

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, 2000

COMMISSION FILE NUMBER 1-7182

MERRILL LYNCH & CO., INC.

 (Exact name of registrant as specified in its charter)

DELAWARE 13-2740599

(State of incorporation) (I.R.S. Employer Identification No.)

4 WORLD FINANCIAL CENTER
 NEW YORK, NEW YORK 10080

(Address of principal executive offices) (Zip Code)

(212) 449-1000

Registrant's telephone number, including area code

 Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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.

805,326,290 shares of Common Stock and 4,770,616 Exchangeable Shares as of the close of business on November 3, 2000. The Exchangeable Shares, which were issued by Merrill Lynch & Co., Canada Ltd. in connection with the merger with Midland Walwyn Inc., are exchangeable at any time into Common Stock on a one-for-one basis and entitle holders to dividend, voting, and other rights equivalent to Common Stock.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

<TABLE>
 <CAPTION>

(in millions, except per share amounts)	FOR THE THREE MONTHS ENDED		PERCENT INC. (DEC.)
	SEPT. 29, 2000	SEPT. 24, 1999	
<S>	<C>	<C>	<C>
NET REVENUES			
Commissions	\$ 1,624	\$ 1,444	12.5 %
Principal transactions	1,160	1,130	2.7
Investment banking	858	949	(9.6)
Asset management and portfolio service fees	1,414	1,183	19.5
Other	318	122	160.7
Subtotal	5,374	4,828	11.3

Interest and dividend revenues	5,479	3,669	49.3
Less interest expense	4,704	3,145	49.6
	-----	-----	
Net interest profit	775	524	47.9
	-----	-----	
TOTAL NET REVENUES	6,149	5,352	14.9
	-----	-----	
NON-INTEREST EXPENSES			
Compensation and benefits	3,146	2,783	13.0
Communications and technology	542	487	11.3
Occupancy and related depreciation	250	232	7.8
Advertising and market development	205	191	7.3
Brokerage, clearing, and exchange fees	206	193	6.7
Professional fees	147	145	1.4
Goodwill amortization	52	57	(8.8)
Other	290	360	(19.4)
	-----	-----	
TOTAL NON-INTEREST EXPENSES	4,838	4,448	8.8
	-----	-----	
EARNINGS BEFORE INCOME TAXES AND DIVIDENDS ON PREFERRED SECURITIES ISSUED BY SUBSIDIARIES			
	1,311	904	45.0
Income Tax Expense	378	276	37.0
Dividends on Preferred Securities Issued by Subsidiaries	48	49	(2.0)
	-----	-----	
NET EARNINGS	\$ 885	\$ 579	52.8
	=====	=====	
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 875	\$ 571	53.2
	=====	=====	
EARNINGS PER COMMON SHARE			
Basic	\$ 1.09	\$ 0.75	
	=====	=====	
Diluted	\$ 0.94	\$ 0.67	
	=====	=====	
DIVIDEND PAID PER COMMON SHARE			
	\$ 0.16	\$ 0.14	
	=====	=====	
AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE			
Basic	805.9	757.9	
	=====	=====	
Diluted	929.0	855.3	
	=====	=====	

</TABLE>

See Notes to Consolidated Financial Statements

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

<TABLE>

<CAPTION>

(in millions, except per share amounts)	FOR THE NINE MONTHS ENDED		
	SEPT. 29, 2000	SEPT. 24, 1999	PERCENT INC. (DEC.)
<S>	<C>	<C>	<C>
NET REVENUES			
Commissions	\$ 5,431	\$ 4,613	17.7 %
Principal transactions	4,746	3,831	23.9
Investment banking	2,941	2,489	18.2
Asset management and portfolio service fees	4,217	3,451	22.2
Other	849	442	92.1
	-----	-----	
Subtotal	18,184	14,826	22.6
	-----	-----	

Interest and dividend revenues	15,025	11,095	35.4
Less interest expense	12,690	9,643	31.6
	-----	-----	
Net interest profit	2,335	1,452	60.8
	-----	-----	
TOTAL NET REVENUES	20,519	16,278	26.1
	-----	-----	
NON-INTEREST EXPENSES			
Compensation and benefits	10,572	8,363	26.4
Communications and technology	1,710	1,508	13.4
Occupancy and related depreciation	762	698	9.2
Advertising and market development	713	546	30.6
Brokerage, clearing, and exchange fees	672	563	19.4
Professional fees	462	407	13.5
Goodwill amortization	162	170	(4.7)
Other	1,057	1,024	3.2
	-----	-----	
TOTAL NON-INTEREST EXPENSES	16,110	13,279	21.3
	-----	-----	
EARNINGS BEFORE INCOME TAXES AND DIVIDENDS ON PREFERRED SECURITIES ISSUED BY SUBSIDIARIES			
	4,409	2,999	47.0
Income Tax Expense	1,356	953	42.3
Dividends on Preferred Securities Issued by Subsidiaries	146	146	-
	-----	-----	
NET EARNINGS	\$ 2,907	\$ 1,900	53.0
	=====	=====	
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 2,878	\$ 1,872	53.7
	=====	=====	
EARNINGS PER COMMON SHARE			
Basic	\$ 3.63	\$ 2.49	
	=====	=====	
Diluted	\$ 3.18	\$ 2.19	
	=====	=====	
DIVIDENDS PAID PER COMMON SHARE	\$ 0.45	\$ 0.39	
	=====	=====	
AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE			
Basic	793.7	752.4	
	=====	=====	
Diluted	905.0	854.7	
	=====	=====	

</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 millions)	SEPT. 29, 2000	DEC. 31, 1999
	-----	-----
<S>	<C>	<C>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 12,833	\$ 10,962
CASH AND SECURITIES SEGREGATED FOR REGULATORY PURPOSES OR DEPOSITED WITH CLEARING ORGANIZATIONS	5,763	6,078
RECEIVABLES UNDER RESALE AGREEMENTS AND SECURITIES BORROWED TRANSACTIONS	107,709	100,473
MARKETABLE INVESTMENT SECURITIES	40,357	10,145
TRADING ASSETS, AT FAIR VALUE		
Equities and convertible debentures	24,283	23,674
Corporate debt and preferred stock	18,485	20,348
Contractual agreements	17,219	22,701

U.S. Government and agencies	14,426	15,376
Non-U.S. governments and agencies	10,676	4,892
Mortgages, mortgage-backed, and asset-backed	8,938	7,394
Municipals and money markets	3,328	2,429
	-----	-----
	97,355	96,814
Securities received as collateral, net of securities pledged as collateral	12,728	10,005
	-----	-----
Total	110,083	106,819
	-----	-----
SECURITIES PLEDGED AS COLLATERAL	9,485	9,699
	-----	-----
OTHER RECEIVABLES		
Customers (net of allowance for doubtful accounts of \$77 in 2000 and \$55 in 1999)	45,449	40,034
Brokers and dealers	13,041	9,204
Interest and other	7,211	7,513
	-----	-----
Total	65,701	56,751
	-----	-----
INVESTMENTS OF INSURANCE SUBSIDIARIES	4,043	4,096
LOANS, NOTES, AND MORTGAGES (net of allowance for loan losses of \$176 in 2000 and \$146 in 1999)	14,093	11,188
OTHER INVESTMENTS	3,633	3,415
EQUIPMENT AND FACILITIES (net of accumulated depreciation and amortization of \$4,530 in 2000 and \$4,079 in 1999)	3,242	3,140
GOODWILL (net of accumulated amortization of \$662 in 2000 and \$543 in 1999)	4,391	4,952
OTHER ASSETS	2,571	1,836
	-----	-----
TOTAL ASSETS	\$383,904	\$329,554
	=====	=====

</TABLE>

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

<TABLE>
<CAPTION>

(dollars in millions, except per share amount)	SEPT. 29, 2000	DEC. 31, 1999
-----	-----	-----
<S>	<C>	<C>
LIABILITIES		
PAYABLES UNDER REPURCHASE AGREEMENTS AND SECURITIES LOANED TRANSACTIONS	\$ 85,972	\$ 72,211
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS	14,725	25,596
DEMAND AND TIME DEPOSITS	50,001	17,602
TRADING LIABILITIES, AT FAIR VALUE		
Contractual agreements	18,411	27,030
Equities and convertible debentures	22,022	20,259
U.S. Government and agencies	11,653	10,816
Non-U.S. governments and agencies	7,026	6,311
Corporate debt, preferred stock, and other	5,553	3,404
	-----	-----
Total	64,665	67,820
	-----	-----
OBLIGATION TO RETURN SECURITIES RECEIVED AS COLLATERAL	22,213	19,704
	-----	-----
OTHER PAYABLES		
Customers	22,863	23,166
Brokers and dealers	12,159	11,439
Interest and other	20,862	18,702
	-----	-----
Total	55,884	53,307

LIABILITIES OF INSURANCE SUBSIDIARIES	3,964	4,086
LONG-TERM BORROWINGS	66,589	53,499
TOTAL LIABILITIES	364,013	313,825
PREFERRED SECURITIES ISSUED BY SUBSIDIARIES	2,720	2,725
STOCKHOLDERS' EQUITY		
PREFERRED STOCKHOLDERS' EQUITY	425	425
COMMON STOCKHOLDERS' EQUITY		
Shares exchangeable into common stock	74	118
Common stock, par value \$1.33 1/3 per share; authorized: 1,000,000,000 shares; issued: 2000 - 962,533,498 shares; 1999 - 964,779,105 shares	1,283	1,286
Paid-in capital	2,641	1,156
Accumulated other comprehensive loss (net of tax)	(421)	(390)
Retained earnings	15,418	12,887
	18,995	15,057
Less: Treasury stock, at cost: 2000 - 160,364,905 shares; 1999 - 212,278,192 shares	1,331	1,835
Employee stock transactions	918	643
TOTAL COMMON STOCKHOLDERS' EQUITY	16,746	12,579
TOTAL STOCKHOLDERS' EQUITY	17,171	13,004
TOTAL LIABILITIES, PREFERRED SECURITIES ISSUED BY SUBSIDIARIES, AND STOCKHOLDERS' EQUITY	\$383,904	\$329,554

</TABLE>

See Notes to Consolidated Financial Statements

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

<TABLE>

<CAPTION>

ENDED	FOR THE NINE MONTHS	

(dollars in millions)	SEPT. 29,	
SEPT. 24,	2000	
1999	-----	-
<S>	<C>	
<C>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 2,907	\$
1,900		
Noncash items included in earnings:		
Depreciation and amortization	615	
519		
Policyholder reserves	145	
154		
Goodwill amortization	162	
170		
Amortization of stock-based compensation	373	
312		
Other	286	
261		
(Increase) decrease in operating assets(a):		
Trading assets	(642)	
9,098		
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	315	
1,615		
Receivables under resale agreements and securities borrowed transactions	(7,236)	

(8,350)		
Customer receivables	(5,437)	
(4,748)		
Brokers and dealers receivables	(3,837)	
(1,359)		
Other	(714)	
530		
Increase (decrease) in operating liabilities(a):		
Trading liabilities	(3,155)	
3,407		
Payables under repurchase agreements and securities loaned transactions	13,761	
2,885		
Customer payables	(303)	
(3,100)		
Brokers and dealers payables	720	
2,788		
Other	2,376	
(726)		
-----		--
CASH PROVIDED BY OPERATING ACTIVITIES	336	
5,356		
-----		--
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from (payments for):		
Maturities of available-for-sale securities	11,484	
3,460		
Sales of available-for-sale securities	5,348	
2,344		
Purchases of available-for-sale securities	(47,029)	
(6,693)		
Maturities of held-to-maturity securities	584	
709		
Purchases of held-to-maturity securities	(439)	
(744)		
Loans, notes, and mortgages	(2,929)	
(1,350)		
Acquisitions, net of cash acquired	-	
(20)		
Other investments and other assets	(1,133)	
(350)		
Equipment and facilities	(717)	
(773)		
-----		--
CASH USED FOR INVESTING ACTIVITIES	(34,831)	
(3,417)		
-----		--
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (payments for):		
Commercial paper and other short-term borrowings	(10,871)	
(4,999)		
Demand and time deposits	32,399	
4,391		
Issuance and resale of long-term borrowings	26,025	
12,800		
Settlement and repurchase of long-term borrowings	(11,397)	
(14,433)		
Issuance of subsidiaries' preferred securities	-	
96		
Issuance of treasury stock	566	
182		
Other common and preferred stock transactions	20	
(179)		
Dividends	(376)	
(319)		
-----		--
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	36,366	
(2,461)		
-----		--
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,871	
(522)		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,962	
12,638		
-----		--
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 12,833	\$
12,116		
=====		

(a) Net of effects of acquisitions.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for:

Income taxes	\$	525	\$
693			
Interest		12,011	
9,622			

</TABLE>

See Notes to Consolidated Financial Statements

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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 29, 2000
(dollars in millions, except per share amounts)

NOTE 1. BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Merrill Lynch & Co., Inc. ("ML & Co.") and subsidiaries (collectively, "Merrill Lynch"). All material intercompany balances have been eliminated. The December 31, 1999 unaudited consolidated balance sheet was derived from the audited financial statements, as restated for the pooling-of-interests (See Note 2). The interim consolidated financial statements for the three- and nine-month periods are unaudited; however, in the opinion of Merrill Lynch management, all adjustments necessary for a fair statement of the results of operations have been included.

