

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 June 29, 2001

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.

839,640,110 shares of Common Stock and 4,197,721 Exchangeable Shares as of the close of business on August 3, 2001. 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.)
	Jun. 29, 2001	Jun. 30, 2000	
<S>	<C>	<C>	<C>
Net Revenues			
Commissions	\$ 1,362	\$ 1,647	(17.3)%
Principal transactions	911	1,548	(41.1)
Investment banking			
Underwriting	662	734	(9.8)
Strategic advisory	313	353	(11.3)
Asset management and portfolio service fees	1,356	1,413	(4.0)
Other	153	282	(45.7)
Subtotal	4,757	5,977	(20.4)

Interest and dividend revenues	5,563	5,067	9.8
Less interest expense	4,747	4,204	12.9
	-----	-----	
Net interest profit	816	863	(5.4)
	-----	-----	
Total Net Revenues	5,573	6,840	(18.5)
	-----	-----	
Non-Interest Expenses			
Compensation and benefits	2,977	3,508	(15.1)
Communications and technology	568	584	(2.7)
Occupancy and related depreciation	270	258	4.7
Advertising and market development	202	263	(23.2)
Brokerage, clearing, and exchange fees	243	233	4.3
Professional fees	151	168	(10.1)
Goodwill amortization	51	54	(5.6)
Other	259	359	(27.9)
	-----	-----	
Total Non-Interest Expenses	4,721	5,427	(13.0)
	-----	-----	
Earnings Before Income Taxes and Dividends on Preferred Securities Issued by Subsidiaries	852	1,413	(39.7)
Income tax expense	262	443	(40.9)
Dividends on preferred securities issued by subsidiaries	49	49	-
	-----	-----	
Net Earnings	\$ 541	\$ 921	(41.3)
	=====	=====	
Net Earnings Applicable to Common Stockholders	\$ 532	\$ 912	(41.7)
	=====	=====	
Earnings Per Common Share			
Basic	\$ 0.63	\$ 1.15	
	=====	=====	
Diluted	\$ 0.56	\$ 1.01	
	=====	=====	
Dividend Paid Per Common Share	\$ 0.16	\$ 0.15	
	=====	=====	
Average Shares Used in Computing			
Earnings Per Common Share			
Basic	841.4	795.1	
	=====	=====	
Diluted	943.8	904.2	
	=====	=====	

</TABLE>

See Notes to Consolidated Financial Statements

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

<TABLE>

<CAPTION>

	For the Six Months Ended		
	Jun. 29, 2001	Jun. 30, 2000	Percent Inc. (Dec.)
	-----	-----	-----
(in millions, except per share amounts)			
<S>	<C>	<C>	<C>
Net Revenues			
Commissions	\$ 2,867	\$ 3,807	(24.7) %
Principal transactions	2,651	3,586	(26.1)
Investment banking			
Underwriting	1,291	1,404	(8.0)
Strategic advisory	597	679	(12.1)
Asset management and portfolio service fees	2,735	2,803	(2.4)
Other	317	531	(40.3)
	-----	-----	
Subtotal	10,458	12,810	(18.4)
	-----	-----	
Interest and dividend revenues	11,796	9,533	23.7
Less interest expense	10,271	7,986	28.6

Net interest profit	1,525	1,547	(1.4)
Total Net Revenues	11,983	14,357	(16.5)
Non-Interest Expenses			
Compensation and benefits	6,221	7,426	(16.2)
Communications and technology	1,166	1,168	(0.2)
Occupancy and related depreciation	540	511	5.7
Advertising and market development	410	508	(19.3)
Brokerage, clearing, and exchange fees	478	466	2.6
Professional fees	293	315	(7.0)
Goodwill amortization	103	110	(6.4)
Other	569	755	(24.6)
Total Non-Interest Expenses	9,780	11,259	(13.1)
Earnings Before Income Taxes and Dividends on Preferred Securities Issued by Subsidiaries	2,203	3,098	(28.9)
Income tax expense	690	978	(29.4)
Dividends on preferred securities issued by subsidiaries	98	98	-
Net Earnings	\$ 1,415	\$ 2,022	(30.0)
Net Earnings Applicable to Common Stockholders	\$ 1,396	\$ 2,003	(30.3)
Earnings Per Common Share			
Basic	\$ 1.67	\$ 2.54	
Diluted	\$ 1.48	\$ 2.24	
Dividend Paid Per Common Share	\$ 0.32	\$ 0.29	
Average Shares Used in Computing Earnings Per Common Share			
Basic	836.8	787.6	
Diluted	940.9	893.0	

</TABLE>

See Notes to Consolidated Financial Statements

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

<TABLE>

<CAPTION>

Dec. 29, (dollars in millions) 2000	Jun. 29, 2001
---	------------------

<S>

<C>

<C>

ASSETS

Cash and cash equivalents \$ 23,205	\$ 16,412
Cash and securities segregated for regulatory purposes or deposited with clearing organizations 6,092	4,955
Receivables under resale agreements and securities borrowed transactions 114,581	125,443

Marketable investment securities	67,898
49,251	
Trading assets, at fair value	
Equities and convertible debentures	21,811
20,232	
Corporate debt and preferred stock	17,519
17,377	
Contractual agreements	22,637
20,361	
U.S. Government and agencies	13,677
17,519	
Mortgages, mortgage-backed, and asset-backed	8,693
8,225	
Non-U.S. governments and agencies	4,549
5,009	
Municipals and money markets	3,811
2,791	

91,514	92,697
Securities pledged as collateral	11,507
9,097	

Securities received as collateral	3,747
-	

Other receivables	
Customers (net of allowance for doubtful accounts of \$85 in 2001 and \$68 in 2000)	41,400
41,613	
Brokers and dealers	13,267
26,421	
Interest and other	8,353
8,879	

76,913	63,020

Investments of insurance subsidiaries	3,944
4,002	
Loans, notes, and mortgages (net of allowance for loan losses of \$257 in 2001 and \$176 in 2000)	18,986
17,472	
Other investments	4,958
4,938	
Equipment and facilities (net of accumulated depreciation and amortization of \$4,867 in 2001 and \$4,658 in 2000)	3,515
3,444	
Goodwill (net of accumulated amortization of \$790 in 2001 and \$720 in 2000)	4,095
4,407	
Other assets	1,894
2,284	

Total Assets	\$423,071
\$407,200	
=====	
</TABLE>	

Dec. 29, (dollars in millions, except per share amount) 2000	Jun. 29, 2001
-----	-----
<S>	<C>
<C>	
LIABILITIES	
Payables under repurchase agreements and securities loaned transactions \$103,883	\$ 91,437
Commercial paper and other short-term borrowings 15,183	6,855
Deposits 67,648	79,431
Trading liabilities, at fair value	
Contractual agreements	23,709
21,587	
Equities and convertible debentures	19,708
18,535	
U.S. Government and agencies	19,745
14,466	
Non-U.S. governments and agencies	6,393
7,135	
Corporate debt, municipals and preferred stock	8,793
7,134	
-----	-----
	78,348
68,857	
-----	-----
Obligation to return securities received as collateral	3,747
-	
-----	-----
Other payables	
Customers	26,206
24,762	
Brokers and dealers	13,336
9,514	
Interest and other	16,993
22,204	
-----	-----
	56,535
56,480	
-----	-----
Liabilities of insurance subsidiaries	3,814
3,908	
Long-term borrowings	79,506
70,223	
-----	-----
Total Liabilities	399,673
386,182	
-----	-----
PREFERRED SECURITIES ISSUED BY SUBSIDIARIES	2,707
2,714	
-----	-----
STOCKHOLDERS' EQUITY	
Preferred Stockholders' Equity (42,500 shares issued, liquidation preference \$10,000 per share)	425
425	
-----	-----
Common Stockholders' Equity	
Shares exchangeable into common stock	62

68	
Common stock (par value \$1.33 1/3 per share; authorized: 2001 - 3,000,000,000 shares; 2000	
1,000,000,000 shares; issued: 2001 and 2000 - 962,533,498 shares)	1,283
1,283	
Paid-in capital	4,198
2,843	
Accumulated other comprehensive loss (net of tax)	(324)
(345)	
Retained earnings	17,290
16,156	
-----	-----
	22,509
20,005	
Less: Treasury stock, at cost: 2001 - 124,931,509 shares; 2000 - 154,578,945 shares	1,000
1,273	
Employee stock transactions	1,243
853	
-----	-----
Total Common Stockholders' Equity	20,266
17,879	
-----	-----
Total Stockholders' Equity	20,691
18,304	
-----	-----
Total Liabilities, Preferred Securities Issued by Subsidiaries,	
and Stockholders' Equity	\$423,071
\$407,200	
=====	=====

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</TABLE>

See Notes to Consolidated Financial Statements

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

<TABLE>
<CAPTION>

Months Ended	For the Six
-----	-----
(dollars in millions)	Jun. 29,
Jun. 30,	2001
2000	
-----	-----
<S>	<C>
<C>	
Cash flows from operating activities:	
Net earnings	\$ 1,415
\$ 2,022	
Noncash items included in earnings:	
Depreciation and amortization	438
408	
Policyholder reserves	93
97	
Goodwill amortization	103
110	
Amortization of stock-based compensation	335
243	
Other	1,360
251	

Changes in operating assets and liabilities:	
Trading assets and securities pledged as collateral	(3,615)
4,669	
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	1,137
(42)	
Receivables under resale agreements and securities borrowed transactions	(10,862)
(8,838)	
Customer receivables	197
(4,835)	
Brokers and dealers receivables	13,154
(6,512)	
Trading liabilities	9,491
(3,309)	
Payables under repurchase agreements and securities loaned transactions	(12,446)
12,241	
Customer payables	1,444
465	
Brokers and dealers payables	3,822
(2,539)	
Other, net	(5,139)
(237)	
-----	-----
Cash provided by (used for) by operating activities	927
(5,806)	
-----	-----
Cash flows from investing activities:	
Proceeds from (payments for):	
Maturities of available-for-sale securities	15,217
4,575	
Sales of available-for-sale securities	8,804
2,308	
Purchases of available-for-sale securities	(41,964)
(16,036)	
Maturities of held-to-maturity securities	385
464	
Purchases of held-to-maturity securities	(356)
(337)	
Loans, notes, and mortgages	(1,578)
(960)	
Other investments and other assets	(287)
(491)	
Equipment and facilities	(508)
(471)	
-----	-----
Cash used for investing activities	(20,287)
(10,948)	
-----	-----
Cash flows from financing activities:	
Proceeds from (payments for):	
Commercial paper and other short-term borrowings	(8,328)
(5,039)	
Deposits	11,783
12,300	
Issuance and resale of long-term borrowings	24,812
17,178	
Maturities and repurchases of long-term borrowings	(15,469)
(8,396)	
Issuance of treasury stock	403
413	
Other common and preferred stock transactions	(353)
12	
Dividends	(281)
(239)	
-----	-----
Cash provided by financing activities	12,567
16,229	
-----	-----
Decrease in cash and cash equivalents	(6,793)
(525)	
Cash and cash equivalents, beginning of year	23,205
12,155	
-----	-----
Cash and cash equivalents, end of period	\$ 16,412
\$ 11,630	
=====	=====

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Income taxes	\$	272
\$ 363		
Interest		10,719
7,635		

</TABLE>

See Notes to Consolidated Financial Statements

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Merrill Lynch & Co., Inc. and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
June 29, 2001

Note 1. Summary of Significant Accounting Policies

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 29, 2000 unaudited Consolidated Balance Sheet was derived from the audited financial statements. The interim consolidated financial statements for the three- and six- month periods are unaudited; however, in the opinion of Merrill Lynch management, all adjustments necessary for a fair statement of the consolidated financial statements 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 29, 2000. 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.

New Accounting Pronouncements

On the first day of fiscal year 2001, Merrill Lynch adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). On adoption, all existing hedge relationships were designated anew. Merrill Lynch recorded a pre-tax loss of \$32 million (\$22 million after-tax) in interest expense upon adoption of SFAS No. 133.

SFAS No.133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts ("embedded derivatives"), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the Consolidated Balance Sheet and measure those instruments at fair value. The accounting for changes in fair value of a derivative instrument depends on its intended use and the resulting designation.

The majority of Merrill Lynch's derivatives are recognized at fair value as trading assets and liabilities, as they are entered into in a dealing capacity. As part of its trading activities, Merrill Lynch uses derivatives to facilitate customer transactions, to take proprietary positions and as a means of risk management. The Corporate Risk Management group monitors and manages these risks in accordance with established risk management policies and procedures that include risk tolerance levels. For further information on Merrill Lynch's risk management see the Annual Report on Form 10-K for the year ended December 29, 2000.

As part of its overall risk management strategy, Merrill Lynch uses derivatives to manage its risk exposures arising from non-trading assets and liabilities, some of which, depending on the nature of the derivative and the related hedged item, were not previously carried at fair value. These derivatives are typically designated as fair-value hedges, to manage the interest rate and non-U.S. dollar exposure on long-term borrowings and marketable investment securities. These derivatives generally include interest rate and currency swap agreements that are primarily used to convert fixed rate assets and liabilities into U.S. dollar-based floating rate instruments.

The net gain associated with the ineffective portion (the extent to which exact offset is not achieved) of the fair value hedges was not material for the six months ended June 29, 2001.

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Merrill Lynch also uses derivatives and foreign-currency-denominated debt to manage its exposure to foreign exchange rate movements related to investments in non-U.S. operations. These derivatives generally include forward exchange contracts and cross currency interest rate swaps.

For the three and six month periods ended June 29, 2001, \$114 million and \$310 million, respectively of net gains related to non-U.S. dollar net investment hedges, which were principally offset by net losses on these investments, were included in "Accumulated other comprehensive loss" on the Consolidated Balance Sheet.

Merrill Lynch issues long-term obligations whose repayment terms are linked to the performance of equity or other indexes (e.g., S&P 500), baskets of securities, or individual securities. The contingent components of these indexed debt obligations may be embedded derivatives. If the contingent component is determined to be a derivative it is separated from the underlying obligation and carried at fair value. The separated embedded derivative is reported in long-term borrowings on the Consolidated Balance Sheet with the underlying obligation. The embedded derivatives are hedged with derivatives that are carried at fair value.

In addition, Merrill Lynch enters into cash flow hedges to hedge interest rate risk. All of these hedges qualify for the "short-cut method" as defined by SFAS No. 133. As such, no ineffectiveness related to these hedges is reported in earnings.

Derivative instruments are reported on a net-by-counterparty basis on the Consolidated Balance Sheet where management believes a legal right of setoff exists under an enforceable netting agreement. The fair value of derivative instruments is set forth below:

<TABLE>
<CAPTION>

(dollars in millions)

	Jun. 29, 2001		Dec. 29, 2000	
	Assets	Liabilities	Assets	Liabilities
<S>	<C>	<C>	<C>	<C>
Swap agreements	\$20,521	\$21,667	\$17,283	\$18,819
Forwards and options	8,430	9,742	8,339	11,922

</TABLE>

In September 2000, the Financial Accounting Standards Board released SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, a replacement of SFAS No. 125, which revises the standards for accounting for securitizations and other transfers of financial assets and collateral. On April 1, 2001, Merrill Lynch adopted the provisions of this statement that were required to be adopted in the second quarter of 2001. These provisions changed the accounting for certain securities lending transactions. Under the new provisions, when Merrill Lynch acts as the lender in a securities lending agreement and receives securities as collateral that can be pledged or sold, it recognizes on the Consolidated Balance Sheet the securities received as well as an obligation to return the securities lent. Accordingly, Merrill Lynch's accompanying Consolidated Balance Sheet as of June 29, 2001 separately reflects these assets and liabilities.

In July 2001, the Financial Accounting Standards Board released SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. Merrill Lynch adopted the provisions of SFAS No. 141 on July 1, 2001. Under SFAS No. 142, intangible assets with indefinite lives and goodwill will no longer be amortized. Instead, these assets will be tested annually for impairment. Merrill Lynch will adopt the provisions of SFAS No. 142 at the beginning of fiscal year 2002. The full impact of adoption is yet to be determined, however, annual reported amortization expense related to these assets approximates \$200 million.

Note 2. Short-Term Borrowings

Short-term borrowings at June 29, 2001 and December 29, 2000 are presented below:

<TABLE>
<CAPTION>

(dollars in millions)

	Jun. 29, 2001	Dec. 29, 2000
<S>	<C>	<C>
Payables under repurchase agreements and securities loaned transactions		
Repurchase agreements	\$82,070	\$ 89,901
Securities loaned transactions	9,367	13,982
Total	\$91,437	\$103,883
Commercial paper and other short-term borrowings		
Commercial paper	\$ 5,467	\$ 14,022
Other	1,388	1,161
Total	\$ 6,855	\$ 15,183
Deposits		
U.S.	\$66,928	\$ 54,887
Non-U.S.	12,503	12,761
Total	\$79,431	\$ 67,648

</TABLE>

Note 3. 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 the portions of the 2000 Annual Report included as an exhibit to Form 10-K.

