

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 29, 1995  
 -----

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,  
 NEW YORK, NEW YORK 10281-1332  
 -----

(Address of principal executive offices) (Zip Code)

(212) 449-1000  
 -----

Registrant's telephone number, including area code

-----  
 Former name, former address and former fiscal year, if changed since last report.

-----  
 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  
 --- ---

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

175,716,794 shares of Common Stock\*  
 (as of the close of business on November 3, 1995)

\* Does not include 4,375,113 unallocated reversion shares held in the Employee Stock Ownership Plan that are not considered outstanding for accounting purposes.

Part I. FINANCIAL INFORMATION  
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ITEM 1. FINANCIAL STATEMENTS  
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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
 STATEMENTS OF CONSOLIDATED EARNINGS (UNAUDITED)

<TABLE>  
 <CAPTION>

(In Thousands, Except Per Share Amounts)	FOR THE THREE MONTHS ENDED		PERCENT INCREASE (DECREASE)
	SEPT. 29, 1995	SEPT. 30, 1994	
<S>	<C>	<C>	<C>
REVENUES			
Commissions .....	\$ 829,125	\$ 673,551	23%
Interest and dividends .....	3,003,864	2,438,760	23
Principal transactions .....	663,139	653,691	1
Investment banking .....	353,760	245,489	44
Asset management and portfolio service fees .....	484,056	431,374	12
Other .....	97,202	87,358	11

Total Revenues .....	5,431,146	4,530,223	20
Interest Expense .....	2,748,708	2,227,978	23
Net Revenues .....	2,682,438	2,302,245	17%
NON-INTEREST EXPENSES			
Compensation and benefits .....	1,392,445	1,179,031	18
Occupancy .....	113,461	106,366	7
Communications and equipment rental .....	122,474	110,945	10
Depreciation and amortization .....	92,707	83,301	11
Advertising and market development .....	102,012	96,321	6
Professional fees .....	113,832	88,799	28
Brokerage, clearing, and exchange fees...	88,663	82,690	7
Other .....	171,367	165,270	4
Total Non-Interest Expenses .....	2,196,961	1,912,723	15
EARNINGS BEFORE INCOME TAXES .....	485,477	389,522	25
Income tax expense .....	185,121	157,943	17
NET EARNINGS .....	\$ 300,356	\$ 231,579	30%
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS .....			
	\$ 288,585	\$ 229,861	26%
EARNINGS PER COMMON SHARE:			
Primary .....	\$ 1.47	\$ 1.10	34%
Fully diluted .....	\$ 1.46	\$ 1.10	33%
DIVIDEND PAID PER COMMON SHARE .....			
	\$ .26	\$ .23	
AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE:			
Primary .....	196,395	209,030	
Fully diluted .....	197,157	209,030	

</TABLE>

See Notes to Consolidated Financial Statements

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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED EARNINGS (UNAUDITED)

<TABLE>  
<CAPTION>

(In Thousands, Except Per Share Amounts)	FOR THE NINE MONTHS ENDED		PERCENT INCREASE (DECREASE)
	SEPT. 29, 1995	SEPT. 30, 1994	
<S>	<C>	<C>	<C>
REVENUES			
Commissions .....	\$ 2,279,432	\$ 2,232,328	2%
Interest and dividends .....	9,328,638	6,955,987	34
Principal transactions .....	1,952,572	1,881,235	4
Investment banking .....	937,603	1,011,890	(7)
Asset management and portfolio service fees .....	1,396,988	1,307,532	7
Other .....	324,784	360,362	(10)
Total Revenues .....	16,220,017	13,749,334	18
Interest Expense .....	8,567,902	6,217,542	38
Net Revenues .....	7,652,115	7,531,792	2
NON-INTEREST EXPENSES			
Compensation and benefits .....	3,971,088	3,825,998	4
Occupancy .....	332,823	327,948	1
Communications and equipment rental .....	351,065	322,391	9
Depreciation and amortization .....	267,344	238,067	12
Advertising and market development .....	284,265	294,071	(3)
Professional fees .....	318,110	270,101	18
Brokerage, clearing, and exchange fees.....	266,396	256,645	4
Other .....	532,455	522,179	2
Total Non-Interest Expenses .....	6,323,546	6,057,400	4
EARNINGS BEFORE INCOME TAXES .....	1,328,569	1,474,392	(10)
Income tax expense .....	518,142	619,245	(16)

NET EARNINGS .....	\$ 810,427	\$ 855,147	(5)%
	=====	=====	=====
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS .....	\$ 774,802	\$ 850,553	(9)%
	=====	=====	=====
EARNINGS PER COMMON SHARE:			
Primary .....	\$ 3.95	\$ 3.98	(1)%
	=====	=====	=====
Fully diluted .....	\$ 3.90	\$ 3.97	(2)%
	=====	=====	=====
DIVIDENDS PAID PER COMMON SHARE .....	\$ .75	\$ .66	
	=====	=====	
AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE:			
Primary .....	196,280	213,935	
	=====	=====	
Fully diluted .....	198,755	214,050	
	=====	=====	

</TABLE>

See Notes to Consolidated Financial Statements

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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<TABLE>		
<CAPTION>		
(Dollars in Thousands, Except Per Share Amounts)		
ASSETS	SEPT. 29, 1995	DEC. 30, 1994
-----	-----	-----
<S>	<C>	<C>
CASH AND CASH EQUIVALENTS.....	\$ 2,932,966	\$ 2,311,743
	-----	-----
CASH AND SECURITIES SEGREGATED FOR REGULATORY PURPOSES OR DEPOSITED WITH CLEARING ORGANIZATIONS.....	5,360,550	4,953,062
	-----	-----
MARKETABLE INVESTMENT SECURITIES.....	2,321,681	2,325,453
	-----	-----
TRADING ASSETS, AT FAIR VALUE		
Corporate debt and preferred stock.....	18,254,829	14,818,157
Contractual agreements.....	11,463,086	9,519,105
U.S. Government and agencies.....	8,992,533	8,196,584
Non-U.S. governments and agencies.....	8,946,106	6,468,341
Equities and convertible debentures.....	9,875,225	6,263,492
Mortgages and mortgage-backed.....	2,923,718	5,223,809
Municipals.....	996,174	1,291,688
Money markets.....	1,551,538	957,589
	-----	-----
Total.....	63,003,209	52,738,765
	-----	-----
RESALE AGREEMENTS.....	45,501,860	44,459,036
	-----	-----
SECURITIES BORROWED.....	23,619,471	20,993,302
	-----	-----
RECEIVABLES		
Customers (net of allowance for doubtful accounts of \$47,754 in 1995 and \$42,290 in 1994).....	14,941,065	14,030,466
Brokers and dealers.....	10,999,592	6,486,879
Interest and other.....	4,005,927	4,360,693
	-----	-----
Total.....	29,946,584	24,878,038
	-----	-----
INVESTMENTS OF INSURANCE SUBSIDIARIES.....	5,709,734	5,719,345
	-----	-----
LOANS, NOTES, AND MORTGAGES (NET OF ALLOWANCE FOR LOAN LOSSES OF \$181,806 IN 1995 AND \$180,799 IN 1994).....	2,672,601	1,586,718
	-----	-----
OTHER INVESTMENTS.....	949,015	887,626
	-----	-----
PROPERTY, LEASEHOLD IMPROVEMENTS, AND EQUIPMENT (NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION OF \$2,167,374 IN 1995 AND \$1,867,476 IN 1994).....	1,608,225	1,587,639
	-----	-----
OTHER ASSETS.....	1,846,791	1,308,600
	-----	-----
TOTAL ASSETS.....	\$185,472,687	\$163,749,327
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements

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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<TABLE> <CAPTION> (Dollars in Thousands, Except Per Share Amounts) LIABILITIES AND STOCKHOLDERS' EQUITY	SEPT. 29, 1995	DEC. 30, 1994
<S>	<C>	<C>
LIABILITIES		
REPURCHASE AGREEMENTS.....	\$ 54,274,118	\$ 51,864,594
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS.....	31,762,286	26,439,645
TRADING LIABILITIES, AT FAIR VALUE		
U.S. Government and agencies.....	10,169,694	15,989,928
Contractual agreements.....	11,550,244	8,381,946
Non-U.S. governments and agencies.....	7,507,530	4,009,757
Equities and convertible debentures.....	6,197,449	3,990,146
Corporate debt and preferred stock.....	1,772,335	2,564,192
Municipals.....	100,523	165,906
Total.....	37,297,775	35,101,875
CUSTOMERS.....	10,527,590	11,608,891
INSURANCE.....	5,443,687	5,689,513
BROKERS AND DEALERS.....	14,973,504	4,637,957
OTHER LIABILITIES AND ACCRUED INTEREST.....	8,959,967	7,725,924
LONG-TERM BORROWINGS.....	16,156,414	14,863,383
TOTAL LIABILITIES.....	179,395,341	157,931,782
STOCKHOLDERS' EQUITY		
PREFERRED STOCKHOLDERS' EQUITY.....	618,800	618,800
COMMON STOCKHOLDERS' EQUITY		
Common stock, par value \$1.33 1/3 per share; authorized: 500,000,000 shares; issued: 1995 and 1994 - 236,330,162 shares.....	315,105	315,105
Paid-in capital.....	1,216,025	1,196,093
Foreign currency translation adjustment.....	(29,596)	3,703
Net unrealized gains (losses) on investment securities available-for-sale (net of applicable income tax expense (benefit) of \$3,284 in 1995 and (\$30,924) in 1994).....	6,404	(56,957)
Retained earnings.....	6,246,482	5,605,616
Subtotal.....	7,754,420	7,063,560
Less:		
Treasury stock, at cost:		
1995 - 56,453,746 shares;		
1994 - 48,423,944 shares.....	1,998,751	1,627,108
Unallocated ESOP reversion shares, at cost:		
1995 - 4,375,113 shares;		
1994 - 6,427,091 shares.....	68,908	101,227
Employee stock transactions.....	228,215	136,480
TOTAL COMMON STOCKHOLDERS' EQUITY.....	5,458,546	5,198,745
TOTAL STOCKHOLDERS' EQUITY.....	6,077,346	5,817,545
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$185,472,687	\$163,749,327
BOOK VALUE PER COMMON SHARE.....	\$ 31.30	\$ 28.87

