

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 March 27, 1998

COMMISSION FILE NUMBER 1-7182

MERRILL LYNCH & CO., INC.

(Exact name of registrant as specified in its charter)

DELAWARE 13-2740599

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

WORLD FINANCIAL CENTER, NORTH TOWER,
NEW YORK, NEW YORK 10281-1332

(Address of principal executive offices) (Zip Code)

(212) 449-1000

Registrant's telephone number, including area code

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

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

YES ☒ 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.

345,991,939 shares of Common Stock
(as of the close of business on May 1, 1998)

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<TABLE>
<CAPTION>

(Dollars in Millions, Except Per Share Amounts)	FOR THE THREE MONTHS ENDED		PERCENT (1) INC./ (DEC.)
	MARCH 27, 1998	MARCH 28, 1997	
<S>	<C>	<C>	<C>
REVENUES			
Commissions	\$ 1,377	\$ 1,115	23.5%
Interest and dividends	4,742	3,848	23.2
Principal transactions	1,152	1,063	8.3
Investment banking	801	608	31.8
Asset management and portfolio service fees	970	646	50.2
Other	124	171	(27.5)
Total Revenues	9,166	7,451	23.0
Interest Expense	4,564	3,610	26.4

Net Revenues	4,602	3,841	19.8
NON-INTEREST EXPENSES			
Compensation and benefits	2,375	1,988	19.5
Communications and equipment rental	198	158	25.7
Occupancy	135	120	12.1
Depreciation and amortization	126	105	19.7
Professional fees	263	198	33.1
Advertising and market development	172	144	19.4
Brokerage, clearing, and exchange fees	150	118	27.1
Goodwill amortization	55	15	N/M
Other	254	229	10.8
Total Non-Interest Expenses	3,728	3,075	21.3
EARNINGS BEFORE INCOME TAXES AND DIVIDENDS ON PREFERRED SECURITIES ISSUED BY SUBSIDIARIES	874	766	14.0
Income Tax Expense	332	291	14.1
Dividends on Preferred Securities Issued by Subsidiaries	24	9	136.7
NET EARNINGS	\$ 518	\$ 466	11.4%
NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$ 509	\$ 455	11.9%
EARNINGS PER COMMON SHARE (2)			
Basic	\$ 1.49	\$ 1.37	
Diluted	\$ 1.30	\$ 1.17	
DIVIDEND PAID PER COMMON SHARE (2)	\$.20	\$.15	
AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE (2)			
Basic	340.6	331.2	
Diluted	390.9	389.6	

</TABLE>

"(1) Percentages are based on actual numbers before rounding."

"(2) Share and per share amounts for the 1997 first quarter have been restated for the two-for-one common stock split, effected in the form of a 100% stock dividend, paid on May 30, 1997."

See Notes to Consolidated Financial Statements

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

(Dollars in Millions, Except Per Share Amounts)

<TABLE>
<CAPTION>

ASSETS	MARCH 27, 1998	DECEMBER 26, 1997
CASH AND CASH EQUIVALENTS	\$ 5,400	\$ 5,032
CASH AND SECURITIES SEGREGATED FOR REGULATORY PURPOSES OR DEPOSITED WITH CLEARING ORGANIZATIONS	10,502	12,384
MARKETABLE INVESTMENT SECURITIES	3,131	3,309
TRADING ASSETS, AT FAIR VALUE		
Corporate debt and preferred stock	33,732	32,501
Equities and convertible debentures	30,691	23,617
Contractual agreements	22,527	21,205
U.S. Government and agencies	11,295	9,832
Non-U.S. governments and agencies	10,608	9,755
Mortgages, mortgage-backed, and asset-backed	9,463	7,312

Other	2,990	2,556
	-----	-----
Securities received as collateral, net of securities pledged as collateral....	121,306	106,778
	12,490	--
	-----	-----
Total trading assets	133,796	106,778
	-----	-----
SECURITIES PLEDGED AS COLLATERAL	16,452	--
	-----	-----
RECEIVABLES UNDER RESALE AGREEMENTS	73,815	70,262
	-----	-----
RECEIVABLES UNDER SECURITIES BORROWED TRANSACTIONS	45,070	35,366
	-----	-----
OTHER RECEIVABLES		
Customers (net of allowance for doubtful accounts of		
\$49 in 1998 and \$50 in 1997)	29,140	26,529
Brokers and dealers	5,866	5,100
Interest and other	8,622	8,114
	-----	-----
Total	43,628	39,743
	-----	-----
INVESTMENTS OF INSURANCE SUBSIDIARIES	4,714	4,833
LOANS, NOTES, AND MORTGAGES (net of allowance for		
loan losses of \$132 in 1998 and \$130 in 1997)	5,635	4,310
OTHER INVESTMENTS	2,132	1,826
PROPERTY, LEASEHOLD IMPROVEMENTS, AND EQUIPMENT		
(net of accumulated depreciation and amortization		
of \$3,028 in 1998 and \$2,910 in 1997)	2,215	2,074
GOODWILL (net of accumulated amortization of		
\$180 in 1998 and \$131 in 1997).....	5,412	5,455
OTHER ASSETS	1,522	1,447
	-----	-----
TOTAL ASSETS	\$353,424	\$292,819
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements

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

(Dollars in Millions, Except Per Share Amounts)

<TABLE>		
<CAPTION>		
LIABILITIES, PREFERRED SECURITIES ISSUED BY SUBSIDIARIES,	MARCH 27,	DECEMBER 26,
AND STOCKHOLDERS' EQUITY	1998	1997
- - - - -	- - - - -	- - - - -
LIABILITIES		
<S>	<C>	<C>
PAYABLES UNDER REPURCHASE AGREEMENTS AND		
SECURITIES LOANED TRANSACTIONS	\$ 95,296	\$ 77,875
	-----	-----
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS	49,867	44,850
	-----	-----
TRADING LIABILITIES, AT FAIR VALUE		
Contractual agreements	19,502	20,632
U.S. Government and agencies	15,350	18,182
Equities and convertible debentures	21,337	15,724
Non-U.S. governments and agencies	10,080	9,720
Corporate debt, preferred stock, and other	5,634	5,818
	-----	-----
Total	71,903	70,076
	-----	-----
OBLIGATION TO RETURN SECURITIES RECEIVED AS COLLATERAL	28,942	--
	-----	-----
OTHER PAYABLES		
Customers	17,390	16,519
Brokers and dealers	8,551	4,112
Interest and other	18,971	22,625

Total	44,912	43,256
LIABILITIES OF INSURANCE SUBSIDIARIES	4,594	4,716
LONG-TERM BORROWINGS	47,532	43,090
TOTAL LIABILITIES	343,046	283,863
PREFERRED SECURITIES ISSUED BY SUBSIDIARIES	1,377	627
STOCKHOLDERS' EQUITY		
PREFERRED STOCKHOLDERS' EQUITY	425	425
COMMON STOCKHOLDERS' EQUITY		
Common stock, par value \$1.33 1/3 per share;		
authorized: 500,000,000; issued: 472,660,324 shares	630	630
Paid-in capital	1,360	1,065
Accumulated other comprehensive income (net of tax)	(25)	(34)
Retained earnings	9,925	9,485
	11,890	11,146
Less: Treasury stock, at cost:		
1998 - 127,929,023 shares; 1997 - 137,578,035 shares	2,452	2,804
Employee stock transactions	862	438
TOTAL COMMON STOCKHOLDERS' EQUITY	8,576	7,904
TOTAL STOCKHOLDERS' EQUITY	9,001	8,329
TOTAL LIABILITIES, PREFERRED SECURITIES ISSUED BY SUBSIDIARIES,		
AND STOCKHOLDERS' EQUITY	\$ 353,424	\$ 292,819
BOOK VALUE PER COMMON SHARE	\$ 24.92	\$ 23.64

</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>

	FOR THE THREE MONTHS ENDED	
(Dollars in Millions)	MARCH 27, 1998	MARCH 28, 1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 518	\$ 466
Noncash items included in earnings:		
Depreciation and amortization	126	105
Policyholder reserves	58	62
Other	371	289
(Increase) decrease in operating assets:		
Trading assets	(14,528)	(17,504)
Cash and securities segregated for regulatory purposes		
or deposited with clearing organizations	1,882	(1,855)
Receivables under securities borrowed transactions	(9,704)	(6,025)
Customer receivables	(2,606)	(2,459)
Sales of trading investment securities	256	344
Purchases of trading investment securities	(164)	(329)
Other	(2,869)	(3,389)
Increase (decrease) in operating liabilities:		
Trading liabilities	1,827	7,237
Payables under securities loaned transactions	3,969	2,472
Liabilities of insurance subsidiaries	(175)	(118)
Customer payables	871	1,698
Other	6,197	3,030
CASH USED FOR OPERATING ACTIVITIES	(13,971)	(15,976)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from (payments for):		
Maturities of available-for-sale securities	1,000	756
Sales of available-for-sale securities	659	605
Purchases of available-for-sale securities	(1,799)	(1,778)
Maturities of held-to-maturity securities	237	231
Purchases of held-to-maturity securities	(179)	(175)
Acquisition, net of cash acquired	(5,220)	--
Other investments and other assets	(435)	(134)
Property, leasehold improvements, and equipment	(267)	(141)
CASH USED FOR INVESTING ACTIVITIES	(6,004)	(636)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (payments for):		
Repurchase agreements, net of resale agreements	10,110	5,470
Commercial paper and other short-term borrowings	5,017	8,019
Issuance and resale of long-term borrowings	7,763	5,757
Settlement and repurchase of long-term borrowings	(3,145)	(1,606)
Issuance of subsidiaries' preferred securities	750	300
Redemption of remarketed preferred stock	--	(194)
Common stock transactions	(74)	(294)
Dividends	(78)	(61)
CASH PROVIDED BY FINANCING ACTIVITIES	20,343	17,391
INCREASE IN CASH AND CASH EQUIVALENTS	368	779
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,032	3,375
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,400	\$ 4,154
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Income taxes	\$ 95	\$ 19
Interest	4,275	3,256

</TABLE>

See Notes to Consolidated Financial Statements

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 27, 1998
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

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Basis of Presentation

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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 26, 1997 consolidated balance sheet was derived from the audited financial statements. The interim consolidated financial statements for the three-month periods are unaudited; however, in the opinion of Merrill Lynch management, all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations have been included.

These unaudited financial statements should be read in conjunction with the audited financial statements included in Merrill Lynch's Annual Report on Form 10-K for the year ended December 26, 1997. 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. Prior period financial statements have been reclassified, where appropriate, to conform to the 1998 presentation.

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New Accounting Pronouncements

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Merrill Lynch adopted Statement of Financial Accounting Standards ("SFAS") No. 127, "Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125", which requires balance sheet recognition of collateral related to certain secured financing transactions entered into after December 31, 1997. The adoption of such provisions creates the following additional captions on Merrill Lynch's balance sheet:

- o Securities received as collateral, net of securities pledged as collateral;
- o Securities pledged as collateral; and
- o Obligation to return securities received as collateral.

The balances recognized in these captions primarily represent securities received as collateral in term resale agreements for which the collateral provider does not have the explicit contractual right to substitute.