Operating results by business segment follow:

<TABLE>
<CAPTION>
(dollars in millions)

Three Months Ended	CICG	PCG	MLIM	Corporate Items (1)	Total
June 29, 2001					
<S>	<C>	<C>	<C>	<C>	<C>
Non-interest revenues	\$ 2,115	\$ 2,166	\$ 544	\$ (68) (2)	\$ 4,757
Net interest revenue(3)	404	409	15	(12) (4)	816
Net revenues	2,519	2,575	559	(80)	5,573
Non-interest expenses	1,985	2,282	453	1 (5)	4,721
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries	\$ 534	\$ 293	\$ 106	\$ (81)	\$ 852
Quarter-end total assets	\$289,013	\$127,603	\$2,360	\$ 4,095	\$423,071

Three Months Ended	CICG	PCG	MLIM	Corporate Items (1)	Total
June 30, 2000					
Non-interest revenues	\$ 2,838	\$ 2,593	\$ 587	\$ (41) (2)	\$ 5,977
Net interest revenue(3)	485	384	19	(25) (4)	863

Net revenues	3,323	2,977	606	(66)	6,840
Non-interest expenses	2,279	2,666	469	13 (5)	5,427
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries	\$ 1,044	\$ 311	\$ 137	\$ (79)	\$ 1,413
Quarter-end total assets	\$257,650	\$ 70,435	\$2,198	\$ 4,592	\$334,875

</TABLE>

- (1) Including intersegment eliminations.
(2) Primarily represents the elimination of intersegment revenues.
(3) Management views interest income net of interest expense in evaluating results.
(4) Represents Mercury financing costs.
(5) Represents goodwill amortization of \$51 million and \$54 million, net of elimination of intersegment expenses of \$50 million and \$41 million, for the three months ended June 29, 2001 and June 30, 2000, respectively.

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<TABLE>
<CAPTION>
(dollars in millions)

Six Months Ended	CICG	PCG	MLIM	Corporate Items (1)	Total
June 29, 2001					
<S>	<C>	<C>	<C>	<C>	<C>
Non-interest revenues	\$ 5,070	\$ 4,442	\$1,097	\$ (151) (2)	\$ 10,458
Net interest revenue(3)	686	834	31	(26) (4)	1,525
Net revenues	5,756	5,276	1,128	(177)	11,983
Non-interest expenses	4,251	4,624	919	(14) (5)	9,780
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries	\$ 1,505	\$ 652	\$ 209	\$ (163)	\$ 2,203
June 30, 2000					
Non-interest revenues	\$ 6,170	\$ 5,589	\$1,184	\$ (133) (2)	\$ 12,810
Net interest revenue(3)	804	765	34	(56) (4)	1,547
Net revenues	6,974	6,354	1,218	(189)	14,357
Non-interest expenses	4,720	5,559	979	1 (5)	11,259
Earnings (loss) before income taxes and dividends on preferred securities issued by subsidiaries	\$ 2,254	\$ 795	\$ 239	\$ (190)	\$ 3,098

</TABLE>

- (1) Including intersegment eliminations.
(2) Primarily represents the elimination of intersegment revenues.
(3) Management views interest income net of interest expense in evaluating results.
(4) Represents Mercury financing costs.
(5) Represents goodwill amortization of \$103 million and \$110 million, net of elimination of intersegment expenses of \$117 million and \$109 million, for the six months ended June 29, 2001 and June 30, 2000, respectively.

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Note 4. Comprehensive Income

The components of comprehensive income are as follows:

<TABLE>

<CAPTION>

(dollars in millions)

	Three Months Ended		Six Months Ended	
	Jun. 29, 2001	Jun. 30, 2000	Jun. 29, 2001	Jun. 30, 2000
<S>	<C>	<C>	<C>	<C>
Net earnings	\$ 541	\$ 921	\$ 1,415	\$ 2,022
Other comprehensive income (loss), net of tax:				
Currency translation adjustment	(49)	(59)	(11)	(67)
Net unrealized gain (loss) on investment securities available-for-sale	(6)	47	(7)	57
Deferred gain on cash flow hedges	18	-	39	-
Total other comprehensive income (loss), net of tax	(37)	(12)	21	(10)
Comprehensive income	\$ 504	\$ 909	\$ 1,436	\$ 2,012

</TABLE>

Note 5. Earnings Per Common Share

Information relating to earnings per common share computations follows:

<TABLE>

<CAPTION>

(dollars in millions)

	Three Months Ended		Six Months Ended	
	Jun. 29, 2001	Jun. 30, 2000	Jun. 29, 2001	Jun. 30, 2000
<S>	<C>	<C>	<C>	<C>
Net earnings	\$ 541	\$ 921	\$ 1,415	\$ 2,022
Preferred stock dividends	9	9	19	19
Net earnings applicable to common stockholders	\$ 532	\$ 912	\$ 1,396	\$ 2,003
(shares in thousands)				
Weighted-average shares outstanding	841,394	795,070	836,794	787,645
Effect of dilutive instruments(1) (2):				
Employee stock options	60,058	65,815	62,219	63,872
FCCAAP shares	27,669	29,334	27,679	28,774
Restricted Units	14,671	13,977	14,129	12,569
ESPP shares	44	50	74	103
Dilutive potential common shares	102,442	109,176	104,101	105,318
Total weighted-average diluted shares	943,836	904,246	940,895	892,963
Basic earnings per common share	\$ 0.63	\$ 1.15	\$ 1.67	\$ 2.54
Diluted earnings per common share	\$ 0.56	\$ 1.01	\$ 1.48	\$ 2.24

</TABLE>

- (1) During the 2001 and 2000 second quarter there were 49 million and 807 thousand instruments, respectively, that were considered antidilutive and were not included in the above computations.
- (2) See Note 11 to Consolidated Financial Statements in the 2000 Annual Report included as an exhibit to Form 10-K for a description of these instruments.

Note 6. Commitments, and Other Contingencies

In the normal course of business, Merrill Lynch enters into underwriting commitments and commitments to extend credit. As of June 29, 2001, these commitments are not material to the financial condition of Merrill Lynch.

As of June 29, 2001, 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 the financial condition of Merrill Lynch as set forth in the Consolidated Financial Statements, but may be material to Merrill Lynch's operating results for any particular period. Refer to Part II - Other Information for additional information on legal proceedings.

Note 7. Regulatory Requirements

Certain U.S. and non-U.S. subsidiaries are subject to various securities, banking and insurance regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. Merrill Lynch's principal regulated subsidiaries are discussed below.

Securities Regulation

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a U.S. 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 June 29, 2001, MLPF&S's regulatory net capital of \$3,015 million was 14% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$2,586 million.

Merrill Lynch International ("MLI"), a U.K. registered broker-dealer, is subject to capital requirements of the Financial Services Authority ("FSA"). Financial resources, as defined, must exceed the total financial resources requirement of the FSA. At June 29, 2001, MLI's financial resources were \$4,790 million, exceeding the minimum requirement by \$990 million.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities, is subject to the capital adequacy requirements of the Government Securities Act of 1986. This rule requires dealers to maintain liquid capital in excess of market and credit risk, as defined, by 20% (a 1.2-to-1 capital-to-risk standard). At June 29, 2001, MLGSI's liquid capital of \$1,287 million was 235% of its total market and credit risk, and liquid capital in excess of the minimum required was \$629 million.

Banking Regulation

Two of the direct subsidiaries of ML & Co., Merrill Lynch Bank USA ("MLBUSA"), an FDIC-insured Utah chartered depository institution, and Merrill Lynch Bank & Trust Co. ("MLB&T"), an FDIC-insured New Jersey chartered depository institution, are each subject to certain minimum aggregate capital requirements under applicable federal banking laws. Among other things, Part 325 of the FDIC regulations establishes levels of Risk Based Capital ("RBC") each institution must maintain. RBC is defined as the ratio of (i) Tier 1 capital or Total capital to (ii) risk-weighted assets, as those terms are defined in the FDIC regulations. As of June 29, 2001, MLBUSA had a Tier I RBC ratio of 10.30% and a Total RBC ratio of 10.93% and MLB&T had a Tier I RBC ratio of 14.14% and a Total RBC ratio of 14.16%. At June 29, 2001 MLBUSA had Tier I capital of \$3,473 million and MLB&T had Tier I capital of \$1,022 million.

MLBUSA and MLB&T have each entered into a synthetic securitization of specified reference portfolios of asset-backed securities ("ABS") owned by each institution totaling in aggregate up to \$20 billion. MLBUSA has also entered into a second synthetic securitization of a specified reference portfolio of ABS owned by the institution of up to \$20 billion. All the ABS in the reference portfolios are rated AAA and all are further insured as to principal and interest payments by an insurer rated AAA. The synthetic securitizations have allowed MLBUSA and MLB&T to reduce the credit risk on the respective reference portfolios by means of credit default swaps with bankruptcy-remote special purpose vehicles ("SPV"). In turn, each of the SPVs has issued a \$20 million

credit linked note (\$40 million in total) to unaffiliated buyers. These transactions have resulted in reductions in each institution's risk-weighted assets. MLBUSA has retained a first risk of loss equity tranche of \$1 million in each of these transactions (\$2 million in total).

As a result of these transactions, MLBUSA has been able to reduce risk-weighted assets by \$17,805 million at June 29, 2001, thereby increasing its Tier I and Total RBC ratios by 356 basis points and 378 basis points, respectively. MLB&T has been able to reduce risk-weighted assets by \$2,090 million at June 29, 2001, thereby increasing its Tier I and Total RBC ratios by 317 and 318 basis points, respectively. These structures have not resulted in a material change in the distribution or concentration of risk in the retained portfolio.

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INDEPENDENT ACCOUNTANTS' REPORT

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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 June 29, 2001, and the related condensed consolidated statements of earnings for the three-month and six-month periods ended June 29, 2001 and June 30, 2000, and the consolidated statements of cash flows for the six-month periods ended June 29, 2001 and June 30, 2000. These financial statements are the responsibility of Merrill Lynch's management.

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, 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 auditing standards generally accepted in the United States of America, the consolidated balance sheet of Merrill Lynch as of December 29, 2000, 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 26, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 29, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

New York, NY
August 10, 2001

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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. The financial services industry, in which Merrill Lynch is a leading participant, is highly competitive and highly regulated. This industry and the global financial markets are influenced by numerous uncontrollable factors. These factors include economic conditions, monetary and fiscal policies, the liquidity of global markets, 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 may increase risk, it may also increase order flow and revenues 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 and volumes.

The financial services industry continues to be affected by the intensifying competitive environment, as demonstrated by consolidation through mergers and acquisitions and competition from new entrants as well as established competitors using the Internet or other technology to establish or expand their businesses, and diminishing margins in many mature products and services. The Gramm-Leach-Bliley Act, passed in 1999, which repealed laws that separated commercial banking, investment banking and insurance activities, together with changes to the industry resulting from previous reforms, has increased the number of companies competing for a similar customer base.

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 and objectives expressed in these statements. These factors include, but are not limited to, the factors listed in the previous two paragraphs, as well as actions and initiatives taken by both current and potential competitors, the effect of current, pending, and future legislation and regulation both in the United States and throughout the world, and the other risks detailed in Merrill Lynch's 2000 Form 10-K and in this Form 10-Q.

Merrill Lynch undertakes no responsibility to update or revise any forward-looking statements.

Business Environment

Global financial markets continued to face difficult and challenging market environments in the second quarter of 2001, as global economies slowed and corporate earnings declined. During the same period, however, U.S. debt underwriting remained strong, as the U.S. Federal Reserve Bank continued to reduce interest rates in an effort to bring life into the sluggish economy.

Long-term U.S. interest rates, as measured by the yield on the 10-year U.S. Treasury bond, climbed to 5.40% during the quarter, from 4.92% at the end of the 2001 first quarter. The yield on the longer-term 30-year Treasury bond rose to 5.75% during the quarter, from 5.46% at the end of the 2001 first quarter. The U.S. Federal Reserve Bank cut 125 basis points off both the federal funds rate and the discount rate during the 2001 second quarter. Credit spreads, which represent the risk premium over the risk-free rate paid by an issuer (based on the issuer's perceived creditworthiness), contracted slightly in the second quarter of 2001.

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Despite numerous corporate profit warnings and uncertain market conditions, U.S. equity indices finished the second quarter up from the levels at the end of the first quarter. The Nasdaq Composite Index surged 17.4% in the three-month period, but remained 45.5% below the 2000 second quarter level. The Dow Jones Industrial Average was up 6.3% in the second quarter, but remained virtually unchanged from the end of the second quarter 2000. The S&P 500 advanced 5.5% in the second quarter 2001, but was down 15.8% from the end of the 2000 second quarter.

The Dow Jones World Index rose 1.2% in the second quarter of 2001, but slipped 23.8% since the same period a year ago. The stock market in Japan, as measured by the Dow Jones Global Index, rose 2.3% in yen terms during the 2001 second quarter. With the overnight inter-bank rate at essentially 0%, and low consumer spending and exports, the Bank of Japan left its monetary policy unchanged. The economic slowdowns in Germany and France led the European Central Bank to reduce interest rates by a quarter of a percentage point to 4.5%. Emerging markets turned in the best performance of the quarter, including the Mexican stock market, which, aided by the strong peso and a steady stream of foreign direct investments, jumped 24.2% in U.S. dollar terms and 18.7% in peso terms when measured by the Dow Jones Global Index.

Global stock and debt issuance increased 35% from the year-ago quarter. Global debt underwriting volume rose 42% from the year-ago quarter, as issuers took advantage of favorable interest rates. Global equity underwriting volume was up only 3.5% from the weak second quarter of 2000, as the Initial Public Offering ("IPO") market continued to be weak. According to Thomson Financial Securities Data, the number of companies brought public in the first half of 2001 was the lowest in nearly 20 years.

Merger and acquisition activity remained at low levels in the second quarter as a result of economic uncertainty. Both global and U.S. announced merger and acquisition volumes dropped approximately 40% from the second quarter of 2000, but remained virtually unchanged from last quarter, according to Thomson

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, and growing fee-based revenues, all contribute to mitigating the effects of market volatility on Merrill Lynch's business as a whole.

Results of Operations

<TABLE>

<CAPTION>

	For the Three Months Ended		For the Six Months Ended	
	Jun. 29, 2001	Jun. 30, 2000	Jun. 29, 2001	Jun. 30, 2000
(dollars in millions, except per share amounts)				
<S>	<C>	<C>	<C>	<C>
Total revenues	\$10,320	\$11,044	\$22,254	\$22,343
Net revenues	5,573	6,840	11,983	14,357
Pre-tax earnings	852	1,413	2,203	3,098
Net earnings	541	921	1,415	2,022
Earnings per common share:				
Basic	0.63	1.15	1.67	2.54
Diluted	0.56	1.01	1.48	2.24
Annualized return on average common stockholders' equity	10.7%	24.4%	14.5%	28.2%
Pre-tax profit margin	15.3	20.7	18.4	21.6

</TABLE>

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Merrill Lynch's net earnings were \$541 million for the 2001 second quarter, 41% lower than the \$921 million reported in the second quarter of 2000. Earnings per common share were \$0.63 basic and \$0.56 diluted, compared with \$1.15 basic and \$1.01 diluted in the 2000 second quarter.

Net revenues were \$5.6 billion, 19% lower than the 2000 second quarter. This decline was primarily due to lower equity trading revenues. Compensation and benefits expenses, which were 53.4% of net revenues, included severance expense of \$129 million associated with a reduction of employees. Excluding severance, compensation and benefits expenses were 51.1% of net revenues in the 2001 second quarter, down slightly from 51.3% in last year's second quarter. Severance costs are included in the results of each business segment. Non-compensation expenses were \$1.7 billion, 9% lower than the 2000 second quarter. The pre-tax profit margin for the quarter was 15.3%, compared to 20.7% in the 2000 second quarter.

For the first half of 2001, net earnings were \$1.4 billion, compared to \$2.0 billion for the corresponding period in 2000. Net revenues were \$12.0 billion, down 17% from the first six months of 2000. The effect of declining revenues on earnings was limited by a 13% reduction in year-to-date expenses, including a 7% reduction in non-compensation costs. Year-to-date earnings per common share were \$1.67 basic and \$1.48 diluted, compared with \$2.54 basic and \$2.24 diluted in the first half of 2000. The pre-tax margin for the first half of 2001 was 18.4%, approximately 3 percentage points lower than the year-ago period. Annualized return on average common stockholder's equity was 14.5% for the first six months of 2001.

Net revenues in June 2001 were particularly weak and without a significant improvement in market conditions, management believes that third quarter 2001 net revenues and earnings will be below the second quarter 2001 levels.

Business Segments

Merrill Lynch reports its results in three business segments: Corporate and Institutional Client Group ("CICG"), Private Client Group ("PCG"), and Merrill Lynch Investment Managers ("MLIM"). CICG provides investment banking and capital market services to corporate, institutional, and governmental clients throughout the world. PCG provides wealth management services and products to individuals, small- to mid-size businesses and employee benefit plans for clients globally. MLIM provides investment management services to a wide variety of retail and institutional clients. For further information on services provided to clients within these segments, see the 2000 Form 10-K and the portions of the 2000 Annual Report included as an exhibit thereto.

Certain MLIM and CICG products are distributed by PCG distribution channels, and to a lesser extent, certain MLIM products are distributed through the distribution capabilities of CICG. Revenues and expenses associated with these intersegment activities are recognized in each segment and eliminated at the corporate level. In addition, revenue and expense sharing agreements for shared activities are in place and the results of each segment reflect the agreed upon portion of these activities. The operating results of the segments exclude certain corporate items and represent the information that is relied upon by management in their decision-making processes. Restatements occur to reflect reallocations of revenues and expenses which result from changes in Merrill Lynch's business strategy and structure.

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Corporate and Institutional Client Group						

CICG's Results of Operations						
<TABLE>						
<CAPTION>						

	For the Three Months Ended			For the Six Months Ended		
	-----			-----		
	Jun. 29,	Jun. 30,	% Inc.	Jun. 29,	Jun. 30,	%
Inc.						
(dollars in millions)	2001	2000	(Dec.)	2001	2000	
(Dec.)						