</TABLE>

See Notes to Consolidated Financial Statements

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
STATEMENTS OF CONSOLIDATED CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

FOR THE NINE MONTHS ENDED

(In Thousands)	SEPT. 29, 1995	SEPT. 30, 1994
<S>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings.....	\$ 810,427	\$ 855,147
Noncash items included in earnings:		
Depreciation and amortization.....	267,344	238,067
Policyholder reserves.....	224,651	275,000
Other.....	534,011	582,145
(Increase) decrease in operating assets:		
Trading assets.....	(9,275,063)	(2,307,058)
Cash and securities segregated for regulatory purposes or deposited with clearing organizations.....	(407,488)	(1,243,832)
Securities borrowed.....	(2,626,169)	(1,560,915)
Customers.....	(926,245)	(47,985)
Maturities and sales of trading investment securities.....	-	128,387
Purchases of trading investment securities.....	-	(125,079)
Other.....	(1,086,283)	(1,611,000)
Increase (decrease) in operating liabilities:		
Trading liabilities.....	1,339,791	14,304,785
Customers.....	(2,240,957)	(3,050,557)
Insurance.....	(566,309)	(1,673,863)
Other.....	8,253,781	1,839,959
<b>CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES.....</b>	<b>(5,698,509)</b>	<b>6,603,201</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from (payments for):		
Maturities of available-for-sale securities.....	1,171,015	2,147,478
Sales of available-for-sale securities.....	864,936	1,031,715
Purchases of available-for-sale securities.....	(1,993,383)	(1,771,271)
Maturities of held-to-maturity securities.....	890,111	1,211,609
Purchases of held-to-maturity securities.....	(767,122)	(1,590,946)
Purchase of Smith New Court, net of cash acquired.....	(601,486)	-
Other investments and other assets.....	(145,528)	(235,280)
Property, leasehold improvements, and equipment.....	(255,634)	(287,758)
<b>CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES.....</b>	<b>(837,091)</b>	<b>505,547</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from (payments for):		
Repurchase agreements, net of resale agreements.....	1,366,700	(9,083,444)
Commercial paper and other short-term borrowings.....	5,322,641	1,046,652
Issuance and resale of long-term borrowings.....	7,616,340	9,063,820
Settlement and repurchase of long-term borrowings.....	(6,369,126)	(6,827,946)
Common stock transactions.....	(610,172)	(604,154)
Dividends.....	(169,560)	(136,604)
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES.....</b>	<b>7,156,823</b>	<b>(6,541,676)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS.....</b>	<b>621,223</b>	<b>567,072</b>
Cash and cash equivalents, beginning of year.....	2,311,743	1,783,408
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD.....</b>	<b>\$ 2,932,966</b>	<b>\$ 2,350,480</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid for:

Income taxes totaled \$356,533 in 1995 and \$1,051,784 in 1994.

Interest totaled \$8,308,770 in 1995 and \$6,138,752 in 1994.

</TABLE>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCIAL ACTIVITY:**

As part of the consideration for Smith New Court, the Corporation issued approximately \$115 million of unsecured floating rate notes due December 31, 2000 (the "Notes"). The Notes are redeemable at the option of the holders on any quarterly interest payment date on or after December 31, 1996.

See Notes to Consolidated Financial Statements

**BASIS OF PRESENTATION**

The consolidated financial statements, prepared in accordance with generally

accepted accounting principles, 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. The December 30, 1994 consolidated balance sheet was derived from the audited financial statements. The interim consolidated financial statements for the three- and nine-month periods ended September 29, 1995 are unaudited; however, in the opinion of the management of the Corporation, all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations have been included.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's Annual Report on Form 10-K for the year ended December 30, 1994 ("1994 10-K"). The nature of the Corporation's business is such that the results of any interim period are not necessarily indicative of results for a full year. Prior period financial statements have been reclassified, where appropriate, to conform to the 1995 presentation.

#### ACCOUNTING CHANGES

In the second quarter of 1995, the Corporation adopted Statement of Financial Accounting Standards ("SFAS") No. 122, "Accounting for Mortgage Servicing Rights". SFAS No. 122 amends SFAS No. 65, "Accounting for Certain Mortgage Banking Activities", to require that a mortgage banking enterprise recognize rights to service mortgage loans as separate assets for originated as well as purchased mortgages. Additionally, SFAS No. 122 requires that a mortgage banking enterprise assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. The impact of this pronouncement on the Corporation's financial statements as of September 29, 1995 was not material.

In the first quarter of 1995, the Corporation adopted SFAS No. 114, "Accounting by Creditors for Impairment of a Loan", and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures". SFAS No. 114 establishes accounting standards for creditors to measure the impairment of certain loans. 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 impact of these pronouncements on the Corporation's financial statements as of September 29, 1995 was not material.

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#### INVESTMENTS

The Corporation's investments in debt and certain equity securities are classified as trading, available-for-sale, or held-to-maturity. Investments that are classified as trading and available-for-sale are recorded at fair value. Investments in debt securities classified as held-to-maturity are carried at amortized cost. Restricted equity investment securities are reported at the lower of cost or net realizable value.

The table that follows provides the activity for the net unrealized gains (losses) recorded in stockholders' equity for available-for-sale investments:

<TABLE>  
<CAPTION>

(In thousands)	Sept. 29, 1995	Dec. 30, 1994
-----	-----	-----
<S>	<C>	<C>
Net unrealized gains (losses) on investment securities available-for-sale	\$261,618	\$(410,068)
Adjustments for policyholder liabilities	(95,832)	214,537
Adjustments for deferred policy acquisition costs	(68,217)	73,802
Deferred income tax (expense) benefit	(34,208)	43,417
	-----	-----
Net activity	63,361	(78,312)
Net unrealized (losses) gains on investment securities classified as available-for-sale, beginning of year	(56,957)	21,355
	-----	-----
Net unrealized gains (losses) on investment securities classified as available-for-sale, end of period	\$ 6,404	\$ (56,957)
	=====	=====

</TABLE>

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, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments". These adjustments are recorded in stockholders' equity and assume that the unrealized gain or loss on available-for-sale securities was realized.

In the 1995 third quarter, gross realized gains and losses related to available-for-sale investment securities were \$9.7 million and \$9.3 million, respectively, compared to \$14.0 million and \$6.6 million, respectively, in the 1994 third quarter. For the nine-month period ended September 29, 1995, gross realized gains and losses related to available-for-sale investment securities were \$21.6 million and \$19.8 million, respectively, compared to \$20.0 million and \$14.3 million, respectively, for the nine-month period ended September 30, 1994. The cost basis of each investment sold is specifically identified for purposes of computing realized gains and losses. Net unrealized gains from trading investment securities included in the 1995 three- and nine-month Statements of Consolidated Earnings were \$31 thousand and \$54 thousand, respectively, compared to gains of \$2.4 million and losses of \$9.1 million, respectively, for the 1994 three- and nine-month periods.

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#### INTEREST AND DIVIDEND EXPENSE

Interest expense includes payments in lieu of dividends of \$2.4 million and \$4.8 million for the third quarters of 1995 and 1994, respectively. For the nine-month periods ended September 29, 1995 and September 30, 1994, payments in lieu of dividends were \$8.6 million and \$19.5 million, respectively.

#### COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS

Commercial paper and other short-term borrowings at September 29, 1995 and December 30, 1994 follow:

<TABLE>  
<CAPTION>

(In millions)	Sept. 29, 1995	Dec. 30, 1994
Commercial paper	\$16,048	\$14,759
Demand and time deposits	8,814	7,578
Securities loaned	4,453	2,180
Bank loans and other	2,447	1,923
Total	\$31,762	\$26,440

</TABLE>

#### COMMITMENTS

The Corporation enters into certain contractual agreements, referred to as "derivatives" or off-balance-sheet financial instruments, involving futures, forwards (including mortgage-backed securities requiring forward settlement), options, and swap transactions, including swap options, caps, collars, and floors. The Corporation uses derivatives in conjunction with on-balance-sheet financial instruments to facilitate customer transactions, manage its own interest rate, currency, and equity and commodity price risk, and to meet trading and financing needs. Derivative contracts often involve commitments to swap future interest payment streams, to purchase or sell financial instruments or commodities 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.