These unaudited financial statements should be read in conjunction with the audited financial statements included in Merrill Lynch's Annual Report included as an exhibit to Form 10-K for the year ended December 31, 1999. The nature of Merrill Lynch's business is such that the results of any interim period are not necessarily indicative of results for a full year. Certain reclassifications have also been made to prior period financial statements, where appropriate, to conform to the current period presentation.

NOTE 2. MERGER WITH HERZOG, HEINE, GEDULD, INC.

On July 14, 2000, Merrill Lynch acquired Herzog, Heine, Geduld, Inc. ("Herzog"), a leading Nasdaq market maker, through an exchange offer followed by a merger of a wholly-owned subsidiary of Merrill Lynch & Co. Inc. with and into Herzog. Pursuant to the offer and the merger, each Herzog shareholder, after giving effect to the two-for-one common stock split, was entitled to receive 283,75502 shares of ML & Co. common stock for each share held. A total of 17,100,602 shares of ML & Co. common stock were issued in connection with this transaction. In addition, as specified in the merger agreement, Herzog treasury shares (2,449,090 shares of ML & Co. common stock) were cancelled and retired upon consummation of the merger.

The merger has been accounted for as a pooling-of-interests, and accordingly, prior period financial statements and footnotes have been restated to reflect the results of operations, financial position, and cash flows as if Merrill Lynch and Herzog had always been combined. The effect of combining Herzog into the results of operations, financial position, and cash flows of Merrill Lynch was not material.

NOTE 3. COMMON STOCK SPLIT

On July 18, 2000, Merrill Lynch's Board of Directors declared a two-for-one common stock split, effected in the form of a 100% stock dividend. The new shares were distributed on August 31, 2000 to stockholders of record on August 4, 2000. The par value of ML & Co. common stock remained at \$1.33 1/3 per share. Accordingly, an adjustment totaling \$680 from Paid-in-capital to Common stock and Exchangeable shares was required to preserve the par value of the post-split shares. All share and per share data in these financial statements have been restated for the effect of the split.

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NOTE 4. SHORT-TERM BORROWINGS

Short-term borrowings at September 29, 2000 and December 31, 1999 are presented below:

<TABLE>
<CAPTION>

	SEPT. 29, 2000	DEC. 31, 1999

<S>	<C>	<C>

PAYABLES UNDER REPURCHASE AGREEMENTS AND SECURITIES LOANED TRANSACTIONS		
Repurchase agreements	\$ 73,750	\$64,955
Securities loaned transactions	12,222	7,256
	-----	-----
Total	\$ 85,972	\$72,211
	=====	=====
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS		
Commercial paper	\$ 12,101	\$24,198
Bank loans and other	2,624	1,398
	-----	-----
Total	\$ 14,725	\$25,596
	=====	=====
DEMAND AND TIME DEPOSITS		
Demand	\$ 3,388	\$ 3,498
Time	46,613	14,104
	-----	-----
Total	\$ 50,001	\$17,602
	=====	=====

</TABLE>

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NOTE 5. SEGMENT INFORMATION

In reporting to management, Merrill Lynch's operating results are categorized into three business segments: the Corporate and Institutional Client Group ("CICG"), the Private Client Group ("PCG") and Merrill Lynch Investment Managers ("MLIM"). Prior period amounts have been restated to conform to the current period presentation. For information on each segment's activities, see Management's Discussion and Analysis - Business Segments and the 1999 Annual Report included as an exhibit to Form 10-K.

Operating results by business segment follow:

<TABLE>
<CAPTION>

	CICG	PCG	MLIM	CORPORATE ITEMS	

TOTAL	-----	-----	-----	-----	---
<S>	<C>	<C>	<C>	<C>	
<C>					

THREE MONTHS ENDED SEPTEMBER 29, 2000					
Non-interest revenues 5,374	\$ 2,383	\$ 2,434	\$ 587	\$ (30) (a)	\$
Net interest revenue (b) 775	379	407	17	(28) (c)	
	-----	-----	-----	-----	---
Net revenues 6,149	2,762	2,841	604	(58)	
Non-interest expenses 4,838	1,923	2,439	461	15 (d)	
	-----	-----	-----	-----	---
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries 1,311	839	402	143	(73)	
Income tax expense (benefit) 378	207	145	47	(21)	

Dividends on preferred securities issued by subsidiaries 48	-	-	-	48	
-----	-----	-----	-----	-----	---
Net earnings (loss) 885	\$ 632	\$ 257	\$ 96	\$ (100)	\$
=====	=====	=====	=====	=====	
Total assets \$383,904	\$277,441	\$ 99,837	\$ 2,235	\$ 4,391	
=====	=====	=====	=====	=====	

</TABLE>

- (a) Represents the elimination of intersegment revenues.
(b) Management views interest income net of interest expense in evaluating results.
(c) Represents costs associated with the acquisition of Mercury Asset Management Group.
(d) Represents goodwill amortization of \$52 million, net of elimination of intersegment expenses of \$37 million.

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<TABLE>
<CAPTION>

	CICG	PCG	MLIM	CORPORATE ITEMS	
TOTAL	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED SEPTEMBER 24, 1999					
Non-interest revenues 4,828	\$ 2,157	\$ 2,196	\$ 516	\$ (41) (a)	\$
Net interest revenue (b) 524	296	259	(3)	(28) (c)	
---	-----	-----	-----	-----	-----
Net revenues 5,352	2,453	2,455	513	(69)	
Non-interest expenses 4,448	1,831	2,176	429	12 (d)	
---	-----	-----	-----	-----	-----
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries 904	622	279	84	(81)	
Income tax expense (benefit) 276	167	101	32	(24)	
Dividends on preferred securities issued by subsidiaries 49	-	-	-	49	
---	-----	-----	-----	-----	-----
Net earnings (loss) 579	\$ 455	\$ 178	\$ 52	\$ (106)	\$
=====	=====	=====	=====	=====	
Total assets \$314,325	\$251,487	\$ 55,622	\$ 2,135	\$ 5,081	
=====	=====	=====	=====	=====	

</TABLE>

- (a) Represents the elimination of intersegment revenues.
(b) Management views interest income net of interest expense in evaluating results.
(c) Represents costs associated with the acquisition of Mercury Asset Management Group.
(d) Represents goodwill amortization of \$57 million, net of elimination of intersegment expenses of \$45 million.

<TABLE>
<CAPTION>

	CICG	PCG	MLIM	CORPORATE ITEMS	
TOTAL	-----	-----	-----	-----	--
<S>	<C>	<C>	<C>	<C>	<C>
NINE MONTHS ENDED SEPTEMBER 29, 2000					
Non-interest revenues 18,184	\$ 8,536	\$ 8,032	\$ 1,775	\$ (159) (a)	\$
Net interest revenue (b) 2,335	1,240	1,145	35	(85) (c)	
-----	-----	-----	-----	-----	--
Net revenues 20,519	9,776	9,177	1,810	(244)	
Non-interest expenses 16,110	6,640	8,018	1,436	16 (d)	
-----	-----	-----	-----	-----	--
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries 4,409	3,136	1,159	374	(260)	
Income tax expense (benefit) 1,356	892	418	126	(80)	
Dividends on preferred securities issued by subsidiaries 146	-	-	-	146	
-----	-----	-----	-----	-----	--
Net earnings (loss) 2,907	\$ 2,244	\$ 741	\$ 248	\$ (326)	\$
=====	=====	=====	=====	=====	

TOTAL	-----	-----	-----	-----	--
NINE MONTHS ENDED SEPTEMBER 24, 1999					
Non-interest revenues 14,826	\$ 6,570	\$ 6,877	\$ 1,537	\$ (158) (a)	\$
Net interest revenue (b) 1,452	833	728	(7)	(102) (c)	
-----	-----	-----	-----	-----	--
Net revenues 16,278	7,403	7,605	1,530	(260)	
Non-interest expenses 13,279	5,386	6,600	1,288	5 (d)	
-----	-----	-----	-----	-----	--
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries 2,999	2,017	1,005	242	(265)	
Income tax expense (benefit) 953	576	372	89	(84)	
Dividends on preferred securities issued by subsidiaries 146	-	-	-	146	
-----	-----	-----	-----	-----	--
Net earnings (loss) 1,900	\$ 1,441	\$ 633	\$ 153	\$ (327)	\$
=====	=====	=====	=====	=====	

</TABLE>

- (a) Represents the elimination of intersegment revenues.
- (b) Management views interest income net of interest expense in evaluating results.
- (c) Represents costs associated with the acquisition of Mercury Asset Management Group.
- (d) Represents goodwill amortization of \$162 million and \$170 million, net of elimination of intersegment expenses of \$146 million and \$165 million, for the nine months ended September 29, 2000 and September 24, 1999, respectively.

NOTE 6. COMPREHENSIVE INCOME

The components of comprehensive income are as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 1999
Net earnings 1,900	\$ 885	\$ 579	\$ 2,907	\$ 1,900
Other comprehensive income (loss), net of tax:				
Currency translation adjustment (118)	(22)	41	(89)	
Net unrealized gain (loss) on investment securities available-for-sale (63)	1	(25)	58	
Total other comprehensive income (loss), net (181)	(21)	16	(31)	
Comprehensive income 1,719	\$ 864	\$ 595	\$ 2,876	\$ 1,719

</TABLE>

NOTE 7. EARNINGS PER COMMON SHARE

Information relating to earnings per common share computations follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 24, 1999
Net earnings	\$ 885	\$ 579	\$ 2,907	\$ 1,900
Preferred stock dividends	10	8	29	28

Net earnings applicable to common stockholders	\$ 875	\$ 571	\$ 2,878	\$ 1,872
(shares in thousands)				
Weighted-average shares outstanding	805,855	757,862	793,716	752,449
Effect of dilutive instruments(1):				
Employee stock options	75,208	54,210	67,650	58,614
FCCAAP shares	30,602	32,391	29,384	32,922
Restricted units	17,353	10,817	14,164	10,595
ESPP shares	30	68	79	109
Dilutive potential common shares	123,193	97,486	111,277	102,240
Total weighted-average diluted shares	929,048	855,348	904,993	854,689
Basic earnings per common share	\$ 1.09	\$ 0.75	\$ 3.63	\$ 2.49
Diluted earnings per common share	\$ 0.94	\$ 0.67	\$ 3.18	\$ 2.19

</TABLE>

(1) See Note 11 to Consolidated Financial Statements in the 1999 Annual Report included as an exhibit to Form 10-K for a description of these instruments.

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NOTE 8. DERIVATIVES, COMMITMENTS, AND OTHER CONTINGENCIES

Merrill Lynch enters into various derivative contracts to meet clients' needs and to manage its own market risks. Derivative contracts often involve future commitments to exchange interest payment streams or currencies (such as interest rate and currency swaps or foreign exchange forwards) or to purchase or sell other financial instruments at specified terms on a specified date. Options, for example, can be purchased or written on a wide range of financial instruments such as securities, currencies, futures, and various market indices.

The notional or contractual amounts of derivatives provide only a measure of involvement in these types of transactions and represent neither the amounts subject to the various types of market risk nor the future cash requirements under these instruments. The notional or contractual amounts of derivatives used for trading purposes and included in trading inventory by type of risk follow:

<TABLE>

<CAPTION>

(in billions)	INTEREST RATE (1) (2)	CURRENCY (3)	EQUITY PRICE	COMMODITY PRICE
<S>	<C>	<C>	<C>	<C>
SEPTEMBER 29, 2000				
Swap agreements	\$ 2,628	\$ 167	\$ 10	\$ 26
Forward contracts	145	154	1	1
Futures contracts	204	5	9	-
Options purchased	39	131	70	8
Options written	38	76	60	1
DECEMBER 31, 1999				
Swap agreements	\$ 2,470	\$ 175	\$ 27	\$ 3
Forward contracts	94	153	3	1
Futures contracts	224	3	12	3
Options purchased	216	102	53	2
Options written	270	71	53	4

</TABLE>

- (1) Certain derivatives subject to interest rate risk are also exposed to the credit spread risk of the underlying financial instrument.
- (2) Forward contracts subject to interest rate risk principally represent "To Be Announced" mortgage pools that bear interest rate as well as principal prepayment risk.
- (3) Included in the currency risk category are certain contracts that are also subject to interest rate risk.

The notional or contractual amounts of non-trading derivatives used to hedge market risk exposures on non-trading assets and liabilities at September 29, 2000 and December 31, 1999 follow:

<TABLE>

<CAPTION>

(in billions)	SEPT. 29, 2000	DEC. 31, 1999
<S>	<C>	<C>
Borrowings:		
Interest rate risk (1)	\$ 41	\$ 44
Currency risk	1	1
Equity risk	9	3
Investment securities (2)	22	11
Resale and repurchase agreements (2)	10	6
Customer receivables (2)	5	6
Investment in non-U.S. subsidiaries (3)	4	3
Other	8	3

</TABLE>

- (1) Includes \$9 billion and \$10 billion of instruments that also contain currency risk at September 29, 2000 and December 31, 1999, respectively, and \$3 billion and \$4 billion of instruments that also contain equity risk at September 29, 2000 and December 31, 1999, respectively.
- (2) Primarily hedging interest rate risk.
- (3) Hedging currency risk.

Most of these derivatives are entered into with Merrill Lynch's derivative dealer subsidiaries, which hedge interest rate, currency, and equity risks in the normal course of their trading activities. Realized gains and losses on early terminations of derivatives are deferred over the remaining lives of the hedged assets or liabilities. At September 29, 2000, there were \$7 in deferred gains relating to a derivative contract terminated during 1999.