In March 1998, the AICPA's Accounting Standards Executive Committee issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 requires capitalization of certain internal use software costs. The SOP, which is effective January 1, 1999, was early adopted by Merrill Lynch in the 1998 first quarter and was not material to the

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Earnings Per Share

In 1997, Merrill Lynch adopted SFAS No. 128, "Earnings Per Share", which requires reporting basic and diluted EPS. Information relating to these computations follows:

	THREE MONTHS ENDED	
	MARCH 27, 1998	MARCH 28, 1997
Net earnings	\$ 518	\$ 466
Preferred stock dividends	9	11
Net earnings applicable to common stockholders	\$ 509	\$ 455
	=====	=====
(shares in thousands)		
Weighted-average shares outstanding	340,571	331,156
Effect of dilutive instruments:		
Employee stock options	28,948	30,850
FCCAAP shares	16,831	22,192
Restricted units	4,496	5,336
ESPP shares	90	94
Dilutive potential common shares	50,365	58,472
Total weighted-average diluted shares	390,936	389,628
	=====	=====
Basic earnings per share	\$ 1.49	\$ 1.37
Diluted earnings per share	1.30	1.17

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Comprehensive Income

In 1997, Merrill Lynch adopted SFAS No. 130, "Reporting Comprehensive Income", which requires reporting of comprehensive income in the financial statements. The components of comprehensive income are as follows:

	THREE MONTHS ENDED	
	MARCH 27, 1998	MARCH 28, 1997
Net earnings	\$ 518	\$ 466
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	15	(2)
Net unrealized (losses) gains on investment securities available-for-sale	(6)	4
Total other comprehensive income	9	2
	-----	-----
Comprehensive income	\$ 527	\$ 468
	=====	=====

Short-Term Borrowings

Short-term borrowings at March 27, 1998 and December 26, 1997 are presented below:

	MARCH 27, 1998	DECEMBER 26, 1997
PAYABLES UNDER REPURCHASE AGREEMENTS AND SECURITIES LOANED TRANSACTIONS		
Repurchase agreements	\$84,496	\$71,044
Securities loaned transactions	10,800	6,831
Total	\$95,296	\$77,875
COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS		
Commercial paper	\$32,310	\$30,379
Demand and time deposits	11,054	10,531
Bank loans and other	6,503	3,940
Total	\$49,867	\$44,850

Preferred Securities Issued by Subsidiaries

In January 1998, Merrill Lynch Preferred Capital Trust III (the "Trust"), a subsidiary of ML & Co., issued \$750 of 7% Trust Originated Preferred Securities (Service Mark). The Trust holds preferred securities of a limited partnership, which is also a subsidiary of ML & Co. The assets of the limited partnership consist primarily of debt securities of ML & Co. and one of its subsidiaries. ML & Co. has guaranteed, on a subordinated basis, certain payments by the Trust and the limited partnership.

Derivatives and Other Commitments

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

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

	INTEREST RATE RISK	CURRENCY (1) (2) RISK (3)	EQUITY PRICE RISK	COMMODITY PRICE RISK
(in billions)				
MARCH 27, 1998				
Swap agreements	\$1,569	\$ 160	\$ 10	\$ 6
Forward contracts	85	241	1	6
Futures contracts	307	1	12	2
Options purchased	204	79	57	10
Options written	158	79	48	10
DECEMBER 26, 1997				
Swap agreements	\$1,482	\$ 159	\$ 17	\$ 2
Forward contracts	59	196	1	15
Futures contracts	202	1	15	2

Options purchased	99	71	60	3
Options written	133	73	44	3

"(1) Certain derivatives subject to interest rate risk are also exposed to the credit spread risk of the underlying financial instrument."

"(2) Forward contracts subject to interest rate risk principally represent "To Be Announced" mortgage pools that bear interest rate as well as principal prepayment risk."

"(3) Included in the currency risk category are certain contracts that are also subject to interest rate risk."

The notional or contractual amounts of derivatives used to hedge exposure related to borrowings or other non-trading activities follow:

(in billions)	MARCH 27, 1998	DECEMBER 26, 1997
Interest rate derivatives (1)	\$61	\$53
Currency derivatives (1)	17	10
Equity derivatives	4	3

"(1) Includes swap contracts totaling \$2 billion in notional amount that contain embedded options hedging callable debt at both dates."

Most of these derivatives are entered into with Merrill Lynch's derivative dealer subsidiaries, which intermediate interest rate, currency, and equity risks with third parties in the normal course of their trading activities.

In the normal course of business, Merrill Lynch enters into underwriting commitments, when-issued transactions, and commitments to extend credit. Settlement of these commitments as of March 27, 1998 would not have a material effect on the consolidated financial condition of Merrill Lynch.

Regulatory Requirements

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a registered broker-dealer and a subsidiary of ML & Co., is subject to the net capital requirements of Rule 15c3-1 of 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 March 27, 1998, MLPF&S's regulatory net capital of \$2,119 was 9% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$1,657.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities and a subsidiary of ML & Co., 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 March 27, 1998, MLGSI's liquid capital of \$1,268 was 250% of its total market and credit risk, and liquid capital in excess of the minimum required was \$660.

Merrill Lynch International ("MLI"), a registered U.K. broker-dealer and a subsidiary of Merrill Lynch, is subject to capital requirements of the Securities and Futures Authority ("SFA"). Financial resources, as defined, must exceed the total financial resources requirement of the SFA. At March 27, 1998, MLI's financial resources were \$4,225 and exceeded the minimum requirement by \$828.

Interest Expense

Interest expense includes payments in lieu of dividends of \$5.0 and \$2.1 for the first quarters of 1998 and 1997, respectively.

Litigation Matters

An action is pending in the United States District Court for the Central District of California by Orange County, California (the "County"), which filed

a bankruptcy petition in the United States Bankruptcy Court for the Central District of California on December 6, 1994, against ML & Co. and certain of its subsidiaries in connection with Merrill Lynch's business activities with the Orange County Treasurer-Tax Collector. In addition, other actions are pending against or on behalf of ML & Co. and/or certain of its officers, directors, and employees and certain of its subsidiaries in federal and state courts in California and New York. These include class actions and stockholder derivative actions brought by persons alleging harm to themselves or to Merrill Lynch arising out of Merrill Lynch's dealings with the Orange County Treasurer-Tax Collector, or from the purchase of debt instruments issued by the County that were underwritten by ML & Co.'s subsidiary, MLPF&S. See "Commitments and Contingencies" in the notes to Merrill Lynch's audited consolidated financial statements contained in the 1997 10-K, as well as "Legal Proceedings" in the 1997 10-K and this Quarterly Report on Form 10-Q.

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Subsequent Event

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On April 14, 1998, stockholders approved the proposal to amend ML & Co.'s Certificate of Incorporation to increase the authorized number of shares of Common Stock from 500 million to 1 billion.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We have reviewed the accompanying condensed consolidated balance sheet of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of March 27, 1998, and the related condensed consolidated statements of earnings and cash flows for the three-month periods ended March 27, 1998 and March 28, 1997. These financial statements are the responsibility of the management of Merrill Lynch & Co., Inc.

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

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Merrill Lynch as of December 26, 1997, and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 23, 1998, 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 26, 1997 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP
New York, New York

May 8, 1998

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

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Merrill Lynch & Co., Inc. ("ML & Co." and, together with its subsidiaries and affiliates, "Merrill Lynch") is a holding company that, through its subsidiaries and affiliates, provides investment, financing, advisory, insurance, and related services worldwide. Merrill Lynch conducts its businesses in global financial markets that are influenced by numerous unpredictable factors including economic conditions and monetary policy, 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 increases risk, it may also increase order flow in businesses such as trading and brokerage. Revenues and net earnings may vary significantly from period to period due to these unpredictable factors and the resulting market volatility.

The financial services industry continues to be affected by the intensifying competitive environment, as demonstrated by consolidation through mergers and acquisitions, as well as diminishing margins in many mature products and services. In addition, the recent relaxation of banks' barriers to entry into the securities industry and expansion by insurance companies into traditional brokerage products, coupled with the possible reform of the Glass-Steagall laws regarding separation of commercial and investment banking activities, have increased the number of companies competing for a similar customer base.

Global financial markets were generally strong during 1997, except for the 1997 fourth quarter when the devaluation of certain Asian currencies led to significant volatility and overall declines in global equity markets. This downward trend continued into early 1998, but stabilized throughout the remainder of the 1998 first quarter. The strengthening of Asian markets, combined with continued low interest rates and inflation in many countries, propelled U.S. and European equity markets to record highs in the 1998 first quarter.

Long-term U.S. interest rates at the end of the 1998 first quarter, as evidenced by the yield on the 30-year U.S. Treasury bond, remained relatively flat compared to year-end 1997, despite volatility during the quarter. Overall, however, interest rates remained lower compared to both the 1997 fourth quarter and the year-ago period. The decrease in interest rates was attributable to low inflation despite strong economic growth and low unemployment. Credit spreads, which represent the risk premiums paid by issuers based on credit rating or perception, narrowed less during the 1998 first quarter relative to the year-ago period. Global interest rates, following the trend in the U.S., were generally lower during the 1998 first quarter, when compared to both the 1997 fourth and first quarters.

U.S. equity markets, which posted significant overall gains in 1997, continued to advance in the 1998 first quarter, driven by low interest rates and strong performances in the technology and financial services sectors. During the 1998 first quarter, the Dow Jones Industrial Average reached a new high, increasing 11.3% from year-end 1997. In addition, the Nasdaq Composite Index and the S&P 500 (Registered Trademark) hit record levels, up 16.9% and 13.5% from year-end 1997 and 50.3% and 45.5% from the 1997 first quarter end, respectively.

Global equity markets rose on average approximately 13% during the first quarter of 1998, as measured by the Dow Jones World Index (Registered Trademark). Low interest rates and inflation, combined with prospects of strong corporate earnings, led to significant gains in European markets during the 1998 first quarter. Despite only modest returns in Japan and Hong Kong, the Asian markets rebounded from 1997 price declines due in part to balance sheet restructurings. In Latin American markets, lingering concerns over the Asian market events led to further declines during the 1998 first quarter.

Global underwriting volume reached a new high in the 1998 first quarter as low interest rates, combined with investor demand for higher credit quality investments, led to record debt and equity issuances. Underwriting revenues for the same period, however, rose only slightly, as debt offerings, which typically yield much lower fees than equity issuances, dominated underwriting activity during the quarter.

Strategic services activities remained strong during the 1998 first quarter, reflecting a continuation of the high level of merger and acquisition activity experienced in 1997. Driven by a generally favorable stock market, ongoing industry consolidations, as well as other competitive and economic factors, companies continued to seek strategic alliances to increase earnings growth and expand into new markets and businesses.

Due to the volatility of the financial services industry, Merrill Lynch continually evaluates its businesses across varying market conditions for profitability and alignment with long-term strategic objectives. Merrill Lynch seeks to mitigate the effect of market downturns by expanding its global presence, developing and maintaining long-term client relationships, closely monitoring costs and risks, and continuing to diversify revenue sources.

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Results of Operations	

<TABLE>	
<CAPTION>	

(in millions, except per share amounts)				1Q98 VERSUS	
	MARCH 27, 1998	DECEMBER 26, 1997	MARCH 28, 1997	4Q97	1Q97
<S>	<C>	<C>	<C>	<C>	<C>
Total revenues	\$9,166	\$8,123	\$7,451	12.8%	23.0%
Net revenues	4,602	3,868	3,841	19.0	19.8
Pretax earnings	874	729	766	19.9	14.0
Net earnings	518	466	466	11.2	11.4
Net earnings applicable to common stockholders	509	456	455	11.5	11.9
Earnings per common share (1):					
Basic	1.49	1.37	1.37	8.8	8.8
Diluted	1.30	1.17	1.17	11.1	11.1
Return on average common stockholders' equity	24.8%	23.9%	28.3%		
Effective tax rate	38.0%	34.3%	38.0%		

</TABLE>

"(1) Per share amounts for the 1997 first quarter have been restated for the two-for-one common stock split, effected in the form of a 100% stock dividend, paid on May 30, 1997."

The discussion that follows emphasizes the comparison between the first quarters of 1998 and 1997.