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The contractual or notional amounts of derivative financial instruments provide only a measure of involvement in these types of transactions and do not represent the amounts subject to the various risks set forth below. The contractual or notional amounts of these instruments used for trading purposes by type of risk follow:

<TABLE>  
<CAPTION>

(In billions)	Interest Rate Risk (a)	Currency Risk (a)	Equity Price Risk	Commodity Price Risk
Sept. 29, 1995				
Swap agreements	\$786	\$ 98	\$ 5	\$ 4
Futures contracts	\$215	\$ 1	\$ 5	\$ 4
Options held	\$ 50	\$ 28	\$33	\$ 4
Options written	\$100	\$ 39	\$33	\$ 9
Forward contracts	\$ 38	\$131	\$ -	\$33
December 30, 1994				
Swap agreements	\$653	\$ 73	\$ 2	\$ 2
Futures contracts	\$172	\$ -	\$ 2	\$ 2

Options held	\$ 75	\$ 22	\$22	\$12
Options written	\$ 74	\$ 22	\$21	\$ 7
Forward contracts	\$ 29	\$103	\$ -	\$ 7

(a) A number of the Corporation's foreign currency contracts are subject to both interest rate and currency risk.

The contractual or notional amounts of derivative financial instruments used for purposes other than trading follow:

(In billions)	Sept. 29, 1995	December 30, 1994
Interest rate swap contracts	\$32	\$22
Foreign exchange contracts	\$ 2	\$ 3
Equity options held	\$ 1	\$ 1

Most of the above transactions are entered into with the Corporation's swaps and foreign exchange dealer subsidiaries which intermediate interest rate and currency risk with third parties in the normal course of their trading activities.

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. At September 29, 1995, letters of credit aggregating \$1,702 million were used for this purpose.

In the normal course of business, the Corporation also enters into underwriting commitments, when-issued transactions, and commitments to extend credit.

Settlement of these commitments as of September 29, 1995 would not have a material effect on the consolidated financial condition of the Corporation.

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#### REGULATORY REQUIREMENTS

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a registered broker-dealer and a subsidiary of the Corporation, is subject to Net Capital Rule 15c3-1 under the Securities Exchange Act of 1934. Under the alternative method permitted by this rule, the minimum required net capital, as defined, shall not be less than 2% of aggregate debit items arising from customer transactions. At September 29, 1995, MLPF&S's regulatory net capital of \$1,278 million was 9% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$989 million.

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 September 29, 1995, MLGSI's liquid capital of \$720 million was 253% of its total market and credit risk, and liquid capital in excess of the minimum required was \$379 million.

Merrill Lynch International Limited ("MLIL"), a United Kingdom registered broker-dealer and a subsidiary of the Corporation, 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 September 29, 1995, MLIL's regulatory capital was \$1,328 million and exceeded the minimum requirement by \$313 million.

#### LITIGATION MATTER

On January 12, 1995, an action was commenced in the United States Bankruptcy Court for the Central District of California by Orange County, California ("Orange County") and The Orange County Investment Pools (the "Pools"), both of which filed bankruptcy petitions in that Court on December 6, 1994, against the Corporation and certain of its subsidiaries in connection with the Corporation's business activities with Orange County. 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 Federal and state courts in California, New York, and Illinois. Some of these actions are 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 Orange County and the Pools, or from the purchase of debt instruments issued by Orange County that were underwritten by MLPF&S. See "Commitments and Contingencies" in the notes to the audited consolidated financial statements contained in the 1994 10-K as well as "Legal Proceedings" in the Corporation's 1994 10-K and 1995 quarterly reports on Form 10-Q.



During the 1995 third quarter, Merrill Lynch Investments PLC, a wholly-owned subsidiary of the Corporation, acquired substantially all of the outstanding shares of Smith New Court PLC ("Smith New Court"), a U.K.-based global securities firm, for approximately \$800 million. As a result of the acquisition, the

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Corporation recorded approximately \$550 million of goodwill, which is being amortized on a straight-line basis over 15 years. The Corporation's third quarter 1995 results include those of Smith New Court since mid-August 1995, as well as approximately \$4 million of goodwill amortization and approximately \$7 million of integration costs related to the acquisition.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Merrill Lynch & Co., Inc. and subsidiaries as of September 29, 1995, and the related condensed statements of consolidated earnings for the three- and nine-month periods ended September 29, 1995 and September 30, 1994 and consolidated cash flows for the nine-month periods ended September 29, 1995 and September 30, 1994. These financial statements are the responsibility of the management of Merrill Lynch & Co., Inc.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Merrill Lynch & Co., Inc. and subsidiaries as of December 30, 1994, and the related statements of consolidated earnings, changes in consolidated stockholders' equity and consolidated cash flows for the year then ended (not presented herein); and in our report dated February 27, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 30, 1994 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York  
November 10, 1995

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

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, which were particularly weak during the last half of 1994, improved during 1995 as a result of a steadying U.S. economy, declining

interest rates, and heightened investor activity. Inflationary fears eased throughout 1995 as key U.S. economic statistics indicated that the economy was stabilizing with slow to moderate growth, and the Federal Reserve decreased interest rates in July following seven rate increases since February 1994. Investors reacted favorably to these events and were more active in stock and bond markets during 1995, particularly in the second and third quarters.

Retail investor activity increased as long-term interest rates generally declined in the 1995 second and third quarters and domestic equity markets advanced to record levels. As a result, commission revenues and asset management and portfolio service fees increased industrywide. Sales of mutual funds benefited from strong U.S. equity markets and a shift from foreign to domestic stock funds. Heightened investor activity and appreciated asset values also contributed to increased fee-based revenues during the period.

The Dow Jones Industrial Average ("DJIA") daily closing index for the 1995 third quarter averaged 4,688, 23% above the 1994 third quarter average closing index and 7% above the 1995 second quarter average close. The DJIA reached a record high close of 4,802 during the 1995 third quarter and closed at 4,789 at quarter-end, up 25% from the 1994 third quarter close. The New York Stock Exchange ("NYSE") average daily trading volume was a record 341 million shares in the 1995 third quarter, 24% above the average volume in the 1994 third quarter. The Nasdaq composite index also showed significant gains, particularly in the technology sector, advancing 37% from the third quarter of 1994 and 12% from the 1995 second quarter, to close at 1,044. The Nasdaq average daily trading volume was a record 443 million shares in the 1995 third quarter, 58% above the average volume in the 1994 third quarter.

In the bond markets, the yield on the 30-year U.S. Treasury bond rose to almost 7% during the 1995 third quarter before closing at 6.50% at the end of the quarter. The 1995 third quarter close was down from 6.62% at the end of the 1995 second quarter and 7.82% from the end of the 1994 third quarter.

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Domestic underwriting volume was up industrywide in the 1995 third quarter to \$212.7 billion, with issuances of stocks and bonds increasing 9% from the 1995 second quarter and 45% from the 1994 third quarter, according to Securities Data Co. Investment banking revenues, particularly underwritings, benefited from increased issuer activity in the 1995 third quarter attributable to robust domestic equity markets and heightened investor demand. New stock offerings reached their highest levels since the first quarter of 1994, benefiting from the rise in stock prices throughout 1995. Issuances of investment-grade debt increased, particularly in the U.S. government agency sector, due to favorable bond yields coupled with a continued flattening of the yield curve. Asset-backed securities issuances continued at a record pace, primarily due to expansion of the credit card segment. Issuances of mortgage-backed securities, which tend to be longer term and more volatile than asset-backed securities, improved somewhat from the beginning of 1995, but remained weak when compared to a year ago. Underwriting activity in municipal securities remained weak in 1995 as discussions on possible tax law changes reduced investor demand for tax-exempt investments.

Strategic services revenues continued to improve in the 1995 third quarter due to record merger and acquisition volume, with increased activity in various industries, including banking, media and entertainment, utilities, and healthcare.

Although trading volumes were higher in the 1995 third quarter as compared to the 1994 third quarter, trading results were mixed. Trading results in equity securities improved industrywide from the 1994 third quarter, due to strong gains and higher volumes across most major stock market indices. Convertible securities benefited from low interest rates, rising stock prices, and increased demand. Foreign exchange trading revenues improved as the U.S. dollar recovered against the Japanese yen and German mark, while trading revenues from municipal securities were weak due to low interest rates and reduced investor demand.

The Corporation's 1995 third quarter net earnings were up 30% from third quarter levels of a year ago, and up 6% from the 1995 second quarter. These improved results were attributable to favorable market conditions and the Corporation's diversified global revenue base, appropriate risk management activities, and continued efforts to control fixed expenses and discretionary costs.

#### THIRD QUARTER 1995 VERSUS THIRD QUARTER 1994

The discussion that follows emphasizes the comparison between the third quarters of 1995 and 1994 and presents additional information on the comparison between the respective nine-month periods, when relevant.

Net earnings for the 1995 third quarter were \$300.4 million, up \$68.8 million (30%) from the \$231.6 million reported in last year's third quarter. Third quarter earnings per common share were \$1.47 primary and \$1.46 fully diluted, compared with \$1.10 primary and fully diluted in the 1994 third quarter. After deducting preferred stock dividends, net earnings applicable to common stockholders in the 1995 third quarter totaled \$288.6 million, up \$58.7 million

(26%) from \$229.9 million in the prior year's quarter. The Corporation's weighted average shares outstanding declined from the 1994 third quarter due primarily to share repurchases. The Corporation repurchased 27.1

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million shares of its common stock since the end of the 1994 third quarter, including 1.7 million shares in the 1995 third quarter.

For the first nine months of 1995, net earnings were \$810.4 million, down \$44.7 million (5%) from the \$855.1 million reported in the prior year period. Earnings per common share were \$3.95 primary and \$3.90 fully diluted, compared to \$3.98 primary and \$3.97 fully diluted in the comparable 1994 period. After deducting preferred stock dividends, net earnings applicable to common stockholders in the first three quarters of 1995 totaled \$774.8 million, down \$75.8 million (9%) from \$850.6 million in the comparable 1994 period.

