings before income taxes.

Total revenues for 1993 were \$879 million versus \$374 million in 1992. Net revenues were \$683 million in 1993

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

compared with \$309 million in 1992. Earnings before income taxes were \$191 million in 1993 versus a \$3 million loss in 1992. Higher revenues in 1993, primarily in equity arbitrage and JGB and Australian debt trading, contributed to these improved results.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation, as a dealer, trades derivatives and provides clients with customized products. These transactions allow clients to manage their exposure to interest rate, currency, and security and commodity price risks. The Corporation also uses derivative financial instruments to manage and hedge its own interest rate, currency, and other risks related to its proprietary trading strategies, client transactions, and non-trading activities.

SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," defines derivative financial instruments as futures, forwards, swaps, or option contracts, or other financial instruments with similar characteristics.

The definition excludes all on-balance-sheet receivables and payables, including those that "derive" their values or contractually required cash flows from the price of some other security or index, such as mortgage-backed securities, interest-only and principal-only obligations, and indexed debt instruments. Derivative financial instruments, unlike non-derivative (or cash) financial instruments, have both on- and off-balance-sheet implications, depending upon the nature of the contract. Forward contracts, for example, are treated as off-balance-sheet in terms of notional amounts, with only unrealized gains and losses included in trading assets or liabilities. Derivatives can be traded on an exchange or negotiated in the over-the-counter markets. Futures contracts and certain options are examples of exchange-listed derivatives traded or issued by the Corporation. Swap contracts, including swap options, caps, collars, and floors, forward contracts, and certain equity derivatives are examples of over-the-counter derivatives traded, issued, and used by the Corporation.

The Corporation conducts derivative activities through a number of wholly owned subsidiaries as part of its client-driven and proprietary business transactions. Merrill Lynch Capital Services, Inc. ("MLCS") is the Corporation's principal swaps dealer. Merrill Lynch Capital Markets PLC ("MLCM") is the primary equity derivatives dealer of the Corporation. Merrill Lynch Derivative Products, Inc., a "AAA" rated entity, is the Corporation's swap subsidiary which provides credit intermediation for interest rate and currency swaps, options, and similar transactions between highly rated counterparties and MLCS. In connection with these derivative activities, certain of these subsidiaries purchase and sell interest-bearing and equity securities for hedging purposes.

The Corporation, directly or through its subsidiaries, enters into derivatives transactions to hedge certain trading positions, including other derivatives. As an end-user, the Corporation also hedges its fixed-rate and foreign currency-denominated debt issuances by entering into variable interest rate swaps and foreign currency agreements with MLCS. MLCS then enters into other contracts with third parties as part of the Corporation's trading and risk management strategies. The Corporation also hedges equity-related exposures embedded in certain of its debt instruments with equity derivatives transacted primarily through MLCM.

Derivatives facilitate risk transfer and enhance liquidity in the marketplace. For issuers, derivatives provide cost-effective funding alternatives, while for investors, derivatives provide alternative investment options and the ability to hedge risk. Market participants include dealers, such as banks and other financial institutions, and end-users such as corporations, governments, pension funds, government agencies, and other institutions.

Increased market participation and competition has helped to increase liquidity in conventional derivatives, such as interest rate swaps. Widespread acceptance has also contributed to the development of more complex products structured for specific clients. Rapid growth, complexity, and highly publicized losses have contributed to a perception that these products possess additional risk to users and to financial markets. Although different in form, both derivative and non-derivative financial instruments are subject to market, credit, operational, and other similar risks. Credit considerations, for

example, exist for a corporate bond and an interest rate swap. In addition, both of these instruments are sensitive to market risk due to movements in interest rates which affect their respective pricing. The risks inherent in both types of instruments need to be managed in a manner consistent with a company's overall risk management policies.

Management Review

Management plays an important role in monitoring the Corporation's derivative activities by setting market risk and credit limits, reviewing new products, and establishing accounting, credit, and risk policies. Similar to other financial products, presentations on derivatives are made to senior management and the Board of Directors. These presentations include reviews of pricing models and may 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 and Valuation

Notional amounts of derivative contracts provide a common basis for compiling outstanding transactions. Notional amounts are not recorded on the balance sheet and do not represent a measure of the Corporation's risk. Derivatives used in a dealer capacity and to hedge other trading positions are marked-to-market. The unrealized gain or loss is recorded in trading assets or liabilities on the Consolidated Balance Sheets with the related income or loss reported in principal transactions revenues. Derivatives used to hedge the issuance of borrowings by the Corporation are generally recorded on an accrual basis. Interest is accrued into income or expense over the life of the contract, which generally matches the maturity of the related debt issue.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The fair value of a derivative contract represents the amount the Corporation would have to pay a third party to assume its obligations under the contract or the amount a third party would pay to receive the Corporation's benefits under the contract. The Corporation's derivative transactions are generally marked-to-market by pricing models based on the present value of future cash flows using mid-market valuations with adjustments, as required, for credit, liquidity, and ongoing costs. These adjustments are integral components of the mark-to-market process.

Certain products may require additional market valuation adjustments. New, complex products, where no established two-way market exists, may create a need for liquidity adjustments. Modeling a complex product involves multiple variables and assumptions, the precision of which will evolve over time. The Corporation does not recognize the market value of these contracts determined solely by the pricing model during the early stages of a product's life. Due to limited markets for certain new, complex products, the pricing model may not have the precision associated with a model for an existing product. As these products develop, pricing models will be refined and hedging strategies modified, based on experience, to more closely correlate the market movement of these instruments.

Further valuation adjustments are recorded for significant derivative product positions. These adjustments acknowledge the difficulty in disposing of any large trading position in a short time period.

Most of the Corporation's derivative products are relatively short-term in nature. At year-end 1994, the weighted average maturity of the Corporation's derivative contracts, based on notional or contractual amounts, was 2.29 years, compared with 2.62 years at year-end 1993. Administrative costs are incurred to service periodic cash streams and maintain hedges over the life of the contract. A portion of income related to longer-term contracts is recognized as the costs related to these contracts are incurred.

Sources of derivative revenues and their related components are regularly reviewed by product, with profitability measured net of related hedging activities.

The Corporation has an independent Global Risk Management Group which develops pricing and risk management models to measure market risk. (See Risk Management discussion.)

Operational risks for derivative instruments require ongoing review. These instruments reset periodically based on variable interest rates, amortizing principals, or variations in other factors. The Corporation ensures that periodic payments/receipts on these instruments are based on appropriate variables and that 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 and collateral requirements and for monitoring credit exposures. Corporate Credit works with the business units to develop and refine credit risk measurement models, analyze potential credit exposures for complex transactions, and establish credit enhancement provisions. Credit enhancements protect the Corporation against counterparty credit difficulties. Such provisions generally require counterparties to post additional collateral if the counterparty credit rating is downgraded, or if certain key ratios or covenants are not met.

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, if any, was deemed worthless. The Corporation, however, requires collateral from its counterparties to mitigate credit risk, when appropriate. From an economic standpoint, credit risk is evaluated net of 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 estimates of future replacement costs over the remaining life of the contract. Credit exposure considerations are embedded in the mark-to-market process.

Whenever possible, the Corporation executes the International Swaps and Derivatives Association, Inc. master agreement, or its equivalent, which contains netting provisions ("master netting agreements"). Master netting agreements help reduce overall credit exposure to counterparties. Master netting agreements provide, in certain instances, protection in bankruptcy and may 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 of credit exposure. 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.

Derivative credit exposures are aggregated with credit exposures related to non-derivative transactions to assess the total exposure to each counterparty and compliance with country, industry, and product limits. Specific reserves may be required for exposures to weaker counterparties, as appropriate, and are reviewed as part of the Corporation's Reserve Committee process.

RISK MANAGEMENT

The Corporation operates in dynamic businesses that are subject to many risks that are continually monitored and evaluated. The Corporation's management has developed corporate governance policies and procedures that require specific areas and units to assist in the identification, assessment, and control of these risks. The Corporation's independent Global Risk Management Group ("Risk Management") is primarily responsible for monitoring market exposure, trading limits, and concentration levels (see Market Risk below). Credit risk is monitored primarily by Corporate

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MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Credit in conjunction with business unit personnel (see Credit Risk below). Other units, including Finance, Corporate Audit, Operations, and Law and Compliance ("Units"), perform oversight reviews, each critical to managing risk.

In addition to independent risk management responsibilities, senior management from these Units takes an active role in the oversight of the risk management process through, among other things, the Reserve Committee of Senior Management ("Reserve Committee"). The Reserve Committee monitors valuation and certain other risks associated with assets and liabilities. The Corporation establishes reserves in the Consolidated Balance Sheets for existing conditions, events, or circumstances that may reduce the carrying value of an asset or incur a liability. The Reserve Committee, chaired by the Chief Financial Officer, reviews and approves firmwide reserve levels, as well as reserve methodologies. The Reserve Committee meets monthly to review current market conditions and act on specific issues brought to its attention by Finance, Corporate Credit, Risk Management, and business unit personnel.

The Corporation's reserves take into account management's judgment and are

generally recorded based on (i) specific identification of risks and exposures, (ii) formulas, (iii) aging, concentration, and liquidity analyses, or (iv) combinations of these three methods.

Finance personnel, who report to the Chief Financial Officer, work closely with business managers to establish appropriate levels of reserves commensurate with business risks and activities. Reserves may be established as a result of changes in counterparty credit rating or status, market volatility, the liquidity of a product in a particular market, significant product concentration, or the age of an inventory position. Trading inventories are monitored for aging and concentration levels in specific issues and issuers.

Finance personnel independently review the pricing of trading inventories and contractual arrangements, as well as monitor other asset and liability valuations. Any specific issues requiring action are brought to the attention of trading management and, as appropriate, the Reserve Committee.

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.

Within the Law and Compliance Division, Compliance establishes procedures and policies encompassing conduct, ethics, and business practices. The Corporation also maintains policies governing external regulatory requirements. Law and Compliance conducts education programs, monitors the Corporation's businesses, evaluates supervisory procedures, and recommends internal disciplinary action when necessary. The Corporation's training and awareness programs emphasize protection of clients' interests and preservation of the Corporation's integrity. Law and Compliance reports to the Vice Chairman and General Counsel.

Legal counsel within the organization are responsible for establishing reserves for potential litigation exposures based on specific reviews of cases or claims and consultations with outside counsel. The Corporation evaluates potential claims and assesses the likelihood of loss. Other loss contingencies are evaluated individually with reserves estimated based on the Corporation's assessment of probable loss exposure.

Market Risk

The Corporation incurs market risk primarily in connection with its trading activities. Disclosing methods for assessing and managing risk provide useful information on market risk exposures. Disclosures of derivatives alone, however, do not provide users of financial statements with a complete analysis of market risk. Derivative and cash financial instruments are subject to similar market and credit risks and are used together as part of trading and risk management strategies.

Market risk affects trading inventory values through changes in interest rates, credit spreads, equity, commodity, and currency prices, liquidity, and market volatility. The Corporation's trading activities are primarily client order flow driven rather than proprietary, with hedging transactions executed when appropriate. This strategy helps reduce market risk and volatility in principal transactions revenues.

Risk Management monitors the Corporation's exposure to potential losses in the value of its trading inventories due to adverse market movements. Risk Management is headed by a Senior Vice President, who is a member of the Executive Management Committee and reports directly to the President and Chief Operating 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 changes in limits and 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. Trading systems and complementary risk monitoring systems allow these professionals to track established limit levels and exposures. Certain classes of transactions, including new financial products, proposed equity, emerging market, and high-yield underwritings, and bridge loans are subject to prior approval from Risk Management.

Trading limits are customized for each product. Existing trading positions are regularly compared with limits established by Risk Management. In addition, individual product areas have established more specific trading limits. Risk Management information systems monitor compliance with trading limits.

Trading systems are designed to assist traders in mitigating market and other risks prevalent in trading. Risk Management also has access to trading systems to allow for monitoring of positions and for performing computerized analytics on various market situations and conditions.

Risk Management uses an analytical technique known as stress simulations to measure and monitor exposure to market risk across all trading areas.

Stress simulations estimate gains or losses each trading area could experience under both moderate and severe market movements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Each simulation considers a specific change in interest rates, credit spreads, equity prices, foreign exchange rates, commodity prices, or volatilities, holding all other variables constant. Each trading area provides Risk Management with daily information on the expected gain or loss from these different stress scenarios. Based on these simulations, market risks can be monitored firmwide and portfolios rebalanced, as necessary.

Stress simulations provide hypothetical results under different market scenarios. The Corporation, however, views actual results as the best indicator of risk management performance. Analyzing actual net product revenues over time best illustrates the Corporation's tolerance for risk and the effectiveness of its risk management strategies. The nature of the Corporation's trading-related activities, principally client order flow, combined with its risk management strategies, helps reduce volatility in net product revenues. A distribution of weekly net product revenues (primarily principal transactions revenues, net interest, and selling concessions) for the last two years prior to the balance sheet date is presented in the graph below.

Graph titled "DISTRIBUTION OF WEEKLY NET REVENUES BY PRODUCT"

Presented is a bar graph showing Merrill Lynch & Co. Inc.'s distribution of weekly net product revenues by product for the past two years. The graph illustrates the number of weeks that net product revenues (primarily principal transactions revenues, net interest, and selling concessions) fell within the specified dollar ranges for each product presented below.

	\$ (10)-0	\$0-20	\$20-40	\$40-60	over \$60
	<C>	<C>	<C>	<C>	<C>
Foreign Exchange & Commodities	16	89	0	0	0
Municipals	2	103	0	0	0
Interest Rate & Currency Swaps	3	91	11	0	0
Equities & Equity Derivatives	0	6	57	34	8
Taxable Fixed-Income	1	11	53	30	10

Credit Risk

Credit risk, the risk that a counterparty will fail to perform under its contractual commitments, is monitored primarily by Corporate Credit in conjunction with business unit personnel. 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 due diligence meetings with counterparties. Many types of transactions, including most 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 Directors of Credit and the Chief Credit Officer.

The credit system tracks information from automated and manual sources. This system aggregates credit exposure with each counterparty for various legal entities and maintains overall counterparty limits, specific product limits, and identifies limit review dates by counterparty. Detailed information on firmwide inventory positions and transactions executed, including current and potential credit exposure, is updated frequently 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, in conjunction with the business units, to monitor counterparty, product, industry, country, and credit quality concentrations.