Merrill Lynch's net earnings were a record \$518 million in the 1998 first quarter, up 11% from \$466 million in the 1997 first quarter. Record revenues were achieved in commissions, principal transactions, and asset management and portfolio service fees. Increases in revenues were partially offset by higher costs primarily related to the fourth quarter 1997 acquisition of Mercury Asset Management ("Mercury"), variable compensation, and technology-related expenses.

Merrill Lynch believes that earnings measures that exclude the effect of goodwill amortization, a non-cash charge, are the most relevant indicators of the company's performance because they best illustrate the firm's operating results and ability to support growth. Earnings excluding the effect of goodwill amortization were \$573 million in the 1998 first quarter, 19% above the 1997 first quarter. On the same basis, diluted earnings per share were \$1.44 in the 1998 first quarter, up 19% from \$1.21 in the 1997 first quarter, and return on average common equity was approximately 26.9% for the 1998 first quarter.

Despite strong revenue growth in the U.S., non-U.S. net revenues continued to increase to approximately 30% of Merrill Lynch's total net revenues in the 1998 first quarter, compared with approximately 24% in the 1997 first quarter. Recent acquisitions, including Mercury and Smith New Court PLC, have positively affected revenues from fee-based and non-U.S. equities and equity derivatives activities. In addition, Merrill Lynch's four key strategic priorities as a percentage of net revenues for the 1998 first quarter were as follows:

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PERCENTAGE OF NET REVENUES
BY STRATEGIC PRIORITY

Corporate and Institutional Client	43%
U.S. Private Client	41
International Private Client	5
Asset Management	11

	100%
	===

Merrill Lynch continued to expand into non-U.S. markets with the announcement in February that it would launch a new business in Japan to serve individual investors, through the planned opening of approximately 30 offices and the hiring of about 2,000 new employees, including 600 Financial Consultants. Expansion in this region is expected to further enhance both Merrill Lynch's Private Client and Asset Management activities.

Commissions revenues are summarized as follows:

(in millions)	THREE MONTHS ENDED		
	MARCH 27, 1998	MARCH 28, 1997	% INC.
Listed and over-the-counter	\$ 770	\$ 625	23%
Mutual funds	431	344	25

Other	176	146	20
	-----	-----	
Total	\$1,377	\$1,115	23
	=====	=====	

Commissions revenues from listed and over-the-counter securities increased as a result of higher trading volumes on many stock exchanges around the world. Mutual fund commissions revenues rose due to higher distribution fees and strong sales of U.S. funds.

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

(in millions)	THREE MONTHS ENDED	
	MARCH 27, 1998	MARCH 28, 1997

INTEREST AND DIVIDEND REVENUES		
Trading assets	\$1,312	\$1,226
Resale agreements	1,359	931
Securities borrowed	894	832
Margin lending	661	451
Other	516	408
	-----	-----
Total	4,742	3,848
	-----	-----
INTEREST EXPENSE		
Repurchase agreements	1,541	1,063
Borrowings	1,361	980
Trading liabilities	761	753
Securities loaned	483	535
Other	418	279
	-----	-----
Total	4,564	3,610
	-----	-----
NET INTEREST AND DIVIDEND PROFIT	\$ 178	\$ 238
	=====	=====

Interest and dividend revenues and expenses are a function of the level and mix of interest-earning assets and interest-bearing liabilities and the prevailing level, term structure, and volatility of interest rates. Net interest and dividend profit decreased 25% from the 1997 first quarter, primarily as a result of increased financing costs related to the Mercury acquisition.

Merrill Lynch hedges certain of its long- and short-term borrowings, primarily with interest rate and currency swaps, to better match the interest rate characteristics of the borrowings to the assets funded by borrowing proceeds. The effect of this hedging activity, which is included in "Borrowings" above, increased (decreased) interest expense by \$29 million and \$(6) million for the 1998 and 1997 first quarters, respectively.

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Principal transactions revenues were up 8% from the 1997 first quarter to \$1.2 billion due to higher trading revenues from equities and equity derivatives, interest rate and currency swaps, and foreign exchange instruments, partially offset by lower revenues from many fixed income products.

The table that follows provides information on aggregate trading revenues, including related net interest. Interest revenue and expense amounts are based on financial reporting categories and management's assessment of the cost to finance trading positions, after consideration of the underlying liquidity of these positions.

(in millions)	PRINCIPAL TRANSACTIONS REVENUES	NET INTEREST REVENUES (EXPENSES)	NET TRADING REVENUES
	-----	-----	-----
1998 FIRST QUARTER			
Equities and equity derivatives	\$ 440	\$ (39)	\$ 401
Interest rate and currency swaps	395	(73)	322
Taxable fixed-income	182	63	245
Foreign exchange and commodities	71	1	72
Municipals	64	6	70

Total	----- \$1,152 =====	----- \$ (42) =====	----- \$1,110 =====
-------	---------------------------	---------------------------	---------------------------

1997 FIRST QUARTER

Equities and equity derivatives	\$ 316	\$ (30)	\$ 286
Interest rate and currency swaps	310	(30)	280
Taxable fixed-income	325	79	404
Foreign exchange and commodities	30	4	34
Municipals	82	5	87
Total	----- \$1,063 =====	----- \$ 28 =====	----- \$1,091 =====

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

Equities and equity derivatives trading revenues were \$440 million, up 39% from the 1997 first quarter due to higher revenues from non-U.S. equities, convertible securities, and equity derivatives. The increase in revenues from non-U.S. equities and convertible securities was attributable to higher transaction volume and price appreciation, while the growth in equity derivatives revenues was due to increased customer demand compared with the same period a year ago.

Interest rate and currency swap trading revenues rose 27% to \$395 million, primarily due to higher dollar-denominated derivative volume attributable in part to U.S. interest rate volatility, increased customer demand for complex derivative products, and greater activity in emerging market-related derivatives.

Taxable fixed-income trading revenues were down 44% to \$182 million as a result of lower trading revenues from money market instruments, corporate bonds and preferred stock, and mortgage-backed products. The decrease in money market instruments revenues was attributable to the continued weakening of certain Asian positions. Trading revenues from corporate bonds and preferred stock decreased due to reduced compression of credit spreads relative to the 1997 first quarter and continued uncertainty in the Asian markets. The decrease in mortgage-backed revenues resulted

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from a less favorable market environment compared to the year-ago period. Nevertheless, net trading results from mortgage-backed revenues, which include net interest revenues, were relatively unchanged.

Foreign exchange and commodities trading revenues were up 136% to \$71 million, attributable mainly to fluctuations in the U.S. dollar versus the Indonesian rupiah and Malaysian ringgit. Municipal securities trading revenues were down 23% to \$64 million due to lower customer demand.

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

(in millions)	THREE MONTHS ENDED		
	MARCH 27, 1998	MARCH 28, 1997	% INC.
Underwriting	\$ 588	\$ 452	30%
Strategic services	213	156	36
Total	----- \$ 801 =====	----- \$ 608 =====	32

Underwriting revenues were up from 1997 first quarter levels due to increases in equity, defined asset fund, and convertible issuances. Benefiting from higher underwriting volume, Merrill Lynch retained its position as the leading underwriter of total U.S. and global debt and equity offerings. Merrill Lynch's underwriting market share information based on transaction value follows:

	THREE MONTHS ENDED			
	MARCH 27, 1998		MARCH 28, 1997	
	MARKET		MARKET	
	SHARE	RANK	SHARE	RANK
U.S. PROCEEDS				
Debt	15.6%	1	15.3%	1
Equity	16.1	1	18.8	1
Debt and Equity	16.3	1	15.7	1
GLOBAL PROCEEDS				
Debt	12.7	1	12.8	1
Equity	16.8	1	16.7	1
Debt and Equity	13.5	1	12.7	1

"Source: Securities Data Co. ("SDC") statistics based on full credit to book manager."

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Strategic services revenues remained strong, benefiting from increased merger and acquisition activity due to consolidations within and across various industries and significant gains in market share of completed transactions from a year ago. These favorable market conditions enabled Merrill Lynch to extend its lead in global investment banking, ranking No. 1 for the first time in both announced and completed global mergers and acquisitions. Merrill Lynch's merger and acquisition market share information based on transaction value follows:

	THREE MONTHS ENDED			
	MARCH 27, 1998		MARCH 28, 1997	
	MARKET		MARKET	
	SHARE	RANK	SHARE	RANK
COMPLETED TRANSACTIONS				
U.S.	39.3%	1	18.4%	2
Global	28.4	1	11.2	3
ANNOUNCED TRANSACTIONS				
U.S.	26.4	2	42.3	1
Global	22.1	1	29.6	1

"Source: SDC statistics based on full credit to both target and acquiring companies' advisors."

Merrill Lynch's asset management and portfolio service fees are summarized below:

	THREE MONTHS ENDED		
	MARCH 27, 1998	MARCH 28, 1997 (1)	% INC.
(in millions)			
Asset management fees	\$512	\$284	81%
Portfolio service fees	252	178	42
Account fees	112	104	7
Other fees	94	80	18
Total	\$970	\$646	50
	====	====	

Total assets in client accounts or under management reached an industry record \$1.3 trillion at quarter end. The changes in these balances are described below.

	NET CHANGES DUE TO			
	MARCH 28, 1997	NEW MONEY (1)	ASSET APPRECIATION	MARCH 27, 1998
(in billions)				
Total assets in client accounts or under management	\$868	\$275 (2)	\$185	\$1,328
Total assets under management	247	207	34	488

"(1) Includes \$167 billion of assets related to the fourth quarter 1997 acquisition of Mercury."

"(2) Includes \$17 billion of assets related to the third quarter 1997 acquisition of MasterWorks, a 401(k) service provider."

Asset management fees increased significantly due to the integration of Mercury, net asset appreciation, and strong inflows of client assets. Portfolio service fees benefited from growth in client accounts and asset levels from various asset-based fee products, including Merrill Lynch Consults (Registered Trademark), Mutual Fund Advisor (Service Mark), and Asset Power (Registered Trademark). Account fees rose due to an increase in the number of customer and custodial accounts. Other fee-based revenues were up due primarily to higher revenues from transfer agency activities.

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Other revenues were \$124 million, down 27% from the 1997 first quarter due to lower realized gains from merchant banking activities.

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

(in millions)	THREE MONTHS ENDED	
	MARCH 27, 1998	MARCH 28, 1997
Compensation and benefits	\$2,375	\$1,988
Non-interest expenses, excluding compensation and benefits:		
Communications and equipment rental	198	158
Occupancy	135	120
Depreciation and amortization	126	105
Professional fees	263	198
Advertising and market development	172	144
Brokerage, clearing, and exchange fees	150	118
Goodwill amortization	55	15
Other	254	229
Total non-interest expenses, excluding compensation and benefits	1,353	1,087
Total non-interest expenses	\$3,728	\$3,075
Compensation and benefits as a percentage of net revenues	51.6%	51.8%
Compensation and benefits as a percentage of pretax earnings before compensation and benefits	73.1%	72.2%

Non-interest expenses were up 21% from the 1997 first quarter. Approximately 25% of the increase in non-interest expenses was attributable to the integration and ongoing operating costs of Mercury.

The largest expense category, compensation and benefits expense, rose 19% from the 1997 first quarter due to higher production-related and incentive compensation, and increased headcount. Production-related compensation was up due to strong business volume, while incentive compensation rose as a result of increased profitability. In addition, approximately 600 and 5,900 employees, respectively, were added since the end of the 1997 fourth and first quarters, resulting in total employees of approximately 57,200 at the end of the 1998 first quarter. Headcount increased due to acquisitions, strategic business expansion, and growth in existing businesses. The ratio of support employees and sales assistants to producers increased from 1.52 at first quarter-end 1997 to 1.58 at first quarter-end 1998.