During the 1995 third quarter, Merrill Lynch Investments PLC, a wholly-owned subsidiary of the Corporation, acquired substantially all of the outstanding shares of Smith New Court PLC ("Smith New Court"), a U.K.-based global securities firm, for approximately \$800 million. As a result of the acquisition, the Corporation recorded approximately \$550 million of goodwill, which is being amortized on a straight-line basis over 15 years. The Corporation's third quarter 1995 results include those of Smith New Court since mid-August 1995, as well as approximately \$4 million of goodwill amortization and approximately \$7 million of integration costs related to the acquisition.

The Corporation's pretax profit margin in the 1995 third quarter was 18.1% versus 16.9% in the year-ago period. The net profit margin increased to 11.2% in the 1995 third quarter, compared with 10.1% in the 1994 third quarter. Total revenues increased 20% from the 1994 third quarter to \$5,431 million, with increases in all operating revenue categories. Revenues after interest expense (net revenues) increased 17% from the year-ago period to \$2,682 million. Non-interest expenses totaled \$2,197 million in the 1995 third quarter, up 15% from the year-earlier period as increased profitability and business activity led to higher levels of compensation and benefits expense.

Commission revenues were \$829 million, up 23% from the 1994 third quarter. Commissions from listed securities increased 28% to \$404 million as a result of higher volumes. Mutual fund commissions were up 16% from the year-ago period to \$252 million. Mutual fund sales increased, particularly in offshore, fixed income, and equity funds, as investors were more active due to improved performance in both the stock and bond markets. Revenues from mutual fund sales for the 1995 nine-month period, however, were down 7% from the comparable 1994 period to \$656 million, as most stock and bond mutual funds declined in value after the strong 1994 first quarter, affecting volume through the first quarter of 1995.

Other commission revenues increased 22% from the 1994 third quarter to \$173 million due primarily to increased commissions from over-the-counter securities, options, and insurance products, partially offset by lower commissions from commodities transactions.

Net interest and dividend profit rose 21% from the 1994 third quarter to \$255 million as a result of higher levels of interest-earning assets relative to interest-bearing liabilities. Interest and dividend revenues advanced 23% over the year-ago period to \$3,004 million due primarily to growth in collateralized lending activities, partially offset by declining interest rates. Interest expense, which includes dividend expense, rose 23% from the 1994 third quarter to \$2,749 million as a result of increased levels of

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interest-bearing liabilities primarily related to the Corporation's funding activities, partially offset by a decrease in interest rates.

Significant components of interest and dividend revenues and interest expense for the three- and nine-month periods ended September 29, 1995 and September 30, 1994 follow:

<TABLE>

<CAPTION>

(In millions)	Three Months Ended		Nine Months Ended	
	Sept. 29, 1995	Sept. 30, 1994	Sept. 29, 1995	Sept. 30, 1994
	<C>	<C>	<C>	<C>
Interest and dividend revenues:				
Trading assets	\$ 867	\$ 881	\$2,877	\$2,620
Resale agreements	613	494	2,154	1,205
Securities borrowed	846	532	2,359	1,635
Margin lending	359	268	1,017	721
Other	319	264	922	775

Total	3,004	2,439	9,329	6,956
Interest expense:				
Borrowings	1,162	827	3,299	2,429
Repurchase agreements	833	658	2,804	1,675
Trading liabilities	492	547	1,692	1,505
Other	262	196	773	609
Total	2,749	2,228	8,568	6,218
Net interest and dividend profit	\$ 255	\$ 211	\$ 761	\$ 738

</TABLE>

Included in the "Borrowings" caption above is interest related to hedges on the Corporation's long-term borrowings. As part of the Corporation's asset, liability, and liquidity management strategies, substantially all U.S. dollar and foreign currency denominated fixed-rate, long-term borrowings are swapped into floating interest 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, decreased interest expense by approximately \$13 million and \$32 million for the 1995 three- and nine-month periods, respectively, and approximately \$40 million and \$156 million for the 1994 three- and nine-month periods, respectively.

Principal transactions revenues increased 1% from the 1994 third quarter to \$663 million. Taxable fixed-income trading revenues totaled \$145 million, down 16% from a year ago. Non-U.S. governments and agencies securities benefited from higher trading activity, particularly in Australian government instruments. Trading revenues from money market products benefited from increased variable and floating rate note activity in European markets. High-yield debt trading revenues increased due to higher revenues from bank loan trading as a result of improvements in credit ratings of certain issuers. Trading revenues from corporate bonds and preferred stock advanced due primarily to higher demand for fixed-rate preferred issues. Taxable fixed-income principal transactions revenues were negatively affected by a loss in mortgage-backed securities due to reduced market liquidity for non-generic products. Nevertheless, trading results from mortgage-backed products, which include net interest revenues, were positive. Trading revenues in U.S.

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Government and agencies securities were down from a year ago as lower interest rates in the current quarter reduced volatility. Taxable fixed-income trading revenues were up 2% to \$439 million for the first nine months of 1995 compared to the year-ago period, as higher revenues from corporate bonds and preferred stock, non-U.S. governments and agencies, and high-yield debt were substantially offset by declines in mortgage-backed products and U.S. Government and agencies securities.

Interest rate and currency swap revenues decreased 22% from the 1994 third quarter to \$160 million. Trading revenues from U.S. dollar denominated transactions were down due to reduced volume and lower margins. Interest rate and currency swap revenues were up 6% to \$589 million for the first nine months of 1995, primarily due to increased trading activity in non-U.S. dollar denominated transactions compared to the year-ago period.

Equities and equity derivatives trading revenues increased 64% from the 1994 third quarter to \$256 million. International equities trading revenues increased due to improved market conditions in the U.K. as well as Smith New Court activity. Over-the-counter equities trading revenues benefited from increased Nasdaq volume, primarily driven by technology stocks. Trading revenues from convertible securities increased as a result of higher trading volumes. Trading revenues in equity derivatives were down due to less favorable market conditions.

Municipal securities revenues declined 29% from last year's third quarter to \$69 million as discussions of possible tax law changes weakened retail investor demand for tax-exempt investments.

Foreign exchange and commodities trading revenues increased 41% from the 1994 third quarter to \$33 million. Increases in foreign exchange trading revenues, which resulted from higher customer volume caused by the strengthening of the U.S. dollar versus the Japanese yen and the German mark, were partially offset by a decrease in commodities trading activity.

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 the market value, however, is recorded in principal transactions revenues. Changes in the composition of trading inventories and hedge positions can cause the recognition of revenues within these categories to fluctuate. Consequently, net interest and principal transactions revenue components should be evaluated collectively.

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The table that follows provides information on aggregate trading profits, including net interest for the three and nine months ended September 29, 1995 and September 30, 1994. 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 Revenues		Net Interest Revenue (Expense)		Net Trading Revenue	
	1995	1994	1995	1994	1995	1994
Three Months						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Taxable fixed-income	\$ 145	\$ 171	\$ 56	\$ 60	\$ 201	\$ 231
Interest rate and currency swaps	160	205	(22)	(11)	138	194
Equity and equity derivatives	256	156	(12)	(31)	244	125
Municipals	69	98	1	1	70	99
Foreign exchange and commodities	33	24	(5)	1	28	25
Total	\$ 663	\$ 654	\$ 18	\$ 20	\$ 681	\$ 674
Nine Months						
Taxable fixed-income	\$ 439	\$ 429	\$ 218	\$ 274	\$ 657	\$ 703
Interest rate and currency swaps	589	557	(51)	5	538	562
Equity and equity derivatives	649	546	(55)	(84)	594	462
Municipals	210	275	(1)	5	209	280
Foreign exchange and commodities	66	74	(16)	1	50	75
Total	\$1,953	\$1,881	\$ 95	\$ 201	\$2,048	\$2,082

</TABLE>

Investment banking revenues were \$354 million, up 44% from the 1994 third quarter. Underwriting revenues for the 1995 third quarter were \$263 million, up 42% from the 1994 third quarter as higher revenues from equities, high-yield debt, and corporate bond and preferred stock issuances were partially offset by declines in convertible securities and private placement issuances.

The Corporation remained the top underwriter of debt and equity securities, in the aggregate, with a 1995 third quarter market share of 16.5% domestically and 13.9% worldwide, and a nine-month market share of 15.7% domestically and 12.5% worldwide, according to Securities Data Co.

Strategic services revenues rose 52% from the 1994 third quarter to \$91 million, benefiting from increased merger and acquisition advisory assignments primarily in the healthcare, media, and manufacturing sectors.

Investment banking revenues were \$938 million for the 1995 nine-month period, down 7% from the comparable 1994 period, as domestic and global industrywide underwriting volumes were down 6% and 8%, respectively, compared to volumes in the first nine months of 1994. Underwriting revenues were lower, particularly in equities, private placements, high-yield securities, and mortgage-backed products. Strategic services revenues, strong throughout

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1995, advanced 36% over the year-ago period due to increased merger and acquisition activity.

Asset management and portfolio service fees rose 12% from the 1994 third quarter to a record \$484 million, due to increases in asset management, mutual fund transfer agency, and mortgage servicing fees.

Asset management fees increased 10% from the 1994 third quarter to \$220 million due primarily to growth in money market and stock funds. Assets under management by Merrill Lynch Asset Management, L.P. ("MLAM") rose 13% to \$189 billion at quarter-end, compared with \$167 billion at the close of the 1994 third quarter, reflecting both inflows of client assets and higher portfolio values.

Mutual fund transfer agency fees rose 24% from the 1994 third quarter to \$35 million due to increases in both the number of accounts and the average annual fees generated per account. Mortgage servicing fees rose 82% to \$14 million.