In the normal course of business, Merrill Lynch enters into underwriting commitments and commitments to extend credit. Settlement of these commitments as of September 29, 2000 would not have a material effect on the consolidated financial condition of Merrill Lynch.

As of September 29, 2000, Merrill Lynch has been named as parties in various actions, some of which involve claims for substantial amounts. Although the results of legal actions cannot be predicted with certainty, it is the opinion of management that the resolution of these actions will not have a material adverse effect on Merrill Lynch's financial condition; however, such resolution could have a material adverse impact on quarterly operating results in future periods, depending in part on the results for such periods.

NOTE 9. REGULATORY REQUIREMENTS

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a registered broker-dealer, is subject to the net capital requirements of 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, 2000, MLPF&S's regulatory net capital of \$3.4 billion was 12% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$2.8 billion.

Merrill Lynch International ("MLI"), a U.K. registered broker-dealer, is subject to the capital requirements of the Financial Services Authority ("FSA"). Financial resources, as defined, must exceed the total financial resources requirement of the FSA. At September 29, 2000, MLI's financial resources were \$4.5 billion and exceeded the minimum requirement by \$1.0 billion.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities, is subject to the capital adequacy requirements of the Government Securities Act of 1986. This rule requires dealers to maintain liquid capital in excess of market and credit risk, as defined, by 20% (a 1.2-to-1

capital-to-risk standard). At September 29, 2000, MLGSI's liquid capital of \$1.6 billion was 367% of its total market and credit risk, and liquid capital in excess of the minimum required was \$1.1 billion.

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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 ("Merrill Lynch") as of September 29, 2000, and the related condensed consolidated statements of earnings for the three- and nine-month periods ended September 29, 2000 and September 24, 1999, and the consolidated statements of cash flows for the nine-month periods ended September 29, 2000 and September 24, 1999. These financial statements are the responsibility of Merrill Lynch's management. The accompanying condensed consolidated financial statements give retroactive effect to the merger of Merrill Lynch and Herzog, Heine, Geduld, Inc. ("Herzog"), which has been accounted for as a pooling-of-interests, as described in Note 2 to the condensed consolidated financial statements.

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 auditing standards generally accepted in the United States of America (hereinafter referred to as "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 accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Merrill Lynch as of December 31, 1999, and the related consolidated statements of earnings, changes in stockholders' equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2000, we expressed an unqualified opinion and included an explanatory paragraph for the change in accounting method in 1998 for certain internal-use software development costs to conform with Statement of Position 98-1. We also audited the adjustments, related to the pooling-of-interests, as mentioned in the first paragraph above, that were applied to restate the consolidated balance sheet of Merrill Lynch as of December 31, 1999 (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied and the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1999 is fairly stated, in all material respects, in relation to the restated consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, New York
November 13, 2000

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

Merrill Lynch & Co., Inc. ("ML & Co." and, together with its subsidiaries and affiliates, "Merrill Lynch") is a holding company that, through its subsidiaries and affiliates, provides investment, financing, advisory, insurance, and related services worldwide. Merrill Lynch conducts its businesses in global financial markets that are influenced by numerous unpredictable factors including economic conditions, monetary policies, liquidity, international and regional political events, regulatory developments, the competitive environment, and investor sentiment. These conditions or events can significantly affect the volatility of financial markets. While greater volatility increases risk, it may also increase order flow in businesses such as trading and brokerage. Revenues and net earnings may vary significantly from period to period due to these unpredictable factors and the resulting market volatility.

The financial services industry continues to be affected by the intensifying competitive environment, as demonstrated by consolidation through mergers and acquisitions, as well as diminishing margins in many mature products and services, and competition from new entrants as well as established competitors. In addition, the passage of the Gramm-Leach-Bliley Act in November of 1999 represented a significant accomplishment in the effort to modernize the financial services industry in the U.S. by repealing anachronistic laws that separated commercial banking, investment banking and insurance activities.

In addition to providing historical information, Merrill Lynch may make or publish forward-looking statements about management expectations, strategic objectives, business prospects, anticipated financial performance, and other similar matters. A variety of factors, many of which are beyond its control, affect the operations, performance, business strategy, and results of Merrill Lynch and could cause actual results and experience to differ materially from the expectations expressed in these statements. These factors include, but are not limited to, the factors listed in the previous paragraphs, as well as actions and initiatives taken by both current and potential competitors, the impact of pending and future legislation and regulation throughout the world, and the other risks detailed in the following sections.

MERRILL LYNCH UNDERTAKES NO RESPONSIBILITY TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS.

BUSINESS ENVIRONMENT

A difficult operating environment existed in the third quarter, as market indices declined globally. After a series of modest summertime rallies, stock markets began to struggle due to a number of factors, including a plunging euro, rising oil prices, and U.S. election uncertainties. Equity underwriting activity, however, was not impacted by the underperforming indices, as domestic IPO's raised nearly 50% more in equity capital than in the third quarter of 1999.

Long-term U.S. interest rates, as measured by the yield on the 10-year U.S. Treasury note, declined from the end of the second quarter, ending the third quarter at approximately 5.8%. Short-term U.S. rates, after climbing steadily since June of 1999, remained unchanged during the 2000 third quarter. Short-term interest rates in Europe generally increased during the third quarter due to growing inflation caused by higher oil prices and a weak euro. Credit spreads, which represent the risk premium over the risk-free rate paid by an issuer (based on the issuer's perceived creditworthiness), continued to widen in the third quarter of 2000.

U.S. equity indices, which achieved extraordinary gains in 1999, continued to experience the volatility that began in the second quarter of 2000. Investor concern over slower corporate earnings growth, together with the previously mentioned factors, led to weak market performance. The Nasdaq Composite Index ended the third quarter down 7.4% for the three month period, but up 33.7% from the 1999 third quarter, as technology, media, and telecommunications stocks were among the poorest performers due to an increased level of negative pre-earnings announcements from established companies. The Dow Jones Industrial Average gained only 1.9% during the quarter, and 3.0% from the end of the third quarter of 1999. During the 2000 third quarter, the S&P 500 fell slightly from the end of the second quarter, but advanced 12.0% from the end of the corresponding 1999 period.

Global equity markets, as measured by the Dow Jones World Index, dropped 7.7% during the quarter, but were up 3.4% since the end of the third quarter of 1999. However, rising oil prices benefited Latin America, where Mexico and Venezuela are major oil exporters. Tokyo stocks fell 8% in U.S. dollar terms and 7% in yen terms resulting from slower progress in corporate restructuring efforts in the region. European markets also suffered due to a more depressed telecommunications industry and inflationary pressures which led the European Central Bank to raise short-term interest rates by a quarter percentage point. The Federal Reserve, the European Central Bank, and the Bank of Japan intervened in the foreign exchange market after the euro hit a historic low point during the quarter.

Global debt underwriting volume declined from \$723 billion in the third quarter of 1999, to \$648 billion in the third quarter of 2000, but was up from \$642 billion in the second quarter of 2000, according to Thomson Financial Securities Data, as interest rate worries dissipated during the quarter. Equity underwriting was stronger in the 2000 third quarter, particularly in the IPO market. IPOs in the U.S. raised \$18 billion in the quarter, almost 50% higher than the third quarter of 1999. In the first nine months of 2000, initial public offerings have already raised more than the full-year record set in 1999.

Merger and acquisition activity was more balanced among industry sectors in the third quarter, as the focus shifted away from the technology sector. Global announced merger and acquisition volume was \$792 billion, slightly higher than both the third quarter of 1999 and the second quarter of 2000, according to Thomson Financial Securities Data. In the U.S., announced merger volume was \$521 billion, up from \$338 billion in the third quarter of 1999, and \$315 billion in the second quarter of 2000. Consolidation in the financial services sector and an increased level of purchases of U.S. companies by European acquirers contributed to the strong quarter.

Merrill Lynch continually evaluates its businesses for profitability and performance under varying market conditions and, in light of the evolving conditions in its competitive environment, for alignment with its long-term strategic objectives. Maintaining long-term client relationships, closely monitoring costs and risks, diversifying revenue sources, growing fee-based revenues, and expanding strategically, all contribute to mitigating the effects of market volatility on Merrill Lynch's business as a whole.

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RESULTS OF OPERATIONS

(DEC.)	FOR THE THREE MONTHS ENDED			% INC.
	SEPT. 29, 2000	JUNE 30, 2000	SEPT. 24, 1999	3Q00 VERSUS 2Q00

(dollars in millions, except per share amounts)				
3Q99				

<S>	<C>	<C>	<C>	<C>
<C>				
Total revenues	\$ 10,853	\$11,050	\$ 8,497	(2)%
28 %				
Net revenues	6,149	6,846	5,352	(10)
15				
Pre-tax earnings	1,311	1,413	904	(7)
45				
Net earnings	885	921	579	(4)
53				
Net earnings applicable to common stockholders	875	912	571	(4)
53				
Earnings per common share				
Basic	1.09	1.15	0.75	(5)
45				
Diluted	0.94	1.01	0.67	(7)
40				
Annualized return on average common stockholders' equity	21.6 %	24.4 %	20.2 %	
Pre-tax profit margin	21.3	20.6	16.9	

</TABLE>

Merrill Lynch's net earnings were \$885 million for the 2000 third quarter, up 53% from the \$579 million earned in the same quarter a year ago. Earnings per common share were \$1.09 basic and \$0.94 diluted, compared with \$0.75 basic and \$0.67 diluted in the 1999 third quarter.

Net revenues were \$6.1 billion, up 15% from the 1999 third quarter with record asset management and portfolio service fees and strong revenues from commissions and net interest.

The pre-tax profit margin for the quarter was 21.3%, up significantly from the 16.9% achieved in the 1999 third quarter. Annualized return on average common equity was 21.6%, compared with 20.2% in the third quarter of 1999.

Net earnings for the first nine months of 2000 reached a record \$2.9 billion, 53% higher than the corresponding 1999 period. The associated pre-tax margin of 21.5% is the highest for the first nine months of any year since 1993. Year-to-date earnings per common share were \$3.63 basic and \$3.18 diluted, compared with \$2.49 basic and \$2.19 diluted in the comparable period a year ago. Annualized return on average common equity was approximately 25.9% for the nine-month period, up from 23.5% in the same period last year.

Commissions revenues are summarized as follows:

(in millions)	THREE MONTHS ENDED			NINE MONTHS ENDED		
	SEPT. 29, 2000	SEPT. 24, 1999	% INC. (DEC.)	SEPT. 29, 2000	SEPT. 24, 1999	% INC. (DEC.)
Listed and over-the-counter	\$ 901	\$ 807	12 %	\$3,069	\$2,611	18 %
Mutual funds	518	422	23	1,704	1,374	24
Other	205	215	(5)	658	628	5
Total	\$1,624	\$1,444	12	\$5,431	\$4,613	18

Commissions revenues were \$1.6 billion, up 12% from the 1999 third quarter, driven by increased trading of listed securities on exchanges outside the U.S. and higher mutual fund sales.

Net trading revenues, representing principal transactions revenues and related net interest, are presented in the table below. Interest revenue and expense amounts are based on management's assessment of the cost to finance trading positions, after consideration of the underlying liquidity of these positions.

Trading and related hedging and financing activities affect the recognition of both principal transactions revenues and net interest and dividend revenues. In assessing the profitability of its trading activities, Merrill Lynch aggregates net interest and principal transactions revenues. For financial reporting purposes, however, realized and unrealized gains and losses on trading positions, including hedges, are recorded in principal transactions revenues. The net interest carry (i.e., the spread representing interest earned less financing costs) for trading positions, including hedges, is recorded either as principal transactions revenues or net interest revenues, depending on the nature of the specific instruments. Changes in the composition of trading inventories and hedge positions can cause the recognition of revenues within these categories to fluctuate.

TRADING REVENUES	PRINCIPAL TRANSACTIONS REVENUES		NET INTEREST REVENUES		NET
	Sept. 29, 2000	Sept. 24, 1999	Sept. 29, 2000	Sept. 24, 1999	Sept. 29, 2000
Equities and equity derivatives \$ 570	\$ 594	\$ 504	\$ 53	\$ 66	\$ 647
Debt and debt derivatives 676	566	626	95	50	661
Total \$1,246	\$1,160	\$1,130	\$ 148	\$ 116	\$1,308
NINE MONTHS ENDED					
Equities and equity derivatives	\$2,929	\$1,791	\$ 252	\$ 221	\$3,181

\$2,012					
Debt and debt derivatives 2,169	1,817	2,040	271	129	2,088
-----	-----	-----	-----	-----	-----
Total \$4,181	\$4,746	\$3,831	\$ 523	\$ 350	\$5,269
=====	=====	=====	=====	=====	=====

</TABLE>

Net trading revenues were \$1.3 billion, up 5% from \$1.2 billion in the 1999 third quarter, primarily as a result of higher revenues from equities.

Equities and equity derivatives net trading revenues were \$647 million, up 14% from the third quarter of 1999, primarily driven by an increase in U.S. and international equities trading.

Debt and debt derivatives net trading revenues decreased 2% from the 1999 third quarter to \$661 million due to lower trading revenues from sovereign debt and mortgages.

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Investment banking revenues were \$858 million in the third quarter of 2000, a 10% decline from the strong third quarter a year ago, primarily as a result of lower strategic advisory service revenues associated with merger and acquisition activity.