Facilities-related costs, which include communications and equipment rental, occupancy, and depreciation and amortization rose 20% to \$459 million, as increased business volume, continued emphasis on technology initiatives, and global expansion led to higher costs.

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Professional fees were up 33% to \$263 million, attributable principally to

higher systems and management consulting costs related to various technology projects, including the Year 2000 and European Monetary Union initiatives, as well as other systems and strategic market studies. Advertising and market development expense rose 19% primarily as a result of increased advertising costs, partly related to the Roth IRA campaign, and higher travel costs related to business development. Brokerage, clearing, and exchange fees increased 27% due to higher global securities trading volume and \$18 million in custody and clearing costs for Mercury. Goodwill amortization, a non-cash charge, increased \$40 million due to the Mercury acquisition. Other expenses were up 11%, primarily due to higher office supplies and postage costs.

Income tax expense was \$332 million in the 1998 first quarter, up 14% from the same period a year ago. The effective tax rate was 38.0%, unchanged from the 1997 first quarter.

Liquidity and Liability Management

The primary objective of Merrill Lynch's funding policies is to assure liquidity at all times. Merrill Lynch's liquidity management strategy has three key components:

1. Maintain alternative funding sources such that all debt obligations maturing within one year can be funded when due without issuing new unsecured debt or liquidating any business assets;
2. Concentrate unsecured, general purpose borrowings at the ML & Co. level; and
3. Expand and diversify Merrill Lynch's funding programs.

Merrill Lynch's primary alternative funding sources to unsecured borrowings are repurchase agreements and secured bank loans, which require pledging unhypothecated marketable securities. Other funding alternatives include liquidating cash equivalents; securitizing loan assets; and drawing on committed, unsecured bank credit facilities that, at March 27, 1998, totaled \$6.8 billion and were not drawn upon. To finance the purchase of Mercury, Merrill Lynch obtained additional short-term bank credit facilities totaling 2.0 billion British pounds (approximately \$3.3 billion), which were drawn upon during the 1998 first quarter. These borrowings were repaid in full in April 1998.

Merrill Lynch regularly reviews the level and mix of its assets and liabilities to assess its ability to conduct core business activities without issuing new unsecured debt or drawing upon its bank credit facilities. The mix of assets and liabilities provides flexibility in managing liquidity since a significant portion of assets turns over frequently and is typically match-funded with liabilities having similar maturities and cash flow characteristics. At March 27, 1998, substantially all of Merrill Lynch's assets were considered readily marketable by management.

Merrill Lynch concentrates its unsecured, general purpose borrowings at the ML & Co. level, except where tax regulations, time zone differences, or other business considerations make this impractical. The benefits of this strategy are enhanced control, reduced financing costs, wider name recognition by creditors, and enhanced flexibility to meet variable funding requirements of subsidiaries.

Merrill Lynch also strives to expand and diversify its funding programs and investor and creditor base. Merrill Lynch benefits by distributing its debt through its own sales force to a large, diversified customer base. Additionally, Merrill Lynch maintains strict concentration standards for short-term borrowings, including limits for any single investor.

Commercial paper is the major source of short-term general purpose funding. Commercial paper outstanding totaled \$32.3 billion at March 27, 1998 and \$30.4 billion at December 26, 1997, which was equal to 9% and 10% of total assets at first quarter-end 1998 and year-end 1997, respectively.

Outstanding long-term debt at March 27, 1998 increased to \$47.5 billion from \$43.1 billion at December 26, 1997. Major components of the change in long-term debt for the 1998 first quarter follow:

(in billions)

December 26, 1997	\$43.1
Issuances	7.4
Maturities	(2.7)
Other	(0.3)

March 27, 1998 (1)	\$47.5
	=====

"(1) At the end of the 1998 first quarter, \$33.5 billion of long-term debt had maturity dates beyond one year."

Approximately \$85.1 billion of indebtedness at March 27, 1998 is considered senior indebtedness as defined under various indentures.

At March 27, 1998, Merrill Lynch's senior long-term debt, preferred stock, and Trust Originated Preferred Securities (Service Mark) ("TOPrS" (Registered Trademark)) were rated by recognized credit rating agencies, as follows:

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RATING AGENCY	SENIOR DEBT RATINGS	PREFERRED STOCK AND TOPRS RATINGS
Duff & Phelps Credit Rating Co.	AA	AA-
Fitch IBCA, Inc.	AA	AA-
Japan Rating & Investment Information, Inc. (1)	AA	Not Rated
Moody's Investors Service, Inc.	Aa3	aa3
Standard & Poor's	AA-	A
Thomson BankWatch, Inc.	AA+	Not Rated

"(1) Effective April 1, 1998, the Japan Bond Research Institute merged with Nippon Investors Service to form the Japan Rating & Investment Information, Inc."

As part of an overall liquidity management strategy, Merrill Lynch's insurance subsidiaries regularly review the funding requirements of their contractual obligations for in-force, fixed-rate life insurance and annuity contracts as well as expected future acquisition and maintenance expenses for all contracts. The insurance subsidiaries market primarily variable life insurance and variable annuity products. These products are not subject to the interest rate, asset/liability matching, or credit risks attributable to fixed-rate products, thereby reducing the insurance subsidiaries' risk profile and liquidity demands. At March 27, 1998, approximately 82% of invested assets of insurance subsidiaries were considered liquid by management.

Capital Resources and Capital Adequacy

Among U.S. institutions engaged primarily in the global securities business, Merrill Lynch is one of the most highly capitalized, with \$8.6 billion in common equity and \$425 million in preferred stock at March 27, 1998. In January 1998, a subsidiary of ML & Co. issued \$750 million of perpetual TOPrS. These subsidiary-issued preferred securities, in addition to \$627 million in outstanding preferred securities of other subsidiaries, further strengthen Merrill Lynch's equity capital base.

Merrill Lynch's leverage ratios were as follows:

PERIOD-END	LEVERAGE RATIO (1)	ADJUSTED LEVERAGE RATIO (2)
March 27, 1998	34.1x	19.8x
December 26, 1997	32.7x	20.9x
AVERAGE (3)		
Three months ended March 27, 1998	36.9x	20.6x
Year ended December 26, 1997	35.5x	21.5x

"(1) Total assets to total stockholders' equity and preferred securities issued by subsidiaries."

"(2) Total assets less (a) securities received as collateral, net of securities pledged as collateral, (b) securities pledged as collateral, (c) receivables under (i) resale agreements and (ii) securities borrowed transactions, to total stockholders' equity and preferred securities issued by subsidiaries."

"(3) Computed using month-end balances."

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Overall capital needs are continually reviewed to ensure that Merrill Lynch's capital base can support the estimated risks of its businesses as well as the

regulatory and legal capital requirements of its subsidiaries. Statistically-based product risk models are used to estimate potential losses arising from market and credit risks. These dynamic models incorporate changes in business risk into Merrill Lynch's equity requirements. Based upon these analyses and other criteria, management believes that Merrill Lynch's equity capital base is adequate.

No common stock repurchases were made during the 1998 first quarter; Merrill Lynch repurchased 7.5 million shares of common stock during the 1997 first quarter. Remaining authority to repurchase shares under the share repurchase program is 9.8 million shares. Merrill Lynch will continue to manage share repurchases, taking into account capital needs and the effect of employee stock issuances.

Merrill Lynch operates in many regulated businesses that require various minimum levels of capital (see "Regulatory Requirements" section in Notes to the Consolidated Financial Statements - Unaudited). Merrill Lynch's broker-dealer, banking, insurance, and futures commission merchant activities are subject to regulatory requirements that may restrict the free flow of funds to affiliates. Regulatory approval is generally required for paying dividends in excess of certain established levels, making affiliated investments, and entering into management and service agreements with affiliated companies.

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Capital Projects and Expenditures

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Merrill Lynch continually prepares for the future by expanding its operations and investing in new technology to improve service to clients. To support business expansion, for example, Merrill Lynch plans to build a new European headquarters in London with expected costs of approximately \$650 million. Completion of this facility is expected to occur in 2001. During 1997, Merrill Lynch approved a plan to construct an office complex in central New Jersey to consolidate certain operations. Construction costs are estimated at approximately \$325 million, and completion of this facility is anticipated in 2000.

Significant technology initiatives include Trusted Global Advisor (Service Mark) ("TGA" (Service Mark)), and Year 2000 and European Monetary Union ("EMU") systems compliance. The TGA system, a technology platform for Financial Consultants, is expected to be available to all U.S. Financial Consultants by the end of the 1998 third quarter. New system applications will be added to the platform at various times throughout the year. The projected remaining expenditures for development and installation of the TGA system are approximately \$165 million.

The modifications for Year 2000 systems compliance are proceeding according to plan and are expected to be completed in early 1999. Based on information currently available, the remaining costs are estimated at \$175 million and will cover hardware and software upgrades, systems consulting, and computer maintenance. These expenditures are not expected to have a material adverse impact on Merrill Lynch's financial position, results of operations, or cash flows in future periods. However, the failure of securities exchanges, clearing organizations, vendors, clients, or regulators to resolve their own processing issues in a timely manner could result in a material financial risk to the company. Merrill Lynch is devoting necessary resources to address all Year 2000 issues in a timely manner.

As of January 1, 1999, the "euro" is expected to be adopted as the national currency of participating member states of the EMU. Since participating member states' local currencies will continue to be legal tender until July 2002, systems must be modified to handle conversion issues between the euro and the existing local currencies. Remaining costs to ensure EMU capability are estimated at approximately \$75 million. Merrill Lynch expects to be EMU-capable by the end of the 1998 fourth quarter.

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Average Assets and Liabilities

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Merrill Lynch monitors changes in its balance sheet using average daily balances that are determined on a settlement date basis and reported for management information purposes. Financial statement balances are recorded on a trade date basis as required under generally accepted accounting principles. The following discussion compares changes in settlement date average daily balances. These changes were consistent with the growth in the financial statement balances from fourth quarter 1997 to first quarter 1998.

For the first three months of 1998, average total assets were \$372 billion, up 24% from \$300 billion for the 1997 fourth quarter. Average total liabilities rose 24% to \$362 billion from \$291 billion for the 1997 fourth quarter. The major components in the growth of average total assets and liabilities for the

first three months of 1998 are summarized as follows:

(in millions)	INCREASE IN AVERAGE ASSETS	PERCENT INCREASE
Trading assets	\$30,414	27%
Securities pledged as collateral	20,763	N/M
Receivables under resale agreements and securities borrowed transactions	13,094	11
Goodwill and organization costs	4,825	N/M

	INCREASE IN AVERAGE LIABILITIES	PERCENT INCREASE
Obligation to return securities received as collateral	\$43,336	N/M
Payables under repurchase agreements and securities loaned transactions	13,778	14%
Trading liabilities	8,128	13
Long-term borrowings	3,042	7

"N/M - Not Meaningful"

Statement of Financial Accounting Standards ("SFAS") No. 127 requires Merrill Lynch to recognize collateral on certain resale and repurchase agreements. Due to the adoption of SFAS No. 127, trading assets and securities pledged as collateral increased \$22 billion and \$21 billion, respectively. The offset to the growth in average assets was a \$43 billion increase in the obligation to return securities received as collateral (for more information on SFAS No. 127, see "New Accounting Pronouncements" section in Notes to the Consolidated Financial Statements - Unaudited).

In addition, during the first quarter of 1998, trading assets and liabilities (which include on-balance-sheet hedges used to manage trading risks) rose as volume increased, benefiting from higher customer demand. Receivables under resale agreements and securities borrowed transactions and payables under repurchase agreements and securities loaned transactions rose to meet higher funding requirements for increased trading activity. These transactions increased as a result of expanded matched-book activity, primarily involving foreign governments and agencies. Goodwill and organization costs were higher primarily as a result of the acquisition of Mercury.