Other revenues were \$97 million, up 11% from \$87 million reported in the 1994 third quarter due to small net investment gains in the 1995 third quarter. Other revenues were down 10% to \$325 million for the first nine months, compared with \$360 million for the first nine months of 1994. The first nine months of 1995 included \$10 million of net realized investment gains, compared with \$53 million of net realized investment gains in the first nine months of 1994.

Non-interest expenses were \$2,197 million, up 15% from the 1994 third quarter. Compensation and benefits expense increased 18% from the 1994 third quarter to \$1,392 million, due to higher production-related and incentive compensation as well as additional salary and benefits expense. Production-related compensation was up due to strong volumes in many businesses, while incentive compensation increased with improved profitability. The increase in salary and benefits expense is due primarily to the addition of approximately 1,500 Smith New Court personnel. Overall, headcount increased by approximately 2,000 employees from the 1994 third quarter to approximately 45,400 at the end of the 1995 third quarter. Compensation and benefits expense as a percentage of net revenues was 51.9% as compared with 51.2% in the year-ago period.

Occupancy costs increased 7% from the 1994 third quarter to \$113 million, due to international growth and increases in rent related to additional Smith New Court facilities. Communications and equipment rental expense was up 10% to \$122 million due to higher levels of business activity and increased use of market information services as well as increases in equipment rentals primarily related to Smith New Court. Depreciation and amortization expense rose 11% from the 1994 third quarter to \$93 million due to additional purchases of technology-related equipment over the past year.

Advertising and market development expense increased 6% to \$102 million as a result of increased international travel and advertising and sales promotion primarily related to the integration of Smith New Court. Professional fees increased 28% to \$114 million due to higher legal fees and system development costs. Brokerage, clearing, and exchange fees were up 7% to \$89 million as a result of higher volumes. Other expenses totaled

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\$171 million, up 4% from the 1994 third quarter due, in part, to goodwill amortization related to Smith New Court.

Income tax expense was \$185 million in the 1995 third quarter. The effective tax rate in the 1995 third quarter was 38.1%, compared with 40.5% in the year-ago period. The decrease in the effective tax rate was primarily attributable to lower state income taxes, increases in tax-exempt interest and deductions for dividends received, and expanded international business activities.

The reasons underlying changes in expense categories for the first nine months of 1995 are similar to those noted for the 1995 third quarter, unless otherwise noted herein. Advertising and market development expense decreased 3% from the comparable 1994 period as a result of reduced travel and recognition program costs, partially offset by increases in certain advertising programs.

#### 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 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 September 29, 1995, the Credit Facilities totaled \$5.5 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 without reliance on issuing new unsecured debt or drawing upon Credit Facilities. The composition of the Corporation's asset mix provides flexibility in managing liquidity, since most of the Corporation's assets turn over frequently and are generally match-funded with a liability whose cash flow characteristics closely match those of the asset. At September 29, 1995, approximately \_\_\_\_\_% 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

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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 borrowing at the Parent level, except where tax regulations, time differences, or other business considerations dictate otherwise. 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 for 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 \$16.0 billion and \$14.8 billion at September 29, 1995 and December 30, 1994, respectively, which represented 9% of total assets at both third quarter-end 1995 and year-end 1994.

At September 29, 1995, total long-term debt was \$16.2 billion compared with \$14.9 billion at year-end 1994. At September 29, 1995, the Corporation's senior long-term debt was rated by seven recognized credit rating agencies, as follows:

Rating Agency -----	Rating -----
Duff & Phelps Credit Rating Co.	AA-
Fitch Investors Service, Inc.	AA
IBCA Ltd.	AA-
Japan Bond Research Institute	AA
Moody's Investors Service, Inc.	A1
Standard & Poor's Ratings Group	A+
Thomson BankWatch, Inc.	AA

During the first nine months of 1995, the Corporation issued \$6.8 billion in long-term debt. During the same period, maturities and repurchases were \$5.4 billion. In addition, approximately \$817 million of the Corporation's securities held by subsidiaries were sold and \$982 million were purchased. Expected maturities of long-term debt over the next 12 months are \$5.7 billion as of September 29, 1995.

Approximately \$34.3 billion of the Corporation's indebtedness at September 29, 1995 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

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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 various business activities. At September 29, 1995, approximately 83% of invested assets of insurance subsidiaries were considered liquid by management.

In the 1995 nine-month period, the Corporation's cash and cash equivalents increased by approximately \$621 million to \$2,933 million. Cash of \$7,157 million was provided from financing activities in the first nine months of 1995. During the same period, the Corporation used \$5,699 million and \$837 million for operating and investing activities, respectively.

#### 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 \$6.1 billion at September 29, 1995, including \$5.5 billion in common equity, supplemented by \$618.8 million in preferred equity. The Corporation's average leverage ratio, computed as the ratio of average month-end assets to average month-end stockholders' equity, was 32.6x and 32.4x for the first nine months of 1995 and 1994, respectively. The Corporation's leverage ratio at the end of the 1995 and 1994 third quarters was 30.5x and 29.5x, respectively.

To compute the Corporation's average adjusted leverage ratio, resale agreements and securities borrowed transactions are subtracted from total assets. The average adjusted leverage ratio was 19.2x and 19.3x for the first nine months of 1995 and 1994, respectively. The Corporation's adjusted leverage ratio at the end of the 1995 and 1994 third quarters was 19.1x and 17.6x, respectively.

The Corporation operates in many regulated businesses that require various minimum levels of capital to conduct business. (See Regulatory Requirements Note to Consolidated Financial Statements - Unaudited.) 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.

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#### ASSETS AND LIABILITIES

The Corporation manages its balance sheet and risk limits according to market conditions and business needs, subject to profitability and control of risk. Asset and liability levels are primarily determined by order flow and fluctuate daily, sometimes significantly, depending upon volume and demand. The liquidity and maturity characteristics of assets and liabilities are monitored continuously. The Corporation monitors and manages changes in its balance sheet using point-in-time and 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 financial statement balances. The increase in average balance sheet levels during the first nine months of 1995 was attributable to many factors, including increased trading and related hedging and funding activities.

For the first nine months of 1995, average assets were \$189 billion, up 5% versus \$180 billion for the 1994 fourth quarter. Average liabilities rose 5% to \$184 billion from \$175 billion for the 1994 fourth quarter.

The major components of the net growth of average assets and liabilities are summarized in the table below:

<TABLE>  
<CAPTION>

(In millions)	Increase in Average Assets	Percent Increase
-----	-----	-----
<S>	<C>	<C>
Trading assets	\$ 5,665	10 %
Resale agreements	\$ 4,571	8 %



<CAPTION>

	Increase(Decrease) in Average Liabilities	Percent Increase (Decrease)
	-----	-----
<S>	<C>	<C>
Repurchase agreements	\$ 6,964	11 %
Trading liabilities	\$ 3,403	10 %
Securities loaned	\$ (1,757)	(29) %

</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 generally match-funds its repurchase agreements/resale agreements and its securities borrowed/securities loaned business, for example, earning an interest spread on these transactions. In the first nine months of 1995, inventory levels were higher due to increases in trading activity. On-balance-sheet hedges, included in trading assets and liabilities, were also up due, in part, to increased market activity during 1995. The Corporation uses hedges principally to reduce risk in connection with its trading activities. Repurchase and resale agreements rose during the first nine months of 1995 as a result of their increased use as funding sources for the higher levels of trading assets and liabilities, respectively. Securities loaned transactions were down primarily due to a decrease in their use to fund trading assets. In addition, at September 29, 1995 and December 30, 1994 there were \$3.1 billion and \$1.1 billion, respectively, of securities borrowed/loaned with the same counterparties that the Corporation did not offset. In practice, the application of FASB

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Interpretation No. 39, "Offsetting of Amounts Related to Certain Contracts", varies among financial institutions with some entities offsetting these balances.

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 four years, the Corporation has increased its non-investment grade trading inventories to satisfy client demand for higher-yielding investments, including emerging markets and other international securities.

Non-investment grade securities have been defined as debt and preferred equity securities rated as BB+ or lower, or equivalent ratings by recognized credit rating agencies, certain sovereign debt in emerging markets, amounts due under various derivative contracts from non-investment grade counterparties, and those non-rated securities that, in the opinion of management, are non-investment grade. At September 29, 1995, long and short non-investment grade trading inventories accounted for 5.1% of aggregate consolidated trading inventories, compared with 4.3% at year-end 1994. 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. In connection with these syndications, the Corporation may retain a residual portion of these loans. 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 September 29, 1995 and December 30, 1994, there were no bridge loans 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. The Corporation has also committed to participate in limited partnerships that invest in leveraged transactions. Future commitments to participate in limited partnerships and other direct equity investments will be determined on a select 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 of and the liquidity of the market for such securities, in addition to the usual risks associated with investing in, financing,

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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 3.7%, compared with 5.5% at year-end 1994. Non-investment grade securities of insurance subsidiaries are classified as available-for-sale and are carried at fair value.

A summary of the Corporation's non-investment grade holdings and highly leveraged transactions is provided below:

<TABLE>

<CAPTION>

(In millions)	SEPTEMBER 29, 1995	DECEMBER 30, 1994
-----		
<S>	<C>	<C>
Non-investment grade trading assets	\$4,725	\$3,309
Non-investment grade trading liabilities	406	456
Non-investment grade investments of insurance subsidiaries	212	314
Loans (net of allowance for loan losses) (A)	327	257
Equity investments (B)	228	289
Partnership interests	109	93
-----		
Additional commitments to invest in partnerships	\$ 81	\$ 80
Unutilized revolving lines of credit and other lending commitments	92	50
-----		

</TABLE>

(A) Represented outstanding loans to 36 and 35 medium-sized companies at September 29, 1995 and December 30, 1994, respectively.