A summary of Merrill Lynch's investment banking revenues follows:

	THREE MONTHS ENDED			NINE MONTHS ENDED		
	SEPT. 29, 2000	SEPT. 24, 1999	% INC.(DEC.)	SEPT. 29, 2000	SEPT. 24, 1999	INC.
(in millions) (DEC.)						
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
Underwriting 21 %	\$ 580	\$ 566	2 %	\$1,923	\$1,586	
Strategic advisory services 13	278	383	(27)	1,018	903	
Total 18	\$ 858	\$ 949	(10)	\$2,941	\$2,489	
	=====	=====		=====	=====	

</TABLE>

Merrill Lynch retained its position as leading underwriter of total debt and equity offerings in the U.S. and global markets during the third quarter of 2000. In addition, Merrill Lynch remained number one in U.S. and global debt underwriting. Merrill Lynch's underwriting market share information based on transaction value follows:

	THREE MONTHS ENDED			
	SEPTEMBER 2000		SEPTEMBER 1999	
	MARKET SHARE	RANK	MARKET SHARE	RANK
<S>	<C>	<C>	<C>	<C>
U.S. PROCEEDS				
Debt	16.0 %	1	16.9 %	1
Equity	15.9	2	12.7	2
Debt and equity	15.9	1	16.8	1

GLOBAL PROCEEDS

Debt	14.1	1	13.3	1
Equity	18.8	2	13.8	2
Debt and equity	14.6	1	13.5	1

</TABLE>

Source: Thomson Financial Securities Data statistics based on full credit to book manager.

Strategic advisory services fees declined 27% from the 1999 third quarter to \$278 million, primarily as a result of lower fees from mergers and acquisitions, both in the U.S. and Europe. Merrill Lynch's merger and acquisition market share information based on transaction value follows:

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<TABLE>
<CAPTION>

	THREE MONTHS ENDED			
	SEPTEMBER 2000		SEPTEMBER 1999	
	MARKET SHARE	RANK	MARKET SHARE	RANK
<S>	<C>	<C>	<C>	<C>
COMPLETED TRANSACTIONS				
U.S.	20.6 %	4	19.1 %	4
Global	18.8	6	21.9	3
ANNOUNCED TRANSACTIONS				
U.S.	14.4	4	21.8	3
Global	13.8	5	32.8	3

</TABLE>

Source: Thomson Financial Securities Data statistics based on full credit to both target and acquiring companies' advisors.

A summary of asset management and portfolio service fees is as follows:

<TABLE>
<CAPTION>

(in millions)	THREE MONTHS ENDED			NINE MONTHS ENDED		
	SEPT. 29, 2000	SEPT. 24, 1999	% INC.	SEPT. 29, 2000	SEPT. 24, 1999	% INC.
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Asset management fees	\$ 578	\$ 546	6 %	\$1,813	\$1,617	12 %
Portfolio service fees	567	385	47	1,596	1,079	48
Account fees	127	124	2	395	381	4
Other fees	142	128	11	413	374	10
Total	\$1,414	\$1,183	20	\$4,217	\$3,451	22

</TABLE>

Asset management and portfolio service fees rose 20% from the 1999 third quarter to a new quarterly high of \$1.4 billion. Asset management fees increased 6% from a year ago, as a result of the growth in assets under management, which reached \$571 billion at quarter end, and a shift in assets from older, lower fee mutual funds to new higher fee mutual funds. Excluding the impact of money transferred to Merrill Lynch bank deposits, assets under management grew 8% from the end of the 1999 third quarter. This growth was attributable to a net inflow of customer assets as well as asset appreciation, partially offset by a reduction in assets under management due to foreign currency translation. Portfolio service fees increased 47% from the comparable period last year, as assets in asset-priced accounts continued to accumulate, driven by growth in Unlimited Advantage (Service Mark) and Merrill Lynch Consults (Registered Trademark). The majority of the revenues associated with these accounts are included in portfolio service fees.

Total assets in Private Client accounts or under management increased \$254 billion, or 17% from the end of the 1999 third quarter to \$1.8 trillion at September 29, 2000, including \$1.6 trillion in Private Client accounts. Assets under management, the majority of which are included in Private Client accounts,

totalled \$571 billion at the end of the third quarter of 2000, an increase of \$18 billion from the end of the 1999 third quarter. The changes in these balances are noted as follows:

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<TABLE>
<CAPTION>

(in billions)	SEPT. 24, 1999	NET CHANGES DUE TO		SEPT. 29, 2000
		NET NEW MONEY (1)	ASSET APPRECIATION	
<S>	<C>	<C>	<C>	<C>
Total assets in Private Client accounts or under management	\$ 1,514	\$ 160	\$ 94	\$ 1,768
Total assets under management	553	14 (2)	4 (3)	571

</TABLE>

1. Includes reinvested dividends.
2. Includes net outflows of \$26 billion of retail money market funds to bank deposits at Merrill Lynch's U.S. banks.
3. Includes foreign exchange translation adjustments of \$(24) billion.

Other revenues reached a record \$318 million, an increase of \$196 million from the third quarter of 1999, driven by gains from sales of private equity investments.

Significant components of interest and dividend revenues and interest expense follow:

<TABLE>
<CAPTION>

(in millions)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 24, 1999
<S>	<C>	<C>	<C>	<C>
INTEREST AND DIVIDEND REVENUES				
Resale agreements and securities borrowed transactions	\$ 1,936	\$ 1,399	\$ 5,496	\$ 4,188
Trading assets	901	788	2,521	2,529
Margin lending	1,275	704	3,548	2,077
Dividends	180	141	632	456
Marketable investment securities and other	1,187	637	2,828	1,845
Total	5,479	3,669	15,025	11,095
INTEREST EXPENSE				
Repurchase agreements and securities loaned transactions	1,726	1,224	4,679	3,718
Borrowings, including demand and time deposits	1,961	1,088	4,940	3,310
Trading liabilities	401	402	1,259	1,353
Other	616	431	1,812	1,262
Total	4,704	3,145	12,690	9,643
NET INTEREST AND DIVIDEND PROFIT	\$ 775	\$ 524	\$ 2,335	\$ 1,452

</TABLE>

Interest and dividend revenues and expenses are a function of the level and mix of interest-earning assets and interest-bearing liabilities and the prevailing level, term structure, and volatility of interest rates. Net interest and dividend profit was \$775 million in the third quarter of 2000, up \$251 million from the third quarter a year ago. This increase was due to higher customer-lending balances and changes in asset/liability composition. (For further information on balance sheet composition, see Average Assets and Liabilities.)

Merrill Lynch hedges certain of its long- and short-term borrowings, primarily with interest rate and currency swaps, to better match the interest rate and currency characteristics of the borrowings to the assets funded by borrowing proceeds. The effect of this hedging activity, which is included in "Borrowings"

in the previous table, increased/(decreased) interest expense by \$48 million and \$(69)million for the 2000 and 1999 third quarters, respectively, and by \$84 million and \$(234) million for the 2000 and 1999 nine months, respectively.

--

Merrill Lynch's non-interest expenses are summarized below:

MONTHS ENDED ----- SEPT. 24, (in millions) 1999 ----- <S> <C>	THREE MONTHS ENDED			NINE
	SEPT. 29, 2000	JUNE 30, 2000	SEPT. 24, 1999	SEPT. 29, 2000
Compensation and benefits \$ 8,363	\$ 3,146	\$ 3,508	\$ 2,783	\$10,572
----- Non-interest expenses, excluding compensation and benefits:				
Communications and technology 1,508	542	584	487	1,710
Occupancy and related depreciation 698	250	259	232	762
Advertising and market development 546	205	263	191	713
Brokerage, clearing, and exchange fees 563	206	233	193	672
Professional fees 407	147	168	145	462
Goodwill amortization 170	52	54	57	162
Other 1,024	290	364	360	1,057
----- Total non-interest expenses, excluding compensation and benefits 4,916	1,692	1,925	1,665	5,538
----- Total non-interest expenses \$13,279	\$ 4,838	\$ 5,433	\$ 4,448	\$16,110
=====	=====	=====	=====	=====
Compensation and benefits as a percentage of net revenues 51.4%	51.2%	51.2%	52.0%	51.5%
Compensation and benefits as a percentage of pre-tax earnings before compensation and benefits 73.6	70.6	71.3	75.5	70.6

Compensation and benefits, the largest expense category, rose 13% from the 1999 third quarter to \$3.1 billion as increased profitability led to higher incentive compensation, but these expenses were down 10% from the second quarter of 2000. Compensation and benefits as a percentage of net revenues was 51.2% for the third quarter of 2000, compared with 52.0% in the third quarter of last year and unchanged from the previous quarter. These expenses include \$70 million associated with staff reductions in the U.S. private client business during the 2000 third quarter.

Non-interest expenses, excluding compensation and benefits, were virtually

unchanged from the 1999 third quarter and were reduced by 12% from the 2000 second quarter. These expenses declined to 27.5% of net revenues for the third quarter of 2000, down from 31.1% for the comparable quarter in 1999. These decreases in the quarter compared with the second quarter of 2000 were across all segments and every business line.

Communications and technology expenses were \$542 million, down 7% from the second quarter of 2000, primarily due to lower systems consulting costs, but up 11% from the third quarter of 1999. The increase from the 1999 third quarter is mainly due to higher technology-related depreciation and increased communication costs.

Occupancy and related depreciation expense was \$250 million in the third quarter of 2000, slightly lower than the 2000 second quarter and up 8% from the 1999 third quarter.

Advertising and market development expenses declined 22% from the previous quarter to \$205 million, due to lower spending on advertising and promotional programs. The 7% increase from the 1999 third quarter is a result of higher sales promotion and travel costs associated with increased business activity.

Brokerage, clearing, and exchange fees were \$206 million, a decrease of 12% from the second quarter of 2000 due to lower transaction volume, but an increase of 7% year-over-year, partially as a result of increased transaction volume.

Professional fees were \$147 million, down 13% from the 2000 second quarter due to reduced legal and consulting fees, and virtually unchanged from a year ago.

Goodwill amortization was \$52 million in the third quarter of 2000, virtually unchanged from the second quarter of 2000 and down 9% from the third quarter of 1999. Other expenses were \$290 million, 20% lower than the 2000 second quarter and 19% lower than the 1999 third quarter, due to a decline in provisions for various business matters.

The year-to-date effective tax rate was 30.8% for the first nine months of 2000, compared with 31.8% in the corresponding 1999 period.

BUSINESS SEGMENTS

Merrill Lynch reports the results of its business within three business segments: Corporate and Institutional Client Group ("CICG"), Private Client Group ("PCG"), and Merrill Lynch Investment Managers ("MLIM"). CICG's activities primarily involve providing services to corporate, institutional, and governmental clients throughout the world. PCG provides investment, financing, insurance, tax, and other financial services and products to retail clients globally. MLIM provides investment management services to a wide variety of retail and institutional clients globally. For further information on services provided to clients within these segments, see the 1999 Form 10-K and the 1999 Annual Report included as an exhibit thereto.

Certain MLIM and CICG products are distributed by PCG distribution networks, and to a more limited extent, certain MLIM products are distributed through the distribution capabilities of CICG. Expenses and revenues associated with these intersegment activities are recognized in each segment and eliminated at the corporate level.

CORPORATE AND INSTITUTIONAL CLIENT GROUP

<TABLE>
<CAPTION>

(in millions)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 24, 1999
<S>	<C>	<C>	<C>	<C>
Net revenues	\$2,762	\$2,453	\$9,776	\$7,403
Pre-tax earnings	839	622	3,136	2,017
Pre-tax profit margin	30.4%	25.4%	32.1%	27.2%

</TABLE>

CICG achieved solid results for the quarter in a seasonally slower business environment. Net revenues were \$2.8 billion for the quarter, representing a 13% increase from the third quarter of 1999, and pre-tax earnings were \$839 million,

a 35% increase from the 1999 third quarter. Pre-tax profit margin in the quarter expanded to 30.4%, up 5 percentage points from 25.4% in the third quarter a year ago, while the year-to-date pre-tax margin was 32.1%, up from 27.2% in the first nine months of 1999. CIGG posted a strong performance in both equity trading and equity origination, as Merrill Lynch's global market share increased to 18.8% from 13.8% in the third quarter of 1999, according to Thomson Financial Securities Data. Revenues from the strategic advisory business were down compared with the strong 1999 third quarter due to a decline in revenues in the U.S. and Europe. Revenues from the Debt Markets business decreased compared with the third quarter of 1999, due to lower industry-wide debt underwriting activity. Merrill Lynch retained its position as the leading underwriter of total debt and equity securities, both in the U.S. and globally, as well as the #1 position in U.S. and global debt underwriting, according to Thomson Financial Securities Data.

CIGG continued to make progress on several strategic initiatives during the quarter. The merger with Herzog, Heine, Geduld, Inc. was completed during the quarter and, as a result of integration, the internalization of Nasdaq orders is increasing. As part of its efforts to build its private equity business, Merrill Lynch launched, with partners, a \$300 million venture capital fund to invest primarily in mobile Internet ventures and technologies in Europe and North America. In addition, Merrill Lynch collaborated with other financial firms to create TheMarkets.com, a portal for institutional investors offering equity research, equity new issue information, and news and market data.