<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
Commissions	\$ 548	\$ 600	(9)%	\$1,159	\$1,348	
(14)%						
Principal transactions and net interest profit	953	1,638	(42)	2,660	3,581	
(26)						
Investment banking	865	878	(1)	1,668	1,660	-
Other revenues	153	207	(26)	269	385	
(30)						
	-----	-----		-----	-----	
Total net revenues	\$2,519	\$3,323	(24)	\$5,756	\$6,974	
(17)						
	-----	-----		-----	-----	
Pre-tax earnings	\$ 534	\$1,044	(49)	\$1,505	\$2,254	
(33)						
	-----	-----		-----	-----	
Pre-tax profit margin	21.2%	31.4%		26.1%	32.3%	

</TABLE>						

CICG continued to face a difficult market environment in the second quarter of 2001. Net revenues were \$2.5 billion for the quarter, compared to \$3.3 billion in the second quarter of 2000. CICG's pre-tax earnings were \$534 million in the second quarter of 2001, a decline of 49% from the second quarter of 2000. The pre-tax profit margin was 21.2%, compared to 31.4% in the second quarter of 2000. CICG's results included severance expenses incurred in the 2001 second quarter.

CICG's year-to-date net revenues were \$5.8 billion, down 17% from the comparable period a year ago and year-to-date pre-tax earnings were \$1.5 billion, down 33% from the record set in the first half of 2000. CICG's year-to-date pre-tax margin was 26.1%, down from 32.3% in the same period last year.

Client Facilitation and Trading

Commissions

Commissions revenue primarily arises from agency transactions in listed and over-the-counter equity securities and commodities, money market instruments and options.

Commissions revenues fell 9% in the second quarter of 2001 to \$548 million from \$600 million in the second quarter of 2000, primarily as a result of a decline in equity trading volume. Year-to-date commissions revenues decreased by 14% to \$1.2 billion as compared to the record first half of 2000.

Principal transactions and net interest profit

<TABLE>

<CAPTION>

(dollars in millions)	For the Three Months Ended			For the Six Months Ended		
	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Equities and equity derivatives (53)%	\$ 438	\$1,096	(60)%	\$1,127	\$2,412	
Debt and debt derivatives	515	542	(5)	1,533	1,169	31
Total (26)	\$ 953	\$1,638	(42)	\$2,660	\$3,581	

</TABLE>

Principal transactions and net interest profit includes realized and unrealized gains and losses from the purchase and sale of securities in which CIG acts as principal. Changes in the composition of trading inventories and hedge positions can cause the recognition of principal transactions and net interest profit to fluctuate.

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Net interest profit is a function of the level and mix of total assets and liabilities, including financial instruments owned, reverse repurchase and repurchase agreements, trading strategies associated with CIG's institutional securities business, and the prevailing level, term structure and volatility of interest rates. Net interest profit is an integral component of trading activity. In assessing the profitability of its client facilitation and trading activities, Merrill Lynch views net interest profit and principal transactions in the aggregate.

Principal transactions and net interest profit were \$953 million in the second quarter of 2001, down 42% from \$1.6 billion in the second quarter of 2000. The decrease from the year-ago quarter primarily reflects significantly lower revenues from equities and equity derivatives. This reduction was driven by significantly lower market volatility and equity valuations and the additional impact of decimalization on trading spreads in the Nasdaq market. Reduced order flow and spread compression resulting from declining stock prices also contributed to the decline in equity trading revenues. Net trading revenues from debt and debt derivatives decreased slightly from the 2000 second quarter.

On a year-to-date basis, principal transactions and net interest revenues were down 26% compared to the first half of 2000, as a significant decrease in equity and equity derivatives revenues more than offset the 31% increase in debt trading revenues. Debt trading revenues benefited from improved results in debt derivatives and sovereign debt trading. Also included in this category is the positive impact of the first quarter 2001 sale of certain energy-trading assets.

Investment Banking

<TABLE>

<CAPTION>

(dollars in millions)	For the Three Months Ended			For the Six Months Ended		
	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Debt underwriting	\$175	\$ 86	103%	\$ 367	\$ 176	109%
Equity underwriting	377	440	(14)	704	807	(13)
Strategic advisory services	313	352	(11)	597	677	(12)
Total	\$865	\$878	(1)	\$1,668	\$1,660	-

</TABLE>

Underwriting

Underwriting revenues represent fees earned from the underwriting of debt and equity securities as well as loan syndication and commitment fees.

Underwriting revenues in the second quarter of 2001 were \$552 million, up 5% from the \$526 million recorded in the second quarter of 2000. Sharply higher revenues from corporate debt issuances more than offset a 14% decline in equity underwriting revenues, which resulted from an industry-wide slowdown in equity issuances. Merrill Lynch continued to demonstrate leadership in debt and equity

origination, ranking #1 in global debt and #2 in global equity and equity-linked underwriting during the second quarter of 2001. In global debt underwriting, Merrill Lynch benefited from strong leadership positions in Europe and Asia. In equity-linked underwriting, Merrill Lynch's new innovative LYONS products helped sustain a market share of 21.7% in the first six months of 2001.

Year-to-date underwriting revenues increased 9% to \$1.1 billion from \$983 million in the first half of 2000, as a significant increase in debt underwriting revenues more than offset the decrease in equity underwriting revenues. Merrill Lynch maintained leadership in the market by maintaining year-to-date market shares of 12.1% and 15.0% in global debt and global equity and equity-linked underwriting, respectively. Merrill Lynch's underwriting market share information based on transaction value follows:

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<TABLE>
<CAPTION>

For the Three Months Ended				
Jun. 2001		Jun. 2000		
Market Share	Rank	Market Share	Rank	
<C>	<C>	<C>	<C>	
<S>				
Global proceeds				
Debt and equity	11.9%	1	12.1%	1
Debt	11.5	1	12.1	1
Equity and equity-linked	15.1	2	10.9	4
U.S. proceeds				
Debt and equity	13.8%	1	14.2%	1
Debt	13.6	1	13.6	1
Equity and equity-linked	16.3	2	16.0	2

</TABLE>

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

<TABLE>
<CAPTION>

For the Six Months Ended				
Jun. 2001		Jun. 2000		
Market Share	Rank	Market Share	Rank	
<C>	<C>	<C>	<C>	
<S>				
Global proceeds				
Debt and equity	12.2%	1	11.3%	1
Debt	12.1	1	11.4	1
Equity and equity-linked	15.0	2	9.4	5
U.S. proceeds				
Debt and equity	14.8%	1	13.8%	1
Debt	14.6	1	14.0	1
Equity and equity-linked	17.7	2	10.5	5

</TABLE>

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

Strategic Advisory Services

Strategic advisory services revenues, which include merger and acquisition and other advisory fees, were \$313 million in the second quarter of 2001, down 11% from the second quarter of 2000. Poor securities market conditions continue to have a negative impact on global merger and acquisition activity. In the first half of 2001, Merrill Lynch ranked #2 with a market share of 22.4% in global announced transactions. Merrill Lynch's merger and acquisition market share information based on transaction value follows:

<TABLE>
<CAPTION>

For the Three Months Ended	
Jun. 2001	Jun. 2000

	Market Share -----	Rank ----	Market Share -----	Rank ----
<S>	<C>	<C>	<C>	<C>
Completed transactions				
Global	23.7%	3	43.5%	3
U.S.	22.1	3	44.1	2
Announced transactions				
Global	23.3%	2	22.8%	4
U.S.	19.5	5	25.4	3

</TABLE>

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

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<TABLE>
<CAPTION>

	For the Six Months Ended			
	Jun. 2001		Jun. 2000	
	Market Share -----	Rank ----	Market Share -----	Rank ----
<S>	<C>	<C>	<C>	<C>
Completed transactions				
Global	32.3%	2	38.7%	3
U.S.	42.5	2	35.8	3
Announced transactions				
Global	22.4%	2	25.4%	3
U.S.	21.4	4	36.8	3

</TABLE>

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

Other Revenues

Other revenues which include investment gains and losses and partnership distributions, declined 26% to \$153 million in the second quarter of 2001 and 30% to \$269 million in the first six months of 2001 as the result of lower gains on investments.

Private Client Group

PCG's Results of Operations

<TABLE>
<CAPTION>

	For the Three Months Ended			For the Six Months Ended		
(dollars in millions)	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commissions	\$ 770	\$ 978	(21) %	\$1,634	\$2,370	(31) %
Principal transactions and new issue revenues	455	596	(24)	872	1,227	(29)
Asset management and portfolio service fees	910	956	(5)	1,839	1,857	(1)
Net interest profit	409	384	7	834	765	9
Other revenues	31	63	(51)	97	135	(28)
Total net revenues	\$2,575	\$2,977	(14)	\$5,276	\$6,354	(17)
Pre-tax earnings	\$ 293	\$ 311	(6)	\$ 652	\$ 795	(18)
Pre-tax profit margin	11.4%	10.4%		12.4%	12.5%	

</TABLE>

Second quarter 2001 net revenues for PCG were \$2.6 billion, 14% below the second quarter of last year and pre-tax earnings were \$293 million, 6% lower than the second quarter of 2000. The 2001 second quarter pre-tax profit margin was 11.4%, up from 10.4% in the second quarter of 2000. This improved pre-tax margin was achieved despite the inclusion of severance expenses and charges related to the sale or exit of various business components in PCG's second quarter 2001

results. Excluding these items, PCG's pre-tax margin for the quarter was 14.4 %. In the United States, the second quarter pre-tax earnings increased and the pre-tax margin was nearly two percentage points above the second quarter a year-ago. Outside the United States, the impact of lower revenues in the 2001 second quarter compared to the year-ago quarter was principally offset by a significant reduction in expenses.

PCG's year-to-date net revenues were \$5.3 billion, down 17% from the corresponding period in 2000 and pre-tax earnings were \$652 million, 18% lower than for the first six months of 2000. PCG's year-to-date pre-tax margin was 12.4%, approximately equal to the comparable period a year ago.

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PCG employed approximately 18,600 financial advisors at the end of the 2001 second quarter, compared with 19,800 at the end of the 2000 second quarter and 20,200 at year-end 2000. The reduction in the first six months of 2001 is the result of attrition, significantly reduced hiring of trainees and the consolidation of offices.

Commissions

Commissions revenue primarily arises from agency transactions in listed and over-the-counter equity securities, as well as sales of mutual funds, insurance products, and options.

Commissions revenues declined 21% to \$770 million in the second quarter of 2001 from \$978 million in the second quarter of 2000. Commissions revenues for the first half of 2001 were \$1.6 billion, 31% lower than the first half of 2000. These decreases are primarily due to a global decline in client transaction volumes, particularly in equities and mutual funds. In addition, as assets have moved from traditional transaction-priced accounts to asset-priced services, there has been a shift in revenue from commissions to portfolio service fees.

Principal transactions and new issue revenues

PCG's principal transactions and new issue revenues primarily represent bid-offer revenues in over-the-counter equity securities, government bonds and municipal securities as well as selling concessions on debt and equity products.

Principal transactions and new issue revenues declined 24% to \$455 million in the 2001 second quarter, as trading and equity new issue volume declined in a less favorable market environment, compared with the second quarter of 2000. Year-to-date revenues similarly decreased from \$1.2 billion in 2000 to \$872 million in 2001.

Asset management and portfolio service fees

Asset management and portfolio service fees include asset management fees from taxable and tax-exempt money market funds as well as portfolio fees from fee-based accounts such as Unlimited Advantage (Service Mark) and Merrill Lynch Consults (Registered Trademark) and servicing fees related to such accounts.

Asset management and portfolio service fees declined 5% to \$910 million in the second quarter of 2001 largely as a result of a reduction in money market fund balances, as assets have migrated to bank deposits. On a year-to-date basis, asset management and portfolio service fees have essentially remained flat.

An analysis of changes in assets in Private Client accounts from June 30, 2000 to June 29, 2001 is detailed below:

<TABLE>

<CAPTION>

(dollars in billions)	Jun. 30, 2000	Net Changes Due To		Jun. 29, 2001
		New Money	Asset Depreciation	
<S>	<C>	<C>	<C>	<C>
Assets in Private Client accounts	\$ 1,561	\$ 106	\$ (213)	\$ 1,454

</TABLE>

Total assets in U.S. Private Client accounts declined 7% from the end of the 2000 second quarter, to \$1.3 trillion, as a result of market declines, partially offset by net new money inflows of \$85 billion since the second quarter of 2000. Outside the United States, client assets were \$136 billion, with \$4 billion of net new money in the 2001 second quarter and \$21 billion since the end of the 2000 second quarter. Total assets in asset-priced accounts were \$208 billion, unchanged from a year ago.

Net interest profit

Interest revenue for PCG is primarily derived from interest earned on the

investment portfolio, primarily related to Merrill Lynch's U.S. banks, as well as interest earned on margin and other loans. Interest expense consists of interest paid on bank deposits and other borrowings.

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Net interest profit was \$409 million, up 7% from \$384 million in the second quarter of 2000. Net interest profit for the six months of 2001 was \$834 million, 9% higher than in the comparable period in 2000. The increases in net interest profit resulted from growth in deposits and the related investment portfolios at Merrill Lynch's U.S. banks, partially offset by a decline in net interest revenue from margin loans.

Other revenues

Other revenues, which is primarily comprised of investment gains, decreased from \$63 million in the 2000 second quarter to \$31 million in the second quarter of 2001. Other revenues for the first half of 2001 decreased to \$97 million from \$135 million for the same period in 2000.

Merrill Lynch Investment Managers

MLIM's Results of Operations

<TABLE>

<CAPTION>

(dollars in millions)	For the Three Months Ended			For the Six Months Ended		
	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)	Jun. 29, 2001	Jun. 30, 2000	% Inc. (Dec.)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commissions	\$ 80	\$110	(27) %	\$ 158	\$ 222	(29) %
Asset management fees	441	453	(3)	887	937	(5)
Other revenues	38	43	(12)	83	59	41
	----	----		-----	-----	
Total net revenues	\$559	\$606	(8)	\$1,128	\$1,218	(7)
	----	----		-----	-----	
Pre-tax earnings	\$106	\$137	(23)	\$ 209	\$ 239	(13)
	----	----		-----	-----	
Pre-tax profit margin	19.0%	22.6%		18.5%	19.6%	

</TABLE>

MLIM's investment performance continues to be strong. More than 70% of U.S. equity mutual fund assets have above-median performance for the 1, 3, and 5 year periods. Two-thirds of global retail and institutional assets under management outperformed their relevant median or benchmark over the past year. Net revenues for MLIM declined 8% from the second quarter of last year to \$559 million, primarily due to a market-driven decline in the value of assets under management. Pre-tax earnings were \$106 million in the second quarter of 2001, a decline of 23% from the second quarter of 2000. The pre-tax profit margin dropped from 22.6% in the second quarter of 2000 to 19.0% in the second quarter of 2001. MLIM's second quarter 2001 results include severance costs.

Year-to-date, MLIM's net revenues were \$1.1 billion, down 7% from the year-ago period and pre-tax earnings were \$209 million, 13% lower than the first six months of 2000. MLIM's year-to-date pre-tax margin was 18.5%, down from 19.6% for the same period last year.

Commissions

Commissions for MLIM predominately consist of distribution fees and redemption fees related to mutual funds. The distribution fees represent fees for promoting and distributing mutual funds ("12b-1 fees").

Commissions revenues declined 27% to \$80 million in the 2001 second quarter due to reduced levels of outstanding mutual funds with associated 12b-1 distribution fees resulting primarily from redemptions and market-driven declines in assets under management. For the first half of 2001, commissions revenues decreased 29% from the same period a year ago.

Asset management fees

Asset management fees primarily consist of fees earned from the management and administration of funds as well as performance fees earned by MLIM.

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Asset management fees were \$441 million, a decline of 3% from the second quarter

of 2000 due to a decrease in management fees, resulting from the market-driven decline in assets under management. At the end of the second quarter of 2001, assets under management totaled \$533 billion, compared with \$585 billion at the end of the second quarter 2000. MLIM has attracted positive net new money for seven consecutive quarters, including \$4 billion in the second quarter of 2001, excluding the impact of money flows from money market funds to deposits at Merrill Lynch's U.S. banks. On a year-to-date basis, asset management fees decreased 5% to \$887 million.

MLIM's assets under management include taxable and tax-exempt money market funds, the fees for which are included in the results of PCG. These funds totaled \$79 billion at June 29, 2001. An analysis of changes in assets under management from June 30, 2000 to June 29, 2001 is as follows:

<TABLE>

<CAPTION>

(dollars in billions)	Jun. 30, 2000	Net Changes Due To			Jun. 29, 2001
		New Money	Asset Depreciation (1)	Other(2)	
<S>	<C>	<C>	<C>	<C>	<C>
Assets under management	\$ 585	\$ 24	\$ (53)	\$ (23)	\$ 533

</TABLE>

(1) Includes \$(17) billion impact of foreign exchange.

(2) Includes reinvested dividends of \$10 billion and net outflows of \$31 billion of retail money market funds which were transferred to bank deposits at Merrill Lynch's U.S. banks.

Other Revenues

Other revenues decreased 12% from the second quarter of 2000 to \$38 million in the second quarter of 2001. On a year-to-date basis, other revenues increased 41% to \$83 million.

Non-Interest Expenses

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

<TABLE>

<CAPTION>

(dollars in millions)	For the Three Months Ended		For the Six Months Ended	
	Jun. 29, 2001	Jun. 30, 2000	Jun. 29, 2001	Jun. 30, 2000
<S>	<C>	<C>	<C>	<C>
Compensation and benefits	\$2,977	\$3,508	\$6,221	\$ 7,426
Non-compensation expenses:				
Communications and technology	568	584	1,166	1,168
Occupancy and related depreciation	270	258	540	511
Advertising and market development	202	263	410	508
Brokerage, clearing, and exchange fees	243	233	478	466
Professional fees	151	168	293	315
Goodwill amortization	51	54	103	110
Other	259	359	569	755
Total non-compensation expenses	1,744	1,919	3,559	3,833
Total non-interest expenses	\$4,721	\$5,427	\$9,780	\$11,259
Compensation and benefits				
as a percentage of net revenues	53.4%	51.3%	51.9%	51.7%
Non-compensation expenses				
as a percentage of net revenues	31.3	28.0	29.7	26.7

</TABLE>

Compensation and benefits, which included \$129 million of severance expenses, decreased 15% from the 2000 second quarter to \$3.0 billion. Compensation and benefits as a percentage of net revenues was 53.4% for the second quarter of 2001 (51.1% excluding severance costs), compared to 51.3% in the year ago quarter. Non-compensation expenses were 9% lower than the 2000 second

quarter, as the result of actions initiated in the second half of 2000 to contain expenses, consolidate offices, and more effectively allocate resources.