(B) Invested in 81 and 80 enterprises at September 29, 1995 and December 30, 1994, respectively.

At September 29, 1995, the largest non-investment grade concentration consisted of government and corporate obligations of a South American sovereign totaling \$503 million, of which \$456 million represented on-balance-sheet hedges for off-balance-sheet instruments. No one industry sector accounted for more than 27% of total non-investment grade positions.

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Included in the table above are debt and equity securities of issuers in various stages of bankruptcy proceedings or in default. At September 29, 1995, the carrying value of these securities totaled \$310 million, of which 83% resulted from the Corporation's market-making activities in such securities.

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#### STATISTICAL DATA

Selected statistical data for the last five quarters is presented below for informational purposes:

<TABLE>

<CAPTION> (Dollars in millions, except per share amounts)	3rd Qtr. 1994	4th Qtr. 1994	1st Qtr. 1995	2nd Qtr. 1995	3rd Qtr. 1995
<S>	<C>	<C>	<C>	<C>	<C>
PRIVILEGE CLIENT ACCOUNTS (A):					
Assets in Worldwide Private Client Accounts	\$571,000	\$568,000	\$603,000	\$643,000	\$675,000
Assets in Domestic Private Client Accounts	\$539,000	\$537,000	\$571,000	\$608,000	\$639,000
Assets under Professional Management:					
Money Markets	\$ 67,000	\$ 67,000	\$ 71,000	\$ 76,000	\$ 80,000
Equities	38,000	37,000	38,000	42,000	44,000
Fixed Income	38,000	36,000	37,000	38,000	39,000
Private Portfolio	19,000	20,000	20,000	20,000	22,000
Insurance	5,000	4,000	4,000	4,000	4,000
Subtotal	167,000	164,000	170,000	180,000	189,000
ML Consults	15,400	14,400	14,900	15,700	16,500
TOTAL	\$182,400	\$178,400	\$184,900	\$195,700	\$205,500
-----					
UNDERWRITING (B):					
Global Debt and Equity:					
Volume	\$ 30,200	\$ 21,300	\$ 27,800	\$ 32,400	\$ 41,600
Market Share	13.0%	10.0%	12.2%	11.8%	13.9%
U.S. Domestic Debt and Equity:					
Volume	\$ 24,600	\$ 18,000	\$ 24,500	\$ 27,200	\$ 35,200
Market Share	16.7%	15.3%	16.9%	14.3%	16.5%
-----					
FULL-TIME EMPLOYEES:					
U.S. Domestic	38,650	38,700	38,550	38,200	38,900
International	5,000	5,100	5,050	5,100	6,500
TOTAL	43,650	43,800	43,600	43,300	45,400
-----					
Financial Consultants and Account Executives Worldwide	13,300	13,400	13,500	13,600	13,700
Support Personnel to Producer Ratio (C)	1.46	1.46	1.44	1.41	1.38
INCOME STATEMENT:					
Net Earnings	\$ 231.6	\$ 161.6	\$ 227.3	\$ 282.8	\$ 300.4
Annualized Return on Average Common Stockholders' Equity	16.9%	11.5%	16.7%	21.0%	21.5%
Earnings Per Common Share:					
Primary	\$ 1.10	\$ .76	\$ 1.08	\$ 1.40	\$ 1.47
Fully Diluted	\$ 1.10	\$ .75	\$ 1.08	\$ 1.39	\$ 1.46
BALANCE SHEET:					
Total Assets	\$168,395	\$163,749	\$176,733	\$174,853	\$185,473
Total Stockholders' Equity	\$ 5,705	\$ 5,818	\$ 5,704	\$ 5,883	\$ 6,077
SHARE INFORMATION (IN THOUSANDS):					
Weighted Average Shares					
Outstanding:					
Primary	209,030	203,157	199,178	193,267	196,395
Fully Diluted	209,030	203,618	199,178	195,159	197,157
Common Shares Outstanding (D)	192,812	181,479	176,521	175,460	175,501
Shares Repurchased	4,058	12,512	9,309	3,571	1,689

</TABLE>

- (A) Client accounts were redefined in 1994 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) Does not include 6,816,714, 6,427,091, 5,306,924, 4,809,014 and 4,375,113 unallocated reversion shares held in the Employee Stock Ownership Plan at period end September 30, 1994, December 30, 1994, March 31, 1995, June 30, 1995, and September 29, 1995, respectively, which are not considered outstanding for accounting purposes.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Since the filing of the Corporation's 1994 10-K and of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 (the "Second Quarter 1995 10-Q"), the following events have taken place with respect to several of the actions reported therein. Capitalized terms used herein without

definition have the meanings set forth in the 1994 10-K.

Orange County Litigation. The following developments have occurred since the  
- -----

filing of the Second Quarter 1995 10-Q with respect to the civil actions filed against or on behalf of the Corporation arising out of the Corporation's business activities with Orange County related to transactions entered into on behalf of Orange County and the Pools.

In the Orange County Action that commenced on January 12, 1995, the Bankruptcy Court dismissed the amended complaint filed by Orange County on June 6, 1995. On October 25, 1995, Orange County filed a second amended complaint. John M.W. Moorlach, Orange County's Treasurer-Tax Collector also is named as a plaintiff in the second amended complaint.

In the Darling Action, which was dismissed on July 6, 1995 by the Superior Court of the State of California, County of Orange, a notice of appeal was filed on September 11, 1995.

On September 15, 1995, an action was commenced in the Superior Court of the State of California, County of San Francisco, by twelve California public entities (the "Atascadero Action"). Named as defendants are the Corporation, certain subsidiaries of the Corporation and an employee of the Corporation. The complaint alleges, among other things, that the defendants committed fraud, deceit, negligence, negligent misrepresentation, breach of fiduciary duty, aided and abetted a breach of fiduciary duty, and violated California Penal Code Section 496 and the California Unfair Business Practice Act, in connection with the Corporation's business activities with Orange County and the Pools. Injunctive relief, rescission, restitution and damages in excess of \$50 million are sought.

On September 28, 1995, a purported class action was commenced in the Superior Court of the State of California, County of Orange, asserting claims brought under Sections 25400, 25401, 25500, 25501 and 25504.1 of the California Corporations Code that had been dismissed without prejudice on July 17, 1995 by the United States District Court for the Central District of California in the federal Smith Action. Damages in an unspecified amount are sought.

Pittleman Derivative Action. On November 3, 1995, a derivative action was  
- -----  
commenced in the Supreme Court of the State of New York, New York County, by the stockholder Sheldon Pittleman on behalf of Merrill Lynch & Co., Inc., naming as defendants certain present and former directors of the Corporation. Damages in an unspecified amount are sought on behalf of the Corporation. The complaint alleges, among other things, claims for breach of fiduciary duty, indemnification and corporate waste in connection with (a) certain of the Corporation's municipal finance activities, including certain contractual arrangements that led to (1) a civil settlement of

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approximately \$12 million with the United States Attorney for the District of Massachusetts, the Massachusetts Attorney General and the Securities and Exchange Commission ("SEC") and (2) issuance by the SEC of an order censuring the Corporation's subsidiary, MLPF&S, and an order directing MLPF&S to cease and desist from committing or causing any violation or future violation of Rule G-17 of the Municipal Securities Rulemaking Board, to which MLPF&S consented without admitting or denying any of the findings or allegations contained in the order and (b) certain basket trading activities in Japan that led to administrative sanctions by Japanese securities regulators consisting of a 48-hour suspension of arbitrage trading by Merrill Lynch for its own account in Japan.

For more detailed information regarding litigation matters involving the Corporation, see "Item 3. - Legal Proceedings" in the 1994 10-K.

ITEM 5. OTHER INFORMATION  
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The 1996 Annual Meeting of Stockholders will be held at 10:00 a.m. on Tuesday, April 16, 1996 at the Merrill Lynch & Co., Inc. Conference and Training Center, 800 Scudders Mill Road, Plainsboro, New Jersey. Any stockholder of record entitled to vote generally for the election of directors may nominate one or more persons for election as a director at such meeting only if proper written notice of such stockholder's intent to make such nomination or nominations, in accordance with the provisions of Merrill Lynch & Co., Inc.'s Certificate of Incorporation, has been given to the Secretary of the Corporation, 100 Church Street, 12th Floor, New York, New York 10080-6512, no earlier than February 1, 1996 and no later than February 26, 1996.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K  
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(a) Exhibits

- (4) Instruments defining the rights of security holders, including indentures:

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Corporation hereby undertakes to furnish to the Securities and Exchange Commission (the "Commission"), upon request, copies of the instruments defining the rights of holders of long-term debt securities of the Corporation that authorize an amount of securities constituting 10% or less of the total assets of the Corporation and its subsidiaries on a consolidated basis.

(10) Material Contracts

- (i) Form of Merrill Lynch & Co., Inc. 1996 Deferred Compensation Agreement for a Select Group of Eligible Employees, dated as of August 14, 1995.
- (ii) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan, as amended on October 23, 1995.

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- (11) Statement re: computation of per common share earnings.
- (12) Statement re: computation of ratios.
- (15) Letter re: unaudited interim financial information.
- (27) Financial Data Schedule. (The Financial Data Schedule to be contained in this Exhibit 27 is required to be submitted only in the Corporation's electronic filing of this Quarterly Report on Form 10-Q by means of the EDGAR System and therefore is herein omitted.)