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 PRIVATE CLIENT GROUP

<TABLE>
 <CAPTION>

(in millions)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 24, 1999
<S>	<C>	<C>	<C>	<C>
Net revenues	\$2,841	\$2,455	\$9,177	\$7,605
Pre-tax earnings	402	279	1,159	1,005
Pre-tax profit margin	14.1%	11.4%	12.6%	13.2%

</TABLE>

Net revenues for PCG were \$2.8 billion in the third quarter of 2000, up 16% from \$2.5 billion in the 1999 third quarter. In the U.S., net revenues for the third quarter were up 15% from the year ago period, and internationally, net revenues were up 21%. Pre-tax earnings for the quarter were \$402 million, an increase of 44% from the 1999 third quarter. The pre-tax margin in the quarter rose to 14.1%, an increase from 11.4% in third quarter of 1999. During the third quarter, actions were taken to realign and strengthen the U.S. private client business, which included both the reallocation and reduction of staff. Third quarter 2000 expenses declined from the preceding quarter, primarily as a result of lower volume-related transaction costs, reduced advertising spending, staff reductions, and other actions taken to generate efficiencies. The overall decrease in expenses is after recording \$70 million of compensation and benefits expenses associated with staff reductions.

Approximately 445 new Financial Consultants were added during the quarter, including 400 domestically, and 45 outside the U.S. Producing office managers in the U.S. and Canada are now included in the Financial Consultant headcount.

Total assets in U.S. client accounts remained essentially unchanged from the second quarter at \$1.4 trillion, with net new money inflows of \$27 billion during the quarter. Outside the U.S., client assets reached \$148 billion, with \$7 billion of net new money inflows during the 2000 third quarter. Total assets in asset-priced accounts grew 5% from the 2000 second quarter to \$218 billion, an increase of 66% from a year ago.

Unlimited Advantage, Merrill Lynch's fee-based, non-discretionary brokerage service continued to grow, with client assets in those accounts reaching \$93 billion at the end of the quarter, with \$2 billion of net new money during the quarter. Additionally, client assets in ML Direct, the online investing service for self-directed investors, grew 15% during the quarter to \$3.1 billion. Over 735,000 clients now have on-line access to their accounts through ML Online and ML Direct, as more than 70,000 accounts were activated for online servicing during the third quarter.

In June of 2000, Merrill Lynch began to redirect cash inflows from certain Cash

Management Accounts ("CMA") and other types of accounts from taxable money market funds which are included in assets under management, to bank deposits at Merrill Lynch banks. As a result, U.S. bank deposits included in Demand and time deposits on the consolidated balance sheet grew to \$38 billion from \$5 billion at the end of the 1999 third quarter and \$19 billion at the end of the second quarter of 2000.

In April 2000, Merrill Lynch announced a 50/50 joint venture with HSBC to create the first global online banking and investment services company, serving individual customers outside the U.S. The venture currently employs 300 people and is expected to launch in the U.K. this year, and in Canada and Australia over the next few months.

MERRILL LYNCH INVESTMENT MANAGERS

<TABLE>
<CAPTION>

(in millions)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 24, 1999
<S>	<C>	<C>	<C>	<C>
Net revenues	\$604	\$513	\$1,810	\$1,530
Pre-tax earnings	143	84	374	242
Pre-tax profit margin	23.7%	16.4%	20.7%	15.8%

</TABLE>

Quarterly earnings for MLIM continued their upward trend as MLIM continued to achieve solid investment performance across all product lines. Net revenues and pre-tax earnings were \$604 million and \$143 million, respectively, in the third quarter of 2000, up 18% and 70% from \$513 million and \$84 million in the 1999 third quarter. The pre-tax profit margin for the quarter expanded to 23.7%, up from 16.4% in the 1999 third quarter. Assets under management reached \$571 billion at the end of the quarter, up 3% from the end of the 1999 third quarter. Excluding the impact of net outflows to Merrill Lynch's U.S. banks, assets under management grew 8% from the same period last year. During the quarter, MLIM had net new money of \$1.3 billion.

CAPITAL ADEQUACY AND LIQUIDITY

The primary objectives of Merrill Lynch's capital structure and funding policies are to:

1. Ensure sufficient equity capital to absorb losses,
2. Support the business strategies, and
3. Assure liquidity at all times, across market cycles, and through periods of financial stress.

These objectives and Merrill Lynch's capital structure and funding policies are discussed more fully in the 1999 Annual Report included as an exhibit to Form 10-K.

Among U.S. institutions engaged primarily in the global securities business, Merrill Lynch is one of the most highly capitalized, with \$16.7 billion in common equity, \$425 million in preferred stock, and \$2.7 billion of preferred securities issued by subsidiaries at September 29, 2000. Preferred securities issued by subsidiaries consist primarily of Trust Originated Preferred Securities(Service Mark) ("TOPrS"(Service Mark)). Based on various analyses and criteria, management believes that Merrill Lynch's equity capital base of \$19.9 billion is adequate.

Merrill Lynch's leverage ratios were as follows:

<TABLE>
<CAPTION>

<S>	LEVERAGE	ADJUSTED
	RATIO(1)	LEVERAGE
	<C>	RATIO(2)
		<C>

PERIOD END

September 29, 2000	19.3x	12.8x
December 31, 1999	21.0x	13.3x

AVERAGE (3)

Nine months ended September 29, 2000	20.3x	12.9x
Year ended December 31, 1999	23.0x	14.2x

</TABLE>

- (1) Total assets to total stockholders' equity and preferred securities issued by subsidiaries.
- (2) Total assets less (a) securities received as collateral, net of securities pledged as collateral, (b) securities pledged as collateral, and (c) receivables under resale agreements and securities borrowed transactions, to total stockholders' equity and preferred securities issued by subsidiaries.
- (3) Computed using month-end balances.

An asset-to-equity leverage ratio does not reflect the risk profile of assets, hedging strategies, or off-balance sheet exposures. Thus, Merrill Lynch does not rely on overall leverage ratios to assess risk-based capital adequacy.

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Commercial paper outstanding totaled \$12.1 billion at September 29, 2000 and \$24.2 billion at December 31, 1999, which was equal to 3.2% and 7.3% of total assets at September 29, 2000 and year-end 1999, respectively. Outstanding long-term borrowings increased to \$66.6 billion at September 29, 2000 from \$53.5 billion at December 31, 1999. Major components of the change in long-term borrowings during the first nine months of 2000 follow:

<TABLE>
<CAPTION>

(in billions)

Balance at December 31, 1999	\$53.5
Issuances	26.0
Maturities	(11.4)
Other, net	(1.5)
Balance at September 29, 2000 (1)	\$66.6

</TABLE>

- (1) At September 29, 2000, \$48.4 billion of long-term borrowings had maturity dates beyond one year.

In addition to equity capital sources, Merrill Lynch views long-term debt as a stable funding source for its core balance sheet assets. Another source of liquidity is an \$8.0 billion committed, senior, unsecured bank credit facility that, at September 29, 2000, was not drawn upon. Additionally, Merrill Lynch maintains access to significant uncommitted credit lines, both secured and unsecured, from a large group of banks.

The cost and availability of unsecured financing generally are dependent on credit ratings. Merrill Lynch's senior long-term debt, preferred stock, and TOPrS were rated by several recognized credit rating agencies at September 29, 2000 as follows:

<TABLE>
<CAPTION>

RATING AGENCY	SENIOR DEBT RATINGS	PREFERRED STOCK AND TOPrS RATINGS
Dominion Bond Rating Service Ltd	AA (Low)	Not Rated
Fitch	AA	AA-
Moody's Investors Service, Inc.	Aa3	aa3
Rating and Investment Information, Inc.	AA	A+
Standard & Poor's Rating Service	AA-	A
Thomson Financial BankWatch, Inc.	AA+	Not Rated

</TABLE>

AVERAGE ASSETS AND LIABILITIES

Merrill Lynch monitors changes in its balance sheet using average daily balances that are determined on a settlement date basis and reported for management information purposes. For financial statements and risk management purposes, balances are recorded on a trade date basis. The following discussion compares changes in settlement date average daily balances.

For the first nine months of 2000, average total assets were \$366 billion, up 10% from \$334 billion for the 1999 fourth quarter. Average total liabilities increased 9% to \$348 billion from \$319 billion for the 1999 fourth quarter. The major components in the changes in average total assets and liabilities for the first nine months of 2000 as compared with the fourth quarter of 1999 are summarized as follows:

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<TABLE>
<CAPTION>

(in millions)	INCREASE (DECREASE)	CHANGE
<S>	<C>	<C>
AVERAGE ASSETS		
Marketable investment securities	\$ 10,271	138 %
Customer receivables	8,117	16
Trading assets	7,655	7
Receivables from brokers and dealers	5,679	46
Receivables under resale agreements and securities borrowed transactions	2,914	3
Securities pledged as collateral	(3,483)	(26)
AVERAGE LIABILITIES		
Demand and time deposits	\$ 10,336	63 %
Long-term borrowings	6,290	12
Trading liabilities	5,284	8
Customer payables	4,104	18
Commercial paper and other short-term borrowings	3,948	23

</TABLE>

The significant growth in demand and time deposits in the first nine months of 2000 reflects the redirection of cash inflows from certain CMA and other types of accounts from taxable money market funds which are included in assets under management to bank deposits at Merrill Lynch's U.S. banks. This increase in deposits was used to fund the growth in marketable investment securities. Higher trading volume during the first nine months of 2000, as compared with the fourth quarter of 1999, caused an increase in trading assets and liabilities, as well as the average customer receivable and payable balances. Additionally, securities borrowed and securities loaned transactions rose due to increased matched-book activity. In addition to the increase in demand and time deposits and securities loaned transactions, the growth in average assets was funded by increases in commercial paper and long-term borrowings, particularly medium-term notes.

NON-INVESTMENT GRADE HOLDINGS

Non-investment grade holdings, which include transactions with highly leveraged counterparties, involve risks related to the creditworthiness of the issuers or counterparties and the liquidity of the market for such investments. Merrill Lynch recognizes these risks and, whenever possible, employs strategies to mitigate exposures. The specific components and overall level of non-investment grade positions may vary significantly from period to period as a result of inventory turnover, investment sales, and asset redeployment.

In the normal course of business, Merrill Lynch underwrites, trades, and holds non-investment grade cash instruments in connection with its investment banking, market-making, and derivative structuring activities. Non-investment grade holdings have been defined as debt and preferred equity securities rated as BB+ or lower, or equivalent ratings by recognized credit rating agencies, sovereign debt in emerging markets, amounts due under derivative contracts from non-investment grade counterparties, and other instruments that, in the opinion of management, are non-investment grade.

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In addition to the amounts included in the following table, derivatives may also expose Merrill Lynch to credit risk related to the underlying security where a

derivative contract can either synthesize ownership of the underlying security (e.g., long total return swaps) or potentially force ownership of the underlying security (e.g., short put options). At September 29, 2000, Merrill Lynch had derivatives with notionals of approximately \$700 million with non-investment grade credit exposure. Derivatives may also subject Merrill Lynch to credit spread or issuer default risk, in that changes in credit spreads or in the credit quality of the underlying securities may adversely affect the derivatives' fair values. Merrill Lynch seeks to manage these risks by engaging in various hedging strategies to reduce its exposure associated with non-investment grade positions, such as purchasing an option to sell the related security or entering into other offsetting derivative contracts. At September 29, 2000, Merrill Lynch had derivatives with notionals of approximately \$900 million that hedged non-investment grade credit exposure.

Merrill Lynch provides financing and advisory services to, and invests in, companies entering into leveraged transactions, which may include leveraged buyouts, recapitalizations, and mergers and acquisitions. Merrill Lynch provides extensions of credit to leveraged companies in the form of senior and subordinated debt, as well as bridge financing on a select basis. In addition, Merrill Lynch syndicates loans for non-investment grade companies or in connection with highly leveraged transactions and may retain a residual portion of these loans.

Merrill Lynch holds direct equity investments in leveraged companies and interests in partnerships that invest in leveraged transactions. Merrill Lynch has also committed to participate in limited partnerships that invest in leveraged transactions. Future commitments to participate in limited partnerships and other direct equity investments will be made on a select basis.

 TRADING EXPOSURES

The following table summarizes Merrill Lynch's non-investment grade trading exposures:

<TABLE>
 <CAPTION>

(in millions)	SEPT. 29, 2000	DEC. 31, 1999
<S>	<C>	<C>
Trading assets:		
Cash Instruments	\$ 5,699	\$ 5,630
Derivatives	3,109	4,033
Trading liabilities - cash instruments	(962)	(997)
Collateral on derivative assets	(1,774)	(1,344)
	-----	-----
Net trading asset exposure	\$ 6,072	\$ 7,322
	=====	=====

</TABLE>

Among the trading exposures included in the preceding table are debt and equity securities and bank loans of companies in various stages of bankruptcy proceedings or in default. At September 29, 2000, the carrying value of such debt and equity securities totaled \$261 million, of which 98% resulted from Merrill Lynch's market-making activities in such securities. This compared with \$133 million at December 31, 1999, of which 89% related to market-making activities. Also included are distressed bank loans with a carrying value totaling \$133 million and \$86 million at September 29, 2000 and December 31, 1999, respectively.