Corporate Credit also monitors credit exposures related to the Corporation's loan services, including mortgages and home equity lines of credit, customer margin accounts, extensions of credit to high-net-worth individuals, and working capital facilities to small businesses, as well as merchant banking-related activities from prior periods. Reserves are estimated based on specific identification of exposures, formulas, and aging analyses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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. In recent years, the Corporation has diversified its revenue sources to ensure that it is less dependent on any single financial product, customer base, or market to generate revenues.

Graph titled "FEE-BASED REVENUES AS A PERCENTAGE OF FIXED AND SEMI-FIXED EXPENSES"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s fee-based revenues as a percentage of fixed and semi-fixed expenses. The graph is presented in millions with fixed and semi-fixed expenses of \$3,392, \$3,338, \$3,656, \$4,103, and \$4,320 for the years ended 1990 through 1994 respectively. Fee-based revenues as a percentage of fixed and semi-fixed expenses are expressed as lines across the bars and were 43%, 51%, 55%, 59%, and 68% for the years ended 1990 through 1994, respectively. Fee-based revenues include principally asset management and portfolio service fees and net margin interest.

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. Central to management of its operational risk, the Corporation maintains backup facilities worldwide. 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 compete effectively 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 provide support and control for trading, clearance, and settlement activities, and perform custodial functions for customer and proprietary assets. Operations personnel who are responsible for entering trades report to an operations or business manager, not to the traders.

Reserves for operational errors are established based on the nature of the transaction and specific identification of exposure. Many of these reserves are based on an aging analysis. Reserves on dividend and interest receivables, for example, gradually accrete to 100% over specified time frames in accordance with internal guidelines. Other operational exposures related to processing errors are analyzed for potential reserves on a case-by-case basis.

STATEMENTS OF CONSOLIDATED EARNINGS

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Amounts)	Year Ended Last Friday in December		
	1994	1993	1992
	(52 Weeks)	(53 Weeks)	(52 Weeks)
<S>	<C>	<C>	<C>

REVENUES			
Commissions	\$ 2,870,541	\$ 2,894,228	\$ 2,422,084
Interest and dividends	9,577,561	7,099,155	5,806,710
Principal transactions	2,334,924	2,920,439	2,165,725
Investment banking	1,239,465	1,831,253	1,484,067
Asset management and portfolio service fees	1,739,452	1,557,778	1,252,829
Other	471,148	285,324	281,253
Total Revenues	18,233,091	16,588,177	13,412,668
Interest Expense	8,608,570	6,029,947	4,835,267
NET REVENUES	9,624,521	10,558,230	8,577,401
NON-INTEREST EXPENSES			
Compensation and benefits	4,951,839	5,255,258	4,364,454
Occupancy	436,168	572,936	477,754
Communications and equipment rental	432,214	385,809	366,161
Depreciation and amortization	325,121	308,499	281,228
Advertising and market development	374,619	376,881	301,146
Professional fees	367,003	290,324	256,887
Brokerage, clearing, and exchange fees	337,512	280,712	277,166
Other	670,441	663,003	631,216
TOTAL NON-INTEREST EXPENSES	7,894,917	8,133,422	6,956,012
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES			
Income tax expense	1,729,604	2,424,808	1,621,389
	712,843	1,030,449	668,984
EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,016,761	1,394,359	952,405
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	\$ 1,016,761	\$ 1,358,939	\$ 893,825
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 1,004,050	\$ 1,353,558	\$ 887,486

PRIMARY EARNINGS PER COMMON SHARE			
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 4.75	\$ 6.14	\$ 4.18
Cumulative Effect of Changes in Accounting Principles	--	(.16)	(.26)
NET EARNINGS	\$ 4.75	\$ 5.98	\$ 3.92

FULLY DILUTED EARNINGS PER COMMON SHARE			
Earnings Before Cumulative Effect of Changes in Accounting Principles	\$ 4.74	\$ 6.11	\$ 4.17
Cumulative Effect of Changes in Accounting Principles	--	(.16)	(.26)
NET EARNINGS	\$ 4.74	\$ 5.95	\$ 3.91

</TABLE>

See Notes to Consolidated Financial Statements

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CONSOLIDATED BALANCE SHEETS

<TABLE>		
<CAPTION>		
31,	December 30,	December
	-----	-----
(Dollars in Thousands, Except Per Share Amounts)	1994	1993
<S>	<C>	<C>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 2,311,743	\$ 1,783,408
CASH AND SECURITIES SEGREGATED FOR REGULATORY PURPOSES OR DEPOSITED WITH CLEARING ORGANIZATIONS	4,953,062	4,069,424
MARKETABLE INVESTMENT SECURITIES	2,325,453	1,749,254
TRADING ASSETS, AT FAIR VALUE		

Corporate debt and preferred stock	14,818,157	15,758,207
Contractual agreements	9,519,105	1,005,877
U.S. Government and agencies	8,196,584	7,287,081
Non-U.S. governments and agencies	6,468,341	9,260,725
Equities and convertible debentures	6,263,492	6,806,539
Mortgages and mortgage-backed	5,223,809	6,486,464
Municipals	1,291,688	1,606,097
Money markets	957,589	3,337,839
-	-	-
TOTAL	52,738,765	51,548,829
-	-	-
RESALE AGREEMENTS	44,459,036	38,137,528
-	-	-
SECURITIES BORROWED	20,993,302	19,001,061
-	-	-
RECEIVABLES		
Customers (net of allowance for doubtful accounts of \$42,290 in 1994 and \$47,953 in 1993)	14,030,466	13,242,875
Brokers and dealers	6,486,879	7,292,332
Interest and other	4,360,693	2,758,768
-	-	-
TOTAL	24,878,038	23,293,975
-	-	-
INVESTMENTS OF INSURANCE SUBSIDIARIES	5,719,345	7,841,444
LOANS, NOTES, AND MORTGAGES (NET OF ALLOWANCE FOR LOAN LOSSES OF \$180,799 IN 1994 AND \$142,414 IN 1993)	1,586,718	2,083,553
OTHER INVESTMENTS	887,626	873,806
PROPERTY, LEASEHOLD IMPROVEMENTS, AND EQUIPMENT (NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF \$1,867,476 IN 1994 AND \$1,677,334 IN 1993)	1,587,639	1,506,964
OTHER ASSETS	1,308,600	1,021,116
-	-	-
TOTAL ASSETS	\$163,749,327	\$152,910,362
-	-	-

</TABLE>

<TABLE>		
<CAPTION>		
31,	December 30,	December
-	-	-
1993	1994	
-	-	-
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
REPURCHASE AGREEMENTS	\$ 51,864,594	\$ 56,418,148
-	-	-
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS	26,439,645	23,214,329
-	-	-
TRADING LIABILITIES, AT FAIR VALUE		
U.S. Government and agencies	15,989,928	12,183,271

Contractual agreements	8,381,946	351,025
Non-U.S. governments and agencies	4,009,757	1,762,154
Equities and convertible debentures	3,990,146	3,953,850
Corporate debt and preferred stock	2,564,192	3,226,031
Municipals	165,906	184,041
-	-	-
TOTAL	35,101,875	21,660,372
-	-	-
CUSTOMERS	11,608,891	13,571,379
INSURANCE	5,689,513	7,405,673
BROKERS AND DEALERS	4,637,957	4,862,584
OTHER LIABILITIES AND ACCRUED INTEREST	7,725,924	6,823,064
LONG-TERM BORROWINGS	14,863,383	13,468,900
-	-	-
TOTAL LIABILITIES	157,931,782	147,424,449
-	-	-
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity	618,800	193,800
-	-	-
Common Stockholders' Equity		
Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1994 and 1993--236,330,162 shares	315,105	315,105
Paid-in capital	1,196,093	1,156,367
Foreign currency translation adjustment (18,305)	3,703	
Net unrealized (losses) gains on investment securities available-for-sale (net of applicable income tax (benefit) expense of \$(30,924) in 1994 and \$12,493 in 1993)	(56,957)	21,355
Retained earnings	5,605,616	4,777,142
-	-	-
Subtotal	7,063,560	6,251,664
Less:		
Treasury stock, at cost:		
1994--48,423,944 shares		
1993--23,408,139 shares	1,627,108	695,788
Unallocated ESOP reversion shares, at cost:		
1994-- 6,427,091 shares		
1993-- 8,932,332 shares	101,227	140,684
Employee stock transactions	136,480	123,079
-	-	-
TOTAL COMMON STOCKHOLDERS' EQUITY	5,198,745	5,292,113
-	-	-
TOTAL STOCKHOLDERS' EQUITY	5,817,545	5,485,913
-	-	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$163,749,327	\$152,910,362

</TABLE>
See Notes to Consolidated Financial Statements

STATEMENTS OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Amounts)	Year Ended Last Friday in December		
	1994	1993	1992
<S>	<C>	<C>	<C>
PREFERRED STOCKHOLDERS' EQUITY			
9% CUMULATIVE PREFERRED STOCK, SERIES A			
\$10,000 LIQUIDATION PREFERENCE PER SHARE			
Balance, beginning of year	\$ --	\$ --	\$ --
Issued (42,500 shares in 1994)	425,000	--	--

BALANCE, END OF YEAR (42,500 SHARES IN 1994)	425,000	--	--
REMARKETED PREFERRED STOCK, SERIES C			
\$100,000 LIQUIDATION PREFERENCE PER SHARE			
Balance, beginning and end of year (3,000 shares in 1994, 1993, and 1992)	300,000	300,000	300,000
REMARKETED PREFERRED TREASURY STOCK, AT COST			
Balance, beginning of year (1,062 shares in 1994 and 1993; 945 shares in 1992)	(106,200)	(106,200)	(94,500)
Treasury stock purchased (117 shares in 1992)	--	--	(11,700)
BALANCE, END OF YEAR (1,062 SHARES IN 1994, 1993, AND 1992)	(106,200)	(106,200)	(106,200)
BALANCE, END OF YEAR	193,800	193,800	193,800
TOTAL PREFERRED STOCKHOLDERS' EQUITY	\$ 618,800	\$ 193,800	\$ 193,800
COMMON STOCKHOLDERS' EQUITY			
COMMON STOCK, PAR VALUE \$1.33 1/3			
Balance, beginning of year (236,330,162 shares in 1994; 234,692,848 in 1993 and 1992)	\$ 315,105	\$ 312,922	\$ 312,922
Issued for employee benefit plans (1,637,314 shares in 1993)	--	2,183	--
BALANCE, END OF YEAR (236,330,162 SHARES IN 1994 AND 1993; 234,692,848 IN 1992)	\$ 315,105	\$ 315,105	\$ 312,922
PAID-IN CAPITAL			
Balance, beginning of year	\$1,156,367	\$1,081,469	\$999,612
Issuance of stock:			
To employees	(9,290)	(2,456)	(6,116)
For other activity, including employee stock grants	12,827	13,645	56,326
To ESOP (including allocation of shares in 1994, 1993, and 1992)	36,189	63,709	31,647
BALANCE, END OF YEAR	\$1,196,093	\$1,156,367	\$1,081,469
FOREIGN CURRENCY TRANSLATION ADJUSTMENT			
Balance, beginning of year	\$ (18,305)	\$ (6,129)	\$ 10,219
Translation adjustment (a)	22,008	(12,176)	(16,348)
BALANCE, END OF YEAR	\$ 3,703	\$ (18,305)	\$ (6,129)

</TABLE>

<TABLE>
<CAPTION>

	Year Ended Last Friday in December		
	1994	1993	1992
<S>	<C>	<C>	<C>
NET UNREALIZED (LOSSES) GAINS ON INVESTMENT SECURITIES			
AVAILABLE-FOR-SALE (NET OF APPLICABLE INCOME TAXES)			
Balance, beginning of year	\$ 21,355	\$ --	\$ --
Net unrealized (losses) gains on investment securities available-for-sale	(410,068)	254,030	--
Other adjustments (b)	331,756	(232,675)	--
BALANCE, END OF YEAR	\$ (56,957)	\$ 21,355	\$ --
RETAINED EARNINGS			
Balance, beginning of year	\$ 4,777,142	\$3,570,980	\$2,803,392
Net earnings	1,016,761	1,358,939	893,825
Cash dividends declared:			
9% Cumulative Preferred stock	(6,163)	--	--
Remarketed Preferred stock	(6,391)	(5,290)	(6,745)
Common stock (\$.89 per share in 1994; \$.70 in 1993; \$.575 in 1992)	(175,733)	(147,487)	(119,492)
BALANCE, END OF YEAR	\$ 5,605,616	\$4,777,142	\$3,570,980
COMMON TREASURY STOCK, AT COST			
Balance, beginning of year (23,408,139 shares in 1994;			

16,288,488 in 1993; 15,612,392 in 1992)	\$ (695,788)	\$ (286,599)	\$ (167,507)
Treasury stock purchased (29,988,523 shares in 1994; 16,345,568 in 1993; 10,653,858 in 1992)	(1,138,467)	(695,431)	(259,526)
Issued out of treasury (net of reacquisitions):			
Employees (1,026,321 shares in 1994; 955,391 in 1993; 1,272,014 in 1992)	42,509	33,299	34,421
Employee stock grants (3,946,397 shares in 1994; 8,270,526 in 1993; 8,705,748 in 1992)	164,638	252,943	106,013
	-----	-----	-----
BALANCE, END OF YEAR (48,423,944 SHARES IN 1994; 23,408,139 IN 1993; 16,288,488 IN 1992)	\$ (1,627,108)	\$ (695,788)	\$ (286,599)
	=====	=====	=====
UNALLOCATED ESOP REVERSION SHARES, AT COST			
Balance, beginning of year (8,932,332 shares in 1994; 11,201,672 in 1993; 13,636,820 in 1992)	\$ (140,684)	\$ (176,426)	\$ (214,780)
Allocation of shares to participants (2,505,241 shares in 1994; 2,269,340 in 1993; 2,435,148 in 1992)	39,457	35,742	38,354
	-----	-----	-----
BALANCE, END OF YEAR (6,427,091 SHARES IN 1994; 8,932,332 IN 1993; 11,201,672 IN 1992)	\$ (101,227)	\$ (140,684)	\$ (176,426)
	=====	=====	=====
EMPLOYEE STOCK TRANSACTIONS			
Balance, beginning of year	\$ (123,079)	\$ (120,913)	\$ (131,270)
Net issuance of employee stock grants	(120,512)	(115,251)	(105,342)
Amortization of employee stock grants	100,367	106,867	109,908
Repayment of employee loans	6,744	6,218	5,791
	-----	-----	-----
BALANCE, END OF YEAR	\$ (136,480)	\$ (123,079)	\$ (120,913)
	=====	=====	=====
TOTAL COMMON STOCKHOLDERS' EQUITY	\$ 5,198,745	\$5,292,113	\$4,375,304
	=====	=====	=====
TOTAL STOCKHOLDERS' EQUITY	\$ 5,817,545	\$5,485,913	\$4,569,104
	=====	=====	=====

</TABLE>

- (a) Net of income tax (expense) benefit of \$(7,513) in 1994, \$(1,837) in 1993, and \$386 in 1992.
- (b) Other adjustments consist of policyholder liabilities, deferred policy acquisition costs, and deferred income taxes.