(b) Reports on Form 8-K

The following Current Reports on Form 8-K were filed by the Corporation with the Commission during the quarterly period covered by this Report:

- (i) Current Report dated July 18, 1995 for the purpose of filing the Preliminary Unaudited Earnings Summary of the Corporation for the three-month period ended June 30, 1995.
- (ii) Current Report dated July 21, 1995 for the purpose of reporting on an acquisition to be made by the Corporation.
- (iii) Current Report dated August 1, 1995 for the purpose of filing the form of Registrant's 6.7% Notes due August 1, 2000.
- (iv) Current Report dated August 2, 1995 for the purpose of filing the Preliminary Unaudited Consolidated Balance Sheet of the Corporation as of June 30, 1995.
- (v) Current Report dated September 19, 1995 for the purpose of filing the form of Registrant's 6.64% Notes due September 19, 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERRILL LYNCH & CO., INC.

-----  
(Registrant)

Date: November 10, 1995

By: /s/ Joseph T. Willett

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

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INDEX TO EXHIBITS

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- 12 Statement re: computation of ratios.
- 15 Letter re: unaudited interim financial information.
- 27 Financial Data Schedule. (The Financial Data Schedule to be contained in this Exhibit 27 is required to be submitted only in the Corporation's electronic filing of this Quarterly Report on Form 10-Q by means of the EDGAR System and therefore is herein omitted.)

MERRILL LYNCH & CO., INC.  
 1996 DEFERRED COMPENSATION PLAN  
 FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

DATED AS OF AUGUST 14, 1995

MERRILL LYNCH & CO., INC.  
 1996 DEFERRED COMPENSATION PLAN  
 FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

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MERRILL LYNCH & CO., INC.  
1996 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 1996, and payable after January 1, 1996, as a result of the Participant's production credit level, or such other similar items of compensation as the Administrator shall designate as "Adjusted Compensation" for purposes of this Plan.

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

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

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

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

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

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

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

"Compensation" means, as relevant, a Participant's Adjusted Compensation, Variable Incentive Compensation and/or Sign-On Bonus. 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, except as provided in Section 5.6, the amounts of Compensation actually deferred by the Participant under this Plan.

"Election Year" means the 1995 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. 1996 Deferred Compensation Plan for a Select Group of Eligible Employees.

"Plan Year" means the Fiscal Year ending in 1996.

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

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

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

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

"Variable Incentive Compensation" means the variable incentive compensation or office manager incentive compensation that is paid in cash to certain employees of the Company generally in January or February of the Plan

Year with respect to the prior Fiscal Year, which for purposes of this Plan is considered earned during the Plan Year regardless of when it is actually paid to the Participant, or such other similar items of compensation as the Administrator shall designate as "Variable Incentive Compensation" for purposes of this Plan.

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## 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 1995 of the Chairman's Club, the Charles E. Merrill Circle, the Society of Eagles, the Falcons Club or the Win Smith Fellows, (B) is a National Sales Manager (C) is a member of the International Private Banking Group, (D) is employed as an Investment Manager for Merrill Lynch Asset Management, (E) is a non-producing employee in the Senior Manager or Senior Consultant Band (Q Band) or above, or (F) is a producing employee in grade 95 or above; provided, that non-producing employees

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

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

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

(c) 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 of the Election Year or, in the event such date is not a business day, the immediately preceding business day; provided, however, that the Eligible Employee's election to defer a Sign-On

-----  
Bonus 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.

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(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. No interest will accrue, nor will any adjustment be made to the Account, for the period until the Deferred Amounts are credited.

### 3.3 MINIMUM REQUIREMENTS FOR DEFERRAL.

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

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

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

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

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

### 3.4 BENCHMARK RETURN OPTIONS; ADJUSTMENT OF ACCOUNTS.

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

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

Account and distributions from the Account, appropriate deferral allocation instructions shall be treated as received from the Participant prior to the close of transactions through the ML II System on the relevant day. Each Selected Benchmark Return Option shall be valued using the Net Asset Value of the Selected Benchmark Return Option as of the relevant day; provided, that, in

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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

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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;

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(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

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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

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

### 3.5 RESCISSION OF DEFERRAL ELECTION.

(a) PRIOR TO DECEMBER 1, 1995. A deferral election hereunder may be rescinded at the request of a Participant only (i) on or before December 1, 1995, 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, 1995 and November 30, 1995), agrees to the rescission of the election. In the event the Administrator agrees to the rescission, the Deferred Amounts, if any, credited to the Participant's Account will be paid to the Participant as soon as practicable thereafter subject to reduction for any applicable withholding taxes.

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

(c) RESCISSION FOR AMOUNTS NOT YET EARNED. Upon the Participant's written request, the Administrator may in his sole discretion terminate any deferral elections made hereunder with respect to Compensation not yet earned and no further amounts will be deferred. 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 ML & Co. and any Participant, the Participant's beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by the Account Balance will at all times remain in ML & Co.; such funds will continue for all purposes to be a part of the general funds of ML & Co. and may be used for any corporate purpose. No person will, by virtue of the provisions of this Plan, have any interest whatsoever in any specific assets of the Company. TO THE EXTENT THAT ANY PERSON ACQUIRES A RIGHT TO RECEIVE PAYMENTS FROM ML & CO. UNDER THIS PLAN, SUCH RIGHT WILL BE NO GREATER THAN THE RIGHT OF ANY UNSECURED GENERAL CREDITOR OF ML & CO.

## 4.2 NON-ASSIGNABILITY.

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

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

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

## ARTICLE V

## PAYMENT OF ACCOUNT

## 5.1 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 payment to be made, or in the number of annual installments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's Retirement or death, (ii) in any month and year selected by the Participant after the end of 1996 or (iii) in any month in the calendar year following the Participant's Retirement; provided that no election may result in the payment (in the case of a single payment) or commencement of payment (in the case of installment payments) later than the month following the Participant's 70th birthday. The amount of each annual installment, if applicable, shall be determined by multiplying the Account Balance as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made).

## 5.2 TERMINATION OF EMPLOYMENT.

(a) DEATH OR RETIREMENT. Upon a Participant's death or Retirement prior to payment, the Account Balance will be paid, in accordance with the Participant's elections and as provided in Section 5.1, to the Participant (in the event of Retirement) or to the Participant's beneficiary (in the event of death); provided, however, that in the event that a beneficiary of the

Participant's Account is the Participant's estate or is otherwise not a natural person, the applicable portion of the Account Balance will be paid in a single payment to such beneficiary notwithstanding any election of installment payments.

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

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

(d) DISCRETION TO ALTER PAYMENT DATE. Notwithstanding the provisions of

Sections 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

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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.

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

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

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

### 5.5 HARDSHIP DISTRIBUTIONS.

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

5.6 DOMESTIC RELATIONS ORDERS.

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

ARTICLE VI

ADMINISTRATION OF THE PLAN

6.1 POWERS OF THE ADMINISTRATOR.

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

6.2 PAYMENTS ON BEHALF OF AN INCOMPETENT.

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

6.3 CORPORATE BOOKS AND RECORDS CONTROLLING.

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

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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 reduced by the current year's Annual Charge, or pro rata portion thereof, as set forth in Section 3.4(c)) as of the date of such amendment or termination.



AS AMENDED THROUGH OCTOBER 23, 1995

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

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MERRILL LYNCH & CO., INC.

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LONG-TERM INCENTIVE COMPENSATION PLAN  
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ARTICLE I - GENERAL

SECTION 1.1 PURPOSE.

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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.

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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.

#### SECTION 1.3 ADMINISTRATION.

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(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.

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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

\*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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Stock distributed under the Plan may be treasury shares or authorized but unissued shares. The total number of units payable in cash under the Plan, including Performance Units, Restricted Units, and Stock Appreciation Rights (to the extent they are paid out in cash) shall be 80,000,000.\* To the extent that awards of Other ML & Co. Securities are convertible into Common Stock or are otherwise equity securities (or convertible into equity securities) of ML & Co., they shall be subject to the limitation expressed above on the number of shares of Common Stock that can be awarded under the Plan; otherwise, they shall be treated as if they were awards of units payable in cash under the Plan and

subject to the foregoing limitation thereon. Any shares of Common Stock that have been granted as Restricted Shares or that have been reserved for distribution in payment for Performance Shares but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of grants under the Plan. If any Stock Option, Stock Appreciation Right, or Other ML & Co. Security granted under the Plan expires or terminates, or any Stock Appreciation Right is paid out in cash, the underlying shares of Common Stock may again be made the subject of grants under the Plan. Units payable in cash that are later forfeited or for any reason are not payable under the Plan may again be the subject of grants under the Plan.

SECTION 1.5 ELIGIBILITY AND PARTICIPATION.  
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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.  
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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.

SECTION 2.2 PERFORMANCE OBJECTIVES.  
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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

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

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

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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

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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

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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

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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

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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

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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

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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

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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.

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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.

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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.

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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.  
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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.  
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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  
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UNITS.  
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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  
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UNITS.  
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(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.  
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(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  
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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

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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

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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

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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.

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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.

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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.

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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.  
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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.  
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(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

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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

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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

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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 AND TAX LIABILITY UPON EXERCISE;  
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DELIVERY OF SHARES.  
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(a) PAYMENT OF PURCHASE PRICE. The purchase price of the shares as to which a Stock Option is exercised shall be paid to the Company at the time of exercise (i) in cash, (ii) by delivering freely transferable shares of Common Stock already owned by the 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.

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

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least equal to the amount of tax to be withheld; provided that, with respect to any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, the Committee shall have the right to disapprove such election.