 NON-TRADING EXPOSURES

The following table summarizes Merrill Lynch's non-investment grade non-trading exposures:

<TABLE>
 <CAPTION>

(in millions)	SEPT. 29, 2000	DEC. 31, 1999
<S>	<C>	<C>
Marketable investment securities	\$ 172	\$ 58
Investments of insurance subsidiaries	123	108
Loans (net of allowance for loan losses):		

Bridge loans(1)	568	68
Other loans(2)	2,086	1,331
Other investments:		
Partnership interests (3)	1,298	1,368
Other equity investments (4)	291	369

</TABLE>

- (1) Increases since December 31, 1999 are primarily due to new loans to several telecommunications companies. Subsequent to the end of the third quarter, these loans were reduced by approximately \$140 million.
- (2) Represents outstanding loans to 131 and 115 companies at September 29, 2000 and December 31, 1999, respectively.
- (3) Includes \$581 million and \$599 million in investments at September 29, 2000 and December 31, 1999, respectively, related to deferred compensation plans, for which the default risk of the investments generally rests with the participating employees.
- (4) Includes investments in 71 and 62 enterprises at September 29, 2000 and December 31, 1999, respectively.

The following table summarizes Merrill Lynch's commitments with exposure to non-investment grade counterparties:

<TABLE>

<CAPTION>

(in millions)	SEPT. 29, 2000	DEC. 31, 1999
<S>	<C>	<C>
Additional commitments to invest in partnerships	\$ 312	\$ 200
Unutilized revolving lines of credit and other lending commitments	2,569(1)	2,462

</TABLE>

- (1) Subsequent to the end of the third quarter, these commitments were reduced by \$66 million.

NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Financial Accounting Standards Board deferred for one year the effective date of the accounting and reporting requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 requires Merrill Lynch to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. If the derivative qualifies for hedge accounting, depending on the nature of the hedge accounting relationship, changes in the fair value of the derivative will either be offset by the change in fair value of the hedged asset, liability, or firm commitment item through earnings, or recorded in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of the derivative hedging instrument will be immediately recognized in earnings. Derivatives that do not qualify for hedge accounting must be recorded at fair value, with changes in value reported in earnings. Upon adoption of SFAS No. 133, all existing hedge relationships must be designated anew, with transition adjustments recorded either in earnings or other comprehensive income, as appropriate.

Currently, the majority of Merrill Lynch's derivatives are recognized at fair value in trading assets and liabilities, as they are entered into in a dealing capacity. However, Merrill Lynch also enters into derivatives to hedge its exposures relating to non-trading assets and liabilities, some of which, depending on the nature of the derivative and the related hedged item, are not carried at fair value.

Merrill Lynch will adopt the provisions of SFAS No. 133 on January 1, 2001, and has undertaken initiatives to implement this standard. Merrill Lynch has determined that the new standard will primarily impact the accounting for derivatives used to hedge borrowings. Merrill Lynch currently expects that the majority of its derivatives used to hedge borrowings will qualify for the assumption of "no hedge ineffectiveness" under the criteria detailed in SFAS No. 133, and therefore expects that for these derivatives there will be no net impact on earnings from the adoption of the statement. A smaller population of derivatives that effectively shorten the maturity of floating rate borrowings, or effectively convert the currency of the borrowings, will not qualify for hedge accounting and the fair value of this portfolio will be recorded as a transition adjustment. Derivatives that are embedded in non-trading liabilities will be recorded at fair value with transition adjustments recorded in earnings;

these amounts are expected to be offset by the adjustments to record the offsetting derivative instruments related to these liabilities at fair value.

Merrill Lynch is currently evaluating the impact of adoption on earnings; however, the ultimate effect of the new standard on earnings is dependent upon a number of factors including changing market conditions, the Company's funding needs, hedge designation strategies, and actions taken in response to these conditions. Due to the interdependent nature of these variables, and the inability to predict market conditions at year-end, the Company believes that providing a meaningful estimated range of the impact of adopting this standard at year-end 2000 is not possible at this time.

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<TABLE>
<CAPTION>

STATISTICAL DATA

	3RD QTR. 1999	4TH QTR. 1999	1ST QTR. 2000	2ND QTR. 2000	3RD QTR. 2000
<S>	<C>	<C>	<C>	<C>	<C>
CLIENT ASSETS (in billions):					
U.S. Client Assets	\$ 1,212	\$ 1,360	\$ 1,446	\$ 1,436	\$ 1,437
Non-U.S. Client Assets	302	336	346	336	331
	-----	-----	-----	-----	-----
Total Assets in Private Client Accounts or Under Management	\$ 1,514	\$ 1,696	\$ 1,792	\$ 1,772	\$ 1,768
	=====	=====	=====	=====	=====
U.S. BANK DEPOSITS	\$ 5	\$ 6	\$ 7	\$ 19	\$ 38
ASSETS UNDER MANAGEMENT:	\$ 553	\$ 594	\$ 602	\$ 585	\$ 571
Retail	291	300	307	283	274
Institutional	226	255	253	257	252
Private Accounts	36	39	42	45	45
Equity	301	333	334	335	330
Fixed-Income	108	110	110	111	108
Money Market	144	151	158	139	133
U.S.	340	358	364	356	351
Non-U.S.	213	236	238	229	220
ASSETS IN ASSET-PRICED ACCOUNTS	\$ 131	\$ 168	\$ 203	\$ 208	\$ 218

UNDERWRITING:					
Global Debt and Equity:					
Volume (in billions)	\$ 108	\$ 86	\$ 104	\$ 90	\$ 108
Market Share	13.5%	14.0%	11.2%	12.1%	14.6%
U.S. Debt and Equity:					
Volume (in billions)	\$ 86	\$ 67	\$ 83	\$ 73	\$ 73
Market Share	16.8%	16.7%	14.0%	15.3%	15.9%

FULL-TIME EMPLOYEES:					
U.S.	48,700	49,700	50,900	52,300	52,700
Non-U.S.	17,900	18,200	18,500	19,200	20,000
	-----	-----	-----	-----	-----
Total	66,600	67,900	69,400	71,500	72,700
	=====	=====	=====	=====	=====
Financial Consultants and Other Investment Professionals	19,200	19,500	19,900	20,600	21,000

INCOME STATEMENT:					
Net Earnings (in millions)	\$ 579	\$ 793	\$ 1,101	\$ 921	\$ 885
Annualized Return on Average Common Stockholders' Equity	20.2%	24.3%	32.4%	24.4%	21.6%
Earnings per Common Share:					
Basic	\$ 0.75	\$ 1.03	\$ 1.40	\$ 1.15	\$ 1.09
Diluted	0.67	0.91	1.24	1.01	0.94

BALANCE SHEET (in millions):					
Total Assets	\$314,325	\$329,554	\$366,388	\$356,985	\$383,904
Total Stockholders' Equity	12,276	13,004	14,733	16,014	17,171
Book Value Per Common Share	15.62	16.49	18.13	19.47	20.70

SHARE INFORMATION (in thousands):					
Weighted-Average Shares Outstanding:					
Basic	757,862	760,841	780,220	795,070	805,855
Diluted	855,348	858,122	881,681	904,246	929,048
Common Shares Outstanding	758,716	762,649	789,057	800,863	809,069

</TABLE>

Note: Certain prior period amounts have been restated to conform to the current period presentation and to reflect the merger with Herzog, Heine, Geduld, Inc., as required under pooling-of-interests accounting.

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PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

ML & Co. issued unregistered common stock in connection with the Herzog, Heine, Geduld, Inc. ("Herzog") merger, as described in ML & Co.'s Form 10-Q for the 2000 second quarter and Note 2 to the Consolidated Financial Statements in this report. Since the filing of the second quarter Form 10-Q, ML & Co. has filed a registration statement under the Securities Act of 1933 to register the resale of the ML & Co. shares by the Herzog shareholders. The registration statement became effective on October 16, 2000.

ITEM 5. OTHER INFORMATION

The 2001 Annual Meeting of Stockholders will be held at 10:00 a.m. on Friday, April 27, 2001 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 ML & Co.'s Certificate of Incorporation, has been given to the Secretary of ML & Co., 222 Broadway, 17th Floor, New York, New York 10038, no earlier than February 9, 2001 and no later than March 8, 2001. In addition, in accordance with provisions of ML & Co.'s By-Laws, any stockholder intending to bring any other business before the meeting must provide proper written notice to ML & Co. of the stockholder's intent to do so on or before March 8, 2001. In order to be included in ML & Co.'s proxy statement, stockholder proposals had to be received by ML & Co. at its principal executive offices not later than November 9, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

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

- (10) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan, as amended on July 24, 2000.
- (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

(b) Reports on Form 8-K

The following Current Reports on Form 8-K were filed by ML & Co. with the Securities and Exchange Commission during the quarterly period covered by this report:

- (i) Current Report dated July 18, 2000 for the purpose of filing ML & Co.'s Preliminary Unaudited Earnings Summary for the three- and six-month periods ended June 30, 2000.
- (ii) Current Report dated August 2, 2000 for the purpose of filing ML & Co.'s Preliminary Unaudited Consolidated Balance Sheet as of June 30, 2000.

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- (iii) Current Report dated August 4, 2000 for the purpose of filing the forms of ML & Co.'s Callable Nasdaq-100 (Registered Trademark) Market Index Target-Term Securities (Registered Trademark) due August 3, 2007 and Callable Market Index Target-Term Securities due August 3, 2007 based upon Biotech HOLDERS (Service Mark).
- (iv) Current Report dated September 13, 2000 for the purpose of filing the form of ML & Co.'s Callable Market Index Target-Term Securities due September 13, 2007 based upon Broadband HOLDERS.

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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 13, 2000

By: /s/ Thomas H. Patrick

Thomas H. Patrick
Executive Vice President and
Chief Financial Officer

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INDEX TO EXHIBITS

Exhibits

- 10 Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan, as amended on July 24, 2000.
- 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.

MERRILL LYNCH & CO., INC.
 LONG-TERM INCENTIVE COMPENSATION PLAN
 (as amended July 24, 2000)

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LONG-TERM INCENTIVE COMPENSATION PLAN

ARTICLE I - GENERAL

Section 1.1 Purpose.

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

Section 1.2 Definitions.

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

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

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

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

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

(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).

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

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

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

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

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

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

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

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

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(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 or Restricted Units, the period beginning with the first day of the month in which Restricted Shares or Restricted Units are granted, during which restrictions on the transferability of such Restricted Shares or Restricted Units are in effect, which shall not be of shorter duration than the Vesting Period applicable to the same Restricted Shares or Restricted Units.

(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, as provided by the Committee at the time of grant to receive either: (1) an amount in cash equal to the Fair Market Value of one share of Common Stock, or (2) one share of Common Stock.

(q) "Retirement" shall mean the cessation of employment with the Company (1) on or after (A) having completed at least five 5 years of service, and (B) reaching any age that, when added to service with the Company (in each case, expressed as completed years and completed months), equals at least 45; or (2) as the result of becoming employed by an unconsolidated affiliate of the Company (as specified by the Head of Human Resources); provided that, in each case, termination of employment by the Company for Cause, as defined in Section 8.4 of the Plan, shall not qualify as Retirement.

(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, Restricted Units, or Stock Options, any period of not less than six (6) months beginning with the first day of the month in which the grant of the applicable Restricted Shares, Restricted Units, or Stock Options is effective, during which such Restricted Shares Restricted Units, or Stock Options may be forfeited if the Participant terminates employment.

Section 1.3 Administration.

(a) The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to: (i) subject to Section 1.5 hereof, select Participants after receiving the recommendations of the management of the Company; (ii) determine the number of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Appreciation Rights, or Other ML & Co. Securities subject to each grant; (iii) determine the number of shares of Common Stock subject to each Stock Option grant; (iv) determine the time or times when grants are to be made or are to be effective; (v) determine the terms and conditions subject to which grants may be made; (vi) extend the term of any Stock Option; (vii) provide at the time of grant that all or any portion of any Stock Option shall be canceled upon the Participant's exercise of any Stock Appreciation Rights; (viii) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (ix) adopt, amend, and rescind

such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (x) construe and interpret the Plan and all rules, regulations, and instruments utilized thereunder; and (xi) make all determinations deemed advisable or necessary for the administration of the Plan. All determinations by the Committee shall be final and binding.

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

Section 1.4 Shares Subject to the Plan.

The total number of shares of Common Stock that may be distributed under the Plan shall be 320,000,000 (whether granted as Restricted Shares or reserved

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for distribution upon grant of Restricted Units, Performance Shares, Stock Options, Stock Appreciation Rights (to the extent they may be paid out in Common Stock), or Other ML & Co. Securities), subject to adjustment as provided in Article VII hereof. Shares of Common Stock distributed under the Plan may be treasury shares or authorized but unissued shares. To the extent that awards of Other ML & Co. Securities are convertible into Common Stock or are otherwise equity securities (or convertible into equity securities) of ML & Co., they shall be subject to the limitation expressed above on the number of shares of Common Stock that can be awarded under the Plan. Any shares of Common Stock that have been granted as Restricted Shares or that have been reserved for distribution in payment for Restricted Units or 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 Restricted Unit or Stock Appreciation Right is paid out in cash, the underlying shares of Common Stock may again be made the subject of grants under the Plan. Units payable in cash that are later forfeited or for any reason are not payable under the Plan may again be the subject of grants under the Plan.

Section 1.5 Eligibility and Participation.

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

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

Section 2.1 Performance Periods and Restricted Periods.

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

Section 2.2 Performance Objectives.