See Notes to Consolidated Financial Statements

STATEMENTS OF CONSOLIDATED CASH FLOWS

December	Year Ended Last Friday in		
	1994	1993	
(Dollars in Thousands)			
1992			
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Earnings	\$ 1,016,761	\$ 1,358,939	\$
893,825			
Noncash items included in earnings:			
Cumulative effect of changes in accounting principles	--	35,420	
58,580			
Depreciation and amortization	325,121	308,499	
281,228			
Policyholder reserves	353,871	516,741	
624,012			
Other	658,372	683,276	
795,220			
(Increase) decrease in operating assets:			
Trading assets	6,610,064	(19,829,640)	
(6,794,804)			
Cash and securities segregated for regulatory purposes or			
deposited with clearing organizations	(883,638)	(644,713)	
(70,120)			
Securities borrowed	(1,992,241)	(5,435,258)	
(1,734,088)			
Customers	(826,440)	(3,481,056)	
(2,409,415)			
Maturities and sales of trading investment securities	197,376	--	
--			
Purchases of trading investment securities	(213,040)	--	

--			
Other	(272,544)	(3,708,028)	
(550,705)			
Increase (decrease) in operating liabilities:			
Trading liabilities	5,641,503	7,088,268	
4,977,122			
Customers	(1,962,488)	3,673,980	
(340,505)			
Insurance	(1,855,494)	(2,028,539)	
(1,221,883)			
Other	607,296	4,354,789	
276,785			

CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	7,404,479	(17,107,322)	
(5,214,748)			

CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from (payments for):			
Maturities of available-for-sale securities	2,609,577	--	
--			
Sales of available-for-sale securities	1,377,234	--	
--			
Purchases of available-for-sale securities	(2,296,355)	--	
--			
Maturities of held-to-maturity securities	1,964,580	--	
--			
Purchases of held-to-maturity securities	(2,536,824)	--	
--			
Maturities and sales of investments by insurance subsidiaries	--	3,983,077	
3,904,587			
Purchases of investments by insurance subsidiaries	--	(2,438,571)	
(3,304,652)			
Marketable investment securities	--	(575,284)	
(828,647)			
Other investments and other assets	(390,651)	(176,322)	
344,263			
Property, leasehold improvements, and equipment	(405,796)	(406,348)	
(131,246)			

CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	321,765	386,552	
(15,695)			

CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from (payments for):			
Repurchase agreements, net of resale agreements	(10,875,062)	10,872,443	
(1,770,519)			
Commercial paper and other short-term borrowings	3,225,316	4,445,206	
4,593,854			
Issuance and resale of long-term borrowings	10,352,802	7,861,813	
6,773,739			
Settlement and repurchases of long-term borrowings	(9,089,491)	(5,263,104)	
(3,861,745)			
Issuance of 9% Cumulative Preferred stock	425,000	--	
--			
Repurchases of Remarketed Preferred stock	--	--	
(11,700)			
Common stock transactions	(1,048,187)	(510,975)	
(189,301)			
Dividends	(188,287)	(152,777)	
(126,237)			

CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(7,197,909)	17,252,606	
5,408,091			

INCREASE IN CASH AND CASH EQUIVALENTS	528,335	531,836	
177,648			
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,783,408	1,251,572	
1,073,924			

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,311,743	\$ 1,783,408	\$
1,251,572			
=====			

</TABLE>

Supplemental Disclosure of Cash Flow Information

Cash paid for:

Income taxes totaled \$1,189,999 in 1994, \$1,031,980 in 1993, and \$590,481 in 1992.

Interest totaled \$8,452,103 in 1994, \$5,788,218 in 1993, and \$4,753,336 in 1992.

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in Thousands, Except Per Share Amounts)

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SUMMARY OF SIGNIFICANT

ACCOUNTING POLICIES

Merrill Lynch & Co., Inc. has established comprehensive accounting policies for the parent company and its subsidiaries. These policies, which incorporate prevailing industry practices, are in accordance with generally accepted accounting principles and provide guidance on the recognition of revenues and expenses, the valuation of assets, and the recording of liabilities and reserves. A description of significant accounting policies follows.

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.

Certain limited classification and format changes have been implemented in the 1994 consolidated financial statements. Prior years' financial statements have been reclassified to conform to the 1994 presentation.

Trading Instruments

Trading assets and trading liabilities, including commitments for securities sold but not yet purchased, are recorded on a trade date basis at fair value. Fair value is based on quoted market prices, pricing models (utilizing indicators of general market conditions or other economic measurements), or management's estimates of amounts to be realized on settlement, assuming current market conditions and an orderly disposition over a reasonable period of time.

Derivative financial instruments include futures, forwards, options, and swaps including swap options, caps, collars, and floors. Derivatives held for trading or to hedge trading inventory positions are marked-to-market daily. Market values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Market values for over-the-counter ("OTC") derivative financial instruments, principally forwards, options, and swaps, are based on pricing models using mid-market valuations adjusted, as required, to reflect amounts which would be received from or paid to a third party in settlement of the contracts. These adjustments are integral components of the mark-to-market process and relate to credit spreads, market liquidity, concentrations, close-out costs associated with unmatched positions, and funding and administrative costs incurred over the life of the instrument.

Unrealized gains and losses from derivative transactions are reported separately as assets and liabilities unless a legal right of setoff exists under a master netting arrangement enforceable at law. Balances related to swap and forward transactions and foreign currency options are included in "Contractual agreements" on the Consolidated Balance Sheets. All other contract balances are recorded with the related trading asset or liability. The fair value of equity options purchased, for example, is recorded in the "Equities and convertible debentures" trading asset caption.

The Corporation enters into when-issued and delayed delivery transactions. Unrealized gains and losses from these transactions are recorded in the related trading asset or liability account, respectively.

Principal transactions revenues are recognized on a trade date basis and include net unrealized gains or losses from marking-to-market trading instruments, including derivative contracts, when-issued and delayed delivery transactions, and hedge positions related to trading activities. Realized trading gains and losses and the interest amounts on the related instruments are also included in current period earnings as principal transactions revenues and interest revenues and expenses, respectively.

Financing and Related Activities

The Corporation's objective is to match-fund the interest sensitivity of its

assets and liabilities. Funding is principally obtained from commercial paper, repurchase agreements, and long-term borrowings. The Corporation uses derivative financial instruments to manage interest rate, foreign currency, and other exposures. Derivatives which modify the interest rate characteristics of specified assets and liabilities are accounted for on an accrual basis, with amounts to be paid or received recognized as adjustments to interest income or expense. Realized gains and losses on early terminations of interest rate contracts are deferred and amortized over the remaining lives of the hedged assets or liabilities. Unrealized gains and losses on all other derivatives are recognized currently. At December 30, 1994, there were no deferred amounts related to terminated contracts.

Repurchase and resale agreements are accounted for as collateralized financing transactions and are recorded at their contractual amounts, plus accrued interest. The Corporation's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily and the Corporation may require counterparties to deposit additional collateral or return collateral pledged, 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. 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. For cash and noncash collateral transactions, the fee received or paid by the Corporation is recorded in the Statements of Consolidated Earnings as interest income or interest expense. The Corporation monitors the market value of securities borrowed or loaned against the collateral value daily.

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 purposes, the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

Corporation offsets certain receivables and payables with the same counterparty on the Consolidated Balance Sheets.

Investment Securities

The Corporation holds debt and equity investments principally in non-broker-dealer subsidiaries. These investments are classified as held-to-maturity, trading, or available-for-sale. Held-to-maturity investments are debt securities 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 recorded as trading investments 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 taxes and other related items.

Restricted equity investment securities or equity investment securities without available market quotations are reported at the lower of cost or estimated net realizable value. Realized gains and losses and unrealized losses resulting from adjustments in carrying values are included in current period earnings.

The Corporation periodically reviews its investment securities for appropriate classification. Investment securities transferred among categories, although infrequent, are recorded at fair value. The cost basis of each investment sold is specifically identified for purposes of computing realized gains and losses.

Commissions and Related Expenses

Commissions charged for executing customer transactions are accrued on a trade

date basis and included in current period earnings. Production-related compensation and benefits expense is accrued to match revenue recognition.

Investment Banking

Underwriting revenues and fees for mergers and acquisitions and advisory assignments are recorded when services for the transaction are substantially completed. Deal-related expenses are deferred and later expensed to match revenue recognition.

Income Taxes

Merrill Lynch & Co., Inc. and certain of its wholly owned subsidiaries file a consolidated Federal income tax return. The Corporation uses the asset and liability method in providing income taxes on all transactions that have been recognized in the consolidated financial statements. The asset and liability method requires that deferred taxes be adjusted to reflect the tax rates at which future taxable amounts will be settled or realized. The effects of tax rate changes on future deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. 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. Most of the Corporation's fixed assets are technology-based and have shorter lives, generally three to five years. Maintenance and repair costs are expensed as incurred.

Facilities-related depreciation and amortization expense was \$135,485, \$140,340, and \$130,448 in 1994, 1993, and 1992, respectively. Non-facilities-related depreciation and amortization expense for 1994, 1993, and 1992 was \$189,636, \$168,159, and \$150,780, respectively.

Insurance

Insurance liabilities are future benefits payable under annuity and interest-sensitive life contracts and include deposits received plus interest credited during the contract accumulation period, the present value of future payments for contracts which have annuitized, and a mortality provision for certain products. Certain policyholder liabilities are also adjusted for those investments classified as available-for-sale (see discussion that follows). Interest crediting rates range from 2.8% 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. These investments support the Corporation's in-force, universal life-type contracts as defined by Statement of Financial Accounting Standards ("SFAS") No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

fair values and the proceeds reinvested at current yields. The corresponding credits or charges for these adjustments are recorded as unrealized gains or losses in stockholders' equity, net of applicable income tax expense or benefit. 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 resulting from the effect of exchange rate changes on foreign currency transactions are included in earnings of the current period.

Cash Flows

For purposes of the Statements of Consolidated Cash Flows, the Corporation defines cash equivalents as short-term, highly liquid securities and interest-earning deposits with original maturities of less than 90 days.

Interest Expense

Interest expense includes payments in lieu of dividends of \$22,738, \$21,436, and \$12,556 in 1994, 1993, and 1992, respectively.

OTHER SIGNIFICANT EVENTS

Accounting Changes

On January 1, 1994, the Corporation adopted FASB Interpretation ("Interpretation") No. 39, "Offsetting of Amounts Related to Certain Contracts." Interpretation No. 39 affects the financial statement presentation of balances related to swap, forward, and other similar exchange or conditional type contracts, and unconditional type contracts. The Corporation is generally required to report separately on the Consolidated Balance Sheets unrealized gains as assets, and unrealized losses as liabilities. For exchange or conditional contracts, netting is permitted only when a legal right of setoff exists with the same counterparty under a master netting arrangement enforceable at law. To offset unconditional contracts, such as resale and repurchase agreements, net cash settlement of the related receivable and payable balances is also required by Interpretation No. 39, as modified by Interpretation No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements."

Prior to the adoption of these Interpretations, the Corporation followed industry practice in reporting balances related to certain types of contracts on a net basis. Unrealized gains and losses for swap, forward, and other similar contracts were reported net on the Consolidated Balance Sheets by contract type, while certain receivables and payables related to resale and repurchase agreements were reported net by counterparty. At December 30, 1994, assets and liabilities increased approximately \$8,500,000 for the effect of these Interpretations.

In 1993, the Corporation adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," and SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

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. The cumulative effect of this change in accounting principle reported in the 1993 Statement of Consolidated Earnings resulted in a charge of \$35,420 (net of applicable income tax benefits of \$25,075). The incremental effect of adopting SFAS No. 112 on the 1993 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: held-to-maturity, trading, or available-for-sale. Prior to adoption, these subsidiaries recorded investments in debt securities at amortized cost and investments in equity securities at the lower of cost or estimated net realizable value. 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 SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS No. 109, "Accounting for Income Taxes."

SFAS No. 106 requires accrual accounting for postretirement benefits, primarily health care and life insurance benefits. The cumulative effect of this change in accounting principle, reported in the 1992 Statement 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 changed the conditions under which deferred tax assets are recognized. The cumulative effect of this change in accounting principle reported in the 1992

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

Statement of Consolidated Earnings was an increase to earnings 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 sublease the unused space to third parties. This space was sublet in 1994.

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TRADING ACTIVITIES

The Corporation trades both derivative and cash financial instruments. While trading activities are primarily generated by client order flow, the Corporation also takes proprietary positions in interest rate, foreign exchange, debt, equity, and commodity instruments based on expectations of future market movements and conditions. The Corporation's trading strategies rely on the joint management of its client-driven and proprietary transactions, along with the hedging and financing of these positions.

Detailed information on principal transactions revenues by product category follows/(1)/:

<TABLE>
<CAPTION>

(In Millions)	1994	1993	1992
Interest rate and currency swaps	\$ 749	\$ 605	\$ 390
Equities and equity derivatives	627	871	614
Taxable fixed-income	462	964	736
Municipals	388	322	268
Foreign exchange and commodities	109	158	158
TOTAL	\$2,335	\$2,920	\$2,166

</TABLE>

/(1)/ The revenue amounts presented include gains and losses from cash instruments and related derivatives, including swaps, forwards, futures, and options.

Interest revenues and expense are integral components of trading activities. In assessing the profitability of financial instruments, the Corporation views net interest and principal transactions activity in the aggregate. (See "Principal Transactions" section of Management's Discussion and Analysis-unaudited for further information on the Corporation's net trading results.)

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FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Certain trading-related financial instruments have market and/or credit risk in excess of amounts recorded on the Consolidated Balance Sheets. Financial instruments with off-balance-sheet risk include derivatives, securities sold but not yet purchased, and certain commitments.

SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments," defines a derivative as a futures, forward, swap, or option contract, or other financial instrument with similar characteristics. The SFAS No. 119 definition excludes all on-balance-sheet receivables and payables, including those that "derive" their values or contractually required cash flows from the price of some other security or index, such as mortgage-backed securities, interest-only and principal-only obligations, and indexed debt instruments. It also excludes option features embedded in on-balance-sheet receivables or payables. Conversion features and call provisions embedded in a convertible bond, for example, would not qualify as a derivative under the SFAS No. 119 definition.

Derivative contracts often involve future commitments to exchange 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. Options can require the writer to purchase or sell a specified financial instrument or commodity, or to make a cash payment based on changes in a reference index or interest rate. Different forward commitment and option terms can also be combined to meet specialized needs. Interest rate caps and floors provide the purchaser with protection against rising and falling interest rates, respectively. Interest rate collars combine a cap and a floor, providing the purchaser with a predetermined interest rate range. Swap options provide the purchaser with an option to enter into or to cancel an existing swap contract in the future. The Corporation enters into various derivative financial instruments to meet clients' needs and to manage its own interest rate, currency, and market risks. (See "Derivative Financial Instruments" and "Risk Management" sections of Management's Discussion and Analysis-unaudited.)

 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. The level of market risk is influenced by the volatility and liquidity in the markets in which financial instruments are traded.

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. In many cases, derivative financial instruments are used to hedge other on- and off-balance-sheet transactions. 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.

A discussion of market risk related to derivative financial instruments used for trading purposes by risk type and class of instrument as of December 30, 1994 follows.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. Interest rate swap contracts are a common interest rate risk management tool. Eurodollar and U.S. Treasury securities

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

 (Dollars in Thousands, Except Per Share Amounts)

futures are also effective in managing interest rate risk. The decision to manage interest rate risk using futures or swap contracts, as opposed to buying or selling short U.S. Treasury securities, depends on current market conditions and funding considerations.

The table that follows summarizes the Corporation's derivative financial instruments with interest rate risk:

<TABLE>

 <CAPTION>

(In Billions)	NOTIONAL AMOUNT
<S>	<C>
Swap agreements	\$653
Futures contracts	\$172
Options held	\$ 75
Options written	\$ 74
Forward contracts	\$ 29

</TABLE>

Included in interest rate swap agreements are caps, collars, and floors, swap options, basis swaps, and leveraged swap contracts. Basis swaps are a type of interest rate swap agreement where rates received and paid are variable based on different index rates. Leveraged swaps are another type of interest rate swap where changes in the variable rate are multiplied by a contractual leverage factor, such as four times three-month LIBOR (London Interbank Offered Rate). The Corporation's exposure to interest rate risk resulting from these leverage factors is hedged with other financial instruments.

The forward contracts category principally contains "To Be Announced" mortgage pools which bear interest rate as well as principal prepayment risk.

Currency Risk

Currency risk arises from the possibility that fluctuations in foreign exchange rates will affect the value of financial instruments. Foreign exchange forwards and options are commonly used to manage currency risk. Currency swaps are also used primarily in situations where a long-dated forward market is not available or where the end-user needs a customized instrument to hedge a foreign currency cash flow stream. Parties to a currency swap initially exchange principal amounts in two currencies, agreeing to exchange interest payments and to re-exchange the currencies at a future date and agreed-upon rate.

The Corporation's derivative financial instruments with currency risk are presented below:

<TABLE>
<CAPTION>
=====

(In Billions)	NOTIONAL AMOUNT
<S>	<C>
Forward contracts	\$103
Swap agreements	\$ 73
Options held	\$ 22
Options written	\$ 22

</TABLE>

A number of the Corporation's foreign currency contracts included above are subject to both interest rate and currency risk. The Corporation's foreign exchange contracts relate primarily to major currencies such as the Japanese yen, German mark, and British pound.

Equity Price Risk

Equity price risk arises from the possibility that equity prices will fluctuate, affecting the value of contracts which derive their value from a stock index, a particular stock, or a defined basket of stocks.

The notional amounts of derivative financial instruments subject to equity price risk follow:

<TABLE>
<CAPTION>
=====

(In Billions)	NOTIONAL AMOUNT
<S>	<C>
Options held	\$22
Options written	\$21
Swap agreements	\$ 2
Futures contracts	\$ 2

</TABLE>

Commodity Price Risk

The Corporation views its commodity contracts as financial instruments since they are generally settled in cash and not by delivery of the underlying commodity. Market risk results from the possibility that the price of the underlying commodity may rise or fall. The notional amounts of derivative financial instruments subject to commodity price risk are summarized as follows:

<TABLE>
<CAPTION>
=====

(In Billions)	NOTIONAL AMOUNT
<S>	<C>
Options held	\$12
Options written	\$ 7
Forward contracts	\$ 7

Swap agreements	\$ 2
Futures contracts	\$ 2

</TABLE>

Cash flows from commodity swaps are based on the difference between an agreed-upon fixed price, and a price that varies with changes in a specified commodity index. Commodity contracts held relate principally to natural resources and base metals.

Most of the Corporation's off-balance-sheet derivative trading transactions are short-term with a weighted average maturity of approximately 2.29 years as of December 30, 1994 and 2.62 years as of December 31, 1993. The remaining maturities for notional or contractual amounts outstanding for swaps, futures, forwards, and other derivatives follow:

Graph titled "REMAINING MATURITIES OF SWAPS AND DERIVATIVES"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s remaining maturities of swaps and derivatives. The graph is presented in billions with swaps and derivatives comprised of swap contracts, futures contracts, forward contracts, options written, and options purchased. Remaining maturities for these products in the aggregate total \$1,300, \$729, \$511, \$359, \$251, \$169, \$136, and \$103 at year-end December 1994 through December 2000, and after 2000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

At December 31, 1993, the notional amount of swap agreements including swap options, caps, collars, and floors was \$560 billion. Notional amounts of forward, futures, and written option contracts were \$154 billion, \$105 billion, and \$72 billion, respectively, at December 31, 1993.

In addition to futures, forward, swap, and option contracts, the Corporation enters into commitments to sell securities not yet purchased which are recorded as trading 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.

FINANCING AND OTHER NON-TRADING ACTIVITIES

The Corporation issues dollar and foreign currency-denominated debt with both variable and fixed-rate interest payment obligations. The Corporation enters into swap agreements to convert fixed-rate interest payments on its debt obligations into variable rate payments, while virtually all foreign currency-denominated fixed-rate obligations are swapped into variable rate dollar liabilities. Interest obligations on variable rate long-term debt and commercial paper may also be modified through basis swaps, which change the underlying interest rate basis or reset frequency. The Corporation also issues callable debt and debt which is linked to the performance of an equity or commodity index (e.g., S&P 500 or ENMET (Service Mark)) or an industry basket of stocks (e.g., telecommunication stocks). These features in a debt instrument are often referred to as embedded options. The contingent components of these indexed and callable debt issuances and the related hedges are recorded at amounts which approximate fair value.

For other non-trading activities, the Corporation uses interest rate swaps to modify the interest rate characteristics of specified repurchase, resale, and certain customer transactions. The Corporation also uses currency swaps to hedge investments in and loans to international subsidiaries.

The notional amounts of derivative financial instruments used by the Corporation for purposes other than trading as of December 30, 1994 follow:

<TABLE>
<CAPTION>

(In Billions)	NOTIONAL AMOUNT
<S>	<C>
Interest rate swap contracts/(1)/	\$22
Foreign exchange swap contracts/(1)/	\$ 3
Equity options held	\$ 1

</TABLE>
(1) Includes options embedded in swap contracts on callable debt totaling

\$1 billion notional.

Most of the above transactions are entered into with the Corporation's swaps and foreign exchange dealer subsidiaries which intermediate the interest rate and currency risk with third parties in the normal course of their trading activities.

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CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

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, if any, was deemed worthless. From an economic standpoint, however, credit risk is evaluated net of collateral. The Corporation also attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Credit risk is limited to the current cost of replacing those contracts in a gain position (i.e., the accounting loss). The notional or contractual values of futures, forward, and swap contracts do not represent exposure to credit risk. 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 are exchange-traded and require daily cash settlement, the related risk of accounting loss is limited to a one-day net positive change in market value. Option contracts can be exchange-traded or OTC contracts. Purchased options have credit risk to the extent of their replacement cost. Written options represent a potential obligation of the Corporation and, accordingly, do not subject the Corporation to credit risk.

At December 30, 1994, credit risk related to trading derivatives is recorded on the Consolidated Balance Sheet. At December 31, 1993, prior to the adoption of Interpretation No. 39, \$6.7 billion of credit risk was not required to be recorded on the Consolidated Balance Sheet.

To reduce credit risk, the Corporation requires collateral, principally U.S. Government and agencies securities, on certain derivative transactions. Presented below is a table of counterparty credit ratings for the replacement cost (net of \$863,000 collateral) of derivatives contracts in a gain position by maturity at December 30, 1994.

<TABLE>
<CAPTION>

=====

(In Millions)	Years to Maturity				CROSS- MATURITY NETTING/(1)/	TOTAL
	0-3	3-5	5-7	Over 7		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CREDIT RATING/(2)/						
AAA	\$ 602	\$ 337	\$ 10	\$ 7	\$ (60)	\$ 896
AA+/AA	448	125	84	288	(177)	768
AA-	1,307	467	237	625	(163)	2,473
A+/A	842	1,022	314	531	(251)	2,458
A-	770	204	142	543	(309)	1,350
BBB	483	215	32	82	(31)	781
BB+	290	53	230	82	(85)	570
Other	155	15	5	9	(1)	183
TOTAL	\$4,897	\$2,438	\$1,054	\$2,167	\$ (1,077)	\$9,479

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</TABLE>

/(1)/ Represents netting of payable balances with receivable balances for the same counterparty across maturity year categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category.

/(2)/ Represents rating agency equivalent.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

At December 30, 1994, 92% of such contracts were with investment grade counterparties. Counterparty credit ratings for the replacement cost (net of collateral) of contracts in a gain position, after consideration of master netting agreements, are summarized by contract in the graph that follows:

Graph titled "CREDIT QUALITY OF DERIVATIVE COUNTERPARTIES"

Presented is a bar graph showing Merrill Lynch & Co., Inc.'s credit quality of derivatives counterparties. The graph, presented in millions is comprised of the replacement cost of swap contracts, forward contracts, and options purchased at year-end 1994 totaling \$896, \$768, \$2,473, \$2,458, \$1,350, \$781, \$570, and \$183 with counterparties rated AAA (rating agency equivalent), AA+/AA, AA-, A+/A, A-, BBB, BB+, and other, respectively.

In the normal course of business, the Corporation incurs credit risk when executing, settling, and financing various customer security and commodity transactions. Execution of these transactions includes 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. In these situations, the Corporation 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.

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 Corporation 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, securities transactions are financed through resale and repurchase agreements, generally collateralized by U.S. Government and agencies securities, medium-term notes, asset-backed securities, or certain non-U.S. governments and agencies securities.

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 30, 1994 and December 31, 1993, was \$37,350,000, and \$45,373,000, respectively.

The Corporation is also exposed to off-balance-sheet credit risk from various commitments and guarantees. In the normal course of business, the Corporation enters into commitments to extend credit, predominantly at variable interest rates, in connection with certain merchant banking and loan syndication transactions. Customers may also be extended lines of credit collateralized by first and second mortgages on real estate, certain liquid assets of small businesses, or securities. The Corporation also issues various guarantees to counterparties in connection with certain leasing, securitization, and other transactions. These commitments and guarantees usually have a fixed expiration date and are contingent on certain contractual conditions that may require payment of a fee by the counterparty. Once commitments are drawn upon or guarantees are issued, the Corporation may require the counterparty to post collateral depending upon creditworthiness and market conditions. The contractual amounts of these commitments and guarantees represent the amounts at risk should the contract be fully drawn upon, the client default, and the value of the existing collateral become worthless.

The total amount of outstanding commitments and guarantees may not represent future cash requirements as guarantees and commitments may expire without being drawn upon.

At December 30, 1994 and December 31, 1993, the Corporation had the following commitments and guarantees:

<TABLE>
<CAPTION>
=====

(In Millions)	1994	1993
<S>	<C>	<C>
Commitments to extend credit	\$2,072	\$1,248
Third party guarantees	\$ 520	\$ 587

</TABLE>

The fair value of the outstanding guarantees was \$22,000 at December 30, 1994 and \$39,000 at December 31, 1993.

Concentrations of Credit Risk

The Corporation provides brokerage, investment, financing, insurance, and related services to a diverse group of domestic and foreign clients that

includes governments, corporations, and institutional and individual investors. As a market-maker, the Corporation takes principal positions in U.S. and non-U.S. government securities and corporate obligations.

The Corporation measures its exposure to credit risk associated with these transactions 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 monitored in light of changing counterparty and market conditions.

At December 30, 1994, the Corporation's most significant concentration of credit risk was with the U.S. Government and its agencies. This concentration arises from trading and holding investment securities. Total holdings of U.S.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

Government and agencies securities were \$8,648,000 or 5% of total assets at December 30, 1994 and \$8,533,000 or 6% of total assets at December 31, 1993.

At December 30, 1994, the Corporation had concentrations of credit risk with other counterparties including an Asian and two European sovereigns, each rated AA or above, or having equivalent ratings by recognized credit rating agencies. The total exposure to these counterparties, excluding collateral held, was \$2,615,000 or 1.6% of total assets. In addition, at December 30, 1994, the Corporation had concentrations of credit risk related to resale agreements with two financial institutions and two pension programs totaling \$2,401,000 and \$1,988,000, respectively. The Corporation held collateral, consisting of U.S. Government and agencies securities, with market values in excess of contractual amounts. Excluding the collateral, these concentrations represented 2.7% of total assets.

At December 31, 1993, the Corporation had concentrations of credit risk with an Asian, a European, and a Latin American sovereign totaling \$3,498,000 or 2.3% of total assets, excluding collateral held.

In addition to these specific exposures, the Corporation's most significant industry credit concentration is domestic and foreign financial institutions. Financial institutions include other brokers and dealers, commercial banks, automobile financing companies, 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 collateralized by whole loans totaling \$1,900,000 and \$3,400,000 with mortgage bankers, banks, and thrifts at December 30, 1994 and December 31, 1993, respectively. The collateral had a market value of \$2,100,000 at December 30, 1994 and \$3,800,000 at December 31, 1993.