Assets are funded through diversified sources which include repurchase agreements and securities loaned transactions, commercial paper and other unsecured short-term borrowings, long-term borrowings, preferred securities issued by subsidiaries, and equity. In addition to the increase in repurchase agreements and securities loaned transactions, the growth in average assets was funded by higher long-term borrowings, particularly medium-term notes.

Non-Investment Grade Holdings and Highly Leveraged Transactions

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.

"Non-Investment Grade Holdings"

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 trading inventories have continued to increase to satisfy growing client demand for higher-yielding investments, including emerging market and other non-U.S. securities. 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, certain 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.

The following table summarizes positions with non-investment grade issuers (for cash instruments) or counterparties (for derivatives in a gain position), which

are carried at fair value.

(in millions)	MARCH 27, 1998	DECEMBER 26, 1997
Trading assets:		
Cash instruments	\$13,382	\$12,993
Derivatives (1)	3,030	3,079
Trading liabilities - cash instruments	3,313	2,962
Marketable investment securities	364	648
Insurance subsidiaries' investments	208	192

"(1) Collateral of \$654 and \$599 was obtained at March 27, 1998 and December 26, 1997, respectively, to reduce risk related to these derivative balances."

Included in the preceding table are debt and equity securities and bank loans of companies in various stages of bankruptcy proceedings or in default. At March 27, 1998, the carrying value of such debt and equity securities totaled \$102 million, of which 45% resulted from Merrill Lynch's market-making activities in such securities. This compared with \$142 million at December 26, 1997, of which 56% related to market-making activities. In addition, Merrill Lynch held distressed bank loans totaling \$384 million and \$432 million at March 27, 1998 and December 26, 1997, respectively.

Derivatives may also expose Merrill Lynch to credit risk related to the underlying security where a derivative contract can either synthesize ownership of the underlying security (e.g., long total return swap) or potentially force ownership of the underlying security (e.g., short put option). In addition, derivatives may subject Merrill Lynch to credit spread risk, in that changes in credit quality of the underlying securities may offset the derivatives' fair values.

A summary of exposures related to derivatives with non-investment grade underlying securities follows:

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(in millions)	MARCH 27, 1998	DECEMBER 26, 1997
Derivative fair values:		
Trading assets (1)	\$ 64	\$ 62
Trading liabilities	134	62
Derivative notionals (off-balance-sheet) (2)	2,222	3,257

"(1) The preceding table includes \$44 and \$42 at March 27, 1998 and December 26, 1997, respectively, of credit risk exposures to non-investment grade counterparties."

"(2) Represents amount subject to strike or reference price."

Merrill Lynch engages in hedging strategies to reduce its exposure associated with non-investment grade positions by purchasing an option to sell the related security or by entering into other offsetting derivative contracts. Merrill Lynch also uses non-investment grade trading inventories, principally non-U.S. governments and agencies securities, to hedge the exposure arising from structured derivative transactions.

A summary of cash instruments and derivatives used to hedge the credit risk of non-investment grade positions follows:

(in millions)	MARCH 27, 1998	DECEMBER 26, 1997
Trading assets - cash instruments	\$ 952	\$1,312
Derivative notionals (off-balance-sheet) (1)	3,948	4,235

"(1) Represents amount subject to strike or reference price."

At March 27, 1998, the largest non-investment grade concentration consisted of various sovereign and corporate issues of a South American country totaling \$907 million.

"Highly Leveraged Transactions"

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. A summary of loans, investments, and commitments related to highly leveraged transactions follows:

(In millions)	MARCH 27, 1998	DECEMBER 26, 1997
Loans (net of allowance for loan losses) (1)	\$659	\$467
Equity investments (2)	159	170
Partnership interests	181	82
Bridge loan	30	--
Additional commitments to invest in partnerships	62	60
Unutilized revolving lines of credit and other lending commitments	650	485

"(1) Represented outstanding loans to 51 and 48 companies at March 27, 1998 and December 26, 1997, respectively."

"(2) Invested in 77 and 72 enterprises at March 27, 1998 and December 26, 1997, respectively."

At March 27, 1998, no one industry sector accounted for more than 28% of total non-investment grade positions and highly leveraged transactions.

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Statistical Data

	1ST QTR. 1997	2ND QTR. 1997	3RD QTR. 1997	4TH QTR. 1997	1ST QTR. 1998
CLIENT ACCOUNTS (IN BILLIONS):					
U.S. Client Assets	\$ 818	\$ 886	\$ 960	\$ 979	\$
1,086					
Non-U.S. Client Assets	50	54	58	225	242
Total Assets in Client Accounts or Under Management	\$ 868	\$ 940	\$ 1,018	\$ 1,204	\$
1,328					
Assets Under Management:					
MLAM (a):					
Money Market	\$ 99	\$ 98	\$ 105	\$ 107	\$
Equity	62	68	73	72	
Fixed-Income	43	45	46	48	
Private Portfolio	40	43	45	49	55
Insurance	3	3	3	3	
Total	\$ 247	257	\$ 272	\$ 279	\$
Mercury	--	--	--	167	
Total Assets Under Management	\$ 247	\$ 257	\$ 272	\$ 446	\$ 488
ML Consults (Registered Trademark)	\$ 21	\$ 24	\$ 26	\$ 27	\$ 31
Mutual Fund Advisor (Service Mark) and Asset Power (Registered Trademark)	\$ 10	\$ 12	\$ 14	\$ 15	\$ 18
401(k) Assets	\$ 47	\$ 51	\$ 71	\$ 74	\$

 UNDERWRITING (DOLLARS IN BILLIONS) (b):

Global Debt and Equity:

Volume	\$ 57	\$ 62	\$ 68	\$ 64	\$
Market Share	12.7%	12.9%	13.4%	14.8%	

13.5%

U.S. Debt and Equity:

Volume	\$ 46	\$ 50	\$ 59	\$ 56	\$
Market Share	15.7%	16.0%	15.8%	16.7%	

16.3%

 FULL-TIME EMPLOYEES:

U.S.	42,900	43,500	45,000	45,800	
Non-U.S.	8,400	8,900	9,200	10,800	
Total	51,300	52,400	54,200	56,600	
Financial Consultants and Account Executives Worldwide	14,600	14,800	15,200	15,300	15,300
Support Personnel to Producer ratio (c)	1.52	1.54	1.53	1.57	1.58

 INCOME STATEMENT:

Net Earnings (in millions)	\$ 466	\$ 481	\$ 493	\$ 466	\$ 518
Annualized Return on Average Common Stockholders' Equity	28.3%	28.5%	27.3%	23.9%	
Earnings per Common Share:					
Basic	\$ 1.37	\$ 1.43	\$ 1.46	\$ 1.37	\$
Diluted	\$ 1.17	\$ 1.25	\$ 1.25	\$ 1.17	\$

 BALANCE SHEET (IN MILLIONS):

Total Assets	\$247,603	\$268,036	\$288,430	\$292,819	\$353,424
Total Stockholders' Equity	\$ 6,925	\$ 7,268	\$ 7,797	\$ 8,329	\$ 9,001

 SHARE INFORMATION (IN THOUSANDS):

Weighted Average Shares Outstanding:					
Basic	331,156	329,901	330,958	333,853	340,571
Diluted	389,628	378,901	387,643	390,822	390,936
Common Shares Outstanding	330,921	329,048	332,352	335,082	344,731
Shares Repurchased (d)	7,474	5,588	240	0	

"(a) Merrill Lynch Asset Management."

"(b) Full credit to book manager. Market share data derived from Securities Data Co."

"(c) Support personnel includes sales assistants."

"(d) Does not include shares either (i) owned by employees and used to pay for the exercise of stock options or (ii) stock withheld from employee stock option exercises to pay associated taxes."

</TABLE>

Item 1. LEGAL PROCEEDINGS

Since the filing of ML & Co.'s 1997 Form 10-K, the following events have taken place with respect to the NASDAQ Antitrust Litigation described therein. On March 23, 1998, plaintiffs in this action agreed to the Proposed Settlement with the remaining defendant that had not previously agreed to such settlement, and on March 30, 1998, the court preliminarily approved the settlement.

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

On April 14, 1998, ML & Co. held its Annual Meeting of Stockholders, at which 88.4% of the shares of Common Stock, par value \$1.33 1/3 per share (the "Common Stock"), outstanding and eligible to vote, either in person or by proxy, were represented, constituting a quorum. At this Annual Meeting, the following matters were voted upon: (i) the election of five directors to the Board of Directors to hold office for a term of three years; (ii) the approval to amend ML & Co.'s Certificate of Incorporation to increase the authorized number of shares of Common Stock from 500,000,000 to 1,000,000,000; and (iii) a stockholder proposal concerning cumulative voting in the election of directors. Proxies for the Annual Meeting of Stockholders were solicited by the Board of Directors pursuant to Regulation 14A of the Securities Exchange Act of 1934.

The stockholders elected all five nominees to three-year terms as members of the Board of Directors as set forth in ML & Co.'s Proxy Statement. There was no solicitation in opposition to such nominees. The votes cast for or withheld from the election of directors were as follows: Herbert M. Allison, Jr. received 293,877,140 votes in favor and 8,860,725 votes were withheld; Earle H. Harbison, Jr. received 293,861,362 votes in favor and 8,876,503 votes were withheld; William R. Hoover received 293,888,188 votes in favor and 8,849,677 votes were withheld; Robert P. Luciano received 293,893,171 votes in favor and 8,844,694 votes were withheld; and David K. Newbigging received 293,909,360 votes in favor and 8,828,505 votes were withheld.

The stockholders approved the proposal to amend ML & Co.'s Certificate of Incorporation to increase the authorized number of shares of Common Stock from 500,000,000 to 1,000,000,000. The votes cast for and against, as well as the number of abstentions, for this proposal were as follows: 285,356,956 votes in favor, 16,259,306 votes against, and 1,121,603 shares abstained.

The stockholders did not approve the stockholder proposal concerning cumulative voting in election of directors. The votes cast for and against, as well as the number of abstentions and broker non-votes, for this proposal were as follows: 56,960,000 votes in favor, 186,136,028 votes against, 8,521,651 shares abstained, and 51,120,186 shares represented broker non-votes.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- (3)(i) ML & Co.'s Restated Certificate of Incorporation effective as of April 28, 1998
- (4) Instruments defining the rights of security holders, including indentures:

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

- (10) Merrill Lynch & Co., Inc. Deferred Unit and Stock Unit Plan for Non-Employee Directors
- (11) Statement re: computation of per share earnings
- (12) Statement re: computation of ratios
- (15) Letter re: unaudited interim financial information
- (27) Financial Data Schedule

(b) Reports on Form 8-K

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

- (i) Current Report dated January 20, 1998 for the purpose of filing ML & Co.'s Preliminary Unaudited Earnings Summaries for the three- and twelve-month periods ended December 26, 1997.
- (ii) Current Report dated January 30, 1998 for the purpose of filing the form of ML & Co.'s 7 7/8% STRYPES due February 1, 2001.
- (iii) Current Report dated February 4, 1998 for the purpose of filing ML & Co.'s Floating Rate Notes due February 4, 2003.
- (iv) Current Report dated February 12, 1998 for the purpose of filing ML & Co.'s 6% Notes due February 12, 2003.
- (v) Current Report dated February 23, 1998 for the purpose of filing the Preliminary Unaudited Consolidated Balance Sheet of ML & Co. as of December 26, 1997.
- (vi) Current Report dated March 19, 1998 for the purpose of filing the Oracle Corporation Indexed Callable Protected Growth Securities(SM) due March 31, 2003 of ML & Co.