At any time before or during a Performance Period, the Committee shall establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the grant of any Performance Shares or Performance Units with respect to such Period. Performance objectives shall be based on one or more measures such as return on stockholders' equity, earnings, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; provided, however, that any such measure shall include all accruals for grants made under the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period, the Committee shall determine both a minimum performance level, below which no Performance Shares or Performance Units shall be payable, and a full performance level, at or above which 100% of the Performance Shares or Performance Units shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares or Performance Units shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 2.5 and 2.6 and Article VII hereof.

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Section 2.3 Grants of Performance Shares and Performance Units.

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

Section 2.4 Rights and Benefits During Performance Period.

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

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

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

Section 2.6 Payment of Performance Shares and Performance Units.

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

(a) Performance Shares:

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

(A) At the end of the applicable Performance Period, one or more certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable shall be registered in the name of the Participant but shall be held by the Company for the account of the employee. Such shares will be nonforfeitable but restricted as to transferability during the applicable Restricted Period. During the Restricted Period, the Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (1) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; and (2) none of such shares of Common Stock or Rights may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such shares; provided, however, that the Company shall not be required to register any fractional shares of Common Stock payable to any Participant, but will pay the value of such fractional shares, measured as set forth in Section 2.6(b) below, to the Participant.

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

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

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

Section 2.7 Termination of Employment.

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

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

(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article II, and such Participant shall not forfeit any Performance Shares or Performance Units held by him or her, 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.

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

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

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

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

(c) Except as otherwise provided in this Section 2.7, termination of

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

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Section 2.8 Deferral of Payment.

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

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

Section 3.1 Vesting Periods and Restricted Periods.

The Committee shall establish one or more Vesting Periods applicable to Restricted Shares and Restricted Units and one or more Restricted Periods applicable to Restricted Shares and Restricted Units, at its discretion. Each such Vesting Period shall have a duration of not less than six (6) 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 six (6) or more consecutive months, measured from the first day of the month in which the grant of the applicable Restricted Shares or Restricted Unit is effective, but in no event shall any Restricted Period be of shorter duration than the Vesting Period applicable to such Restricted Share or Restricted Unit.

Section 3.2 Grants of Restricted Shares and Restricted Units.

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

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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 or Restricted Units granted, the Vesting Period, the Restricted Period, the restrictions applicable to such Restricted Shares or Restricted Units, the nature and terms of payment of consideration, if any, and the consequences of forfeiture that will apply to such Restricted Shares and Restricted Units, and any other terms, conditions, and rights with respect to such grant.

Section 3.3 Rights and Restrictions Governing Restricted Shares.

At the time of grant of Restricted Shares, subject to the receipt by the Company of any applicable consideration for such Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock granted to a Participant shall be registered either in his or her name or for his or her 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) except as provided in Section 3.9, 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 provided in by Section 3.7 hereof. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such Restricted Shares.

Section 3.4 Rights Governing Restricted Units.

During the Vesting Period, or, if longer, the Restricted Period, for Restricted Units, a Participant may be paid, with respect to each such Restricted Unit, 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. Except as otherwise provided in Section 3.7 hereof, the Restricted Units shall be forfeited and all rights of the Participant to the Restricted Units 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.

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

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

Section 3.6 Payment of Restricted Shares and Restricted Units.

(a) Restricted Shares: At the end of the Restricted Period, all restrictions contained in the grant of Restricted Shares and in the Plan shall lapse, and the appropriate number of shares of Common Stock (net of shares withheld by the Company at the end of the Vesting Period under Section 3.6(c)) shall be delivered to the Participant of his or her beneficiary or estate, as the case may be, free of restrictions, in the form of stock certificates or credited to a brokerage account as the Participant or his or her beneficiary or estate, as the case may be, so directs.

(b) Restricted Units: At the end of the Vesting Period (or, if longer, the Restricted Period), there shall be paid to the Participant, or his or her beneficiary or estate, as the case may be either: (1) an amount in cash equal to the Fair Market Value of one share of Common Stock on the last trading day of the Vesting Period (or, if longer, the Restricted Period), or, (2) one share of Common Stock for each Restricted Unit, net of shares withheld by the Company pursuant to Section 3.6(c), free of restrictions. For Restricted Units paid in Common Stock, the appropriate number of shares shall be delivered to the Participant, or his or her beneficiary or estate, as the case may be, in the form of stock certificates or credited to a brokerage account as the Participant or his or her beneficiary or estate, as the case may be, so directs. At least six months prior to the end of the applicable period, the Company may permit a Participant to elect to extend the Restricted Period of a Restricted Unit for an additional period determined by the Participant at the time of such election.

(c) Payment of Taxes: At the end of the Vesting Period for Restricted Shares or the Restricted Period for Restricted Units payable in Common Stock, the Company shall satisfy any minimum federal, state, local or social security withholding requirements that occur as a result the vesting of Restricted Shares or payment of Restricted Units in shares of Common Stock by deducting from the number of whole shares of Common Stock otherwise deliverable, such number of shares as shall have a Fair Market Value, on the applicable date, equal to the minimum tax required to be withheld by the Company.

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Section 3.7 Termination of Employment.

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

(i) Death: If a Participant ceases to be an employee of the Company prior to the end of a Vesting Period by reason of death, all grants of Restricted Shares and Restricted Units granted to such Participant are immediately payable in accordance with their terms.

(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article III and such Participant shall not forfeit any Restricted Shares or Restricted Units held by him or her, 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: Except as otherwise provided herein, if a Participant ceases to be an employee prior to the end of a Vesting Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares and Restricted Units previously granted, 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. Notwithstanding the foregoing, with respect to any Participant holding unvested Restricted Shares and/or Restricted Units (x) whose employment is terminated because of a reduction in staff (coded under termination code number 251 or such other code as may be equivalent to or substituted for termination code number 251), and (y) who delivers to the Company and complies with a release of claims he or she may have against the Company or any of its subsidiaries, which will include a prohibition on solicitation of the Company's employees and such other restrictions as the Company may impose (a "Release"), then notwithstanding such termination, Restricted Shares and Restricted Units granted to such Participant shall continue to vest during the Vesting Period and be restricted during the Restricted Period for such grant; provided, however, that in the event of the Employee's death during the relevant Vesting or Restricted Periods the treatment of Restricted Shares and Restricted Units will be determined in accordance with the provisions of Section 3.7(a)(i);

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

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

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(ii) Other Terminations: Terminations of employment for any reason other than death after the end of a Vesting Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless (A) the Restricted Period relates to Restricted Units that have been further deferred in which case the Restricted Units shall be paid to the Participant, or (B) 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, in each case, the applicable Restricted Shares or Restricted Units shall be paid as soon as practicable in the manner set forth in Section 3.6.

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

Section 3.8 Extension of Vesting or Restrictions; Deferral of Payment.

The Committee may, in its sole discretion, offer any Participant the right, by execution of a written agreement with ML & Co. containing such terms and conditions as the Committee shall in its sole discretion provide for, to extend the Vesting or Restricted 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 or Restricted Units is extended pursuant to this Section 3.8, the Restricted Period with respect to such Restricted Shares or Restricted Units 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.

Section 3.9 Limitations on Transfer of Restricted Shares and Restricted Units.

Restricted Shares and Restricted Units are not transferable by a Participant except by will or the laws of descent and distribution or bequest; provided, however, that the Committee shall have the authority, in its discretion, to grant (or to authorize) that Restricted Shares and Restricted Units may be transferred by the Participant during his or her lifetime to any member of his or her immediate family or to a trust, limited liability corporation, family limited partnership or other equivalent vehicle, established for the exclusive benefit of one or more members of his or her immediate family. A transfer of Restricted Shares or Restricted units will not be permitted unless the Company has received evidence, to its satisfaction, that such transfer does not trigger income or social security taxes or withholding requirements. A transfer of Restricted Shares or Restricted Units may only be effected by the Company at the written request of a Participant and shall become effective only when recorded in the Company's record of outstanding Restricted Shares or

Restricted Units. In the event Restricted Shares or Restricted Units are transferred, such Restricted Shares or Restricted Units may not be subsequently transferred by the transferee except by will or the laws of descent and distribution. In the event Restricted Shares or Restricted Units are transferred, such Restricted Shares or Restricted Units shall continue to be governed by and subject to the terms and limitations of the Plan and the relevant grant and remain subject to forfeiture in the event the Participant terminates his or her employment during the Vesting Period as if no transfer had taken place. As used in this Section, "immediate family" shall mean, with respect to any person, any child, stepchild or grandchild, and shall include relationships arising from legal adoption.

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ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS.

Section 4.1 Grants of Stock Options.

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

Section 4.2 Option Documentation.

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

Section 4.3 Exercise Price.

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

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Section 4.4 Exercise of Stock Options.

(a) Vesting and 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 also set a Vesting Period for grants of Stock Options. The Committee may also, in its sole discretion, accelerate the time at which a Stock Option or installment may vest or become exercisable. 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.

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

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

(i) Death: If a Participant ceases to be an employee of the Company by reason of death prior to: (A) the end of a Vesting Period, (B) the exercise of or (C) or the expiration of Stock Options granted to him or her that remain outstanding on the date of death, such Stock Options may be exercised to the full extent not yet exercised, regardless of whether or not then vested or fully exercisable under the terms of the grant or under the terms of Section 4.4(a) hereof, by his or her estate, beneficiaries or transferees, as the case may be, at any time and from time to time, but in no event after the expiration date of such Stock Option.

(ii) Disability or Retirement: The Disability or Retirement of a Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its

sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be competition with business engaged in by the Company shall be deemed to have terminated employment. In the case of Incentive Stock Options, Disability shall be as defined in Code Section 22(e)(3).

(iii) Other Terminations: Except as provided herein, if a Participant ceases to be an employee for any reason other than death prior to: (a) the end of the Vesting Period, (b) the exercise of, or (c) the expiration of a Stock Option, then all outstanding Stock Options granted to such Participant, whether in his or her name or in the name of another person as a result of a transfer in accordance with Section 4.4(d), shall expire and be forfeited on a date 30 days following the date of such termination of employment. Notwithstanding the foregoing, with respect to any Participant who holds unvested, unexercised non-qualified Stock Options (x) whose employment is terminated because of a reduction in staff (coded under termination code number 251 or such other code as may be equivalent to or substituted for termination code number 251), and (y) who delivers to the Company and complies with a release of claims he or she may have against the Company or any of its subsidiaries, which will include a prohibition on solicitation of the Company's employees and such other restrictions as the Company may impose (a "Release"), then, notwithstanding such termination, all unvested, unexercised Stock Options shall continue to be and become exercisable in accordance with their terms until a date that is 30 days after the latest date on which any Stock Options granted to such employee have become fully exercisable, but in no event later than the original expiration date of such Stock Option, (the "Exercise End Date"), and may be exercised at any time and from time to time during such period; provided however, that in the event of the Employee's death, during such period, the exercisability of Stock Options will be determined in accordance with the provisions of Section 4.4(c)(i);

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In addition, if the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant, it may determine that the Participant, his or her transferee pursuant to Section 4.4(d), or such transferee's estate or beneficiaries, may exercise any such outstanding Stock Option (to the extent that any such outstanding Stock Option could have been exercised at the date of such termination of employment) at any time and from time to time within up to five (5) years after such termination of employment, but in no event after the expiration date of such Stock Option (the "Extended Period").

Approved leaves of absence of one year or less shall not be deemed to be terminations of employment under this Section 4.4(c)(iii). Leaves of absence of more than one year shall be deemed to be terminations of employment under this Section 4.4(c)(iii), unless the Committee determines otherwise.

(d) Limitations on Transferability: Stock Options are not transferable by a Participant except by will or the laws of descent and distribution or bequest and are exercisable during his or her lifetime only by him or her; provided, however, that the Committee shall have the authority, in its discretion, to grant (or to authorize by amendment of an existing grant) Stock Options that may be transferred by the Participant during his or her lifetime to any member of his or her immediate family or to a trust, limited liability corporation, family limited partnership or other equivalent vehicle, established for the exclusive benefit of one or more members of his or her immediate family. A transfer of a Stock Option pursuant to this subparagraph may only be effected by the Company at the written request of a Participant and shall become effective only when recorded in the Company's record of outstanding Stock Options. In the event a Stock Option is transferred as contemplated in this subparagraph, such Stock Option may not be subsequently transferred by the transferee except by will or the laws of descent and distribution. In the event a Stock Option is transferred as contemplated in this subparagraph, such Stock Option shall continue to be governed by and subject to the terms and limitations of the Plan and the relevant grant, and the transferee shall be entitled to the same rights as the Participant under Articles VII, VIII and X hereof, as if no transfer had taken place. As used in this subparagraph, "immediate family" shall mean, with respect to any person, any child, stepchild or grandchild, and shall include relationships arising from legal adoption.

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

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

(b) Payment of Taxes: Upon exercise, a Participant may elect to satisfy any federal, state, local, or social security 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 real-time market price, at the time and on the date of exercise, at least equal to the amount of tax to be withheld.

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

Section 4.6 Limitations on Shares of Common Stock Received upon Exercise of Stock Options.

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

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The maximum aggregate number of shares of Common Stock underlying stock options to be granted in any one fiscal year to any individual executive officer, as such term is defined in the regulations promulgated under Section 162(m) of the Internal Revenue Code, shall be 1,000,000 (one million), which number shall be adjusted automatically to give effect to mergers, consolidations, reorganizations, stock dividends, stock splits or combinations, reclassifications, recapitalizations, or distributions to holders of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the Common Stock ceases to exist.