Additionally, the Corporation monitors regional exposures worldwide. Within these regions, sovereign governments represent the most significant credit concentration, followed by financial and non-financial institutions.

In conjunction with its investment and merchant banking activities, the Corporation, from time to time, provides short-term bridge financing, other extensions of credit, and equity investments to facilitate leveraged transactions. In the normal course of business, the Corporation also purchases, sells, and makes markets in non-investment grade securities. 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 30, 1994, 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 \$4,848,000. (See "Non-Investment Grade Holdings and Highly Leveraged Transactions" section of Management's Discussion and Analysis-unaudited.)

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FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 30, 1994 and December 31, 1993, approximately 99% and 98% of financial instrument assets 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, other short-term borrowings, customers, brokers and dealers, and other liabilities and accrued interest, are carried at amounts which approximate fair value.

Trading assets and liabilities, including derivative financial instruments,

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.

The table below presents the 1994 12-month average fair values for the Corporation's derivative financial instruments used for trading purposes:

<TABLE>
<CAPTION>

(In Millions)	AVERAGE FAIR VALUE	
	ASSETS	LIABILITIES
<S>	<C>	<C>
Swap agreements	\$8,349	\$7,023
Forward contracts	\$1,358	\$1,365
Options	\$1,714	\$1,643

</TABLE>

Derivative financial instruments used to hedge borrowings and other non-trading activities are recorded on an accrual basis. The fair value of these instruments and the related hedges is estimated using current market prices and pricing models. At December 30, 1994, the carrying and fair values of these instruments were as follows:

<TABLE>
<CAPTION>

(In Thousands)	CARRYING VALUE	FAIR VALUE
<S>	<C>	<C>
Long-term borrowings	\$14,863,383	\$14,368,524
Related derivative assets	(133,343)	(168,371)
Related derivative liabilities	65,703	546,884
TOTAL	\$14,795,743	\$14,747,037
Commercial paper	\$14,758,830	\$14,754,630
Related derivative liabilities	(144)	6,116
TOTAL	\$14,758,686	\$14,760,746
Other non-trading liabilities	\$ 1,634,800	\$ 1,605,477
Related derivative assets	282	(3,587)
Related derivative liabilities	(3,237)	23,337
TOTAL	\$ 1,631,845	\$ 1,625,227

</TABLE>

The fair value of derivative assets hedging matched-book financing activity was \$966 and exceeded the carrying value by \$1,467 at December 30, 1994.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

At December 31, 1993, the combined fair value of each non-trading activity, including related hedges, approximated their combined carrying value.

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 30, 1994 and December 31, 1993, carrying value approximated fair value.

Insurance subsidiaries' investments are carried at fair value, which is generally estimated by market quotes obtained from exchanges for listed securities or dealers for unlisted securities.

Other financial instruments with carrying values different than fair values are presented below:

<TABLE>
<CAPTION>

	DECEMBER 30, 1994		DECEMBER 31, 1993	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Merchant banking equity and debt portfolio	\$ 556,458	\$ 763,524	\$ 780,665	\$ 996,581
Loans, notes, and mortgages (excluding loans related to merchant banking)	\$ 1,417,202	\$ 1,428,412	\$ 1,628,225	\$ 1,639,551
Excess mortgage servicing rights	\$ 107,022	\$ 154,207	\$ 72,117	\$ 117,823

</TABLE>

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 various methods including earnings multiples, cash flow analyses, and review of underlying financial conditions and other market factors. These instruments may be subject to restrictions (e.g., 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 variable 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 rates.

The Corporation holds a passive minority interest in a privately-held limited partnership that provides information services. Due to the lack of a ready market for this investment and contractual restrictions on the disposition of the Corporation's interest, the fair value of this investment is not readily determinable as of December 30, 1994. It is the opinion of management, however, that the fair value of this investment significantly exceeds the carrying value of \$38,513.

=====

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 primarily 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.

A reconciliation of the Corporation's investment securities to those reported on the Consolidated Balance Sheets follows:

<TABLE>
<CAPTION>

	DECEMBER 30, 1994	DECEMBER 31, 1993
<S>	<C>	<C>
Investments of insurance subsidiaries:		
Available-for-sale	\$4,189,653	\$6,088,443
Trading	--	164,620
Non-qualifying	1,529,692	1,588,381

TOTAL	\$5,719,345	\$7,841,444
Marketable investment securities:		
Available-for-sale	\$ 486,071	\$ 471,862
Trading	32,139	--
Held-to-maturity	1,807,243	1,277,392
TOTAL	\$2,325,453	\$1,749,254
Other investments:		
Available-for-sale	\$ 105,665	\$ 151,801
Held-to-maturity	26,377	16,635
Non-qualifying	755,584	705,370
TOTAL	\$ 887,626	\$ 873,806

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

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
	<C>	<C>	<C>	<C>
1994				
Corporate debt	\$3,009,029	\$21,194	\$(142,926)	\$2,887,297
U.S. Government and agencies	365,055	1,260	(6,473)	359,842
Municipals	225,034	7,587	(11,174)	221,447
Mortgage-backed securities	1,239,498	11,897	(40,592)	1,210,803
Foreign government debt	4,198	--	(213)	3,985
Other debt securities	49,427	990	--	50,417
Total debt securities	4,892,241	42,928	(201,378)	4,733,791
Equity securities	45,186	6,181	(3,769)	47,598
TOTAL	\$4,937,427	\$49,109	\$(205,147)	\$4,781,389

</TABLE>

<TABLE>
<CAPTION>

	HELD-TO-MATURITY			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	<C>	<C>	<C>	<C>
1994				
Corporate debt	\$1,187,784	\$ 179	\$(17,138)	\$1,170,825
U.S. Government and agencies	104,127	18	(1,146)	102,999
Municipals	783	10	--	793
Foreign government debt	27,725	--	(429)	27,296
Mortgage-backed securities	496,679	5	(15,608)	481,076
Other debt securities	16,522	6	--	16,528
TOTAL	\$1,833,620	\$ 218	\$(34,321)	\$1,799,517

</TABLE>

<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
U.S. Government 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
Foreign government debt	--	--	--	--
Other debt securities	--	--	--	--
Total debt securities	6,412,142	278,124	(27,065)	6,663,201
Equity securities	45,934	6,591	(3,620)	48,905
TOTAL	\$6,458,076	\$284,715	\$ (30,685)	\$6,712,106

</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	\$ 601,452	\$ 1,455	\$ (648)	\$ 602,259
U.S. Government 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	847	41	(1)	887
TOTAL	\$1,294,027	\$ 9,715	\$ (691)	\$1,303,051

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

The carrying value and estimated fair value of debt securities at December 30, 1994 by contractual maturity for available-for-sale and held-to-maturity investment securities 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	\$ 424,562	\$ 425,091	\$ 783,695	\$ 775,635
Due after one year through five years	1,491,434	1,449,079	551,271	540,831
Due after five years through ten years	1,332,579	1,260,251	181	181
Due after ten years	404,168	388,567	1,794	1,794
Subtotal	3,652,743	3,522,988	1,336,941	1,318,441
Mortgage-backed securities	1,239,498	1,210,803	496,679	481,076
TOTAL/(1)/	\$4,892,241	\$4,733,791	\$1,833,620	\$1,799,517

</TABLE>

/(1)/ Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without prepayment penalties.

For registrants subject to the information reporting requirements of the Securities Exchange Act of 1934, there are additional requirements under SFAS No. 115. The Corporation's insurance subsidiaries are required to adjust deferred acquisition costs and certain policyholder liabilities associated with investments classified as available-for-sale. These investments primarily support in-force, universal life-type contracts under SFAS No. 97. These

adjustments are recorded in stockholders' equity and assume that the unrealized gain or loss on available-for-sale securities were realized. The table that follows provides the components of the amount recorded in stockholders' equity for available-for-sale investments.

<TABLE>
<CAPTION>

	1994	1993
Net unrealized (losses) gains on investment securities available-for-sale	\$ (410,068)	\$ 254,030
Adjustments for policyholder liabilities	214,537	(205,495)
Adjustments for deferred policy acquisition costs	73,802	(14,687)
Deferred income tax benefit (expense)	43,417	(12,493)
Net activity	(78,312)	21,355
Net unrealized gains on investment securities classified as available-for-sale, beginning of year	21,355	--
Net unrealized (losses) gains on investment securities classified as available-for-sale, end of year	\$ (56,957)	\$ 21,355

</TABLE>

During 1994, certain available-for-sale investments were sold. The gross proceeds from the sale of these investments were \$1,377,234 with gross realized gains and losses totaling \$30,593 and \$33,737, respectively. At December 30, 1994, the Corporation had \$32,139 of trading investment securities which were recorded at fair value. The Corporation's insurance subsidiaries hold policy loans and other non-qualifying investments totaling \$1,529,692. The estimated fair value of all investments of insurance subsidiaries was \$5,719,345 at December 30, 1994, with gross unrealized gains of \$33,439 and gross unrealized losses of \$190,752. Net unrealized losses from trading investment securities included in the 1994 Statement of Consolidated Earnings was \$7,331.

STOCKHOLDERS' EQUITY

Preferred Equity

The Corporation is authorized to issue 25,000,000 shares of undesignated preferred stock, \$1.00 par value per share. In 1994, the Corporation's Board of Directors (the "Board") delegated to the Executive Committee of the Board the authority to authorize the issuance, from time to time, of up to 100,000 shares of previously undesignated preferred stock having an aggregate liquidation preference not to exceed \$600,000.

9% Cumulative Preferred Stock, Series A

In the 1994 fourth quarter, the Corporation issued 17,000,000 Depositary Shares, each representing a one-four-hundredth interest in a share of 9% Cumulative Preferred Stock, Series A, \$10,000 liquidation preference per share ("9% Preferred Stock"). The 9% Preferred Stock is a single series consisting of 42,500 shares with an aggregate liquidation preference of \$425,000. At December 30, 1994, 42,500 shares, represented by 17,000,000 Depositary Shares, were outstanding. At December 30, 1994, Depositary Shares held by the Corporation for market-making purposes were not material.

Dividends on the 9% Preferred Stock are cumulative from the date of original issue and are payable quarterly when declared by the authority of the Board. Total dividends declared on the 9% Preferred Stock in 1994 were \$6,163. The 9% Preferred Stock is redeemable on or after December 30, 2004 at the option of the Corporation. The Corporation may redeem the 9% Preferred Stock, in whole or in part, at a redemption price equal to \$10,000 per share, plus accrued and unpaid dividends (whether or not declared), to the date fixed for redemption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

Remarketed Preferred (Service Mark) Stock, Series C

The Corporation previously issued 3,000 shares of Remarketed Preferred ("RP (Registered Trademark)") stock, Series C of which 1,938 shares were outstanding as of December 30, 1994.

At the end of each dividend period, the RP stock 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 of generally seven or 49 days with a maximum dividend rate payable dependent on the credit rating assigned to the RP stock. Dividends on the RP stock are cumulative and payable when declared by the authority of the Board. Dividend rates in effect during 1994 on the RP stock ranged from 2.40% to 5.20% per annum. The maximum dividend rate on the RP stock ranges from 115% to 250% of the "AA" Composite Commercial Paper Rate based on the Standard & Poor's Ratings Group and Moody's Investors Service, Inc. credit ratings on the date on which the dividend rate is reset. Total dividends declared in 1994 on shares of RP stock were \$6,391. The Corporation may redeem the RP stock, in whole or in part, on any dividend payment date at a redemption price of \$100,000 per share, plus accumulated dividends.

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 30, 1994, the RP stock held by MLPF&S for the purpose of resale was not material.

 Stockholder Rights Plan

The Corporation's Stockholder Rights Plan provides for the distribution of preferred purchase rights ("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 or exchange offer for 30% or more of the common shares outstanding. One-half of a Right is attached to each outstanding share of common stock and will attach to all subsequently issued shares. The Rights entitle the holder to purchase fractions of a share ("Units") of Series A Junior Preferred Stock, par value \$1.00 per share, at an exercise price of \$100 per Unit. The Units are nonredeemable and have voting privileges and certain preferential dividend rights. The exercise price and the number of Units issuable are subject to adjustment to prevent dilution.

If, after the Rights have been distributed either the acquiring party holds 25% or more of the Corporation's outstanding shares or 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% or more of the Corporation's common stock.

Shares outstanding and balances for each issue of preferred stock are presented below:

<TABLE>
 <CAPTION>

	SHARES OUTSTANDING		BALANCE AT	
	DEC. 30, 1994	DEC. 31, 1993	DEC. 30, 1994	DEC. 31, 1993
<S>	<C>	<C>	<C>	<C>
9% Cumulative Preferred Stock, Series A	42,500	--	\$425,000	\$--
Remarketed Preferred Stock, Series C	1,938	1,938	193,800	193,800
TOTAL	44,438	1,938	\$618,800	\$193,800

</TABLE>

All shares of currently outstanding preferred stock constitute one and the same class and have equal rank and priority over common stockholders as to dividends and in the event of liquidation.

 Common Equity

On October 11, 1993, the Board declared a two-for-one common stock split, effected in the form of a 100% 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 reflect the effect of the split.

In 1993, 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.

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PER COMMON SHARE COMPUTATION

The Corporation computed earnings per common share 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 anti-dilutive) 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.

Primary earnings per common share is computed by dividing net earnings, after deducting preferred stock dividend requirements of \$12,711, \$5,381, and \$6,339 for 1994, 1993, and 1992, 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).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in Thousands, Except Per Share Amounts)

The weighted average number of common shares and incremental shares included in the primary and fully diluted per common share computations follow:

<TABLE>
<CAPTION>

	1994	1993	1992
<S>	<C>	<C>	<C>
Primary:			
Weighted average common shares	195,661,000	209,276,000	207,730,000
Incremental shares	15,580,000	17,055,000	18,672,000
TOTAL	211,241,000	226,331,000	226,402,000
Fully Diluted:			
Weighted average common shares	195,661,000	209,276,000	207,730,000
Incremental shares	16,034,000	18,204,000	19,124,000
TOTAL	211,695,000	227,480,000	226,854,000

</TABLE>

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COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS

Commercial paper and other short-term borrowings at December 30, 1994 and December 31, 1993 are presented below:

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
Commercial paper	\$14,758,830	\$14,895,540
Demand and time deposits	7,577,492	5,946,244
Securities loaned	2,180,186	1,047,059
Bank loans and other	1,923,137	1,325,486
TOTAL	\$26,439,645	\$23,214,329

</TABLE>

The Corporation's weighted average interest rate on commercial paper and other short-term borrowings, including repurchase agreements, was 4.74% in 1994 and 4.20% in 1993.