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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: May 8, 1998 By: /s/ E. Stanley O'Neal

E. Stanley O'Neal
Executive Vice President and
Chief Financial Officer

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INDEX TO EXHIBITS

Exhibits

- 3(i) ML & Co.'s Restated Certificate of Incorporation effective as of April 28, 1998
- 10 Merrill Lynch & Co., Inc. Deferred Unit and Stock Unit Plan for Non-Employee Directors
- 11 Statement re: computation of per share earnings
- 12 Statement re: computation of ratios
- 15 Letter re: unaudited interim financial information
- 27 Financial Data Schedule

RESTATED
CERTIFICATE OF INCORPORATION
OF
MERRILL LYNCH & CO., INC.

April 28, 1998
RESTATED CERTIFICATE OF INCORPORATION
OF
MERRILL LYNCH & CO., INC.

MERRILL LYNCH & CO., INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the Corporation is Merrill Lynch & Co., Inc.
2. The date of filing of its original Certificate of Incorporation with the Secretary of State was March 27, 1973.
3. In accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation duly adopted this Restated Certificate of Incorporation on April 14, 1998, at a meeting duly convened.
4. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of the Corporation as heretofore amended or supplemented, and there is no discrepancy between such provisions and the provisions of this Restated Certificate of Incorporation, except as permitted by Section 245(c) of the General Corporation Law of the State of Delaware.
5. The text of the Restated Certificate of Incorporation is as follows:

ARTICLE I
NAME

The name of the Corporation is Merrill Lynch & Co., Inc.

ARTICLE II
REGISTERED OFFICE AND REGISTERED AGENT

The registered office of the Corporation in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of

New Castle. The name and address of the Corporation's registered agent is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

ARTICLE III
CORPORATE PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE IV
CAPITAL STOCK

SECTION 1. Shares, Classes and Series Authorized. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is one billion, twenty-five million (1,025,000,000) shares, of which one billion (1,000,000,000) shares shall be Common Stock of the par value of one dollar and thirty-three and one-third cents (\$1.33 1/3) each

(hereinafter called "Common Stock") and twenty-five million (25,000,000) shares shall be Preferred Stock of the par value of one dollar (\$1.00) each (hereinafter called "Preferred Stock").

The Preferred Stock is hereby authorized to be issued from time to time in one or more series, the shares of each series to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof and may be convertible into, or exchangeable for, at the option of either the holder or the Corporation or upon the happening of a specified event, shares of any other class or classes or any other series of the same or any other class or classes of capital stock of the Corporation at such price or prices or at such rate or rates of exchange and with such adjustments as shall be stated and expressed in the Certificate of Incorporation or in any amendment thereto or in the resolution or resolutions adopted by the Board of Directors providing for the issue thereof.

SECTION 2. Description of Capital Stock. The following is a description of each of the classes of capital stock which the Corporation has authority to issue with the designations, preferences, voting powers and participating, optional or other special rights and the qualifications, limitations or restrictions thereof:

THE PREFERRED STOCK

A. RIGHTS AND RESTRICTIONS OF PREFERRED STOCK. Authority is hereby expressly vested in the Board of Directors of the Corporation, subject to the provisions of this Article IV and to the limitations prescribed by law, to authorize the issue from time to time of one or more series of Preferred Stock and with respect to each such series to fix by resolution or resolutions adopted by the affirmative vote of a majority of the whole Board of Directors providing for the issue of such series the voting powers, full or limited, if any, of the shares of such series and the designations, preferences and relative, participating, optional or other special rights and the qualifications, limitations or restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, the determination or fixing of the following:

(a) The designation of such series.

(b) The dividend rate of such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes or series of the Corporation's capital stock, and whether such dividends shall be cumulative or non-cumulative.

(c) Whether the shares of such series shall be subject to redemption for cash, property or rights, including securities of any other corporation, by the Corporation at the option of either the Corporation or the holder or both or upon the happening of a specified event, and, if made subject to any such redemption, the times or events, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of such series.

(e) Whether or not the shares of such series shall be convertible into, or exchangeable for, at the option of either the holder or the Corporation or upon the happening of a specified event, shares of any other class or classes or of any other series of the same or any other class or classes of the Corporation's capital stock, and, if provision be made for conversion or exchange, the times or events, prices, rates, adjustments and other terms and conditions of such conversions or exchanges.

(f) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.

(g) The rights of the holders of the shares of such series upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(h) The provisions as to voting, optional and/or other special rights and preferences, if any.

Pursuant to the authority conferred by this Section, the following series of Preferred Stock have been designated, each such series consisting of such number of shares, with such voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated and expressed in the exhibit with respect to such series attached hereto as specified below and incorporated herein by reference:

COMMON STOCK

B. RIGHTS AND RESTRICTIONS OF COMMON STOCK. The powers, preferences, rights, qualifications, limitations or restrictions thereof in respect to the Common Stock are as follows:

(a) The Common Stock is junior to the Preferred Stock and is subject to all the powers, rights, privileges, preferences and priorities of the Preferred Stock as herein or in any resolution or resolutions adopted by the Board of Directors pursuant to authority expressly vested in it by the provisions of Section 2 of this Article.

(b) The Common Stock shall have voting rights for the election of directors and for all other purposes, each holder of Common Stock being entitled to one vote for each share thereof held by such holder, except as otherwise required by law.

C. INCREASE OR DECREASE IN AMOUNT OF AUTHORIZED SHARES. The number of authorized shares of any class or classes of capital stock of the Corporation may be increased or decreased by an amendment to this Certificate of Incorporation authorized by the affirmative vote of the holders of a majority of the shares of the Common Stock outstanding and entitled to vote thereon and, except as expressly provided in the Certificate of Incorporation or in any resolution or resolutions adopted by the Board of Directors pursuant to authority expressly vested in it by the provisions of Section 2 of this Article with respect to the Preferred Stock and except as otherwise provided by law, no vote by holders of capital stock of the Corporation other than the Common Stock shall be required to approve such action.

D. 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 this Certificate of Incorporation and in any relevant provision of law to a majority or other proportion of stock shall refer to such majority or other proportion of the votes of such stock.

ARTICLE V

DENIAL OF PREEMPTIVE RIGHTS

No holder of any class of capital stock of the Corporation, whether now or hereafter authorized, shall be entitled, as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of capital stock of the Corporation of any class whatsoever, or of securities convertible into or exchangeable for capital stock of the Corporation of any class whatsoever, whether now or hereafter authorized, or whether issued for cash, property or services.

ARTICLE VI

RESTRICTION ON DIVIDENDS

Dividends may be declared or paid upon the shares of the Corporation's capital stock either (1) out of its surplus, determined as provided under the General Corporation Law of the State of Delaware, or (2) in case there shall be no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

A director shall be fully protected in relying in good faith upon the books of account or other records of the Corporation or statements prepared by any of its officials or by independent public accountants or by an appraiser selected with reasonable care by the Board of Directors as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid, or with which the Corporation's capital stock might properly be purchased or redeemed.

ARTICLE VII

STOCKHOLDER VOTE REQUIRED IN CONNECTION
WITH CERTAIN BUSINESS COMBINATIONS

SECTION 1. Vote Generally Required. Notwithstanding anything contained herein or in the General Corporation Law of the State of Delaware, and subject to the provisions of Section 3 of this Article VII, the Corporation shall not (a) merge or consolidate with any one or more corporations, joint-stock associations or non-stock corporations (other than in a merger not requiring any vote of stockholders of the Corporation under the General Corporation Law of the State of Delaware), (b) sell, lease or exchange all or substantially all of its property and assets, or (c) dissolve,

unless the Board of Directors shall, at a meeting duly called, adopt a resolution, by the affirmative vote of at least two-thirds (2/3) of the entire Board of Directors, approving such action and unless such action shall be approved at a meeting by the affirmative vote of the holders of a majority of the shares of the Common Stock outstanding and entitled to vote thereon and, except as expressly provided in the Certificate of Incorporation or in any resolution or resolutions adopted by the Board of Directors pursuant to authority expressly vested in it by the provisions of Section 2 of Article IV with respect to the Preferred Stock and except as otherwise provided by law, no vote by holders of capital stock of the Corporation other than the Common Stock shall be required to approve such action.

SECTION 2. Certain Definitions. For the purposes of this Article:

(a) "Business Combination" means:

(i) any merger or consolidation of the Corporation or any Subsidiary with (a) an Interested Stockholder or (b) any other Person (whether or not itself an Interested Stockholder) that is, or after such merger or consolidation would be, an Affiliate or Associate of an Interested Stockholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value of not less than \$100,000,000; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to, or proposed by or on behalf of, an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of not less than \$100,000,000; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation, or any spinoff or split-up of any kind of the Corporation or any Subsidiary, proposed by or on behalf of an Interested Stockholder or an Affiliate or Associate of an Interested Stockholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) that has the effect, directly or indirectly, of increasing the percentage of the outstanding shares of (a) any class

of equity securities of the Corporation or any Subsidiary or (b) any class of securities of the Corporation or any Subsidiary convertible into or exchangeable for equity securities of the Corporation or any Subsidiary, that are directly or indirectly owned by an Interested Stockholder and all of its Affiliates and Associates; or

(vi) any agreement, contract or other arrangement providing for any one or more of the actions specified in clauses (i) through (v) of this Section 2(a).

(b) "Affiliate" or "Associate" have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on January 1, 1986.

(c) "Beneficial Owner" has the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act, as in effect on January 1, 1986.

(d) "Continuing Director" means (i) any member of the Board of Directors who (a) is neither the Interested Stockholder involved in the Business Combination as to which a determination of Continuing Directors is provided hereunder, nor an Affiliate, Associate, employee, agent, or nominee of such Interested Stockholder, or the relative of any of the foregoing, and (b) was a member of the Board of Directors prior to the time that such Interested Stockholder became an Interested Stockholder, and (ii) any successor of a Continuing Director described in clause (i) who is recommended or elected to succeed a Continuing Director by the affirmative vote of a majority of Continuing Directors then on the Board of Directors.

(e) "Fair Market Value" means: (i) in the case of stock, the average of the closing sale prices during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not reported on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the average of the closing bid quotations with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any similar interdealer quotation system then in use, or, if no such quotation is available, the fair market value on the date in question of a share of such stock as determined by a majority of the Continuing Directors in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Continuing Directors in good faith.

(f) "Interested Stockholder" means any person (other than the Corporation or any Subsidiary, any employee benefit plan maintained by the Corporation or any Subsidiary or any trustee or fiduciary with respect to any such plan when acting in such capacity) that:

(i) is, or was at any time within the two-year period immediately prior to the date in question, the Beneficial Owner of 5% or more of the voting power of the then outstanding shares of Voting Stock of the Corporation and who did not become the Beneficial Owner of such amount of Voting Stock pursuant to a transaction that was approved by the affirmative vote of a majority of the entire Board of Directors; or

(ii) is an assignee of, or has otherwise succeeded to, any shares of Voting Stock of the Corporation of which an Interested Stockholder was the Beneficial Owner at any time within the two-year period immediately prior to the date in question, if such assignment or succession shall have occurred in the course of a transaction, or series of transactions, not involving a public offering within the meaning of the Securities Act of 1933, as amended.

For the purpose of determining whether a Person is an Interested Stockholder, the outstanding Voting Stock of the Corporation shall include unissued shares of Voting Stock of the Corporation of which the Interested Stockholder is the Beneficial Owner but shall not include any other shares of Voting Stock of the Corporation that may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person who is not the Interested Stockholder.

(g) A "Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act.