Communications and technology expenses were \$568 million, down 3% from the second quarter of 2000 primarily due to reduced systems consulting costs.

Occupancy and related depreciation expense was \$270 million in the second quarter of 2001, 5% higher than the second quarter of 2000 principally due to increased rental and other occupancy costs.

Advertising and market development expenses declined 23% from the 2000 second quarter to \$202 million, due to continued lower levels of advertising and travel expenses.

Brokerage, clearing, and exchange fees were \$243 million, up \$10 million from second quarter of 2000.

Professional fees decreased 10% to \$151 million primarily due to reduced spending on employment and consulting services.

Goodwill amortization was \$51 million in the second quarter of 2001, virtually unchanged from the 2000 second quarter. Other expenses were \$259 million, 28% lower than the 2000 second quarter, due to a reduction in provisions for various business matters.

The effective tax rate was 31.3% for the first six months of 2001, up from the full-year 2000 rate of 30.4%.

Average Assets and Liabilities

Management continually monitors and evaluates on a daily basis the level and composition of the balance sheet.

For the first six months of 2001, average total assets were \$428 billion, up 15% from \$371 billion for the full-year 2000. Average total liabilities increased 15% to \$406 billion from \$352 billion for the full-year 2000. The major components in the changes in average total assets and liabilities for the first six months of 2001 as compared to the full-year 2000 are summarized as follows:

<TABLE>
<CAPTION>

(dollars in millions)	Increase/ (Decrease)	Change
<S>	<C>	<C>
Average assets		
Marketable investment securities	\$ 34,464	139%
Receivables under resale agreements and securities borrowed transactions	12,995	12
Loans, notes and mortgages (net)	5,619	43
Average liabilities		
Deposits	\$ 41,274	120%
Long-term borrowings	12,277	20
Commercial paper and other short-term borrowings	(8,107)	(34)
Payables under repurchase agreements and securities loaned transactions	16,756	18

</TABLE>

The significant growth in deposits in the first six months of 2001 reflects the cash inflows from certain CMA(Registered Trademark) 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 by the U.S. banks to fund the growth in marketable investment securities. Additionally, receivables under resale agreements and securities borrowed transactions rose due to increased matched-book activity.

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 Annual Report on Form 10-K for the year ended December 29, 2000.

At June 29, 2001, Merrill Lynch's equity capital was comprised of \$20.3 billion in common equity, \$425 million in preferred stock, and \$2.7 billion of preferred

securities issued by subsidiaries. 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 \$23.4 billion is adequate.

Merrill Lynch's leverage ratios were as follows:

<TABLE> <CAPTION>		
	Leverage Ratio (1)	Adjusted Leverage Ratio (2)

<S>	<C>	<C>
Period-end		
June 29, 2001	18.1x	12.6x
December 29, 2000	19.4x	13.9x
Average (3)		
Six months ended June 29, 2001	19.1x	13.5x
Year ended December 29, 2000	19.0x	13.2x

</TABLE>		

- (1) Total assets to total stockholders' equity and preferred securities issued by subsidiaries.
- (2) Total assets less (a) receivables under resale agreements and securities borrowed transactions and (b) securities received as collateral 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.

Commercial paper outstanding totaled \$5.5 billion at June 29, 2001 and \$14.0 billion at December 29, 2000, which was 1% and 3% of total assets at June 29, 2001 and year-end 2000, respectively. Deposits at Merrill Lynch's banking subsidiaries have increased from \$67.6 billion at year-end 2000 to \$79.4 billion at June 29, 2001, including \$66.9 billion at Merrill Lynch's U.S. banks. The U.S. bank deposits were primarily invested in high quality marketable investment securities. Outstanding long-term borrowings increased to \$79.5 billion at June 29, 2001 from \$70.2 billion at December 29, 2000. In the second quarter of 2001, Merrill Lynch issued \$2.3 billion of Liquid Yield Option (Trademark) Notes ("LYONs"(Registered Trademark)) due in 2031. LYONs are zero-coupon senior debt instruments convertible into Merrill Lynch common stock at a premium under certain defined terms and conditions. Major components of the change in long-term borrowings during the first six months of 2001 follow:

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<TABLE> <CAPTION>		

(dollars in billions)		

<S>	<C>	
Balance at December 29, 2000	\$70.2	
Issuances	24.8	
Maturities	(15.5)	

Balance at June 29, 2001 (1)	\$79.5	
	=====	

</TABLE>		

- (1) At June 29, 2001, \$55.2 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 a committed, senior, unsecured bank credit facility which at June 29, 2001 totaled \$7 billion and 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 June 29, 2001 as follows:

<TABLE> <CAPTION>		

Rating Agency	Senior Debt Ratings	Preferred Stock and TOPrS Ratings

<S>	<C>	<C>
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

</TABLE>

Risk Management

Risk-taking is an integral part of Merrill Lynch's core business activities. In the course of conducting its business operations, Merrill Lynch is exposed to a variety of risks. These risks include market, credit, liquidity, process, and other risks that are material and require comprehensive controls and management. The responsibility and accountability for these risks remain primarily with the individual business units. For a full discussion of Merrill Lynch's risk management, see the Annual Report on Form 10-K for the year ended December 29, 2000.

Market Risk

Value-at-risk ("VaR") is an estimate of the amount that Merrill Lynch's present portfolios could lose with a specified degree of confidence over a given time interval. The VaR for Merrill Lynch's overall portfolios is less than the sum of the VaRs for individual risk categories because movements in different risk categories occur at different times and, historically, extreme movements have not occurred in all risk categories simultaneously. The difference between the sum of the VaRs for individual risk categories and the VaR calculated for all risk categories is shown in the following tables and may be viewed as a measure of the diversification within Merrill Lynch's portfolios. Merrill Lynch believes that the tabulated risk measures provide some guidance as to the amount Merrill Lynch could lose in future periods and it works continuously to improve the methodology and measurement of its VaR. However, like all statistical measures, especially those that rely heavily on historical data, VaR needs to be interpreted with a clear understanding of its assumptions and limitations.

The Merrill Lynch VaR system uses a historical simulation approach to estimate value-at-risk using a 99% confidence level and a two-week holding period for trading and non-trading portfolios. Sensitivities to market risk factors are aggregated and combined with a database of historical biweekly changes in market factors to simulate a series of profits and losses. The level of loss that is

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exceeded in that series 1% of the time is used as the estimate for the 99% confidence level VaR. In addition to the overall VaR, which reflects diversification in the portfolio, VaR amounts are presented for major risk categories, including exposure to volatility risk found in certain products, e.g., options. The table that follows presents Merrill Lynch's VaR for its trading portfolios at June 29, 2001 and December 29, 2000 as well as daily average VaR for the three months ended June 29, 2001. Additionally, high and low VaR for the second quarter of 2001 is presented independently for each risk category and overall.

<TABLE>
<CAPTION>

(dollars in millions)	Jun. 29, 2001	Dec. 29, 2000	Daily Average 2Q01	High 2Q01	Low 2Q01
<S>	<C>	<C>	<C>	<C>	<C>
Trading value-at-risk(1)					
Interest rate and credit spread	\$ 93	\$ 81	\$ 80	\$122	\$ 56
Equity	57	77	34	66	20
Commodity	5	9	4	6	2
Currency	13	14	9	18	4
Volatility	36	34	43	67	18
	204	215	170		
Diversification benefit	(95)	(116)	(79)		
Overall(2)	\$109	\$ 99	\$ 91	\$110	\$ 74

</TABLE>

(1) Based on a 99% confidence level and a two-week holding period.

(2) Overall VaR using a 95% confidence level and a one-day holding period was \$20 million at both June 29, 2001 and December 29, 2000.

Overall VaR at June 29, 2001 was higher than the year-end level as the impact of an increase in interest and credit spread VaR and a decrease in the

diversification benefit was partially offset by a decrease in equity VaR.

Merrill Lynch's energy trading business, for which VaR has severe limitations as a risk measure, has been excluded from the table above. During the first quarter of 2001, Merrill Lynch sold the majority of its energy-trading assets. Although Merrill Lynch entered into a thirty-month non-compete covenant in connection with this asset sale, some energy-trading positions remain.

The following table presents Merrill Lynch's VaR for its non-trading portfolios (excluding U.S. banks):

<TABLE>

<CAPTION>

	Jun. 29, 2001	Dec. 29, 2000
(dollars in millions)		
<S>	<C>	<C>
Non-trading value-at-risk(1)		
Interest rate and credit spread	\$ 78	\$ 67
Currency	24	23
Equity	52	47
Volatility	6	3
	----	----
	160	140
Diversification benefit	(46)	(44)
	----	----
Overall	\$114	\$ 96
	=====	=====

</TABLE>

(1) Based on a 99% confidence level and a two-week holding period.

Non-trading VaR does not include risk related to Merrill Lynch's \$2.3 billion of outstanding LYONs since management expects that the LYONs will be converted to common stock and will not be replaced by fixed income securities. The increase in non-trading VaR since year-end 2000 is primarily due to higher interest rate and credit spread risk.

In addition to the amounts reported in the accompanying table, non-trading interest rate VaR associated with Merrill Lynch's TOPrS at June 29, 2001 and December 29, 2000 was \$77 million and \$138 million, respectively. TOPrS, which are fixed-rate perpetual preferred securities, are considered a component of Merrill Lynch's equity capital and, therefore, the associated interest rate sensitivity is not hedged.

Beginning in 2000, cash flows from client funds in certain CMA and other types of accounts were redirected from taxable money market funds to bank deposits at Merrill Lynch's U.S. banks. This increase in deposits was used to fund the growth in high credit quality marketable investment securities. The overall VaR for the U.S. banks, driven largely by these securities and based on a 99% confidence interval and a two-week holding period, was \$183 million and \$113 million at June 29, 2001 and December 29, 2000, respectively. The December 29, 2000 amount has been restated to reflect improvements in VaR measurement. The increase in the banks' VaR is primarily due to the growth in asset levels.

Credit Risk

Merrill Lynch enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalent ("master netting agreements") with each of its derivative counterparties as soon as possible. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset on the Consolidated Balance Sheets, providing for a more meaningful balance sheet presentation of credit exposure.

In addition, to reduce default risk, Merrill Lynch requires collateral, principally U.S. Government and agency securities, on certain derivative transactions. From an economic standpoint, Merrill Lynch evaluates default risk exposures net of related collateral. The following is a summary of counterparty credit ratings for the replacement cost (net of \$4.9 billion of collateral) of trading derivatives in a gain position by maturity at June 29, 2001. (Please note that the following table is inclusive of credit exposure from derivative transactions only and does not include other credit exposures, which may be material).

<TABLE>

<CAPTION>

Credit Rating(1)	Years to Maturity				Cross- Maturity Netting(2)	Total
	0-3	3 - 5	5-7	Over 7		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
AAA	\$ 3,317	\$1,123	\$ 837	\$1,455	\$ (727)	\$ 6,005
AA	3,897	1,613	853	4,089	(1,682)	8,770
A	3,748	1,568	470	1,401	(1,172)	6,015
BBB	910	238	225	397	(182)	1,588
Other	928	508	262	185	(166)	1,717
Total	\$12,800	\$5,050	\$2,647	\$7,527	\$ (3,929)	\$24,095

</TABLE>

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

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

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

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Non-Investment Grade Holdings

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

In the normal course of business, Merrill Lynch underwrites, trades, and holds non-investment grade cash instruments in connection with its investment banking, market-making, and derivative structuring activities. Non-investment grade holdings 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.

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

Merrill Lynch provides financing and advisory services to, and invests in, companies entering into leveraged transactions, which may include leveraged buyouts, recapitalizations, and mergers and acquisitions. 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 trading exposure to non-investment grade or highly-leveraged issuers or counterparties:

<TABLE>

<CAPTION>

(dollars in millions)	Jun. 29, 2001	Dec. 29, 2000
<S>	<C>	<C>
Trading assets:		
Cash instruments	\$ 5,024	\$ 5,227
Derivatives	4,276	3,982
Trading liabilities - cash instruments	(1,320)	(1,087)
Collateral on derivative assets	(2,559)	(1,796)
	-----	-----
Net trading asset exposure	\$ 5,421	\$ 6,326
	=====	=====

</TABLE>

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Among the trading exposures included in the preceding table are distressed bank loans and debt and equity securities of companies in various stages of bankruptcy proceedings or in default. At June 29, 2001, the carrying value of such securities totaled \$221 million, compared with \$165 million at December 29, 2000.

Non-Trading Exposures

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

<TABLE>
<CAPTION>

(dollars in millions)	Jun. 29, 2001	Dec. 29, 2000
<S>	<C>	<C>
Marketable investment securities	\$ 101	\$ 199
Investments of insurance subsidiaries	130	136
Loans (net of allowance for loan losses):		
Bridge loans(1)	879	524
Other loans(2)	3,079	2,741
Other investments:		
Partnership interests (3)	1,271	993
Other equity investments (4)	183	284

</TABLE>

- (1) Subsequent to June 29, 2001, \$675 million of these loans were repaid.
- (2) Represents outstanding loans to 145 and 135 companies at June 29, 2001 and December 29, 2000, respectively.
- (3) Includes \$760 million and \$504 million in investments at June 29, 2001, and December 29, 2000, respectively, related to deferred compensation plans, for which the default risk of the investments generally rests with the participating employees.
- (4) Includes investments in 79 and 98 enterprises at June 29, 2001 and December 29, 2000, respectively.

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

<TABLE>
<CAPTION>

(dollars in millions)	Jun. 29, 2001	Dec. 29, 2000
<S>	<C>	<C>
Additional commitments to invest in partnerships	\$ 308	\$ 467
Unutilized revolving lines of credit and other lending commitments	2,132	3,664

</TABLE>

New Accounting Pronouncements

In September 2000, the Financial Accounting Standards Board released SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, a replacement of SFAS No. 125, which revises the standards for accounting for securitizations and other transfers of financial assets and collateral. On April 1, 2001, Merrill Lynch adopted the provisions of this statement that were required to be adopted in the second quarter of 2001. These provisions changed the accounting for certain securities lending transactions. Under the new provisions, when Merrill Lynch acts as the lender in a securities lending agreement and receives securities as collateral that can be

pledged or sold, it recognizes on the Consolidated Balance Sheet, the securities received as well as an obligation to return the securities lent. Accordingly, Merrill Lynch's accompanying Consolidated Balance Sheet as of June 29, 2001 separately reflects these assets and liabilities.

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In July 2001, the Financial Accounting Standards Board released Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. Merrill Lynch adopted the provisions of SFAS No. 141 on July 1, 2001. Under SFAS No. 142, intangible assets with indefinite lives and goodwill will no longer be amortized. Instead, these assets will be tested annually for impairment. Merrill Lynch will adopt the provisions of SFAS No. 142 at the beginning of fiscal year 2002. The full impact of adoption is yet to be determined, however, annual reported amortization expense related to these assets approximates \$200 million.

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<TABLE>
<CAPTION>

Statistical Data					

Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd
	2000	2000	2000	2001	
2001	-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>	<C>
Client Assets (dollars in billions):					
Private Client					
U.S.	\$ 1,415	\$ 1,417	\$ 1,337	\$ 1,254	\$
1,318					
Non-U.S.	146	148	140	131	
136	-----	-----	-----	-----	-----

Total Private Client Assets	1,561	1,565	1,477	1,385	
1,454					
MLIM direct sales (1)	211	203	204	179	
181	-----	-----	-----	-----	-----

Total Client Assets	\$ 1,772	\$ 1,768	\$ 1,681	\$ 1,564	\$
1,635	=====	=====	=====	=====	
=====					
Assets in Asset-Priced Accounts	\$ 208	\$ 220	\$ 209	\$ 193	\$
208					
Assets Under Management:					
Retail	\$ 282	\$ 274	\$ 250	\$ 233	\$
230					
Institutional	258	252	262	250	
260					
Private Investors	45	45	45	42	
43					
Equity	343	337	321	282	
286					
Fixed-income	104	101	108	118	
118					
Money market	138	133	128	125	
129					
U.S.	356	351	333	319	
325					
Non-U.S.	229	220	224	206	
208					
U.S. Bank Deposits	\$ 19	\$ 38	\$ 55	\$ 66	\$

Underwriting:

Global Debt and Equity:

Volume (dollars in billions)	\$ 92	\$ 108	\$ 76	\$ 134	\$
Market share	12.1%	13.8%	11.8%	12.9%	
U.S. debt and equity:					
Volume (dollars in billions)	\$ 69	\$ 77	\$ 55	\$ 113	\$
Market share	14.2%	14.7%	12.6%	15.9%	

Full-Time Employees:

U.S.	52,300	52,700	51,800	50,400	
Non-U.S.	19,200	20,000	20,200	19,900	

Total	71,500	72,700	72,000	70,300	
-------	--------	--------	--------	--------	--

Financial advisors and

other investment professionals	20,700	21,200	21,200	20,500	
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Income Statement:

Net earnings (dollars in millions)	\$ 921	\$ 885	\$ 877	\$ 874	\$
Annualized return on average common stockholders' equity	24.4%	21.6%	20.0%	18.4%	
Earnings per common share:					
Basic	\$ 1.15	\$ 1.09	\$ 1.07	\$ 1.04	\$
Diluted	1.01	0.94	0.93	0.92	

Balance Sheet (dollars in millions):

Total assets	\$334,875	\$361,691	\$407,200	\$431,604	
Total stockholders' equity	\$ 16,014	\$ 17,171	\$ 18,304	\$ 19,939	\$
Book value per common share	\$ 19.47	\$ 20.70	\$ 21.95	\$ 23.28	\$
Share Information (in thousands):					
Weighted-average shares outstanding:					
Basic	795,070	805,855	811,943	832,195	
Diluted	904,246	929,048	930,688	937,954	
Common shares outstanding	800,863	809,069	814,572	838,389	

</TABLE>

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The following supplements the discussion under Item 3. Legal Proceedings in ML & Co.'s Annual Report on Form 10-K for the fiscal year ended December 29, 2000.