(c) DELIVERY OF SHARES. Upon receipt by the Company of the purchase price, stock certificate(s) for the shares of Common Stock as to which a Stock Option is exercised (net of any shares withheld pursuant to Section 4.5(b) above) shall be delivered to the Participant or such shares shall be credited to a brokerage account or otherwise delivered, in such manner as such Participant may direct.

SECTION 4.6 LIMITATION ON FAIR MARKET VALUE OF SHARES OF COMMON STOCK  
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RECEIVED UPON EXERCISE OF INCENTIVE STOCK OPTIONS.  
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The aggregate Fair Market Value (determined at the time an Incentive Stock Option is granted) of the shares of Common Stock with respect to which an Incentive Stock Option is exercisable for the first time by a Participant during any calendar year (under all plans of the Company) shall not exceed \$100,000 or such other limit as may be established from time to time under the Code.

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

SECTION 5.1 GRANTS OF STOCK APPRECIATION RIGHTS.  
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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

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Committee at the time of grant, which shall in no event be less than 50% of the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted. Stock Appreciation Rights are not transferable by a Participant except by will or the laws of descent and distribution and are

exercisable during his lifetime only by him.

SECTION 5.2 STOCK APPRECIATION RIGHTS GRANTED IN CONNECTION WITH  
-----  
INCENTIVE STOCK OPTIONS.  
-----

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

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

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

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

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

SECTION 5.3 PAYMENT UPON EXERCISE OF STOCK APPRECIATION RIGHTS.  
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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.  
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(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.

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(b) Disability: The Disability of a Participant shall not constitute a -----  
termination of employment for purposes of this Article IV, provided that following the Disability such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

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

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

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

SECTION 6.1 GRANTS OF OTHER ML & CO. SECURITIES.

-----  
Subject to the provisions of the Plan and any necessary action by the Board of Directors, the Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant to Participants Other ML & Co. Securities or the right or option to purchase Other ML & Co. Securities on such terms and conditions as the Committee shall determine, including, without limitation, the period such rights or options may be exercised, the nature and terms of payment of consideration for such Other ML & Co. Securities, whether such Other ML & Co. Securities shall be subject to any or all of the provisions of Article III of the Plan applicable to Restricted Shares and/or Restricted Units, the consequences of termination of employment, and the terms and conditions, if any, upon which such Other ML & Co. Securities may or must be repurchased by the Company. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account

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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 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.  
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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,

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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 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

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IN CONTROL.  
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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,

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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) 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

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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 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.

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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.

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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

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indirectly, of securities of ML & Co. representing 30% or more of the combined voting power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

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

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

#### SECTION 8.3 EFFECT OF AGREEMENT RESULTING IN CHANGE IN CONTROL.

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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

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this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978 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

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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

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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.

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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

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Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which 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.

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

SECTION 9.8 INDEMNIFICATION.  
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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.  
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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.

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

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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.  
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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.  
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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.

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
COMPUTATION OF PER COMMON SHARE EARNINGS

(In Thousands, Except Per Share Amounts)

<TABLE>  
<CAPTION>

Months	For the Three Months		For the Nine
	Ended		Ended
-----	-----	-----	-----
Sept. 30,	Sept. 29,	Sept. 30,	Sept. 29,
1994	1995	1994	1995
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
PRIMARY:			
Net earnings.....	\$300,356	\$231,579	\$810,427
\$855,147			
Preferred stock dividends.....	(11,771)	(1,718)	(35,625)
(4,594)			
-----	-----	-----	-----
Net earnings applicable to common stockholders.....	\$288,585	\$229,861	\$774,802
\$850,553	=====	=====	=====
=====			
Weighted average shares outstanding:			
Common Stock.....	175,620	194,062	177,218
198,353			
Assuming issuance of shares relating to			
employee incentive plans.....	20,775	14,968	19,062
15,582	-----	-----	-----
-----			
Total shares.....	196,395	209,030	196,280
213,935	=====	=====	=====
=====			
Per common share amounts:			
Net earnings.....	\$ 1.47	\$ 1.10	\$ 3.95
3.98	=====	=====	=====
=====			
FULLY DILUTED:			
Net earnings.....	\$300,356	\$231,579	\$810,427
\$855,147			
Preferred stock dividends.....	(11,771)	(1,718)	(35,625)
(4,594)	-----	-----	-----
-----			
Net earnings applicable to common stockholders.....	\$288,585	\$229,861	\$774,802
\$850,553	=====	=====	=====
=====			
Weighted average shares outstanding:			
Common stock.....	175,620	194,062	177,218
198,353			
Assuming issuance of shares relating to			
employee incentive plans.....	21,537	14,968	21,537
15,697	-----	-----	-----
-----			
Total shares.....	197,157	209,030	198,755
214,050	=====	=====	=====
=====			
Per common share amounts:			
Net earnings.....	\$ 1.46	\$ 1.10	\$ 3.90
3.97			\$

=====  
</TABLE>

METHOD OF COMPUTATION: In accordance with Accounting Principles Board Opinion No. 15, the modified treasury stock method was used to calculate per common share earnings.



MERRILL LYNCH & CO., INC. AND SUBSIDIARIES  
 COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND  
 COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Dollars In Thousands)

<TABLE>  
 <CAPTION>

	For the Three Months Ended		For the Nine Months Ended	
	Sept. 29, 1995	Sept. 30, 1994	Sept. 29, 1995	Sept. 30, 1994
<S>	<C>	<C>	<C>	<C>
Pretax earnings from continuing operations.....	\$ 485,477	\$ 389,522	\$ 1,328,569	\$1,474,392
Deduct equity in undistributed net earnings of unconsolidated subsidiaries.....	-	(3,218)	-	(15,666)
Total pretax earnings from continuing operations.....	485,477	386,304	1,328,569	1,458,726
Add:				
Fixed charges				
Interest (A).....	2,746,297	2,223,203	8,559,298	6,198,030
Other (B).....	36,334	33,300	105,302	104,043
Total fixed charges.....	2,782,631	2,256,503	8,664,600	6,302,073
Preferred stock dividend requirements.....	19,016	2,887	58,402	7,921
Total combined fixed charges and preferred stock dividends.....	2,801,647	2,259,390	8,723,002	6,309,994
Pretax earnings before fixed charges.....	\$3,268,108	\$2,642,807	\$ 9,993,169	\$7,760,799
Pretax earnings before combined fixed charges and preferred stock dividends.....	\$3,287,124	\$2,645,694	\$10,051,571	\$7,768,720
Ratio of earnings to fixed charges.....	1.17	1.17	1.15	1.23
Ratio of earnings to combined fixed charges and preferred stock dividends.....	1.17	1.17	1.15	1.23

</TABLE>

(A) There was no capitalized interest for the 1995 and 1994 periods.

(B) Other fixed charges consist of the interest factor in rentals, amortization of debt expense, and preferred stock dividend requirements of majority-owned subsidiaries.

November 10, 1995

Merrill Lynch & Co., Inc.  
World Financial Center  
North Tower  
New York, NY 10281

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial information of Merrill Lynch & Co., Inc. and subsidiaries as of September 29, 1995 and for the three- and nine-month periods ended September 29, 1995 and September 30, 1994 as indicated in our report dated November 10, 1995; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 29, 1995, is incorporated by reference in the following documents, as amended:

Filed on Form S-8:

Registration Statement No. 33-41942 (1986 Employee Stock Purchase Plan)  
Registration Statement No. 33-17908 (Incentive Equity Purchase Plan)  
Registration Statement No. 33-33336 (Long Term Incentive Compensation Plan)  
Registration Statement No. 33-51831 (Long Term Incentive Compensation Plan)  
Registration Statement No. 33-51829 (401(k) Savings and Investment Plan)  
Registration Statement No. 33-54154 (Non-Employee Directors' Equity Plan)  
Registration Statement No. 33-54572 (401(k) Savings and Investment Plan  
(Puerto Rico))  
Registration Statement No. 33-56427 (1994 Deferred Compensation Plan for a  
Select Group of Eligible Employees)  
Registration Statement No. 33-55155 (1995 Deferred Compensation Plan for a  
Select Group of Eligible Employees)  
Registration Statement No. 33-60989 (1996 Deferred Compensation Plan for a  
Select Group of Eligible Employees)

Filed on Form S-3:

Debt Securities

Registration Statement No. 33-54218  
Registration Statement No. 2-78338  
Registration Statement No. 2-89519  
Registration Statement No. 2-83477  
Registration Statement No. 33-03602  
Registration Statement No. 33-17965  
Registration Statement No. 33-27512  
Registration Statement No. 33-35456  
Registration Statement No. 33-42041  
Registration Statement No. 33-45327  
Registration Statement No. 33-49947  
Registration Statement No. 33-51489  
Registration Statement No. 33-52647  
Registration Statement No. 33-60413  
Registration Statement No. 33-61559

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. 33-27594

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)

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

New York, New York

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

<TABLE> <S> <C>

EXHIBIT 27

The Financial Data Schedule to be contained in this Exhibit 27 is required to be submitted only in the Corporation's electronic filing of this Quarterly Report on Form 10-Q by means of the EDGAR System and therefore is herein omitted.

<ARTICLE> BD

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MERRILL LYNCH & CO., INC.'S QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 29, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1>FINANCIAL INSTRUMENTS OWNED INCLUDES COMMODITY CONTRACTS BUT EXCLUDES PHYSICAL COMMODITIES AND REAL ESTATE OWNED TOTALING \$289,603.  
</FN>

</TABLE>