(h) "Subsidiary" means any corporation of which the Corporation owns, directly or indirectly, (i) a majority of the outstanding shares of equity securities of such corporation, or (ii) shares having a majority of the voting power represented by all of the outstanding shares of Voting Stock of such corporation. For the purpose of determining whether a corporation is a Subsidiary, the outstanding Voting Stock and shares of equity securities thereof shall include unissued shares of which the Corporation is the Beneficial Owner but shall not include any other shares of Voting Stock of such corporation that may be issuable pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, warrants or options, or otherwise, to any Person other than the Corporation.

(i) "Voting Stock" means outstanding shares of capital stock of the relevant corporation entitled to vote generally in the election of directors.

SECTION 3. Greater Vote for Business Combinations. In addition to any affirmative vote required by law or by this Certificate of Incorporation, the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of the then outstanding shares of the Voting Stock of the Corporation, voting together as a single class, shall be required to approve any Business Combination. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

SECTION 4. Powers of Continuing Directors. The Continuing Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this

Article, including, without limitation, (A) whether a Person is an Interested Stockholder, (B) the number of shares of Voting Stock of the Corporation beneficially owned by any Person, (C) whether a Person is an Affiliate or Associate of another and (D) whether the assets that are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of not less than \$100,000,000; and the good faith determination of the Continuing Directors on such matters shall be conclusive and binding for all the purposes of this Article.

SECTION 5. No Effect on Fiduciary Obligations. Nothing contained in this Article shall be construed to relieve the members of the Board of Directors or an Interested Stockholder from any fiduciary obligation imposed by law.

SECTION 6. Amendment or Repeal. Notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware, the affirmative vote of the holders of record of outstanding shares representing at least eighty percent (80%) of the voting power of all the outstanding shares of the Voting Stock of the Corporation, voting together as a single class, shall be required to amend, alter or repeal any provision of, or to adopt any provision or provisions inconsistent with, any provision of this Article.

ARTICLE VIII

CORPORATE EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE IX

NO LIABILITY OF HOLDERS OF CAPITAL STOCK FOR CORPORATE DEBTS

The holders of the capital stock of the Corporation shall not be personally liable for the payment of the Corporation's debts and the private property of the holders of the capital stock of the Corporation shall not be subject to the payment of debts of the Corporation to any extent whatsoever.

ARTICLE X

BOARD OF DIRECTORS

SECTION 1. Powers of Board of Directors. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized:

(a) To make, alter, amend or repeal the By-Laws, except as otherwise expressly provided in any By-Law made by the holders of the capital stock of the Corporation entitled to vote thereon. Any By-Law may be altered, amended or repealed by the holders of the capital stock of the Corporation entitled to vote thereon at any annual meeting or at any special meeting called for that purpose.

(b) To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

(c) To determine the use and disposition of any surplus and net profits of the Corporation, including the determination of the amount of working capital required, to set apart out of any of the funds of the Corporation, whether or not available for dividends, a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

(d) To designate, by resolution passed by a majority of the whole Board of Directors, one or more committees, each committee to consist of two or more directors of the Corporation, which, to the extent provided in the resolution designating the committee or in the By-Laws of the Corporation, shall, subject to the limitations prescribed by law, have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be provided in the By-Laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

(e) To grant or assume rights or options entitling the holders thereof to purchase from the Corporation shares of its capital stock of any class or series (to be evidenced by or in such instrument or instruments as shall be approved by

the Board of Directors); the terms upon which, the time or times at or within which, the persons to whom, and the price or prices at which any such rights or options may be issued and any such shares may be purchased

from the Corporation upon the exercise of any such right or option, shall be such as shall be fixed in a resolution or resolutions adopted by the Board of Directors providing for the creation and issue of such rights or options. In the absence of actual fraud in the transaction, the judgment of the Board of Directors as to the consideration for the issuance of such rights or options and the sufficiency thereof shall be conclusive. No such rights or options shall be invalidated or in any way affected by the fact that any director shall be a grantee thereof or shall vote for the issuance of such rights or options to himself or for any plan pursuant to which he may receive any such rights or options.

(f) To adopt or assume such plans as may, from time to time, be approved by it for the purchase by officers or employees of the Corporation and of any corporation either affiliated with or a subsidiary of the Corporation of shares of capital stock of the Corporation of any class or series; the terms upon which and the price or prices at which shares may be purchased from the Corporation pursuant to such a plan shall be such as shall be fixed by the Board of Directors in the plan. No such plan which is not at the time of adoption unreasonable or unfair shall be invalidated or in any way affected because any director shall be entitled to purchase shares of capital stock of the Corporation thereunder and shall vote for any such plan.

(g) To adopt or assume and carry out such plans as may from time to time be approved by it for the distribution among the officers or employees of the Corporation and of any corporation which is a subsidiary of the Corporation, or any of them, in addition to their regular salaries or wages, of part of the earnings of the Corporation and of any corporation which is a subsidiary of the Corporation, or any of them, in consideration for or in recognition of the services rendered by such officers or employees or as an inducement to future efforts. No such plan which is not at the time of adoption or assumption unreasonable or unfair shall be invalidated or in any way affected because any director shall be a beneficiary thereunder or shall vote for any plan under which he may benefit or for any distribution thereunder in which he may participate.

(h) To adopt such pension, retirement, deferred compensation or other employee benefit plans or provisions as may, from time to time, be approved by it, providing for pensions, retirement income, deferred compensation or other benefits for officers or employees of the Corporation and of any corporation which is a subsidiary of the Corporation, or any of them, in consideration for or in recognition of the services rendered by such officers or employees or as an inducement to future efforts. No such plan or provision, which is not at the time of adoption unreasonable or unfair, shall be invalidated or in any way affected because any director shall be a beneficiary thereunder or shall vote for any plan or provision under which he may benefit.

(i) To exercise, in addition to the powers and authorities hereinbefore or by law conferred upon it, any such powers and authorities and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the laws of the State of Delaware and of the Certificate of Incorporation and of the By-Laws of the Corporation.

SECTION 2. Classified Board. At the 1986 annual meeting of holders of capital stock of the Corporation, the directors shall be divided into three classes, with respect to the time that they severally hold office, as nearly equal in number as possible, with the initial term of office of the first class of directors to expire at the 1987 annual meeting of holders of capital stock of the Corporation, the initial term of office of the second class of directors to expire at the 1988 annual meeting of holders of capital stock of the Corporation and the initial term of office of the third class of directors to expire at the 1989 annual meeting of holders of capital stock of the Corporation. Commencing with the 1987 annual meeting of holders of capital stock of the Corporation, directors elected to succeed those directors whose terms have thereupon expired shall be elected for a term of office to expire at the third succeeding annual meeting of holders of capital stock of the Corporation after their election. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain or attain, if possible, the equality of the number of directors in each class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. If such equality is not possible, the increase or decrease shall be apportioned among the classes in such a way that the difference in the number of directors in any two classes shall not exceed one.

SECTION 3. Nominations. Subject to the rights of holders of any series of Preferred Stock or any other class of capital stock of the Corporation (other than the Common Stock) then outstanding, nominations for the election of directors may be made by the affirmative vote of a majority of the entire Board of Directors or by any stockholder of record entitled to vote generally in the election of directors. However, any stockholder of record entitled to vote generally in the election of directors may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's

intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not less than 50 days nor more than 75 days prior to the meeting; 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 to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of meeting was mailed or such public disclosure was made, whichever first occurs. Each such notice to the Secretary shall set forth: (i) the name and address of record of the stockholder who

intends to make the nomination; (ii) a representation that the stockholder is a holder of record of shares of the Corporation's capital stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business and residence addresses, and principal occupation or employment of each proposed nominee; (iv) a description of all arrangements or understandings between the stockholder and each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (v) such other information regarding each proposed nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (vi) the written consent of each proposed nominee to serve as a director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. The presiding officer of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 4. 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 5. 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 6. Preferred Stock. Whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or a special meeting of holders of capital stock of the Corporation, the nomination, election, term of office, filling of vacancies and other features of such directorships shall be governed by this Article X unless

expressly otherwise provided by the resolution or resolutions providing for the creation of such series.

ARTICLE XI

MEETINGS OF STOCKHOLDERS AND DIRECTORS; ELECTIONS OF DIRECTORS; CORPORATION BOOKS

SECTION 1. Stockholders' Meetings. Meetings of holders of capital stock of the Corporation may be held outside the State of Delaware if the By-Laws so provide. Any action required or permitted to be taken by the holders of capital stock of the Corporation must be effected at a duly called annual or special meeting of holders of capital stock of the Corporation and may not be effected by any consent in writing by such holders. Meetings of holders of capital stock of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by the affirmative vote of a majority of the entire Board of Directors.

SECTION 2. Directors' Meetings, Consents and Elections. Meetings of the Board of Directors and of any committee thereof may be held outside the State of Delaware if the By-Laws so provide. 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 as provided by statute, if the By-Laws of the Corporation so provide. The elections of directors need not be by ballot unless the By-Laws of the Corporation so provide.

SECTION 3. Books of the Corporation. Except as otherwise provided by law, the books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

ARTICLE XII

TRANSACTIONS WITH DIRECTORS AND OFFICERS

No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee,

and the Board of Directors or the committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum, or (b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders, or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE XIII

LIMITATION OF DIRECTORS' LIABILITY; INDEMNIFICATION BY CORPORATION; INSURANCE

SECTION 1. Limitation of Directors' Liability. (a) No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except, to the extent provided by applicable law, for liability (i) for breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of each director of the Corporation shall be limited or eliminated to the full extent permitted by the Delaware General Corporation Law as so amended from time to time.

(b) Neither the amendment nor repeal of this Section 1, nor the adoption of any provision of the Certificate of Incorporation inconsistent with this Section 1, shall eliminate or reduce the effect of this Section 1, in respect of any matter occurring, or any cause of action, suit or claim that, but for this Section 1, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

SECTION 2. Indemnification by Corporation. (a) The Corporation shall indemnify any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer or trustee of another corporation, trust or other enterprise, with respect to actions taken or omitted by such person in any capacity in which such person serves the Corporation or such other corporation, trust or other enterprise, to the full extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has

ceased to be a director, officer or trustee, as the case may be, and shall inure to the benefit of such person's heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any person in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized in advance, or unanimously consented to, by the Board of Directors of the Corporation. Any person who is or was a director or officer of a subsidiary of the Corporation shall be deemed to be serving in such capacity at the request of the Corporation for purposes of this Section 2.

(b) Directors and officers of the Corporation shall have the right to be paid by the Corporation expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition. The

Corporation may, to the extent authorized from time to time by the Board of Directors, advance such expenses to any person who is or was serving at the request of the Corporation as a director, officer or trustee of another corporation, trust or other enterprise.

(c) The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation and to any person serving at the request of the Corporation as an employee or agent of another corporation, trust or other enterprise.

(d) The rights to indemnification and to the advancement of expenses conferred in this Section 2 shall not be exclusive of any other right that any person may have or hereafter acquire under this Restated Certificate of Incorporation, the by-laws, any statute, agreement, vote of stockholders or disinterested directors, or otherwise.

(e) Any repeal or modification of this Section 2 by the stockholders of the Corporation shall not adversely affect any rights to indemnification and to advancement of expenses that any person may have at the time of such repeal or modification with respect to any acts or omissions occurring prior to such repeal or modification.

SECTION 3. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or any subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation shall have the power to indemnify him against such liability under the provisions of Section 2 of this Article XIII.