IPO Allocation Cases. Merrill Lynch is one of numerous financial services firms that have been named as defendants in a large number of purported class actions involving the allocation of securities in initial public offerings (IPOs). These actions have been filed in the U.S. District Courts for the Southern District of New York and the District of New Jersey, and allege that defendants violated

antitrust and securities laws by allegedly requiring customers who were allocated IPO securities to pay back some of their profits in the form of higher commissions and to buy securities in the aftermarket. Some of the complaints also allege that research issued by the financial services firms, including Merrill Lynch, improperly increased the price of the IPO securities in the aftermarket. Although the ultimate outcome of these 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 the financial condition of Merrill Lynch, but may be material to Merrill Lynch's operating results for any particular period.

On June 14, 2001, ML & Co. and members of its Board of Directors were named as defendants in a purported shareholder derivative action filed in the U.S. District Court for the Southern District of New York. The complaint alleges that the directors breached their duties by causing and/or allowing Merrill Lynch to engage in the purported conduct alleged in the IPO Allocation Cases.

The complaints seek unspecified damages and other relief. Merrill Lynch intends to defend itself vigorously against the claims asserted in the complaints.

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

On April 27, 2001, ML & Co. held its Annual Meeting of Stockholders. Further details concerning matters submitted for stockholder vote can be found in ML & Co.'s Quarterly Report on Form 10-Q for the 2001 first quarter.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- (3) ML & Co.'s By-Laws effective as of July 23, 2001
- (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) (i) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan, as amended on April 27, 2001

(ii) Merrill Lynch & Co., Inc. Program for Deferral of Stock Option Gains for a Select Group of Eligible Employees, as amended on July 12, 2001

(iii) Merrill Lynch & Co., Inc. 1986 Employee Stock Purchase Plan, as amended on April 27, 2001
- (12) Statement re: computation of ratios
- (15) Letter re: unaudited interim financial information

(b) Reports on Form 8-K

The following Current Reports on Form 8-K were filed with or furnished to the Securities and Exchange Commission during the quarterly period covered by this Report:

- (i) Current Report dated April 11, 2001 for the purpose of furnishing notice of a webcast of a conference call scheduled for April 18, 2001 to review ML & Co.'s operating results.
- (ii) Current Report dated April 18, 2001 for the purpose of filing ML & Co.'s Preliminary Unaudited Earnings Summary for the three months ended March 30, 2001.
- (iii) Current Report dated April 30, 2001 for the purpose of filing the form ML & Co.'s Nikkei 225 Market Index Target-Term

Securities due June 27, 2007.

- (iv) Current Report dated May 2, 2001 for the purpose of filing ML & Co.'s Preliminary Unaudited Consolidated Balance Sheet as of March 30, 2001.
- (v) Current Report dated May 4, 2001 for the purpose of filing the form of ML & Co.'s Strategic Return Notes linked to the Nasdaq-100 Index (Registered Trademark) due November 30, 2004.
- (vi) Current Report dated May 7, 2001 for the purpose of furnishing notice of a webcast of a presentation by ML & Co.'s chairman and chief executive officer scheduled for May 14, 2001.
- (vii) Current Report dated May 23, 2001 for the purpose of filing the form of ML & Co.'s Liquid Yield Option Notes due 2031.
- (viii) Current Report dated June 1, 2001 for the purpose of filing the form of ML & Co.'s Strategic Return Notes linked to the Select Ten Index (Registered Trademark) due May 30, 2006.
- (ix) Current Report dated June 26, 2001 for the purpose of announcing expected earnings for the 2001 second quarter.
- (x) Current Report dated June 29, 2001 for the purpose of filing the form of ML & Co.'s Strategic Return Notes linked to the Industrial 15 Index due June 26, 2006.

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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: August 10, 2001

By: /s/ Thomas H. Patrick

Thomas H. Patrick
Executive Vice President and
Chief Financial Officer

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Exhibits

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- (ii) Merrill Lynch & Co., Inc. Program for Deferral of Stock Option Gains for a Select Group of Eligible Employees, as amended on July 12, 2001

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- 12 Statement re: computation of ratios
- 15 Letter re: unaudited interim financial information

BY-LAWS

OF

MERRILL LYNCH & CO., INC.

Effective: July 23, 2001

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BY-LAWS

OF

MERRILL LYNCH & CO., INC.

ARTICLE I.

OFFICES

Merrill Lynch & Co., Inc. (hereinafter called the "Corporation") may establish or discontinue, from time to time, such offices and places of business within or without the State of Delaware as the Board of Directors may deem proper for the conduct of the Corporation's business.

ARTICLE II.

MEETINGS OF STOCKHOLDERS

Section 1. Annual Meeting. The annual meeting of the holders of shares of

such classes or series of stock as are entitled to notice thereof and to vote thereat pursuant to the provisions of the Certificate of Incorporation (hereinafter called the "Annual Meeting of Stockholders") for the purpose of electing directors and transacting such other business as may come before it shall be held in each year at such time, on such day and at such place, within or without the State of Delaware, as shall be designated by the Board of Directors.

Section 2. Special Meetings. In addition to such meetings as are provided for by law or by the Certificate of Incorporation, special meetings of the holders of any class or series or of all classes or series of the Corporation's stock may be called at any time by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors and may be held at such time, on such day and at such place, within or without the State of Delaware, as shall be designated by the Board of Directors.

Section 3. Notice of, and Business at, Meetings.

a. Notice. Except as otherwise provided by law, notice of each meeting of stockholders shall be given either by delivering a written notice personally or mailing a written notice to each stockholder of record entitled to vote thereat or by providing notice in such other form and by such other method as may be permitted by Delaware law. If mailed, the notice shall be directed to the stockholder in a postage-prepaid envelope at his address as it appears on the stock books of the Corporation unless, prior to the time of mailing, he shall have filed with the Secretary a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. Notice of each meeting of stockholders shall be in such form as is approved by the Board of Directors and shall state the purpose or purposes for which the meeting is called, the date and time when and the place where it is to be held, and shall be delivered personally or mailed not more than sixty (60) days and not less than ten (10) days before the day of the meeting. Except as otherwise provided by law, the business which may be transacted at any special meeting of stockholders shall consist of and be limited to the purpose or purposes so stated in such notice. The Secretary or an Assistant Secretary or the Transfer Agent of the Corporation shall, after giving such notice, make an affidavit stating that notice has been given, which shall be filed with the minutes of such meeting.

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b. Business. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation who (i) is a stockholder of record on the date of the giving of the notice provided for in this Section 3(b) and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) complies with the notice procedures set forth in this Section 3(b).

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received by the Secretary of the Corporation not less than fifty (50) days prior to the date of the annual meeting of stockholders; provided, that in the event that less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 3(b), provided, however, that, once business has been

properly brought before the annual meeting in accordance with such procedures, nothing in this Section 3(b) shall be deemed to preclude discussion by any stockholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

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Section 4. Waiver of Notice. Whenever notice is required to be given under any provision of law or of the Certificate of Incorporation or the By-Laws, a waiver thereof in writing or by telegraph, cable or other form of recorded communication, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the person attends such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of stockholders need be specified in any waiver of notice unless so required by the Certificate of Incorporation.

Section 5. Organization. The Chairman of the Board shall act as chairman at all meetings of stockholders at which he is present, and as such chairman shall call such meetings of stockholders to order and preside thereat. If the Chairman of the Board shall be absent from any meeting of stockholders, the duties otherwise provided in this Section 5 of Article II to be performed by him at such meeting shall be performed at such meeting by the officer prescribed by Section 6 of Article V. The Secretary of the Corporation shall act as secretary at all meetings of the stockholders, but in his absence the chairman of the meeting may appoint any person present to act as secretary of the meeting.

Section 6. Inspectors of Election. a. The Chairman of the Board shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Chairman of the Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

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b. The inspectors shall: (1) ascertain the number of shares outstanding and the voting power of each; (2) determine the shares represented at a meeting and the validity of proxies and ballots; (3) count all votes and ballots; (4) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and (5) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties.

Section 7. Stockholders Entitled to Vote. The Board of Directors may fix a date not more than sixty (60) days nor less than ten (10) days prior to the date of any meeting of stockholders, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting and any adjournment thereof, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, notwithstanding any transfer of any stock on the books of the Corporation after any such record date fixed as aforesaid. No record date shall precede the date on which the Board of Directors establishes such record date. The Secretary shall prepare and make or cause to be prepared and made, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order and showing the address of each such stockholder and the number of shares registered in the name of each such stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place, specified in the notice of the meeting, within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. Such list shall be produced and kept at the time and place of the meeting during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 8. Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the shares of stock entitled to vote at the meeting present in person or by proxy without regard to class or series shall constitute a quorum at all meetings of the stockholders. In the absence of a quorum, the holders of a majority of such shares of stock present in person or by proxy may adjourn any meeting, from time to time, until a quorum shall be present. At any such adjourned meeting at which

a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned, provided that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, then a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 9. Order of Business. The order of business at all meetings of stockholders shall be as determined by the chairman of the meeting.

Section 10. Vote of Stockholders. Except as otherwise required by law or by the Certificate of Incorporation or by the By-Laws, all action by stockholders shall be taken at a stockholders' meeting. Every stockholder of record, as determined pursuant to Section 7 of this Article II, and who is entitled to vote, shall, except as otherwise expressly provided in the Certificate of Incorporation with respect to any class or series of the Corporation's capital stock, be entitled at every meeting of the stockholders to one vote for every share of stock standing in his name on the books of the Corporation. Every stockholder entitled to vote may authorize another person or persons to act for him by proxy duly appointed by an instrument in writing, subscribed by such stockholder and executed not more than three (3) years prior to the meeting, unless the instrument provides for a longer period. The attendance at any meeting of stockholders of a stockholder who may theretofore have given a proxy shall not have the effect of revoking such proxy. Election of directors shall be by written ballot but, unless otherwise provided by law, no vote on any question upon which a vote of the stockholders may be taken need be by ballot unless the chairman of the meeting shall determine that it shall be by ballot or the holders of a majority of the shares of stock present in person or by proxy and entitled to participate in such vote shall so demand. In a vote by ballot each ballot shall state the number of shares voted and the name of the stockholder or proxy voting. Except as otherwise provided in Sections 14 and 15 of Article III or by the Certificate of Incorporation, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Except as otherwise provided by law or by the Certificate of Incorporation, the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject shall be the act of the stockholders.

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Section 11. Shares Entitled to More or Less than One Vote. If any class or series of the Corporation's capital stock shall be entitled to more or less than one vote for any share, on any matter, every reference in the By-Laws to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock.

ARTICLE III.

BOARD OF DIRECTORS

Section 1. Election and Term. Except as otherwise provided by law or by the Certificate of Incorporation, and subject to the provisions of Sections 13, 14 and 15 of this Article III, directors shall be elected at the Annual Meeting of Stockholders to serve until the Annual Meeting of Stockholders in the third year following their election and until their successors are elected and qualify or until their earlier resignation or removal.

Section 2. Qualification. No one shall be a director who is not the owner of shares of Common Stock of the Corporation. Acceptance of the office of director may be expressed orally or in writing.

For the purposes of this Section 2 of Article III of these By-Laws: (1) stock units or other equity-linked instruments tied to the value of the Corporation's Common Stock shall be deemed to be shares of Common Stock of the Corporation; and (2) an initial grant of Common Stock, stock units or other equity-linked instruments tied to the value of the Corporation's Common Stock under any of the Corporation's plans for its non-employee directors, even if made after the date of the election of a director, shall be sufficient to comply with this provision.

Section 3. Number. The number of directors may be fixed from time to time by resolution of the Board of Directors but shall not be less than three (3) nor more than thirty (30).

Section 4. General Powers. The business, properties and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors, which, without limiting the generality of the foregoing, shall have power to elect and appoint officers of the Corporation, to appoint and direct agents, to grant general or limited authority to officers, employees and agents of the Corporation to make, execute and deliver contracts and other instruments and documents in the name and on behalf of the Corporation and over its seal, without specific authority in each case, and, by resolution adopted by a majority of the whole Board of Directors, to appoint committees of the Board of

Directors in addition to those appointed pursuant to Article IV hereof, the membership of which may consist of one or more directors, and which may advise the Board of Directors with respect to any matters relating to the conduct of the Corporation's business. The Board of Directors may designate one or more directors as alternate members of any committee, including those appointed pursuant to Article IV hereof, who may replace any absent or disqualified member at any meeting of the committee. In addition, the Board of Directors may exercise all the powers of the Corporation and do all lawful acts and things which are not reserved to the stockholders by law or by the Certificate of Incorporation.

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Section 5. Place of Meetings. Meetings of the Board of Directors may be held at any place, within or without the State of Delaware, from time to time designated by the Board of Directors.

Section 6. Organization Meeting. A newly elected Board of Directors may meet and organize, and also may transact any other business which might be transacted at a regular meeting on the day of the Annual Meeting of Stockholders, at the place at which such meeting of stockholders took place, without notice of such meeting, provided a majority of the whole Board of Directors is present. Such organization meeting may otherwise be held at any other time or place which may be specified in a notice given in the manner provided in Section 8 of this Article III for special meetings of the Board of Directors, or in a waiver of notice thereof.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as may be determined by resolution of the Board of Directors and no notice shall be required for any regular meeting. Except as otherwise provided by law, any business may be transacted at any regular meeting of the Board of Directors.

Section 8. Special Meetings; Notice and Waiver of Notice. Special meetings of the Board of Directors shall be called by the Secretary on the request of the Chairman of the Board, the President or a Vice Chairman of the Board, or on the request in writing of any three other directors stating the purpose or purposes of such meeting. Notice of any special meeting shall be in form approved by the Chairman of the Board, the President or a Vice Chairman of the Board, as the case may be. Notices of special meetings shall be mailed to each director, addressed to him at his residence or usual place of business, not later than two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable or other form of recorded communication or be delivered personally or by telephone, not later than the day before such day of meeting. Notice of any meeting of the Board of Directors need not be given to any director if he shall sign a written waiver thereof either before or after the time stated therein, or if he shall attend a meeting, except when he attends such meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in any notice or written waiver of notice unless so required by the Certificate of Incorporation or by the By-Laws. Unless limited by law, by the Certificate of Incorporation or by the By-Laws, any and all business may be transacted at any special meeting.

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Section 9. Organization of Meetings. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he is present. If the Chairman of the Board shall be absent from any meeting of the Board of Directors, the duties otherwise provided in this Section 9 of Article III to be performed by him at such meeting shall be performed at such meeting by the officer prescribed by Section 6 of Article V. If no such officer is present at such meeting, one of the directors present shall be chosen by the members of the Board of Directors present to preside at such meeting. The Secretary of the Corporation shall act as the secretary at all meetings of the Board of Directors, and in his absence a temporary secretary shall be appointed by the chairman of the meeting.

Section 10. Quorum and Manner of Acting. Except as otherwise provided by Section 6 of this Article III, at every meeting of the Board of Directors one-third (1/3) of the total number of directors constituting the whole Board of Directors shall constitute a quorum but in no event shall a quorum be constituted by less than two (2) directors. Except as otherwise provided by law or by the Certificate of Incorporation, or by Section 15 of this Article III, or by Section 1 or Section 8 of Article IV, or by Section 3 of Article V, or by Article IX, the act of a majority of the directors present at any such meeting, at which a quorum is present, shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned. Members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or of such committee by means of conference telephone or similar communications equipment by means of

which all persons participating in the meeting can hear each other, and participation by a member of the Board of Directors in a meeting pursuant to this Section 10 of Article III shall constitute his presence in person at such meeting.

Section 11. Voting. On any question on which the Board of Directors shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting if any member of the Board of Directors so requests at the time.

Section 12. Action without a Meeting. Except as otherwise provided by law or by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or the committee.

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Section 13. Resignations. Any director may resign at any time upon written notice of resignation to the Corporation. Any resignation shall be effective immediately unless a date certain is specified for it to take effect, in which event it shall be effective upon such date, and acceptance of any resignation shall not be necessary to make it effective, irrespective of whether the resignation is tendered subject to such acceptance.

Section 14. Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, (i) any director, or the entire Board of Directors, may be removed from office at any time, but only for cause, by the affirmative vote of the holders of record of outstanding shares representing at least 80% of the voting power of all the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class, and (ii) any director may be removed from office at any time, but only for cause, by the affirmative vote of a majority of the entire Board of Directors.

Section 15. Vacancies. Subject to the rights of the holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, any vacancies in the Board of Directors for any reason, including by reason of any increase in the number of directors, shall, if occurring prior to the expiration of the term of office of the class in which such vacancy occurs, be filled only by the Board of Directors, acting by the affirmative vote of a majority of the remaining directors then in office, although less than a quorum, and any directors so elected shall hold office until the next election of the class for which such directors have been elected and until their successors are elected and qualify.