The weighted average interest rate on these borrowings modified through swap agreements was 4.76% and 4.18% in 1994 and 1993, respectively.

=====

LONG-TERM BORROWINGS

Long-term borrowings at December 30, 1994 and December 31, 1993 consisted of the following:

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
U.S. dollar-denominated fixed-rate obligations due 1995 to 2019 at interest rates ranging from 4.75% to 10.375%	\$ 4,982,736	\$ 5,814,146
Foreign currency-denominated fixed-rate obligations due 1995 to 2001 at interest rates ranging from 4.40% to 12.10%	725,425	684,637
U.S. dollar-denominated variable rate obligations	890,457	782,055
Foreign currency-denominated variable rate obligations	110,058	97,554
U.S. dollar-denominated medium-term notes	6,934,075	5,983,837
Foreign currency-denominated medium-term notes	1,220,632	106,671
TOTAL	\$14,863,383	\$13,468,900

</TABLE>

Rates and maturities presented are as of December 30, 1994.

Maturities of long-term borrowings at December 30, 1994 consisted of the following:

<TABLE>
<CAPTION>

MATURITIES

<S>	<C>
1995	\$ 6,136,504
1996	1,466,360
1997	1,300,051
1998	722,806
1999	2,187,600
2000 and thereafter	3,050,062
TOTAL	\$14,863,383

</TABLE>

At December 30, 1994, variable interest rates were obtained through interest rate and foreign currency swap contracts on \$5,623,511 or 99% of the Corporation's \$5,708,161 total U.S. dollar-denominated and foreign currency-denominated fixed-rate obligations. The effective weighted average interest rate on these fixed-rate obligations swapped into variable rate obligations was 4.54% in 1994. The Corporation's remaining fixed-rate long-term obligation totaled \$84,650 and had an interest rate of 11.93% in 1994.

Included in U.S. dollar-denominated variable rate obligations are various equity-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 effective weighted average interest rates on the Corporation's U.S. dollar-denominated variable rate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

obligations and the Corporation's foreign currency-denominated variable rate obligations were 4.53% and 4.54%, respectively, in 1994. Variable interest rates are generally based on rates such as LIBOR, the "AA" Commercial Paper Composite Rate, the U.S. Treasury Bill Rate, or the Federal Funds Rate ("Fed Funds").

The effective weighted average interest rate on all medium-term notes was 4.40% in 1994. Maturities of medium-term notes currently range from nine months to 30 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 may be redeemed prior to maturity in 1995 and 1996 total \$159,500 and \$24,764, respectively. Management believes, however, that a significant portion of such

borrowings may remain outstanding beyond their earliest redemption date.

Subsequent to year-end 1994 and through February 21, 1995, long-term borrowings, net of new issuances and resales, decreased approximately \$417,770. (See Financing and Other Non-Trading Activities Note to the Consolidated Financial Statements.)

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INCOME TAXES

Income tax provisions (benefits) on earnings before the cumulative effect of changes in accounting principles consisted of:

<TABLE>
<CAPTION>

=====

		1994	1993	1992
<S>	<C>	<C>	<C>	<C>
Federal:	Current	\$ 679,816	\$ 877,903	\$ 435,093
	Deferred	(149,925)	(274,517)	(59,007)
State and Local:	Current	158,287	376,085	252,498
	Deferred	2,332	(57,760)	(20,868)
Foreign:	Current	4,603	163,690	65,271
	Deferred	17,730	(54,952)	(4,003)
TOTAL		\$ 712,843	\$1,030,449	\$ 668,984

=====

</TABLE>

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:

<TABLE>
<CAPTION>

=====

		1994	1993	1992
<S>	<C>	<C>	<C>	<C>
Federal income tax at statutory rates		\$605,361	\$ 848,683	\$551,272
State and local income taxes, net		104,402	206,911	152,876
Tax-exempt interest		(18,351)	(16,228)	(13,706)
Dividends received deduction		(17,284)	(8,249)	(23,730)
Foreign operations		22,663	2,704	5,636
Pension plan transaction		14,445	13,705	14,885
Other, net		1,607	(17,077)	(18,249)
TOTAL		\$712,843	\$1,030,449	\$668,984

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</TABLE>

The Omnibus Budget Reconciliation Act of 1993 increased the corporate statutory tax rate to 35.0% retroactive to January 1, 1993.

For financial reporting purposes, the Corporation had no unrecognized net operating loss or alternative minimum tax benefit carryforwards at December 30, 1994.

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. Details of the Corporation's deferred tax assets and liabilities follow:

<TABLE>
<CAPTION>

=====

		1994	1993	1992
<S>	<C>	<C>	<C>	<C>
DEFERRED TAX ASSETS:				
Valuation of inventory, investments, and receivables		\$ 638,448	\$ 658,768	\$ 441,656
Deferred compensation		192,245	91,200	114,390
Other		337,449	246,682	148,047
Subtotal		1,168,142	996,650	704,093
Valuation allowance		--	(2,500)	--
Deferred tax asset net of valuation allowance		1,168,142	994,150	704,093

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DEFERRED TAX LIABILITIES:			
Lease transactions	112,956	74,445	141,149
Accelerated tax depreciation	92,048	113,578	137,881
Unrealized gains on trading inventory	29,007	35,707	41,019
Other	73,398	87,409	136,461
	-----	-----	-----
Subtotal	307,409	311,139	456,510
	-----	-----	-----
Net deferred tax asset	\$ 860,733	\$ 683,011	\$ 247,583
	=====	=====	=====

</TABLE>

Income tax benefits of \$5,095, \$75,150, and \$114,487 were allocated to stockholders' equity related to employee compensation transactions for 1994, 1993, and 1992, respectively.

Earnings before income taxes include approximately \$48,000, \$395,000, and \$130,000 of earnings attributable to foreign entities for 1994, 1993, and 1992, respectively. Cumulative undistributed earnings of foreign subsidiaries were approximately \$674,000 at December 30, 1994. 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 \$86,000 of Federal income taxes and \$28,000 of foreign withholding taxes would be incurred on the repatriation of the foreign subsidiaries' earnings.

REVOLVING CREDIT FACILITIES

The Corporation has obtained committed, unsecured, revolving credit facilities aggregating \$5,330,000 under agreements with 85 banks. The agreements contain covenants that require, among other things, that the Corporation maintain specified levels of net worth, as defined in the agreements, on

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) (Dollars in Thousands, Except Per Share Amounts)

the date of an advance. To date, there have never been any borrowings under current or prior revolving credit facilities.

The credit quality, amounts, and terms of the credit facilities are continually monitored and modified as warranted by business conditions. Under the existing agreements, the credit facilities mature as follows: \$1,060,000 in March 1995; \$1,325,000 in May 1995; \$1,230,000 in June 1995; and \$1,715,000 in October 1995. At maturity, the Corporation may convert amounts then borrowed, if any, into term loans which would mature in two years.

REGULATORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

MLPF&S, a registered broker-dealer, is subject to Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934 ("SEA"). 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 30, 1994, MLPF&S's regulatory net capital of \$1,422,766 was 12% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$1,178,873.

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 \$168,148, 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 SEA 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 under 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 30, 1994, MLGSI's liquid capital of \$931,869 was 307% of its total market and credit risk, and liquid capital in excess of the minimum required was \$568,117.

Merrill Lynch International Limited ("MLIL") is a United Kingdom registered broker-dealer and is subject to capital requirements of the Securities and Futures Authority ("SFA"). Regulatory capital, as defined, must exceed the total financial resources requirement of the SFA. At December 30, 1994, MLIL's regulatory capital was \$1,325,054, and exceeded the minimum requirement by \$382,422.

The Corporation's insurance subsidiaries are subject to various regulatory restrictions that limit the amount available for distribution as dividends. As of December 30, 1994, \$489,513, representing 85% of the insurance subsidiaries' net assets, was unavailable for distribution to the Corporation.

In addition, 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 can pay in dividends or advance to the Corporation. At December 30, 1994, restricted net assets of all subsidiaries were \$4,190,608. In addition, to satisfy rating agency standards, a subsidiary of the Corporation must also meet certain minimum capital requirements. At December 30, 1994, this minimum capital requirement was \$368,111.

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.

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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 service requirements.

In 1989, the Corporation established the RAP and the ESOP, collectively known as the "Retirement Program," for the benefit of eligible employees. An employee becomes eligible for participation and is automatically enrolled in the Retirement Program as of the enrollment date coincident with, or next following, the attainment of age 21 and the completion of one year of service. A separate retirement account is maintained for each participant. Participants become vested upon completion of five years of service or upon attaining age 65. Vesting also occurs immediately upon death or disability.

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 from a terminated defined benefit pension plan ("Reversion Shares") and loan proceeds from a subsidiary of the Corporation ("Leveraged Shares").

The Corporation credits a participant's account and records pension expense in conjunction with the Retirement Program based on years of service, age, and eligible compensation. Allocations to participants' accounts of Leveraged Shares, Reversion Shares, and cash, if necessary, are made quarterly to fund this expense. Quarterly ESOP allocations are based on participants' receipt of Basic and Supplemental Credits under the Retirement Program, multiplied by the fair market value of the shares released. In addition, certain participants are eligible to receive Additional Supplemental Credits which are provided only through cash contributions to the RAP. Leveraged and Reversion Shares are released in accordance with the terms of the ESOP. If the fair market value of ESOP shares released does not fund the Retirement Program liability, cash contributions are made to the RAP. Generally, only cash contributions are deductible for tax

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in Thousands, Except Per Share Amounts)

purposes. Reversion Shares held in the ESOP are being allocated to participants' accounts over a period of not more than eight years, ending in 1997. Leveraged Shares held in the ESOP are allocated to participants' accounts as principal on 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.

ESOP shares are considered allocated, committed, or unallocated. Allocated shares have been assigned to individual participants' accounts, committed shares will be released at a future scheduled date and are not legally released at the date of the balance sheet, and unallocated shares have not been released, committed, or allocated to participants' accounts. As of December 30, 1994, the ESOP had 13,082,396 allocated, 387,539 committed, and 6,427,091 unallocated Reversion Shares. In addition, the ESOP had 1,812,906 allocated, 92,958 committed, and 2,538,580 unallocated Leveraged Shares. The unallocated portion

of shares purchased with the remaining residual funds of \$101,227 from the terminated defined benefit pension plan and the \$39,835 outstanding loan to the ESOP trust, which is included in employee stock transactions, are included as reductions to stockholders' equity.

Interest incurred on the ESOP debt during 1994, 1993, and 1992 amounted to \$3,977, \$4,675, and \$5,119, respectively. Dividends on all Leveraged and unallocated and committed Reversion ESOP shares used for debt service amounted to \$10,531, \$10,044, and \$9,678 in 1994, 1993, and 1992, respectively. Dividends on allocated Reversion ESOP shares are credited to participants' accounts. Compensation costs funded with ESOP shares amounted to \$109,463, \$109,655, and \$77,451 in 1994, 1993, and 1992, respectively.

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 has 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 30, 1994, a substantial portion of the assets of Metropolitan supporting the annuity were invested in U.S. Government and agencies 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>

	1994	1993	1992
<S>	<C>	<C>	<C>
Defined benefit plans/(1)/:			
Service cost for benefits earned during the year/(2)/	\$ 16,345	\$ 12,328	\$ 11,333
Interest cost on projected benefit obligation	91,529	89,115	84,366
Actual return on plan assets	146,134	(281,022)	(107,549)
Deferral and amortization of unrecognized items	(243,702)	188,700	21,441
Total defined benefit plan cost	10,306	9,121	9,591
Defined contribution plan cost	164,025	146,148	133,264
Total pension cost/(3)/	\$ 174,331	\$ 155,269	\$ 142,855

</TABLE>

/(1)/ The following actuarial assumptions were used in calculating the defined benefit cost (credit) and benefit obligations. Weighted average rates as of the beginning of the year are:

	1995	1994	1993
<S>	<C>	<C>	<C>
Discount rate	8.1%	6.7%	7.9%
Rate of compensation increase (not applicable to terminated plan)	6.0%	5.9%	6.3%
Expected long-term rate of return on plan assets	8.2%	6.7%	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
 (Dollars in Thousands, Except Per Share Amounts)

The funded status of the defined benefit plans (including the terminated plan) follows:

	1994		1993	
	PENSION PLANS IN WHICH:		PENSION PLANS IN WHICH:	
	ASSETS EXCEEDED ACCUMULATED	ACCUMULATED BENEFITS EXCEEDED	ASSETS EXCEEDED ACCUMULATED	ACCUMULATED BENEFITS EXCEEDED
	BENEFITS	ASSETS	BENEFITS	ASSETS
<S>	<C>	<C>	<C>	<C>
Actuarial present value of:				
Vested accumulated benefit obligation	\$ (1,189,096)	\$ (32,826)	\$ (1,266,994)	\$ (33,072)
Non-vested accumulated benefit obligation	(1,817)	(4,024)	(3,903)	(4,877)
Accumulated benefit obligation	(1,190,913)	(36,850)	(1,270,897)	(37,949)
Effect of assumed increase in compensation levels	(13,291)	(18,369)	(17,430)	(17,309)
Projected benefit obligation	(1,204,204)	(55,219)	(1,288,327)	(55,258)
Plan assets at fair value	1,284,467	14,630	1,445,016	12,503
Plan assets in excess of (less than) projected benefit obligation	80,263	(40,589)	156,689	(42,755)
Unrecognized net liability at transition	3,542	2,707	3,460	1,368
Unrecognized net loss (gain)	73,872	3,335	(13,526)	13,224
Unrecognized prior service cost (benefit)	4,369	(1,612)	(2,833)	(1,594)
Prepaid (accrued) benefit cost	\$ 162,046	\$ (36,159)	\$ 143,790	\$ (29,757)

</TABLE>

Supplemental Retirement and Other Benefit Plans

The Corporation also has supplemental retirement and other benefit plans. The unfunded projected benefit obligation was \$7,987 and \$8,959 in 1994 and 1993, respectively. Supplemental retirement and other benefit plan costs were \$1,408, \$1,469, and \$1,305 in 1994, 1993, and 1992, 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 pays claims as incurred. Full-time employees of the Corporation become eligible for these benefits upon attainment of age 55 and completion of ten years of service. The Corporation reserves the right to amend or terminate these programs at any time. As of December 30, 1994, the plan had not been funded. Net periodic postretirement benefit expense included the following components:

<TABLE>
 <CAPTION>

	1994	1993
<S>	<C>	<C>
Service cost	\$ 3,947	\$ 4,593
Amortization of unrecognized gain	(235)	--
Interest cost on accumulated postretirement benefit obligation	9,074	11,254
TOTAL	\$12,786	\$15,847

</TABLE>

The amounts recognized for the Corporation's postretirement benefit plans follow:

<TABLE>
<CAPTION>

	1994	1993
<S>	<C>	<C>
Accumulated postretirement benefit obligation:		
Retirees	\$ 52,486	\$ 58,597
Fully eligible active plan participants	34,627	36,769
Other active plan participants	40,749	42,254
Subtotal	127,862	137,620
Unrecognized net gain from past experience different from that assumed and from changes in assumptions	31,660	16,900
Postretirement benefits accrued liability	\$159,522	\$154,520

</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>

	1995	1994
<S>	<C>	<C>
Discount rate	8.2%	6.8%
Health care cost trend rates (assumed to decrease gradually until the year 2000 and remain constant thereafter):		
Pre-65	11.0%- 6.0%	12.0%- 5.5%
Post-65	9.0%- 6.0%	10.0%- 4.5%

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

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 30, 1994 and December 31, 1993 by \$16,807 and \$19,312, respectively, and increase the aggregate of service and interest costs for 1994 and 1993 by \$1,948 and \$2,659, respectively.