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

Section 5.1 Grants of Stock Appreciation Rights.

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

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

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

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

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

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

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

Section 5.3 Payment Upon Exercise of Stock Appreciation Rights.

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

Section 5.4 Termination of Employment.

(a) Death: If a Participant ceases to be an employee of the Company prior to the exercise or expiration of a Stock Appreciation Right outstanding in his or her 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 or her estate or beneficiaries, as the case may be, at any time and from time to time within 12 months after the date of death but in no event after the expiration date of such Stock Appreciation Right.

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

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(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 or her name at any time and from time to time within 5 years after the date his or her Retirement commenced but in no event after the expiration date of such Stock Appreciation Right. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

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

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

Section 6.1 Grants of Other ML & Co. Securities.

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

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Section 6.2 Terms and Conditions of Conversion or Exchange.

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

ARTICLE VII - CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, , then, without any action by the Committee, appropriate adjustments shall be made (1) the maximum number of shares of Common Stock available for distribution under the Plan; (2) the number of shares subject to or reserved for issuance and payable under outstanding Performance Share, Restricted Unit, Restricted Share, and Stock Option grants. In addition, 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 performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full performance levels and portion of payments related thereto; and any other terms or provisions of any outstanding grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, in order to preserve the full benefits of such grants for the Participants, taking into account inflation, interest rates, and any other factors that the Committee, in its sole discretion, considers relevant. In the event of a change in the presently 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.

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

Section 8.1 Value of Payments Upon Termination After a Change in Control.

Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his or her employment with the Company for Good Reason, the Participant shall be paid the value of his or her 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 or her employment but, without limiting the foregoing, in no event later than 30 days thereafter. Payments shall be calculated as set forth below:

- (a) Performance Shares and Performance Units.

Any payment for Performance Shares and Performance Units pursuant to this Section 8.1(a) shall be calculated by applying performance objectives for any outstanding Performance Shares and Performance Units as if the applicable Performance Period and any applicable Restricted Period had ended on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(a) shall be reduced

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

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(b) Restricted Shares and Restricted Units.

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

(c) Stock Options and Stock Appreciation Rights.

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

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

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

(iii) in the case of a Stock Appreciation Right granted independently of a Stock Option, the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value, over the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant.

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(d) Other ML & Co. Securities.

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

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

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

Section 8.2 A Change in Control.

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

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

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

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

Section 8.3 Effect of Agreement Resulting in Change in Control.

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

Section 8.4 Termination for Cause.

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

(a) the willful and continued failure by the Participant substantially to perform his or her 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 or her 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 or her duties; or

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

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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 or her action or omission was in the best interest of the Company.

Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him or her 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 or her, 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 or her 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 or her 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 or her 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 or her customary business travel obligations in the ordinary course of business prior to the Change in Control);

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(d) Compensation Plans. The failure by the Company to continue in effect any compensation plan in which the Participant participates, including but not limited to this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978 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 or her participation relative to other Participants, as existed immediately prior to the Change in Control;

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

(f) No Assumption by Successor. The failure of ML & Co. to obtain a satisfactory agreement from any successor to assume and agree to perform a Participant's employment agreement as contemplated thereunder or, if the business of the Company for which his or her 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 or her by the Company immediately prior to the Change in Control.

Section 8.6 Effect on Plan Provisions.

In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities and no adjustments, determinations or other exercises of

discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his or her payments under the Plan or this Article shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to the Plan. Once a Participant has received a payment pursuant to this Article VIII, shares of Common Stock that were reserved for issuance in connection with any Performance Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which 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.

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ARTICLE IX - MISCELLANEOUS.

Section 9.1 Designation of Beneficiary.

A Participant, or the transferee of a Restricted Share, Restricted Unit or Stock Option pursuant to Sections 3.9 or 4.4(d), may designate, in a writing delivered to ML & Co. before his or her death, a person or persons or entity or entities to receive, in the event of his or her death, any rights to which he would be entitled under the Plan. A Participant or Restricted Share, Restricted Unit or Stock Option transferee, may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant or transferee. A Participant or transferee may designate more than one person or entity as his or her beneficiary or alternate beneficiary, in which case such beneficiaries would receive payments as joint tenants with a right of survivorship. A beneficiary designation made under the Plan will apply to future grants unless be changed or revoked by a Participant or transferee by filing a written or electronic notification of such change or revocation with the Company. If a Participant or Stock Option transferee fails to designate a beneficiary, then his or her estate shall be deemed to be his or her beneficiary.

Section 9.2 Employment Rights.

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

Section 9.3 Nontransferability.

Except as provided in Sections 3.9 and 4.4(d), a Participant's rights under the Plan, including the right to any amounts or shares payable, may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to his or her designated beneficiary or, in the absence of such a designation, by will or the laws of descent and distribution.

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Section 9.4 Withholding.

The Company shall have the right, before any payment is made or a certificate for any shares is delivered or any shares are credited to any brokerage account, to deduct or withhold from any payment under the Plan any federal, state, local, social security or other taxes, including transfer taxes, required by law to be withheld or to require the Participant or his or her beneficiary or estate, as the case may be, to pay any amount, or the balance of any amount, required to be withheld.

Section 9.5 Relationship to Other Benefits.

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

Section 9.6 No Trust or Fund Created.

Neither the Plan nor any grant made hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to a

grant under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

Section 9.7 Expenses.

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

Section 9.8 Indemnification.

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

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Section 9.9 Tax Litigation.

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

ARTICLE X - AMENDMENT AND TERMINATION.

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

ARTICLE XI - INTERPRETATION.

Section 11.1 Governmental and Other Regulations.

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

Section 11.2 Governing Law.

The Plan shall be construed and its provisions enforced and administered in accordance with the laws of the State of New York applicable to contracts entered into and performed entirely in such State.

ARTICLE XII - EFFECTIVE DATE AND STOCKHOLDER APPROVAL.

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

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<TABLE>
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EXHIBIT 11

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(in millions, except per share amounts)

MONTHS ENDED -----	FOR THE THREE MONTHS ENDED -----		FOR THE NINE -----
	SEPT. 29, 2000	SEPT.24, 1999	SEPT. 29, 2000
	<C>	<C>	<C>
EARNINGS			
Net earnings \$ 1,900	\$ 885	\$ 579	\$ 2,907
Preferred stock dividends (28)	(10)	(8)	(29)
-----	-----	-----	-----
Net earnings applicable to common stockholders \$ 1,872	\$ 875	\$ 571	\$ 2,878
=====	=====	=====	=====
WEIGHTED-AVERAGE SHARES OUTSTANDING 752.4	805.9	757.9	793.7
-----	-----	-----	-----
EFFECT OF DILUTIVE INSTRUMENTS			
Employee stock options 58.7	75.2	54.2	67.7
FCCAAP shares 32.9	30.6	32.4	29.4
Restricted units 10.6	17.3	10.8	14.1
ESPP shares 0.1	-	-	0.1
-----	-----	-----	-----
DILUTIVE POTENTIAL COMMON SHARES 102.3	123.1	97.4	111.3
-----	-----	-----	-----
TOTAL WEIGHTED-AVERAGE DILUTED SHARES 854.7	929.0	855.3	905.0
=====	=====	=====	=====
BASIC EARNINGS PER SHARE \$ 2.49	\$ 1.09	\$ 0.75	\$ 3.63
=====	=====	=====	=====
DILUTED EARNINGS PER SHARE \$ 2.19	\$ 0.94	\$ 0.67	\$ 3.18
=====	=====	=====	=====

Note: Prior period amounts have been restated to reflect the merger with Herzog, Heine, Geduld, Inc. as required under pooling-of-interests accounting and the 2-for-1 common stock split paid on August 31, 2000.

Basic and diluted earnings per share are based on actual numbers before rounding.

</TABLE>

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EXHIBIT 12

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

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	SEPT. 29, 2000	SEPT. 24, 1999	SEPT. 29, 2000	SEPT. 1999
-				
24,				
-				
<S>	<C>	<C>	<C>	<C>
Pre-tax earnings from continuing operations	\$1,311	\$ 904	\$ 4,409	\$ 2,999
Add: Fixed charges (excluding capitalized interest and preferred security dividend requirements of subsidiaries)	4,759	3,199	12,860	9,802
-				
Pre-tax earnings before fixed charges	6,070	4,103	17,269	12,801
Fixed charges:				
Interest	4,697	3,139	12,668	9,620
Other (a)	115	111	350	334
-				
Total fixed charges	4,812	3,250	13,018	9,954
Preferred stock dividends	13	14	41	42
-				
Total combined fixed charges and preferred stock dividends	\$4,825	\$3,264	\$13,059	\$ 9,996
Ratio of earnings to fixed charges	1.26	1.26	1.33	1.29
Ratio of earnings to combined fixed charges and preferred stock dividends	1.26	1.26	1.32	1.28

(a) Other fixed charges consist of the interest factor in rentals, amortization of debt issuance costs, preferred security dividend requirements of subsidiaries, and capitalized interest.

Note: Prior period amounts have been restated to reflect the merger with Herzog, Heine, Geduld, Inc. as required under pooling-of-interests accounting.

</TABLE>

November 13, 2000

Merrill Lynch & Co., Inc.
4 World Financial Center
New York, NY 10080

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial information of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of September 29, 2000 and for the three- and nine-month periods ended September 29, 2000 and September 24, 1999, as indicated in our report dated November 13, 2000; because we did not perform an audit, we expressed no opinion on that information. The unaudited interim condensed consolidated financial information gives retroactive effect to the merger of Merrill Lynch and Herzog, Heine, Geduld, Inc., which has been accounted for as a pooling-of-interests, as described in Note 2 to the condensed consolidated financial statements.

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, 2000, 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 (Amended and Restated 1994 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 33-55155 (1995 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 33-60989 (1996 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-00863 (401(k) Savings & Investment Plan)

Registration Statement No. 333-09779 (1997 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-13367 (Restricted Stock Plan for Former Employees of Hotchkis and Wiley)

Registration Statement No. 333-15009 (1997 KECALP Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-17099 (Deferred Unit and Stock Unit Plan for Non-Employee Directors)

Registration Statement No. 333-18915 (Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-32209 (1998 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-33125 (Employee Stock Purchase Plan for Employees of Merrill Lynch Partnerships)

Registration Statement No. 333-41425 (401(k) Savings & Investment Plan)

Registration Statement No. 333-56291 (Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-60211 (1999 Deferred Compensation Plan for a Select Group of Eligible Employees)

Registration Statement No. 333-62311 (Replacement Options; Midland Walwyn Inc.)

Registration Statement No. 333-85421 (401(k) Savings and Investment Plan)

Registration Statement No. 333-85423 (2000 Deferred Compensation Plan For a Select Group of Eligible Employees)

Registration Statement No. 333-92663 (Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-44912 (2001 Deferred Compensation Plan for a Select Group of Eligible Employees)

Filed on Form S-3:

Debt Securities, Warrants, Common Stock, Preferred Securities, and/or Depository Shares:

Registration Statement No. 33-54218

Registration Statement No. 2-78338

Registration Statement No. 2-89519

Registration Statement No. 2-83477

Registration Statement No. 33-03602

Registration Statement No. 33-17965

Registration Statement No. 33-27512

Registration Statement No. 33-33335

Registration Statement No. 33-35456

Registration Statement No. 33-42041

Registration Statement No. 33-45327

Registration Statement No. 33-45777

Registration Statement No. 33-49947

Registration Statement No. 33-51489

Registration Statement No. 33-52647

Registration Statement No. 33-55363

Registration Statement No. 33-60413

Registration Statement No. 33-61559

Registration Statement No. 33-65135

Registration Statement No. 333-13649

Registration Statement No. 333-16603

Registration Statement No. 333-20137

Registration Statement No. 333-25255

Registration Statement No. 333-28537

Registration Statement No. 333-42859

Registration Statement No. 333-44173

Registration Statement No. 333-59997

Registration Statement No. 333-68747

Registration Statement No. 333-38792

Medium Term Notes:

Registration Statement No. 2-96315

Registration Statement No. 33-03079

Registration Statement No. 33-05125

Registration Statement No. 33-09910

Registration Statement No. 33-16165

Registration Statement No. 33-19820

Registration Statement No. 33-23605

Registration Statement No. 33-27549

Registration Statement No. 33-38879

Other Securities:

Registration Statement No. 333-02275 (Long-Term Incentive Compensation Plan)

Registration Statement No. 333-24889 (Long-Term Incentive Compensation Plan, and Long-Term Incentive Compensation Plan for Managers and Producers)

Registration Statement No. 333-36651 (Hotchkis and Wiley Resale)

Registration Statement No. 333-59263 (Exchangeable Shares of Merrill Lynch & Co., Canada Ltd. re: Midland Walwyn Inc.)

Registration Statement No. 333-67903 (Howard Johnson & Company Resale)

Registration Statement No. 333-45880 (Herzog, Heine, Geduld, Inc. Resale)

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of 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
November 13, 2000

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<F1> Includes \$12,728 of securities received as collateral, net of securities pledged as collateral, and \$9,485 of securities pledged as collateral, recorded pursuant to the provisions of Statement of Financial Accounting Standards No. 127 ("SFAS No. 127").

<F2> Includes \$22,213 of obligation to return securities received as collateral, recorded pursuant to the provisions of SFAS No. 127.

<F3> Includes \$2,720 of Preferred Securities issued by Subsidiaries.

</FN>

</TABLE>