Section 16. Directors' Compensation. Any and all directors may receive such reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV.

COMMITTEES

Section 1. Constitution and Powers. The Board of Directors may, by resolution adopted by affirmative vote of a majority of the whole Board of Directors, appoint one or more committees of the Board of Directors, which committees shall have such powers and duties as the Board of Directors shall properly determine. Unless otherwise provided by the Board of Directors, no such other committee of the Board of Directors shall be composed of fewer than two (2) directors.

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Section 2. Place of Meetings. Meetings of any committee of the Board of Directors may be held at any place, within or without the State of Delaware, from time to time designated by the Board of Directors or such committee.

Section 3. Meetings; Notice and Waiver of Notice. Regular meetings of any committee of the Board of Directors shall be held at such times as may be determined by resolution either of the Board of Directors or of such committee and no notice shall be required for any regular meeting. Special meetings of any committee shall be called by the secretary thereof upon request of any two members thereof. Notice of any special meeting of any committee shall be in form approved by the Chairman of the Board, the President or a Vice Chairman of the Board, as the case may be. Notices of special meetings shall be mailed to each member, addressed to him at his residence or usual place of business, not later than two (2) days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable or any other form of recorded communication, or be delivered personally or by telephone, not later than the

day before such day of meeting. Neither the business to be transacted at, nor the purpose of, any special meeting of any committee, need be specified in any notice or written waiver of notice unless so required by the Certificate of Incorporation or the By-Laws. Notices of any such meeting need not be given to any member of any committee, however, if waived by him as provided in Section 8 of Article III, and the provisions of such Section 8 with respect to waiver of notice of meetings of the Board of Directors shall apply to meetings of any committee as well.

Section 4. Organization of Meetings. The most senior officer of the Corporation present, if any be members of the committee, and, if not, the director present who has served the longest as a director, except as otherwise expressly provided by the Board of Directors or the committee, shall preside at all meetings of any committee. The Secretary of the Corporation, except as otherwise expressly provided by the Board of Directors, shall act as secretary at all meetings of any committee and in his absence a temporary secretary shall be appointed by the chairman of the meeting.

Section 5. Quorum and Manner of Acting. One-third (1/3) of the members of any committee then in office shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present, shall be the act of such committee. In the absence of a quorum, a majority of the members of any committee present, or, if two or fewer members shall be present, any member of the committee present or the Secretary, may adjourn any meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given other than by announcement at the meeting that is being adjourned. The provisions of Section 10 of Article III with respect to participation in a meeting of a committee of the Board of Directors and the provisions of Section 12 of Article III with respect to action taken by a committee of the Board of Directors without a meeting shall apply to participation in meetings of and action taken by any committee.

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Section 6. Voting. On any question on which any committee shall vote, the names of those voting and their votes shall be entered in the minutes of the meeting if any member of such committee so requests.

Section 7. Records. All committees shall keep minutes of their acts and proceedings, which shall be submitted at the next regular meeting of the Board of Directors unless sooner submitted at an organization or special meeting of the Board of Directors, and any action taken by the Board of Directors with respect thereto shall be entered in the minutes of the Board of Directors.

Section 8. Vacancies. Any vacancy among the appointed members or alternate members of any committee of the Board of Directors may be filled by affirmative vote of a majority of the whole Board of Directors.

Section 9. Members' Compensation. Members of all committees may receive such reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any member of any committee from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Emergency Management Committee. In the event that a quorum of the Board of Directors cannot readily be convened as a result of emergency conditions following a catastrophe or disaster, then all the powers and duties vested in the Board of Directors shall vest automatically in an Emergency Management Committee which shall consist of all readily available members of the Board of Directors and which Committee shall have and may exercise all of the powers of the Board of Directors in the management of the business and affairs of the Corporation. Two members shall constitute a quorum. Other provisions of these By-Laws notwithstanding, the Emergency Management Committee shall call a meeting of the Board of Directors as soon as circumstances permit, for the purpose of filling vacancies on the Board of Directors and its committees and to take such other action as may be appropriate; and if the Emergency Management Committee determines that less than a majority of the members of the Board of Directors are available for service, the Emergency Management Committee shall, as soon as practicable, issue a call for a special meeting of stockholders for the election of directors. The powers of the Emergency Management Committee shall terminate upon the convening of the meeting of the Board of Directors above prescribed at which a majority of the members thereof shall be present, or upon the convening of the above prescribed meeting of stockholders, whichever first shall occur.

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ARTICLE V.

THE OFFICERS

Section 1. Officers - Qualifications. The elected officers of the Corporation shall be a Chairman of the Board, a Secretary and a Treasurer and may also include one or more Vice Chairmen of the Board, a President, one or

more Executive Vice Presidents, one or more Senior Vice Presidents and one or more Vice Presidents. The elected officers shall be elected by the Board of Directors. The Chairman of the Board, the President and each Vice Chairman of the Board, shall be selected from the directors. Assistant Secretaries, Assistant Treasurers and such other officers as may be deemed necessary or appropriate may be appointed by the Board of Directors or may be appointed pursuant to Section 6 of this Article V.

Section 2. Term of Office; Vacancies. So far as is practicable, all elected officers shall be elected at the organization meeting of the Board of Directors in each year, and except as otherwise provided in Sections 3 and 4, and subject to the provisions of Section 6, of this Article V, shall hold office until the organization meeting of the Board of Directors in the next subsequent year and until their respective successors are elected and qualify or until their earlier resignation or removal. All appointed officers shall hold office during the pleasure of the Board of Directors and the Chairman of the Board. If any vacancy shall occur in any office, the Board of Directors may elect or appoint a successor to fill such vacancy for the remainder of the term.

Section 3. Removal of Elected Officers. Any elected officer may be removed at any time, either for or without cause, by affirmative vote of a majority of the whole Board of Directors, at any regular meeting or at any special meeting called for the purpose and, in the case of any officer not more senior than a Senior Vice President, by affirmative vote of a majority of the whole committee of the Board of Directors so empowered at any regular meeting or at any special meeting called for the purpose.

Section 4. Resignations. Any officer may resign at any time, upon written notice of resignation to the Corporation. Any resignation shall be effective immediately unless a date certain is specified for it to take effect, in which event it shall be effective upon such date, and acceptance of any resignation shall not be necessary to make it effective, irrespective of whether the resignation is tendered subject to such acceptance.

Section 5. Officers Holding More Than One Office. Any officer may hold two or more offices the duties of which can be consistently performed by the same person.

Section 6. The Chairman of the Board. The Chairman of the Board shall be the chief executive officer of the Corporation. He shall direct, coordinate and control the Corporation's business and activities and its operating expenses and capital expenditures, and shall have general authority to exercise all the powers necessary for the chief executive officer of the Corporation, all in accordance with basic policies established by and subject to the control of the Board of Directors. He shall be responsible for the employment or appointment of employees, agents and officers (except officers to be elected by the Board of Directors pursuant to Section 1 of this Article V) as may be required for the conduct of the business and the attainment of the objectives of the Corporation, and shall have authority to fix compensation as provided in Section 15 of this Article V. He shall have authority to suspend or to remove any employee, agent or appointed officer of the Corporation and to suspend for cause any elected officer of the Corporation and, in the case of the suspension for cause of any such elected officer, to recommend to the Board of Directors what further action should be taken. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation. As provided in Section 5 of Article II, he shall act as chairman at all meetings of the stockholders at which he is present, and, as provided in Section 9 of Article III, he shall preside at all meetings of the Board of Directors at which he is present. In the absence of the Chairman of the Board, his duties shall be performed and his authority may be exercised by the President, and, in the absence of the Chairman of the Board and the President, such duties shall be performed and such authority may be exercised by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made.

Section 7. The President. The President, if any, shall be the chief operating officer of the Corporation. He shall implement the general directives, plans and policies formulated by the Chairman of the Board pursuant to the By-Laws, in general shall have authority to exercise all powers delegated to him by the Chairman of the Board and shall establish operating and administrative plans and policies and direct and coordinate the Corporation's organizational components, within the scope of the authority delegated to him by the Board of Directors or the Chairman of the Board. He shall have general authority to execute bonds, deeds and contracts in the name and on behalf of the Corporation and responsibility for the employment or appointment of such employees, agents and officers (except officers to be elected by the Board of Directors pursuant to Section 1 of this Article V) as may be required to carry on the operations of the business and authority to fix compensation of such employees, agents and officers as provided in Section 15 of this Article V. He shall have authority to suspend or to remove any employee or agent of the Corporation (other than officers). As provided in Section 6 of this Article V, in the absence of the Chairman of the Board, the President shall perform all the duties and exercise

the authority of the Chairman of the Board. In the absence of the President, his duties shall be performed and his authority may be exercised by the Chairman of the Board. In the absence of the President and the Chairman of the Board, the duties of the President shall be performed and his authority may be exercised by such officer as may have been designated by the most senior officer of the Corporation who has made any such designation, with the right reserved to the Board of Directors to make the designation or supersede any designation so made.

Section 8. The Vice Chairmen of the Board. The several Vice Chairmen of the Board, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors, the Chairman of the Board or the President.

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Section 9. The Executive Vice Presidents. The several Executive Vice Presidents, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors, the Chairman of the Board or the President.

Section 10. The Senior Vice Presidents. The several Senior Vice Presidents, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors, the Chairman of the Board, the President, any Vice Chairman of the Board or any Executive Vice President.

Section 11. The Vice Presidents. The several Vice Presidents, if any, shall perform such duties and may exercise such authority as may from time to time be conferred upon them by the Board of Directors, the Chairman of the Board, the President, any Vice Chairman of the Board or any Executive Vice President.

Section 12. The Secretary. The Secretary shall attend to the giving of notice of all meetings of stockholders and of the Board of Directors and committees thereof, and, as provided in Section 5 of Article II and Section 9 of Article III, shall keep minutes of all proceedings at meetings of the stockholders and of the Board of Directors at which he is present, as well as of all proceedings at all meetings of committees of the Board of Directors at which he has served as secretary, and where some other person has served as secretary thereto, the Secretary shall maintain custody of the minutes of such proceedings. As provided in Section 2 of Article VII, he shall have charge of the corporate seal and shall have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep and account for all books, documents, papers and records of the Corporation, except those for which some other officer or agent is properly accountable. He shall generally perform all the duties usually appertaining to the office of secretary of a corporation. In the absence of the Secretary, such person as shall be designated by the Chairman of the Board shall perform his duties.

Section 13. The Treasurer. The Treasurer shall have the care and custody of all the funds of the Corporation and shall deposit the same in such banks or other depositories as the Board of Directors or any officer or officers, or any officer and agent jointly, thereunto duly authorized by the Board of Directors, shall, from time to time, direct or approve. Except as otherwise provided by the Board of Directors or in the Corporation's plan of organization, the Treasurer shall keep a full and accurate account of all moneys received and paid on account of the Corporation, shall render a statement of accounts whenever the Board of Directors shall require, shall perform all other necessary acts and duties in connection with the administration of the financial affairs of the Corporation and shall generally perform all the duties usually appertaining to the office of the treasurer of a corporation. Whenever required by the Board of Directors, the Treasurer shall give bonds for the faithful discharge of the duties of that office in such sums and with such sureties as the Board of Directors shall approve. In the absence of the Treasurer, such person as shall be designated by the President shall perform such duties.

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Section 14. Additional Duties and Authority. In addition to the foregoing specifically enumerated duties and authority, the several officers of the Corporation shall perform such other duties and may exercise such further authority as the Board of Directors may, from time to time, determine, or as may be assigned to them by any superior officer.

Section 15. Compensation. Except as fixed or controlled by the Board of Directors or otherwise, compensation of all officers and employees shall be fixed by the Chairman of the Board, or by the President within the limits approved by the Chairman of the Board, or by other officers of the Corporation exercising authority granted to them under the plan of organization of the Corporation.

ARTICLE VI.

STOCK AND TRANSFERS OF STOCK

Section 1. Stock Certificates. The capital stock of the Corporation shall

be represented by certificates signed by, or in the name of the Corporation by, the Chairman of the Board, the President or a Vice Chairman of the Board, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer, and sealed with the seal of the Corporation. If such stock certificate is countersigned by a Transfer Agent other than the Corporation or its employee or by a Registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile, engraved or printed. Such seal may be a facsimile, engraved or printed. In case any such officer, Transfer Agent or Registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, Transfer Agent or Registrar before such certificate is issued by the Corporation, it may nevertheless be issued by the Corporation with the same effect as if such officer, Transfer Agent or Registrar had not ceased to be such at the date of its issue. The certificates representing the capital stock of the Corporation shall be in such form as shall be approved by the Board of Directors.

Section 2. Transfers of Stock. Transfers of stock shall be made on the books of the Corporation by the person named in the certificate, or by an attorney lawfully constituted in writing, and upon surrender and cancellation of a certificate or certificates for a like number of shares of the same class or series of stock, duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and with such proof of the authenticity of the signatures as the Corporation or its agents may reasonably require and with all required stock transfer tax stamps affixed thereto and canceled or accompanied by sufficient funds to pay such taxes.

Section 3. Lost Certificates. In case any certificate of stock shall be lost, stolen or destroyed, the Board of Directors, in its discretion, or any officer or officers thereunto duly authorized by the Board of Directors, may authorize the issue of a substitute certificate in place of the certificate so lost, stolen or destroyed; provided, however, that, in each such case, the applicant for a substitute certificate shall furnish evidence to the Corporation, which it determines in its discretion is satisfactory, of the loss, theft or destruction of such certificate and of the ownership thereof, and also such security or indemnity as may be required by it.

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Section 4. Determination of Holders of Record for Certain Purposes. In order to determine the stockholders or other holders of securities entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of capital stock or other securities or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, not more than sixty (60) days prior to the date of payment of such dividend or other distribution or allotment of such rights or the date when any such rights in respect of any change, conversion or exchange of stock or securities may be exercised, and in such case only holders of record on the date so fixed shall be entitled to receive payment of such dividend or other distribution or to receive such allotment of rights, or to exercise such rights, notwithstanding any transfer of any stock or other securities on the books of the Corporation after any such record date fixed as aforesaid. No record date shall precede the date on which the Board of Directors establishes such record date.

ARTICLE VII.

CORPORATE SEAL

Section 1. Seal. The seal of the Corporation shall be in the form of a circle and shall bear the name of the Corporation and in the center of the circle the words "Corporate Seal, Delaware" and the figures "1973".

Section 2. Affixing and Attesting. The seal of the Corporation shall be in the custody of the Secretary, who shall have power to affix it to the proper corporate instruments and documents, and who shall attest it. In his absence, it may be affixed and attested by an Assistant Secretary, or by the Treasurer or an Assistant Treasurer or by any other person or persons as may be designated by the Board of Directors.

ARTICLE VIII.

MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Corporation shall end on the last Friday of December in each year and the succeeding fiscal year shall begin on the day next succeeding the last day of the preceding fiscal year.

Section 2. Signatures on Negotiable Instruments. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officers or agents and in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors, or may be prescribed by any officer or officers, or any officer and agent jointly, thereunto duly authorized by the Board of Directors.

Section 3. References to Article and Section Numbers and to the By-Laws and the Certificate of Incorporation. Whenever in the By-Laws reference is made to an Article or Section number, such reference is to the number of an Article or Section of the By-Laws. Whenever in the By-Laws reference is made to the By-Laws, such reference is to these By-Laws of the Corporation, as amended, and whenever reference is made to the Certificate of Incorporation, such reference is to the Certificate of Incorporation of the Corporation, as amended, including all documents deemed by the General Corporation Law of the State of Delaware to constitute a part thereof.

ARTICLE IX.

AMENDMENTS

The By-Laws may be altered, amended or repealed at any Annual Meeting of Stockholders, or at any special meeting of holders of shares of stock entitled to vote thereon, provided that in the case of a special meeting notice of such proposed alteration, amendment or repeal be included in the notice of meeting, by a vote of the holders of a majority of the shares of stock present in person or by proxy at the meeting and entitled to vote thereon, or (except as otherwise expressly provided in any By-Law adopted by the stockholders) by the Board of Directors at any valid meeting by affirmative vote of a majority of the whole Board of Directors.

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN
(as amended April 27, 2001)

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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.

(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.

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(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 (A) becoming employed by an unconsolidated affiliate of the Company (as specified by the Head of Human Resources) or (B) being a part of a divestiture or spin-off designated by the Head of Human Resources as eligible, provided that, 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 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.

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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.

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.

(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.

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(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.

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.

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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.

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.

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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.

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.

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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.

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.

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(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.

(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.

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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.

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.

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(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);

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.

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(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.

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.

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(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.

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.

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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.

(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.

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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.

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).

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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.

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:

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(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").

(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.

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Section 8.2 A Change in Control.

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

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

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

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

Section 8.3 Effect of Agreement Resulting in Change in Control.

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

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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.

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;

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(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);

(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.

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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.

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.

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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.

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.

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Section 9.7 Expenses.

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

Section 9.8 Indemnification.

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

or stockholders.

Section 9.9 Tax Litigation.

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

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.

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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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MERRILL LYNCH & CO., INC.
PROGRAM FOR DEFERRAL OF STOCK OPTION GAINS
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

MERRILL LYNCH & CO., INC.
PROGRAM FOR DEFERRAL OF STOCK OPTION GAINS
FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

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MERRILL LYNCH & CO., INC. PROGRAM FOR DEFERRAL OF STOCK OPTION
GAINS FOR A SELECT GROUP OF ELIGIBLE EMPLOYEES

1.1 Purpose and Intent.

The purpose of the Plan is to encourage the employees who are integral to the success of the business of the Company to continue their employment and their alignment with Merrill Lynch & Co., Inc. Common Stock by providing them with the ability to defer receipt of option gains with respect to non-qualified stock options granted under the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan and the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan for Managers and Producers (collectively, "LTICP").