Postemployment Benefits

The Corporation provides certain postemployment benefits for employees on extended leave due to injury or illness and for terminated employees. 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. Employees that are disabled due to non-work-related illness or injury are entitled to salary continuation, medical coverage, and life insurance. Federal law requires the Corporation to offer continued medical coverage to all terminated employees for up to 18 months. The Corporation also provides severance benefits to terminated employees. Full-time employees are eligible for all of these benefits as of their first day of employment. Nevertheless, the Corporation reserves the right to amend or terminate its internal plans at any time. The Corporation funds these benefit requirements through a combination of self-insured and insured plans.

The Corporation recognized \$75,703 and \$79,199 in 1994 and 1993, respectively (excluding the 1993 cumulative effect adjustment), of postemployment benefits expense, which included severance costs for terminated employees of \$65,763 in 1994 and \$59,500 in 1993. Although all full-time employees are eligible for severance benefits, no additional amounts were accrued as of December 30, 1994 since future severance costs are not reasonably estimable.

EMPLOYEE STOCK PLANS

The Corporation's primary employee incentive stock plans are: (i) the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan ("LTICP"); (ii) the Merrill Lynch & Co., Inc. Equity Capital Accumulation Plan ("ECAP"); and (iii) the Financial Consultant Capital Accumulation Award Plan ("FCCAAP"). The Corporation also offers its employees the option of purchasing shares of common stock under the Merrill Lynch & Co., Inc. Employee Stock Purchase Plan ("ESPP").

LTICP AND ECAP

Restricted Shares and Units

LTICP and ECAP provide for grants of equity and equity-related instruments to certain key employees of the Corporation. LTICP provides for the issuance of, among other instruments, Restricted Shares and Restricted Units. ECAP provides for the issuance of, among other instruments, Restricted Shares. Restricted Shares and Restricted Units are restricted from being sold, transferred, or assigned until the end of a restricted period and are subject to forfeiture during a vesting period for LTICP grants or the restricted period for ECAP grants. Restricted Shares, which may be issued under LTICP and ECAP, are shares of common stock of the Corporation and are subject to identical restrictions. Restricted Units, which are issued under LTICP, are also subject to these restrictions and are payable in cash. Each Restricted Unit is deemed equivalent in fair market value to one share of common stock of the Corporation. Restricted Shares are entitled to the same dividends as other shares of common stock of the Corporation. Amounts equivalent to cash dividends payable on Restricted Shares are payable to holders of Restricted Units. LTICP also allows for the issuance of Nonqualified Stock Options (discussion to follow), Incentive Stock Options, Performance Shares, Performance Units, Stock Appreciation Rights, and other ML & Co. Securities. As of December 30, 1994, no grants of these additional instruments, other than Nonqualified Stock Options, had been granted under LTICP. ECAP also provides for the issuance of Performance Shares. At December 30, 1994 and December 31, 1993, there were no ECAP Performance Shares outstanding.

Up to 80,000,000 shares of the Corporation's common stock and 80,000,000 units payable in cash had been authorized for issuance under LTICP and up to 26,200,000 shares of the Corporation's common stock had been authorized for issuance under ECAP. At December 30, 1994, there were 25,818,379 shares available (net of shares reserved for issuance upon the exercise of stock options) for issuance under LTICP. At December 30, 1994, there were 3,342,439 shares available for issuance to employees under ECAP. The activity with respect to Restricted Shares and Restricted Units for LTICP and Restricted Shares for ECAP for the years ended December 30, 1994 and December 31, 1993 follows:

<TABLE>
<CAPTION>

	LTICP		ECAP
	RESTRICTED SHARES	RESTRICTED UNITS	RESTRICTED SHARES
<S>	<C>	<C>	<C>
Outstanding, beginning of 1993	4,918,230	5,083,318	6,962,698
Granted--1993	1,720,818	1,765,306	67,638
Paid, forfeited, or released from contingencies	(4,906,894)	(4,950,356)	(4,938,546)
Outstanding, end of 1993	1,732,154	1,898,268	2,091,790
Granted--1994	1,355,638	1,495,948	6,360
Paid, forfeited, or released from contingencies	(136,991)	(180,822)	(157,654)
Outstanding, end of 1994	2,950,801	3,213,394	1,940,496

</TABLE>

In 1995, 1,677,394 and 1,692,028 LTICP Restricted Shares and Units, respectively, and 39,588 ECAP Restricted Shares were granted to eligible employees.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollars in Thousands, Except Per Share Amounts)

Stock Options

LTICP also provides for the issuance of Nonqualified Stock Options. Stock

Options granted in 1989 through 1994 generally become exercisable over four years in equal installments commencing one year after the date of grant. The exercise price of these options is equal to 100% of the fair market value of a share of common stock on the date of grant. The Stock Options expire ten years after their grant date.

At December 30, 1994, 14,301,246 options were exercisable at prices ranging from \$10.6875 to \$40.6250. During 1994, the fair market value of shares acquired by the exercise of Stock Options ranged from \$33.000 to \$44.625. The activity for Nonqualified Stock Options under LTICP for the years ended December 30, 1994 and December 31, 1993 was as follows:

<TABLE>
<CAPTION>

	SHARES SUBJECT TO OPTION	
	1994	1993
<S>	<C>	<C>
Balance, beginning of year	27,004,771	27,408,324
Granted	4,527,100	5,862,666
Exercised	(2,649,411)	(5,742,374)
Forfeited or surrendered	(474,527)	(523,845)
Balance, end of year	28,407,933	27,004,771

In January 1995, eligible participants were granted Nonqualified Stock Options for 5,330,212 common shares.

FCCAAP

Under FCCAAP and its predecessor plans, eligible employees in the Corporation's private client group are granted awards generally based upon their prior year's performance. Payment for an award is contingent upon continued employment for a period of time and is subject to forfeiture during that period. The award is payable ten years from the date of grant in either common shares of the Corporation or in cash, whichever is greater, based on the market value of the Corporation's common stock. Although the first grant is scheduled to be paid in 1996, under certain circumstances partially vested grants may be partially paid, but only in cash, prior to the scheduled payment dates.

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 and predecessor plans may only be from shares held as treasury stock. At December 30, 1994, shares subject to awards made to eligible employees totaled 14,302,494 under such plans, with 5,589,439 shares available for issuance.

ESPP

ESPP allows eligible employees to invest from 1% to 10% of their eligible compensation to purchase the Corporation's common stock at a price equal to 85% of its fair market value. These purchases are made on four quarterly investment dates through payroll deductions. Up to 25,000,000 shares of the Corporation's common stock have been authorized for issuance under ESPP.

The activity in ESPP for the two most recent fiscal years was as follows:

<TABLE>
<CAPTION>

	ESPP SHARES	
	1994	1993
<S>	<C>	<C>
Available, beginning of year	6,930,356	7,914,788
Purchased through plan	(1,072,907)	(984,432)
Available, end of year	5,857,449	6,930,356

Incentive Equity Purchase Plan

The Incentive Equity Purchase Plan ("IEPP") allows selected employees to purchase shares of the Corporation's common stock ("Book Value Shares") at a price equal to book value per share (as of a valuation date preceding the purchase date). These shares, once held for six months, may be sold back to the

Corporation at book value (adjusted for certain nonrecurring events) as of a date preceding the sale, or exchanged at any time for a specified number of freely transferable shares of common stock of the Corporation, the number of which is determined by the ratio of book value to market value at the time of the purchase. Up to 30,000,000 shares of the Corporation's common stock have been authorized for issuance under IEPP. At December 30, 1994, 23,967,799 shares of the Corporation's common stock were available for purchase under IEPP. Book Value Shares outstanding as of December 30, 1994 and December 31, 1993 were 1,372,700 and 1,464,900, respectively. Subsequent to year-end, the Corporation amended IEPP by reducing the remaining number of shares authorized to zero. In addition, Book Value Shares surrendered under IEPP, including Book Value Shares resold to the Corporation and any net difference between Book Value Shares surrendered and market shares received, may not be reused under IEPP. No further offerings under IEPP will be made; however, Book Value Shares outstanding under IEPP remain unaffected by the amendment.

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 COMMITMENTS AND CONTINGENCIES

Litigation

There are numerous civil actions, arbitration proceedings, and claims pending against the Corporation as of December 30, 1994, some of which involve claims for substantial amounts.

In addition, on January 12, 1995, an action was commenced in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") by Orange County, California (the "County") and The Orange County Investment Pools (the "Pools"), both of which filed bankruptcy petitions in the Bankruptcy Court on December 6, 1994, against the Corporation and certain of its subsidiaries in connection with the Corporation's business activities with the County.

The County and the Pools seek relief totaling in excess of \$2 billion in connection with various securities transactions between the County and/or the Pools and the Corporation

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in Thousands, Except Per Share Amounts)

and its subsidiaries. The complaint alleges, among other things, that these transactions violated California law and should be adjudged null and void, that the Corporation and its subsidiaries violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and that the Corporation and its subsidiaries breached a fiduciary duty owed to the County and/or the Pools.

In addition, other actions have been brought against the Corporation and/or certain of its officers, directors, and employees and certain of its subsidiaries in the United States District Court for the Central District of California, the United States District Court for the Southern District of New York, and in the state courts in California and New York. These include class actions and stockholder derivative actions brought by persons alleging harm to themselves or to the Corporation arising out of the Corporation's dealings with the County and the Pools, or from the purchase of debt instruments issued by the County that were underwritten by the Corporation's subsidiary, MLPF&S.

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 contained herein. Item 3, "Legal Proceedings," in the Corporation's 1994 Annual Report on Form 10-K, which is unaudited and available upon request after filing, contains additional information concerning pending lawsuits.

 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 ("WFC") headquarters. 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:			
1995	\$ 124,553	\$181,826	\$ 306,379
1996	\$ 125,067	\$174,137	\$ 299,204
1997	\$ 125,580	\$156,350	\$ 281,930
1998	\$ 129,766	\$139,735	\$ 269,501
1999	\$ 142,503	\$125,746	\$ 268,249
Thereafter	\$2,303,293	\$621,554	\$2,924,847

</TABLE>

Total minimum rental commitments have not been reduced by \$1,086,576 of minimum sublease rentals to be received in the future under noncancelable subleases.

Rent expense after sublease revenue for each of the last three years is presented below:

<S>	<C>	<C>	<C>
Rent expense	\$394,782	\$412,623	\$416,692
Less: sublease revenue	(78,634)	(60,239)	(55,988)
Net rent expense	\$316,148	\$352,384	\$360,704

</TABLE>

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 30, 1994, 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 \$1,161,093 at December 30, 1994.

The Corporation provides an investment certificate program for Financial Consultants. Under this program, Financial Consultants meeting minimum production and asset gathering criteria are issued an investment certificate with a face amount of \$100. Such certificates mature ten 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 ten-year period results, with certain exceptions, in the certificates expiring. The certificates bear interest commencing with the date the performance 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 30, 1994, the Corporation had \$147,372 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 30, 1994, minimum fee commitments under these contracts aggregated \$54,600.

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 business activities operate through regional offices in the Americas, including Latin America and Canada; Europe and the Middle

East; and Asia Pacific. 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

customers.

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, Australia, Hong Kong, Singapore, and China. The Corporation has exchange memberships in the region's major financial centers. 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 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. In addition, intercompany transfers are based primarily on service agreements.

The information presented below, in management's judgment, provides a reasonable representation of each region's contribution to the consolidated amounts.