It is intended that the Plan be unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Title I of ERISA, and all decisions concerning who is to be considered a member of that select group and how the Plan shall be administered and interpreted shall be consistent with this intention.

1.2 Definitions.

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

"Account" means the reserve account established on the books and records of ML & Co. to record the Participant's Balances.

"Administrator" means the Head of Human Resources of ML & Co., or his or her designee or functional successor, or any other person or committee designated as Administrator of the Plan by the Management Development and Compensation Committee of the Board of Directors.

"Balances" means the Participant's Stock Unit Balance, Cash Unit Balance and/or Mutual Fund Balance.

"Board of Directors" means the Board of Directors of ML & Co. or any duly authorized Committee thereof.

"Cash Unit" means an entry in a Participant's Cash Unit Balance representing the Company's obligation to pay an amount in cash equal to the value of one share of Common Stock.

"Cash Unit Balance" means, the number of Cash Units credited to the Participant, prior to October 1, 2001, in connection with the payment of dividend equivalents on Stock Units and/or Cash Units in accordance with Section 4.2, as adjusted to any changes in capitalization in accordance with Section 4.2 and any payments made to the Participant.

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

"Committee" means the Management Development and Compensation Committee of the Board of the Directors. Except as may be required by law, any function of the Committee may be delegated to the Administrator.

"Common Stock" means the Common Stock, par value \$1.33 1/3 per share of ML & Co., together with (for so long they are outstanding) one Right to Purchase Units of Series A Junior Preferred Stock, par value \$1.00 per share, of ML & Co. issued pursuant to the Rights Agreement dated as of December 16, 1987 between ML & Co. and Manufacturers Hanover Trust Company, Rights Agent, as amended.

"Company" means ML & Co. and all of its Subsidiaries and affiliates.

"Covered Options" means the particular non-qualified options granted under LTICP as to which a Participant has elected to defer gains.

"Deemed Exercise" means the conversion of Covered Options to the right to receive the Stock Units.

"Deferral Election" means a Participant's election to defer the gain on non qualified stock options granted under LTICP as described in Section 3.1 and Exhibit A hereto.

"Eligible Employee" means an employee eligible to make a deferral under the Plan, as determined in Article II hereof.

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

"Executive Officer" means "officers" of ML & Co. as defined in Rule 16a-1 under the Securities Exchange Act of 1934.

"Fair Market Value" of Common Stock on any date means (a) the mean of the high and low sales prices on the New York Stock Exchange--Composite Tape on the date(s) in question, or, if the 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 Common Stock was so traded; or (b) such other amount as may be determined by the Administrator by any fair and reasonable means.

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

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

"LTICP" means the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan and the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan for Managers and Producers .

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

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"ML Deferred Compensation Plan" means the most recent ML & Co. Deferred Compensation Plan for a Select Group of Eligible Employees.

"Mutual Fund Return Benchmarks" means the mutual funds chosen by the Administrator under the ML & Co. Deferred Compensation Plan for Certain Eligible Employees.

"Mutual Fund Balance," means, as of any date, the amounts credited to a Participant's Mutual Fund Balance, adjusted in accordance with Section 3.4 of ML Deferred Compensation Plan to reflect the performance of the mutual funds selected by the Participant and adjusted for any payments made to the Participant prior to that date.

"Officer(s)" means all officers of ML & Co., as such term is defined in Rule 16a-1 under the Securities Exchange Act of 1934.

"Participant" means an Eligible Employee who elects to defer under the Plan.

"Plan" means this Merrill Lynch & Co., Inc. Program for Deferral of Stock Option Gains for a Select Group of Eligible Employees.

"Rabbi Trust" means the Trust that may be established, at the option of the Administrator, to receive the delivery of shares otherwise issuable upon the exercise of Covered Options as provided hereunder and to hold such shares (or the proceeds thereof) until payment of amounts pursuant to this Plan.

"Retirement" means a Participant's (1) termination of employment with the Company for reasons other than for Cause 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).

"Stock Unit" means an entry in a Participant's Stock Unit Balance

representing the Company's obligation to make payment to a Participant in the form of one share of Common Stock in accordance with the Plan.

"Stock Unit Balance" means, as of any date, the number of Stock Units credited to a Participant's Account as adjusted to any changes in capitalization in accordance with Section 4.2 and any payments made from the Stock Unit Balance to the Participant prior to that date.

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

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Article II
ELIGIBILITY

2.1 Eligible Employees.

Initially participation in this Plan shall be limited to employees of the Company who were granted non-qualified Stock Options under LTICP that have been outstanding for eight years or more, provided that the Administrator, in his or her sole discretion, may expand such eligibility to include additional employees who are generally eligible to participate in the Merrill Lynch & Co., Inc. Deferred Compensation Plans for a Select Group of Eligible Employees, and such other employees or persons who have retired as employees of the Corporation as the Administrator may, in his or her sole discretion, determine.

2.2 Representation and Warranty by Participant.

The deferral opportunity being offered hereby has not been and will not be registered under the Securities Act of 1933 (the "Securities Act") and is being offered to "accredited investors" (within the meaning of Rule 501(a)(6) under the Securities Act) in reliance on the exemption from registration provided by Section 4(2) of the Securities Act. Accordingly, when submitting his or her election form to the Administrator or his designee, each Participant must represent and warrant to ML & Co. that he or she is a natural person who had an individual income in excess of \$200,000 in the most recent calendar year then ended and has a reasonable expectation of reaching the same income level in the current calendar year. This requirement is in addition to, and not a substitute for, the eligibility requirements set forth in Section 2.1.

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Article III
DEFERRAL ELECTIONS

3.1 Deferral Elections.

(a) Making Elections. Eligible employees can elect to defer receipt of the gain to which such Participant would otherwise be entitled on exercise of any non-qualified options granted to such employees under LTICP that have been outstanding for at least eight years. Deferral Elections shall be made by submitting to the Administrator or his designee the form attached hereto as Exhibit A.

(i) Each Deferral Election must be made at least 90 days prior to the Deemed Exercise of the Covered Options to which the Deferral Election relates and must specify the particular Stock Options (including the date of grant) to which such Deferral Election relates and the number of Shares issuable upon exercise of such Stock Options.

(ii) To be effective, each Deferral Election must be made (A) in or prior to the taxable year immediately prior to the expiration of such Covered Option and (B) at least six (6) months prior to the date of such expiration.

(iii) To be effective, each Deferral Election must defer the gain on a minimum of 500 options, or such other amount as determined by the Administrator.

(b) Deemed Exercise. When a Deferral Election has been made, Covered Options, while remaining subject to all other terms and conditions of LTICP, may only be exercised subject to the Deemed Exercise procedures in this Plan. Covered Options will not be converted to Stock Units in accordance with Section 4.1 until a Deemed Exercise has occurred. To effect a Deemed Exercise, Participants must prove ownership of previously held shares of Common Stock (owned for a period of not less than six months) having a Fair Market Value on the Deemed Exercise date equal to the total Exercise Price. The date on which such Deemed Exercise occurs will determine the number of Stock Units credited to a Participant in accordance with Section 4.1.

(c) Effect of a Deferral Followed by a Deemed Exercise. Upon a Deemed Exercise of all or a portion of the Covered Options to which such Deferral Election relates, a Participant will be credited with a number of Stock Units determined in accordance with Section 4.1 and, if the Administrator determines, delivered to a Rabbi Trust established in accordance with Section 8.1 hereof for

payment to the Participant in accordance with Article VI hereof.

(d) Irrevocability of Deferral Election. Except as provided in Sections 3.3 and 6.6 and 6.7, an election made under Section 3.1(a) is irrevocable once submitted to the Administrator or his designee. Once a Participant elects to defer the gains on all or a portion of a Stock Option, any gains will be deferred whenever a Deemed Exercise of a Stock Option occurs.

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3.2 Minimum Requirements for Deferral.

Minimum Requirements. Notwithstanding any other provision of the Plan, no deferral will be effected under the Plan with respect to a Participant if:

(a) the Participant is not an Eligible Employee when the election is made,

(b) the Participant does not meet the minimum annual compensation requirements of the Merrill Lynch & Co., Inc. Deferred Compensation Plan for a Select Group of Eligible Employees for the year in which the election was made.

3.3 Rescission of Deferral Election.

(a) Prior to Deemed Exercise. A deferral election hereunder will be rescinded if a Participant's employment terminates prior to a Deemed Exercise. In addition, a deferral election may be rescinded at the request of the Participant prior to a Deemed Exercise, if the Administrator, in his sole discretion and upon evidence of such basis that he finds persuasive (including a material applicable change in the Participant's U.S. Federal and/or foreign income tax rate during the relevant period), agrees to the rescission of the election. In the event of a rescission under this Section 3.3(a), no deferral will be effected under the Plan.

(b) Adverse Tax Determination. Notwithstanding the provisions of Section 3.3(a), a deferral election may be rescinded at any time if (i) a final determination is made by a court or other governmental body of competent jurisdiction that the election was ineffective to defer income for purposes of U.S. Federal, state, local or foreign income taxation and the time for appeal from this determination has expired, and (ii) the Administrator, in his sole discretion, decides, upon the Participant's request and upon evidence of the occurrence of the events described in (i) hereof that he finds persuasive, to rescind the election. Upon any such rescission, the Account Balance will be paid to the Participant as soon as practicable.

Article IV
ACCOUNT

4.1 Creation and Crediting to Account

An Account shall be created for each Participant who has deferred under the Plan and effected a Deemed Exercise. As soon as practicable after the Deemed Exercise (but in no event later than the end of the following month), a Participant's Stock Unit Balance will be credited with a number of Stock Units (or fractions thereof) equal to: (1) the aggregate Fair Market Value (on the date of Deemed Exercise) of the number of Covered Option shares that are the subject of the Deemed Exercise; (2) minus: (A) the aggregate Exercise Price of the shares subject to the Covered Option; and (B) any FICA or Medicare taxes due upon such exercise (unless the Administrator determines that such taxes should be payable in some other manner); (3) divided by the Fair Market Value of the Common Stock on such Date. Cash Units will be credited to a Participant's Cash Unit Balance in accordance with Section 4.2.

4.2 Dividend Equivalents.

Whenever a cash dividend is paid on a share of Common Stock, the Participant's Account shall be credited, on the payment date for such cash dividend. Prior to October 1, 2001, such accounts shall be credited with the number of Cash Units determined by multiplying the per share amount of the cash dividend by the Participant's Stock Unit Balance and Cash Unit Balance (expressed in Stock Units and Cash Units, respectively), on the record date for such cash dividend and dividing the result by the price per share of Common Stock used for purposes of the reinvestment of such cash dividend in the Merrill Lynch & Co., Inc. Dividend Reinvestment Program, and rounding the result to the nearest 1/100th of a Unit (with .005 being rounded upwards). Following such date, such amounts shall be indexed in accordance with the ML Deferred Compensation Plan to the return of the Mutual Fund Return Options under the ML Deferred Compensation Plan selected by the Participant. In addition, beginning on July 16, 2001, and ending on September 30, 2001, the Participants will be given a one-time option to convert their Cash Unit Balance to a Mutual Fund Balance as of October 1, 2001.

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4.3 Changes in Capitalization.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, or, if in the opinion of the Board of Directors, 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 Stock or Cash Units, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in each Participant's Stock Unit or Cash Unit Balances in order to preserve the full benefits of the Plan for the Participants, taking into account any 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 or Stock or Cash Units, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

Article V STATUS OF ACCOUNT

5.1 Status.

Nothing contained herein and no action taken pursuant hereto will be construed to create any kind of a fiduciary relationship between ML & Co. and any Participant, the Participant's beneficiary or estate, or any other person. Title to and beneficial ownership of any funds represented by any Account Balance will at all times remain with the Company, or in the event a Rabbi Trust is established, in the Rabbi Trust, and available to the creditors of the Company in the event of a bankruptcy. No person will, by virtue of the provisions of the Plan, have any interest whatsoever in any specific assets of the Company. To the extent that any person acquires a right to receive payments from the Company under the plan, such right will be no greater than the right of any unsecured general creditor of the Company.

5.2 Non-Assignability.

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

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5.3 Effect of Deferral on Benefits Under Pension and Welfare Benefit Plans.

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

Article VI PAYMENT OF ACCOUNT

6.1 Payment Date.

(a) Regular Payment Elections. Subject to Section 7.1(b), the Participant's Account Balances will be paid by ML & Co., as elected by the Participant at the time of his or her deferral election, either in a single payment to be made, or in the number of annual installment payments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's Retirement or death, (ii) in any month and year selected by the Participant after the end of the calendar year in which the election is made or (iii) in any month in the calendar year following the Participant's Retirement; provided that Executive Officers shall receive the payment (in the case of a single payment) or commencement of payment (in the case of installment payments) on a date that is one day after the earliest to occur of Retirement, Death or other termination of employment, subject to the ability of ML & Co. to delay the payout in the event of concerns about Section 16 of the Securities Exchange Act. The amount of each annual installment payment, if applicable, shall be determined by multiplying the Fair Market Value of the Account Balances as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made) and rounding the result to the nearest whole Stock Unit of Cash Unit as the case may be.

(b) Modified Installment Payments. If the Participant had elected (at the time of deferral) to receive at least 11 but no more than 15 annual Installment

Payments in accordance with Section 6.1(a), then such Participant's Account Balances, will be paid in modified installment payments, such modified installment payments to commence at least one day following the Participant's Retirement or upon the Participant's death. The modified installment payments shall be computed in accordance with the last sentence of Section 6.1(a) and will in all other respects be treated like regular installment payments under the Plan.

6.2 Manner of Payment. Payments of Stock Unit Account Balances will be made in the form of one share of Common Stock for each Stock Unit to be paid, with any fractional Stock Units paid in cash. Payments of Cash Units will be made in cash. The amount of such cash payment shall be determined by multiplying the number of Cash Units to be paid by the Fair Market Value of a share of Common Stock on the last business day immediately prior to the day on which payment is to be made and rounding the result up to the nearest whole cent.

6.3 Termination of Employment.

(a) Death or Retirement. If the Participant dies or begins Retirement prior to the payment or commencement of payment, then the Account Balances will be paid, in accordance with the Participant's elections and as provided in Sections 6.1 and 6.2, to the Participant (in the event of Retirement) or to the Participant's beneficiary (in the event of death), provided, however, that in the event that a beneficiary of the Participant's Account is the Participant's estate or is otherwise not a natural person, then (i) if the Participant has elected a regular payment election pursuant to Section 6.1(a), the applicable portion of the Account Balances will be paid in a single payment to such beneficiary notwithstanding any election of installment payments, and (ii) if the Participant has elected modified installment payments pursuant to Section 6.1(b), the applicable portion of the Account will continue to be payable as modified installment payments, but only to a single person consisting of the administrator or executor of the Participant's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

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(b) Other Termination of Employment. If the Participant's employment terminates at any time for any reason other than death or Retirement, the Account Balances will be paid to the Participant in a single payment in the manner specified in Section 6.2, as soon thereafter as is practicable, notwithstanding the Participant's elections hereunder.

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

(d) Discretion to Alter Payment Date. Notwithstanding the provisions of Sections 6.3(a) and (b), if the Participant's employment terminates for any reason, the Administrator may, in his sole discretion, direct that the Account Balances be paid at some other time or that it be paid in installments; provided, that no such direction that adversely affects the rights of the Participant or his or her beneficiary under the Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his sole discretion.

6.4 Withholding of Taxes.

ML & Co. will deduct or withhold from any payment to be made or deferred hereunder any U.S. Federal, state or local or foreign income or employment taxes required by law to be withheld or require the Participant or the Participant's beneficiary to pay any amount, or the balance of any amount, required to be withheld, provided that when any payments are made to Participants in connection with a deferral (either as a result of a revocation of such deferral by the Corporation or otherwise) all federal state or local taxes required by law that arise as a result of such payout shall be paid either (A) by applying the cash payable from the Account Balance or, (B) in the event (A) does not yield sufficient cash to pay such taxes, by withholding from the number of shares otherwise deliverable, such number of shares as shall have a Fair Market on the date of such payout at least equal to the amount of tax to be withheld.

6.5 Beneficiary.

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

interest assigned to them by the Participant.

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

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

(d) If the Beneficiary Dies During Payment. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant but before all the payments have been made, the portion of the Account Balances to which that beneficiary was entitled will be paid as soon as practicable in one lump sum to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated; provided, however, that if the beneficiary was receiving modified installment payments pursuant to Section 6.1(b), the applicable portion of the Index Account Balances will continue to be paid as modified installment payments, but only to a single person consisting of the administrator or executor of the beneficiary's estate or another person lawfully designated by the administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

6.6 Hardship Distributions.

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

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6.7 Domestic Relations Orders.

Notwithstanding the Participant's elections hereunder, ML & Co. will pay to, or to the Participant for the benefit of, the Participant's spouse or former spouse the portion of the Participant's Account Balances specified in a valid court order entered in a domestic relations proceeding involving the Participant's divorce or legal separation. Such payment will be made net of any amounts the Company may be required to withhold under applicable federal, state or local law.

Article VII ADMINISTRATION OF THE PLAN

7.1 Powers of the Committee and the Administrator.

(a) General. The Committee and the Administrator shall administer the Plan in accordance with its terms, and will have all powers necessary to accomplish said purpose. The Administrator shall have full power, discretion and authority to interpret and construe, and to administer all aspect of the Plan that do not relate to Executive Officers of the Company. The Administrator shall administer the Plan so as to ensure that it provides deferred compensation for the

Participant as a member of a select group of management or highly compensated employees within the meaning of Title I of ERISA. The Administrator's interpretations and construction hereof, and actions hereunder, including any determinations regarding the amount or recipient of any payments, will be binding and conclusive on all persons for all purposes.

(b) Limitation of Liability. Each member of the Committee and the Administrator shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Company, independent certified accountants, consultants, legal counsel or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, the Administrator, or any officers or employee of the Company acting on behalf of the Committee shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and such persons shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to such action determination or interpretation.

7.2 Optional Rabbi Trust

Creation of Trust. The Administrator, at any time, may authorize the establishment of a Rabbi Trust to hold shares representing the shares deferred under this Plan on such terms and conditions as the Administrator shall approve. The trustee of the Rabbi Trust shall be a party unaffiliated with the Company. If a Rabbi Trust has been established, upon any Deemed Exercise, a number of shares equal to the number of Stock Units credited in Section 4.1 hereof shall be delivered by the Company to the Rabbi Trust.

7.3 Payments on Behalf of an Incompetent.

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

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7.4 Corporate Books and Records Control.

The books and records of the Company will control in the event a question arises under the plan concerning the amount of the Account Balance(s), Eligible Compensation, the designation of a beneficiary, or any other matters.

Article VIII MISCELLANEOUS PROVISIONS

8.1 Litigation.

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

8.2 Headings Are Not Controlling.

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

8.3 Governing Law.

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

8.4 Amendment and Termination.

ML & Co. reserves the right to amend or terminate the Plan at any time through the Administrator, except that no such amendment or termination shall adversely affect the right of the Participant to his or her Account Balance(s) as of the date of such amendment or termination. In addition, this Plan may be terminated by the Company and all deferrals hereunder will be rescinded in the event that the Administrator determines in good faith, after consultation with the Controller of ML & Co. (or such person's functional successor) and the Company's independent public accountants, that generally accepted accounting principles are likely to require the Company to recognize the net exercise value of such Stock Options as a charge to Earnings on ML & Co.'s consolidated financial statements. In the event of such termination, the Account Balances will be paid to the Participant as soon as practicable.

MERRILL LYNCH & CO., INC.
1986 EMPLOYEE STOCK PURCHASE PLAN

1. Definitions.

"Account" means an Employee Stock Purchase Plan (BlueprintSM) account maintained by Merrill Lynch, Pierce, Fenner & Smith Incorporated, a subsidiary of ML & Co.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Management Development and Compensation Committee of the Board of Directors of ML & Co.

"Common Stock" means ML & Co. Common Stock, par value \$1.331/3 per share.

"Current Eligible Compensation" for any pay period means the gross amount of Eligible Compensation with respect to which net amounts are actually paid in such pay period, provided that, for all Eligible Employees (other than officers of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934), the gross amount of any portion of incentive compensation, under ML & Co.'s Variable Incentive Compensation Program or Office Management Incentive Compensation Plan (or any equivalents, or successors thereto) or incentive compensation for Financial Consultants with pay frequencies other than monthly, with respect to which net amounts are paid on an accelerated basis in the last two months of the fourth calendar quarter of any Plan Year, shall be included in Current Eligible Compensation for the pay period beginning January 1 of the next following Plan Year only, and provided further that for officers of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, any such accelerated gross amounts shall not be included as Current Eligible Compensation in either the Plan Year in which they were paid or the next following Plan Year.

"Default Dollar Amount" means the lesser of (i) the dollar amount payroll deduction, if any, as in effect for a Participating Employee as of the end of the previous Plan Year for this Plan or the Employee Stock Purchase Plan for Employees of Merrill Lynch Partnerships or (ii) the maximum dollar amount payroll deduction, if any, allowable for such Participating Employee for such Plan Year.

"Dollar Amount Eligible Compensation" for any Plan Year means the gross amount of Eligible Compensation paid during the calendar year two years prior to such Plan Year provided that, for all Eligible Employees (other than officers of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934) for the purpose of determining Dollar Amount Eligible Compensation for any Plan Year after 1992, the gross amount of any incentive compensation paid pursuant to ML & Co.'s Variable Incentive Compensation Program or Office Management Incentive Compensation Plan (or any equivalents, or successors thereto) or incentive compensation for Financial Consultants with pay frequencies other than monthly, with respect to which net amounts are paid on an accelerated basis in the last two months of the fourth calendar quarter of any year, shall be included as Dollar Amount Eligible Compensation in the next following calendar year only, and provided further that for officers of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, any such accelerated gross amounts shall not be included as Dollar Amount Eligible Compensation in either the calendar year in which they were paid or the next following calendar year.

"Eligible Compensation" means base salary, asset gathering compensation, adjusted compensation, incentive compensation, overtime, bonuses and/or other regular payments, with such additions or deletions as may be determined by the Director of Human Resources to be necessary to provide consistency with other plans of ML & Co., subject to any applicable requirements or limitations under Section 423 of the Code.

"Eligible Employee" means employees eligible to participate in the Plan pursuant to the provisions of Section 5.

"Fair Market Value" means the mean of the high and low sales prices of a share of Common Stock on the New York Stock Exchange on the date in question or, if the Common Stock shall not have been traded on such exchange on such date, the mean of the high and low sales prices on such exchange on the first day prior thereto on which the Common Stock was so traded or such other amount as may be determined by the Committee by any fair and reasonable means.

"Investment Date" means the Friday immediately preceding the 15th day of the month following the end of each calendar quarter, or such other date as may be determined by the Committee or its delegate, subject to any applicable requirements or limitations under Section 423 of the Code.

"ML & Co." means Merrill Lynch & Co., Inc., a Delaware corporation.

"Participating Employee" means an employee (i) for whom payroll deductions

are currently being made or (ii) for whom payroll deductions are not currently being made because he or she has reached the limitation set forth in Section 7.

"Plan" means this Merrill Lynch & Co., Inc. 1986 Employee Stock Purchase Plan.

"Plan Year" means a calendar year.

"SIP" means the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan.

"Subsidiary" means any corporation not excluded by the Committee or its delegate, in its sole discretion, 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.

2. Purpose of the Plan.

The purpose of the Plan is to secure for ML & Co. and its stockholders the benefits of the incentive inherent in the ownership of ML & Co.'s capital stock by present and future employees of ML & Co. and its Subsidiaries. The Plan is intended to comply with the provisions of Sections 421, 423 and 425 [since the date of adoption of the Plan, Section 425 has been renumbered to Section 424] of the Code and the Plan shall be administered, interpreted and construed in accordance with such provisions.

3. Shares Reserved for the Plan.

There shall be reserved for issuance and purchase by employees under the Plan an aggregate of 125,600,000 shares of Common Stock, subject to adjustment as provided in Section 13. Shares subject to the Plan may be shares now or hereafter authorized but unissued, or shares that were once issued and subsequently re-acquired by ML & Co. If and to the extent that any right to purchase reserved shares shall not be exercised by any employee for any reason or if such right to purchase shall terminate as provided herein, shares that have not been so purchased hereunder shall again become available for the purposes of the Plan unless the Plan shall have been terminated, but such unpurchased shares shall not be deemed to increase the aggregate number of shares specified above to be reserved for purposes of the Plan (subject to adjustment as provided in Section 13).

4. Administration of the Plan.

The Plan shall be administered, at the expense of ML & Co., by the Committee. The Committee consists of not less than 3 members of the Board of Directors who are not officers or in the employ of ML & Co., who are not eligible, and for a period of one year prior to the commencement of their service on the Committee have not been eligible, to participate in the Plan, who are non-employee directors within the terms of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, and who shall serve at the pleasure of the Board of Directors. The Committee may request advice or assistance or employ such other persons as are necessary for proper administration of the Plan. Subject to the express provisions of the Plan, the Committee shall have authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to delegate duties and responsibilities under Plan in accordance with the terms of such Plan, and to make all other determinations necessary or advisable in administering the Plan, all of which determinations shall be final and binding upon all persons.

5. Eligible Employees.

All employees of ML & Co. and each Subsidiary shall be eligible to participate in the Plan, provided that each of such employees

(a) is not in a group of key employees that, pursuant to Section 423(b)(4)(D) of the Code, the Committee or its delegate determines to be ineligible to participate in the Plan; and

(b) has been employed by ML & Co. and/or any Subsidiary (or any predecessor thereof) for a period of one year, or for such shorter period (continuous or otherwise) as may be determined by the Committee or its delegate, subject to any applicable requirements or limitations under Section 423 of the Code, and is employed by ML & Co. or any Subsidiary during the enrollment period for the Plan Year for which participation is to commence; and

(c) does not own, immediately after the right is granted, stock possessing five percent (5%) or more of the total combined voting power or value of all classes of capital stock of ML & Co. or of a Subsidiary.

In determining stock ownership under this Section 5, the rules of Section 425(d) [since date of adoption of the Plan, Section 425(d) has been renumbered to Section 424(d)] of the Code shall apply and stock that the employee may purchase under outstanding options shall be treated as stock owned by the employee. Eligible Employees who have been or will be laid off or retired on the first day of a Plan Year cannot participate in such Plan Year.

6. Election to Participate and Payroll Deductions.

Each Eligible Employee may elect to participate in the Plan during an applicable enrollment period.

Each Eligible Employee may elect to make payroll deduction contributions to the Plan (in the form of a percentage and/or a stated dollar amount) from Eligible Compensation or Current Eligible Compensation in accordance with such rules and limitations as may be determined by the Committee or its delegate, subject to any applicable requirements or limitations under Section 423 of the Code.

Elections under this Section 6 are subject to the limits set forth in Section 7. All payroll deductions shall be credited, as promptly as practicable, to an account in the name of the Participating Employee and may be used by ML & Co. for any corporate purpose.

Unless he or she elects otherwise during an enrollment period, an Eligible Employee who is a Participating Employee in either this Plan or the Employee Stock Purchase Plan for Employees of Merrill Lynch Partnerships on the day before a Plan Year (or such other period as may be determined by the Committee or its delegate) commences will be deemed (i) to have elected to participate in the applicable period and (ii) to have authorized the same type of payroll deduction (i.e., percentage or dollar amount) for such period as in effect for such employee on the day before such period commences. That payroll deduction will be either the same percentage deduction or deductions in effect for such employee on the day before such period commences or the Default Dollar Amount, as applicable.

A Participating Employee may at any time cease participation in the Plan by filing the required election with ML & Co. The cessation will be effective as soon as practicable, whereupon no further payroll deductions shall be made, and payroll deductions not theretofore invested shall be invested as provided in Section 9. Any Participating Employee who ceases to participate may elect to participate in a subsequent applicable period, if then eligible. A Participating Employee may at any time during an applicable period, (but not more than such number of times as may be determined by the Committee or its delegate) change his or her payroll deductions by filing the required election with ML & Co., which change shall become effective with the first pay period of the first succeeding applicable period to which it may be practicably applied.

7. Limitation of Number of Shares That an Employee May Purchase.

No right to purchase shares under this Plan shall permit an employee to purchase stock under all employee stock purchase plans of ML & Co. and its subsidiaries (as defined in Section 423 of the Code) at a rate which in the aggregate exceeds \$25,000 of Fair Market Value of such stock (determined at the time the right is granted, which, in the case of this Plan, is the Investment Date) for each calendar year in which the right is outstanding at any time.

8. Purchase Price.

The purchase price for each share of Common Stock shall be eighty-five percent (85%) of the Fair Market Value of such share on the Investment Date, or such greater percentage as may be determined by the Committee or its delegate, subject to any applicable requirements or limitations under Section 423 of the Code.

9. Method of Purchase and Investment Accounts.

As of each Investment Date, each Participating Employee shall be offered the right to purchase, and shall be deemed, without any further action, to have purchased, the number of whole and fractional shares of Common Stock determined by dividing the amount of his or her payroll deductions not theretofore invested by the purchase price as determined in Section 8. All such shares shall be maintained in separate Accounts for the Participating Employees. All dividends paid with respect to such shares shall be credited to each Participating Employee's Account, and will be automatically reinvested in whole and fractional shares of Common Stock, unless the Participating Employee elects not to have such dividends reinvested.

10. Title of Accounts.

Each Account may be in the name of the Participating Employee or, if he or she so indicates in the appropriate election, in his or her name jointly with another person, with right of survivorship. A Participating Employee who is a resident of a jurisdiction that does not recognize such a joint tenancy may have an Account in his or her name as tenant in common with another person, without right of survivorship.

11. Rights as a Stockholder.

At the time funds from a Participating Employee's payroll deductions account are used to purchase the Common Stock, he or she shall have all of the rights and privileges of a stockholder of ML & Co. with respect to whole shares

purchased under the Plan whether or not certificates representing full shares have been issued.

12. Rights Not Transferable.

Rights granted under the Plan are not transferable by a Participating Employee other than by will or the laws of descent and distribution and are exercisable during his or her lifetime only by him or her.

13. Adjustment in Case of Changes Affecting ML & Co.'s Common Stock.

In the event of a subdivision of outstanding shares of Common Stock, or the payment of a stock dividend thereon, the number of shares reserved or authorized to be reserved under this Plan shall be increased proportionately, and such other adjustment shall be made as may be deemed necessary or equitable by the Board of Directors. In the event of any other change affecting the Common Stock, such adjustment shall be made as may be deemed equitable by the Board of Directors to give proper effect to such event, subject to the limitations of Section 425 [since date of adoption of the Plan, Section 425 has been renumbered to Section 424] of the Code.

14. Retirement, Termination and Death.

In the event of a Participating Employee's retirement or termination of employment during a Plan Year or other applicable period, the amount of his or her payroll deductions not theretofore invested shall be refunded to him or her, and in the event of his or her death shall be paid to his or her estate, any such refund or payment to be made as soon as practicable after the next Investment Date.

15. Amendment of the Plan.

The Board of Directors may at any time, or from time to time, amend the Plan in any respect; provided, however, that the Plan may not be amended in any way that will cause rights issued under it to fail to meet the requirements for employee stock purchase plans as defined in Section 423 of the Code, including stockholder approval if required.

16. Termination of the Plan.

The Plan and all rights of employees hereunder shall terminate:

(a) on the Investment Date that Participating Employees become entitled to purchase a number of shares greater than the number of reserved shares remaining available for purchase; or

(b) at any time, at the discretion of the Board of Directors.

In the event that the Plan terminates under circumstances described in (a) above, reserved shares remaining as of the termination date shall be sold to Participating Employees on a pro rata basis.

17. Effective Date of the Plan.

The Plan shall be effective as of October 23, 1986.

18. Governmental and Other Regulations.

The Plan, and the grant and exercise of the rights to purchase shares hereunder, and ML & Co.'s obligation to sell and deliver shares upon the exercise of rights to purchase shares, shall be subject to all applicable Federal, state and foreign laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel for ML & Co., be required.

19. Indemnification of Committee.

Service on the Committee shall constitute service as a Director of ML & Co. 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.

<TABLE>
<CAPTION>

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)

ENDED	FOR THE THREE MONTHS ENDED		FOR THE SIX MONTHS	
	-----		-----	
JUNE 30,	JUNE 29,	JUNE 30,	JUNE 29,	
2000	2001	2000	2001	
-----	-----	-----	-----	
<S>	<C>	<C>	<C>	
<C>				
Pre-tax earnings	\$ 852	\$ 1,413	\$ 2,203	
\$ 3,098				
Add: Fixed charges (excluding capitalized interest and preferred security dividend requirements of subsidiaries)	4,803	4,259	10,380	
8,102	-----	-----	-----	
Pre-tax earnings before fixed charges	5,655	5,672	12,583	
11,200	=====	=====	=====	
=====				
Fixed charges:				
Interest	4,739	4,196	10,251	
7,971				
Other (a)	117	115	234	
235	-----	-----	-----	
Total fixed charges	4,856	4,311	10,485	
8,206	=====	=====	=====	
=====				
Preferred stock dividend requirements	14	14	28	
28				
Total combined fixed charges	-----	-----	-----	-

and preferred stock dividends	\$ 4,870	\$ 4,325	\$ 10,513	\$
8,234	=====	=====	=====	
=====				
RATIO OF EARNINGS TO FIXED CHARGES	1.16	1.32	1.20	
1.36				
RATIO OF EARNINGS TO COMBINED FIXED CHARGES				
AND PREFERRED STOCK DIVIDENDS	1.16	1.31	1.20	
1.36				

(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>

August 10, 2001

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 June 29, 2001 and for the three-month and six-month periods ended June 29, 2001 and June 30, 2000, as indicated in our report dated August 10, 2001; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 29, 2001, 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)

Registration Statement No. 333-64676 (1986 Employee Stock Purchase Plan)

Registration Statement No. 333-64674 (Long-Term Incentive Compensation
Plan for Managers and Producers)

Filed on Form S-3:

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

Registration Statement No. 33-54218

Registration Statement No. 2-78338

Registration Statement No. 2-89519

Registration Statement No. 2-83477

Registration Statement No. 33-03602

Registration Statement No. 33-17965

Registration Statement No. 33-27512

Registration Statement No. 33-33335

Registration Statement No. 33-35456

Registration Statement No. 33-42041

Registration Statement No. 33-45327

Registration Statement No. 33-45777

Registration Statement No. 33-49947

Registration Statement No. 33-51489

Registration Statement No. 33-52647

Registration Statement No. 33-55363

Registration Statement No. 33-60413

Registration Statement No. 33-61559

Registration Statement No. 33-65135

Registration Statement No. 333-13649

Registration Statement No. 333-16603

Registration Statement No. 333-20137

Registration Statement No. 333-25255

Registration Statement No. 333-28537

Registration Statement No. 333-42859

Registration Statement No. 333-44173

Registration Statement No. 333-59997

Registration Statement No. 333-68747

Registration Statement No. 333-38792

Registration Statement No. 333-52822

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.

New York, NY
August 10, 2001