<TABLE>
<CAPTION>

GLOBAL OPERATIONS	1994	1993	1992	1994	1993	1992
(In Millions)	TOTAL REVENUES			NET REVENUES		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Canada and Latin America	\$ 617	\$ 526	\$ 378	\$ 333	\$ 377	\$ 259
Europe and Middle East	3,464	3,111	1,867	1,134	1,358	953
Asia Pacific	963	879	374	554	683	309
Subtotal	5,044	4,516	2,619	2,021	2,418	1,521
United States	13,754	13,475	11,685	7,703	9,309	7,833
Eliminations	(565)	(1,403)	(891)	(99)	(1,169)	(777)
TOTAL	\$18,233	\$16,588	\$13,413	\$ 9,625	\$ 10,558	\$ 8,577

<CAPTION>

	EARNINGS BEFORE INCOME TAXES			TOTAL ASSETS		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Canada and Latin America	\$ 137	\$ 139	\$ 89	\$ 4,216	\$ 5,658	\$ 2,145
Europe and Middle East	176	481	181	44,297	37,107	15,645
Asia Pacific	75	191	(3)	11,389	8,546	2,865
Subtotal	388	811	267	59,902	51,311	20,655
United States	1,342	1,614	1,354	108,147	106,132	88,835
Eliminations	--	--	--	(4,300)	(4,533)	(2,466)
TOTAL	\$ 1,730	\$ 2,425	\$ 1,621	\$163,749	\$152,910	\$107,024

</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 30, 1994 and December 31, 1993 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 30, 1994. 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

Total	795,444	7.1	1,175,992	9.5	1,484,067	11.1	1,831,253	11.0
1,239,465 6.8								
ASSET MANAGEMENT AND PORTFOLIO SERVICE FEES	815,739	7.3	1,003,904	8.1	1,252,829	9.3	1,557,778	9.4
1,739,452 9.5								
OTHER	363,205	3.3	339,826	2.8	281,253	2.1	285,324	1.7
471,148 2.6								
TOTAL REVENUES	11,147,229	100.0	12,352,812	100.0	13,412,668	100.0	16,588,177	100.0
18,233,091 100.0								
INTEREST EXPENSE	5,363,900	48.1	5,106,344	41.3	4,835,267	36.0	6,029,947	36.4
8,608,570 47.2								
NET REVENUES	5,783,329	51.9	7,246,468	58.7	8,577,401	64.0	10,558,230	63.6
9,624,521 52.8								
NON-INTEREST EXPENSES								
Compensation and benefits	3,077,485	53.2	3,867,849	53.4	4,364,454	50.9	5,255,258	49.8
4,951,839 51.5								
Occupancy	519,156	9.0	473,562	6.5	477,754	5.6	572,936	5.4
436,168 4.5								
Communications and equipment rental	375,432	6.5	356,850	4.9	366,161	4.3	385,809	3.6
432,214 4.5								
Depreciation and amortization	289,361	5.0	276,125	3.8	281,228	3.3	308,499	2.9
325,121 3.4								
Advertising and market development	225,712	3.9	249,844	3.5	301,146	3.5	376,881	3.6
374,619 3.9								
Professional fees	233,565	4.0	235,344	3.3	256,887	3.0	290,324	2.7
367,003 3.8								
Brokerage, clearing, and exchange fees	234,031	4.1	239,828	3.3	277,166	3.2	280,712	2.7
337,512 3.5								
Other	546,259	9.4	529,648	7.3	631,216	7.3	663,003	6.3
670,441 6.9								
TOTAL NON-INTEREST EXPENSES	5,501,001	95.1	6,229,050	86.0	6,956,012	81.1	8,133,422	77.0
7,894,917 82.0								
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	282,328	4.9	1,017,418	14.0	1,621,389	18.9	2,424,808	23.0
1,729,604 18.0								
Income Tax Expense	90,472	1.6	321,301	4.4	668,984	7.8	1,030,449	9.8
712,843 7.4								
EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	191,856	3.3	696,117	9.6	952,405	11.1	1,394,359	13.2
1,016,761 10.6								
Cumulative Effect of Changes in Accounting Principles, Net of Income Taxes	--	--	--	--	(58,580)	(.7)	(35,420)	(.3)
--								
NET EARNINGS	\$ 191,856	3.3%	\$ 696,117	9.6%	\$ 893,825	10.4%	\$1,358,939	12.9%
\$1,016,761 10.6%								

</TABLE>

*Revenues and Interest Expense are presented as a percentage of Total Revenues.
Non-Interest Expenses, Cumulative Effect of Changes in Accounting Principles,
and Earnings are presented as a percentage of Net Revenues.

STATISTICAL DATA

Selected statistical data for the last five fiscal years is presented for informational purposes below.

December	Year Ended Last Friday in			
	1990	1991	1992	1993
(Dollars in Millions)				
1994				
	(52 Weeks)	(52 Weeks)	(52 Weeks)	(53 Weeks)
	<C>	<C>	<C>	<C>
PRIVATE CLIENT ACCOUNTS (a):				
Assets in Worldwide Private Client Accounts	\$377,000	\$440,000	\$487,000	\$557,000
Assets in Domestic Private Client Accounts	\$361,000	\$422,000	\$463,000	\$527,000
Assets under Professional Management:				
Money Markets	\$ 66,000	\$ 67,000	\$ 67,000	\$ 66,000
Equities	9,000	12,000	16,000	30,000
Fixed Income	20,000	27,000	35,000	42,000
Private Portfolio	8,000	11,000	13,000	17,000
Insurance	7,000	7,000	8,000	6,000
Subtotal	110,000	124,000	139,000	161,000
ML Consults	2,100	5,200	12,200	16,900
TOTAL	\$112,100	\$129,200	\$151,200	\$177,900
UNDERWRITING (b):				
Global Debt and Equity:				
Volume	\$ 60,600	\$110,500	\$151,000	\$193,200
Market Share	11.5%	12.7%	13.0%	12.8%
U.S. Domestic Debt and Equity:				
Volume	\$ 55,000	\$100,300	\$140,600	\$173,800
Market Share	17.5%	17.0%	16.5%	16.4%
FULL-TIME EMPLOYEES:				
Domestic	35,323	34,721	36,111	37,513
International	3,677	3,579	3,989	4,387
TOTAL	39,000	38,300	40,100	41,900
Financial Consultants and Account Executives				
Worldwide	11,800	12,100	12,700	13,100
COMPENSATION MEASURES:				
Support Personnel to Producer Ratio (c)	1.55	1.47	1.44	1.43
Net Revenues per Employee (d)	\$148	\$189	\$214	\$252
Pretax Earnings per Employee (d)	\$ 7	\$ 27	\$ 40	\$ 58
Compensation and Benefits Expense as a % of				

Net Revenues	53.2%	53.4%	50.9%	49.8%
51.5%				
Compensation and Benefits Expense as a % of Total Non-Interest Expenses	55.9%	62.1%	62.7%	64.6%
62.7%				

</TABLE>

- (a) Client accounts have been redefined to include certain institutional private portfolio accounts.
- (b) Full credit to book manager. All market share data is derived from Securities Data Co.
- (c) Support personnel includes sales assistants.
- (d) Dollars in thousands.

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QUARTERLY INFORMATION

Presented below are the unaudited results of operations of the Corporation by quarter for 1994 and 1993. The first quarter of 1993 has been restated for the adoption of Statement of Financial Accounting Standards No. 112 (see Accounting Changes in the Notes to 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 the 1993 first quarter non-recurring \$103,000 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. 30,	SEPT. 30,	JULY 1,	APRIL 1,	DEC. 31,	SEPT. 24,	JUNE 25,
(Dollars in Thousands, MAR. 26, Except Per Share Amounts) 1993	1994	1994	1994	1994	1993	1993	1993
(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)	(14 Weeks)	(13 Weeks)	(13 Weeks)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Total Revenues \$3,958,984	\$4,483,757	\$4,530,223	\$4,480,300	\$4,738,811	\$4,526,136	\$4,140,048	\$3,963,009
Interest Expense 1,346,868	2,391,028	2,227,978	2,082,581	1,906,983	1,768,139	1,506,428	1,408,512
Net Revenues 2,612,116	2,092,729	2,302,245	2,397,719	2,831,828	2,757,997	2,633,620	2,554,497
Non-Interest Expenses 2,021,795	1,837,517	1,912,723	1,965,057	2,179,620	2,160,717	1,991,321	1,959,589
Earnings Before Income Taxes and Cumulative Effect of Change in Accounting Principle 590,321	255,212	389,522	432,662	652,208	597,280	642,299	594,908
Income Tax Expense 247,935	93,598	157,943	180,853	280,449	250,041	282,612	249,861
Earnings Before Cumulative Effect of Change in Accounting Principle 342,386	161,614	231,579	251,809	371,759	347,239	359,687	345,047
Cumulative Effect of Change in							

Accounting Principle (Net of
Applicable Income Taxes)
(35,420)

Net Earnings	\$ 161,614	\$ 231,579	\$ 251,809	\$ 371,759	\$ 347,239	\$ 359,687	\$ 345,047
\$ 306,966							
Earnings Per Common Share:							
Primary	\$.76	\$ 1.10	\$ 1.18	\$ 1.68	\$ 1.53	\$ 1.57	\$ 1.52
\$ 1.35							
Fully Diluted	\$.75	\$ 1.10	\$ 1.18	\$ 1.68	\$ 1.53	\$ 1.56	\$ 1.51
\$ 1.35							

</TABLE>

The 1993 first quarter includes the cumulative effect of a change in accounting principle of \$(.16) per common share primary and fully diluted.

DIVIDENDS PER COMMON SHARE
(Declared and paid)

<TABLE>
<CAPTION>

	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
1994	\$.20	\$.23	\$.23	\$.23
1993	\$.15	\$.175	\$.175	\$.20

</TABLE>

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 (see Regulatory Requirements and Dividend Restrictions in the Notes to Consolidated Financial Statements).

STOCKHOLDER INFORMATION

Consolidated Transaction Reporting System prices for the specified calendar quarters are noted below.

<TABLE>
<CAPTION>

	1ST QTR.		2ND QTR.		3RD QTR.		4TH QTR.	
	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW
1994	\$45 5/8	\$36 1/2	\$40 1/2	\$34 1/4	\$40 7/8	\$34 1/4	\$41 1/8	\$32 1/4
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 3, 1995 was 12,160.

SUBSIDIARIES OF THE REGISTRANT

The following are subsidiaries of ML & Co. as of March 24, 1995 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./2/.....	Washington
Merrill Lynch Princeton Incorporated.....	Delaware
ROC Denver, Inc.....	Delaware
R.O.C. Florida, Inc.....	Florida
ROC Texas, Inc.....	Texas
Wagner Stott Clearing Corp./3/.....	Delaware
Green Equity, Inc.....	New Jersey
Merrill Lynch Bank & Trust Co.....	New Jersey
Merrill Lynch Capital Services, Inc.....	Delaware
Merrill Lynch Derivative Products, Inc./4/.....	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 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
Merrill Lynch Futures Inc.....	Delaware

</TABLE>

- /1/ MLPF&S also conducts business as "Merrill Lynch & Co."
- /2/ Similarly named affiliates and subsidiaries that engage in the sale of life insurance and annuity products are incorporated in various other jurisdictions.
- /3/ The preferred stock of the corporation is owned by an unaffiliated group of investors.
- /4/ 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 10 members, 9 of which are ML & Co. employees and 1 of which represents outside parties.

<TABLE>
<CAPTION>

NAME - - - - -	STATE OR JURIS- DICTION OF ENTITY -----
<S>	<C>
MERRILL LYNCH & CO., INC.	
MERRILL LYNCH GROUP, INC. (CONT'D)	
Merrill Lynch, Hubbard Inc./5/.....	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 Mortgage Capital Inc.....	Delaware
Merrill Lynch National Financial.....	Utah
Merrill Lynch Private Capital Inc./6/.....	Delaware

Merrill Lynch Trust Company.....	New Jersey
Merrill Lynch Business Financial Services Inc.....	Delaware
Merrill Lynch Credit Corporation.....	Delaware
Merrill Lynch Home Equity Acceptance, Inc.....	Delaware
Merrill Lynch Trust Company.....	Florida
Merrill Lynch Trust Company of America.....	Illinois
Merrill Lynch Trust Company of California.....	California
Merrill Lynch Trust Company of Texas.....	Texas
Merrill Lynch/WFC/L, Inc.....	New York
ML Futures Investment Partners Inc.....	Delaware
ML IBK Positions Inc.....	Delaware
Merrill Lynch Capital Corporation/7/.....	Delaware
ML Leasing Equipment Corp./8/.....	Delaware
Merlease Leasing Corp.....	Delaware
Merrill Lynch Venture Capital Inc.....	Delaware
Princeton Services, Inc./9/.....	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

</TABLE>

- -----

- /5/ This corporation has more than 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.
- /6/ This corporation has 12 subsidiaries which have engaged in direct principal lending and investment management.
- /7/ This company has 10 subsidiaries holding or having a direct or indirect interest in specific investments on its behalf.
- /8/ This corporation has more than 45 direct or indirect subsidiaries operating in the United States and serving as either general partners or associate general partners of limited partnerships.
- /9/ This corporation is the general partner of Merrill Lynch Asset Management, L.P. (whose limited partner is ML & Co.).

<TABLE>
<CAPTION>

NAME	STATE OR JURIS- DICTION OF ENTITY
- -----	-----
<S>	<C>
MERRILL LYNCH & CO., INC.	
MERRILL LYNCH INTERNATIONAL INCORPORATED	
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./10/.....	Netherlands Antilles
Merrill Lynch Capital Markets A.G.....	Switzerland
Merrill Lynch Europe Limited.....	England
Merrill Lynch International Limited.....	England
Merrill Lynch Capital Markets PLC.....	England
Merrill Lynch, Pierce, Fenner & Smith (Brokers & Dealers) Limited.....	England
Merrill Lynch Europe Ltd.....	Cayman Islands, British West Indies
Merrill Lynch Holding GmbH/11/.....	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/ A partnership among subsidiaries of ML & Co.
- /11/ 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 27, 1995 included in and incorporated by reference in this Annual Report on Form 10-K of Merrill Lynch & Co., Inc. for the year ended December 30, 1994.

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))
 Registration Statement No. 33-56427 (1994 Deferred Compensation Plan for a
 Select Group of Eligible Employees)
 Registration Statement No. 33-55155 (1995 Deferred Compensation Plan for a
 Select Group of Eligible Employees)

Filed on Form S-3:

Debt Securities
 Registration Statement No. 33-54218
 Registration Statement No. 2-78338
 Registration Statement No. 2-89519
 Registration Statement No. 2-83477
 Registration Statement No. 33-03602
 Registration Statement No. 33-17965
 Registration Statement No. 33-27512
 Registration Statement No. 33-35456
 Registration Statement No. 33-42041
 Registration Statement No. 33-45327
 Registration Statement No. 33-49947
 Registration Statement No. 33-51489
 Registration Statement No. 33-52647
 Medium Term Notes
 Registration Statement No. 2-96315
 Registration Statement No. 33-03079
 Registration Statement No. 33-05125
 Registration Statement No. 33-09910
 Registration Statement No. 33-16165
 Registration Statement No. 33-19820
 Registration Statement No. 33-23605

Registration Statement No. 33-27549

Registration Statement No. 33-38879

Other Securities

Registration Statement No. 33-19975 (Remarketed Preferred Stock, Series C)

Registration Statement No. 33-33335 (Common Stock)

Registration Statement No. 33-45777 (Common Stock)

Registration Statement No. 33-55363 (Preferred Stock)

/s/ Deloitte & Touche LLP

New York, New York

March 27, 1995

<TABLE> <S> <C>

<ARTICLE> BD

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MERRILL LYNCH & CO., INC.'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 30, 1994.

</LEGEND>

<MULTIPLIER> 1,000

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<FN>

<F1>Financial instruments owned includes commodity contracts but excludes physical commodities and real estate owned totaling \$157,964.

</FN>

</TABLE>