ARTICLE XIV

COMPROMISE OR ARRANGEMENT BETWEEN CORPORATION AND ITS CREDITORS OR STOCKHOLDERS

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

ARTICLE XV

RESERVATION OF RIGHT TO AMEND CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law, and all the provisions of this Certificate of Incorporation and all rights and powers conferred in this Certificate of Incorporation on stockholders, directors and officers are subject to this reserved power, provided that the affirmative vote of the holders of record of outstanding shares representing at least 80% of the voting power of all of the shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change, or repeal any provision of, or to adopt any provision or provisions inconsistent with, Section 2(A) of Article IV, Article X, Article XI, Article XIII or this Article XV of this Certificate of Incorporation unless such amendment, alteration, repeal or adoption of any inconsistent provision or provisions is declared advisable by the Board of Directors by the affirmative vote of at least seventy-five percent (75%) of

the entire Board of Directors, notwithstanding the fact that a lesser percentage may be specified by the General Corporation Law of Delaware, and provided further that any amendment, alteration, change, repeal or adoption of any provision or provisions inconsistent with Article VII may only be made in

accordance with the provisions thereof.

IN WITNESS WHEREOF, said MERRILL LYNCH & CO., INC. has caused this certificate to be signed by a Vice Chairman of the Board, with its corporate seal to be hereunto duly affixed and to be attested by an Assistant Secretary this 28th day of April, 1998.

MERRILL LYNCH & CO., INC.

/s/ Stephen L. Hammerman

By: Stephen L. Hammerman
Vice Chairman of the Board

CORPORATE SEAL

Attest: /s/ Lawrence M. Egan, Jr.

By: Lawrence M. Egan, Jr.
Assistant Secretary

EXHIBIT A

CERTIFICATE OF DESIGNATION OF THE VOTING POWERS,
DESIGNATION, PREFERENCES AND RELATIVE, PARTICIPATING,
OPTIONAL OR OTHER SPECIAL RIGHTS AND QUALIFICATIONS,
LIMITATIONS AND RESTRICTIONS OF THE SERIES A JUNIOR
PREFERRED STOCK

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

We, Stephen L. Hammerman, Executive Vice President and Stephen M.M. Miller, Secretary of Merrill Lynch & Co., Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), DO HEREBY CERTIFY:

that, pursuant to authority conferred upon the Board of Directors of the Corporation by its Restated Certificate of Incorporation (the "Certificate"), and, pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, at a duly called meeting held on December 16, 1987, at which a quorum was present and acted throughout, adopted the following resolutions, which resolutions remain in full force and effect on the date hereof creating a series of 2,000,000 shares of Preferred Stock having a par value of \$1.00 per share, designated as Series A Junior Preferred Stock (the "Series A Preferred Stock") out of the class of 25,000,000 shares of preferred stock of the par value of \$1.00 per share (the "Preferred Stock"):

RESOLVED that pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Certificate, the Board of Directors does hereby create, authorize and provide for the issuance of the Series A Preferred Stock having the voting powers, designation, relative, participating, optional and other special rights, preferences, and qualifications, limitations and restrictions thereof that are set forth as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Preferred Stock" ("Series A Preferred Stock") and the number of shares constituting such series shall be 2,000,000.

Section 2. Dividends and Distributions. (A) Subject to the prior and superior rights of the holders of any shares of any other series of Preferred Stock or any other shares of preferred stock of the Corporation ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, each holder of one one-hundredth (1/100) of a share (a "Unit") of Series A Preferred Stock shall be entitled

to receive, when, as and if declared by the Board of Directors out of funds legally available for that purpose, (i) quarterly dividends payable in cash on the 30th day of February, May, August and November in each year (each such date being a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of such Unit of Series A Preferred Stock, in an amount per Unit (rounded to the nearest cent) equal to the greater of (a) \$0.25 or (b) subject to the provision for adjustment hereinafter set forth, the aggregate per share amount of all cash dividends declared on shares of the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of a Unit of Series A Preferred Stock, and (ii)

subject to the provision for adjustment hereinafter set forth, quarterly distributions (payable in kind) on each Quarterly Dividend Payment Date in an amount per Unit equal to the aggregate per share amount of all non-cash dividends or other distributions (other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock, by reclassification or otherwise) declared on shares of Common Stock since the immediately preceding Quarterly Dividend Payment Date, or with respect to the first Quarterly Dividend Payment Date, since the first issuance of a Unit of Series A Preferred Stock. In the event that the Corporation shall at any time after December 16, 1987 (the "Rights Declaration Date") (i) declare any dividend on outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock or (iii) combine outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount to which the holder of a Unit of Series A Preferred Stock was entitled immediately prior to such event pursuant to the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which shall be the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which shall be the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on Units of Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the shares of Common Stock (other than a dividend payable in shares of Common Stock); provided, however, that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$0.25 per Unit on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and shall be cumulative on each outstanding Unit of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issuance of such Unit of Series A Preferred Stock, unless the date of issuance of such Unit is prior to the record date for the first Quarterly Dividend Payment Date, in which case, dividends on such Unit shall begin to accrue from the date of issuance of such Unit, or unless the date of issuance is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Units of Series A Preferred Stock entitled to receive a quarterly dividend and

before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on Units of Series A Preferred Stock in an amount less than the aggregate amount of all such dividends at the time accrued and payable on such Units shall be allocated pro rata on a unit-by-unit basis among all Units of Series A Preferred Stock at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Units of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of Units of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each Unit of Series A Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the number of votes per Unit to which holders of Units of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which shall be the number of shares of Common Stock outstanding immediately after such event and the denominator of which shall be the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of Units of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Units of Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, then during the period (a "default period") from the occurrence of such event until such time as all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all Units of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment, all holders of Units of Series A Preferred Stock, voting separately as a class, shall have the right to elect two Directors.

(ii) During any default period, such voting rights of the

holders of Units of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting rights nor any right of the holders of Units of Series A Preferred Stock to

increase, in certain cases, the authorized number of Directors may be exercised at any meeting unless one-third of the outstanding Units of Preferred Stock shall be present at such meeting in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Units of Series A Preferred Stock of such rights. At any meeting at which the holders of Units of Series A Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting separately as a class, to elect Directors to fill up to two vacancies in the Board of Directors, if any such vacancies may then exist, or, if such right is exercised at an annual meeting, to elect two Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Series A Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of Units of Series A Preferred Stock shall have exercised their right to elect Directors during any default period, the number of Directors shall not be increased or decreased except as approved by a vote of the holders of Units of Series A Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to the Series A Preferred Stock.

(iii) Unless the holders of Series A Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than 25% of the total number of Units of Series A Preferred Stock outstanding may request, the calling of a special meeting of the holders of Units of Series A Preferred Stock, which meeting shall thereupon be called by the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Units of Series A Preferred Stock are entitled to vote pursuant to this paragraph (C) (iii) shall be given to each holder of record of Units of Series A Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder of stockholders owning in the aggregate not less than 25% of the total number of outstanding Units of Series A Preferred Stock. Notwithstanding the provisions of this paragraph (C) (iii), no such special meeting shall be called during the 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) During any default period, the holders of shares of Common Stock, and other classes or series of stock of the Corporation, if applicable, shall continue to be entitled to elect all the Directors until the holders of Units of Series A Preferred Stock shall have exercised their right to elect two Directors voting as a separate class, after the exercise of which right (x) the Directors so elected by the holders of Units of Series A Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C) (ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of capital stock which elected

the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of capital stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Units of Series A Preferred Stock as a separate class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Units of Series A Preferred Stock as a separate class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Certificate or by-laws irrespective of any increase made pursuant to the provisions of paragraph (C) (ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Certificate or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(vi) The provisions of this paragraph (C) shall govern the election of Directors by holders of Units of Preferred Stock during any default period notwithstanding any provisions of the Certificate to the contrary, including, without limitation, the provisions of Article X of the Certificate.

(D) Except as set forth herein, holders of Units of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Shares of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions. (A) Whenever quarterly dividends or other dividends or distributions payable on Units of Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on outstanding Units of Series A Preferred Stock shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of junior stock;

(ii) declare or pay dividends on or make any other distributions on any shares of parity stock, except dividends paid ratably on Units of Series A Preferred Stock and shares of all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of such Units and all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any parity stock, provided, however, that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any junior stock;

(iv) purchase or otherwise acquire for consideration any Units of Series A Preferred Stock, except in accordance with a purchase offer made in writing or

by publication (as determined by the Board of Directors) to all holders of such Units.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any Units of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such Units shall, upon their cancellation, become authorized but unissued Units of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made (i) to the holders of shares of junior stock unless the holders of Units of Series A Preferred Stock shall have received, subject to adjustment as hereinafter provided in paragraph (B), the greater of either (a) \$.01 per Unit plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not earned or declared, to the date of such payment, or (b) the amount equal to the aggregate per share amount to be distributed to holders of shares of Common Stock, or (ii) to the holders of shares of parity stock, unless simultaneously therewith distributions are made ratably on Units of Series A Preferred Stock and all other shares of such parity stock in proportion to the total amounts to which the holders of Units of Series A Preferred Stock are entitled under clause (i)(a) of this sentence and to which the holders of shares of such parity stock are entitled, in each case upon such liquidation, dissolution or winding up.

(B) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock, or (iii) combine outstanding shares of Common Stock into a smaller number of shares, then in each such case the aggregate amount to which holders of Units of Series A Preferred Stock were entitled immediately prior to such event pursuant to clause (i)(b) of paragraph (A) of this Section 6 shall be adjusted by multiplying such amount by a fraction the numerator of which shall be the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which shall be the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or converted into other stock or securities, cash and/or any other property, then in any such case Units of Series A Preferred

Stock shall at the same time be similarly exchanged for or converted into an amount per Unit (subject to the provision for adjustment hereinafter set forth) equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is converted or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide outstanding shares of Common Stock, or (iii) combine outstanding

Common Stock into a smaller number of shares, then in each such case the amount set forth in the immediately preceding sentence with respect to the exchange or conversion of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which shall be the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which shall be the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption. The Units of Series A Preferred Stock shall not be redeemable.

Section 9. Ranking. The Units of Series A Preferred Stock shall rank junior to the Corporation's Remarketed Preferred Stock and to all other series of the Preferred Stock and to any other class of preferred stock that hereafter may be issued by the Corporation as to the payment of dividends and the distribution of assets, unless the terms of any such series or class shall provide otherwise.

Section 10. Amendment. The Certificate, including, without limitation, this resolution, shall not hereafter be amended, either directly or indirectly, or through merger or consolidation with another corporation, in any manner that would alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding Units of Series A Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. The Series A Preferred Stock may be issued in Units or other fractions of a share, which Units or fractions shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock,

Section 12. Certain Definitions. As used herein with respect to the Series A Preferred Stock, the following terms shall have the following meanings:

(A) The term "Common Stock" shall mean the class of stock designated as the common stock, par value \$1.33 1/3 per share, of the Corporation at the date hereof or any other class of stock resulting from successive changes or reclassification of the common stock.

(B) The term "junior stock" (i) as used in Section 4, shall mean the Common Stock and any other class or series of capital stock of the Corporation

hereafter authorized or issued over which the Series A Preferred Stock has preference or priority as to the payment of dividends and (ii) as used in Section 6, shall mean the Common Stock and any other class or series of capital stock of the Corporation over which the Series A Preferred Stock has preference or priority in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(C) The term "parity stock" (i) as used in Section 4, shall mean any class or series of stock of the Corporation hereafter authorized or issued ranking pari passu with the Series A Preferred Stock as to dividends and (ii) as used in Section 6, shall mean any class or series of capital stock ranking pari passu with the Preferred Stock in the distribution of assets on any liquidation, dissolution or winding up.

EXHIBIT B

MERRILL LYNCH & CO., INC.

CERTIFICATE OF DESIGNATIONS
Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

9% CUMULATIVE PREFERRED STOCK, SERIES A
(Par Value \$1.00 Per Share)

MERRILL LYNCH & CO., INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES that the following resolutions were duly adopted by the Board of Directors of the Corporation and by the Executive Committee of the Board of Directors, pursuant to authority conferred upon the Board of Directors by the provisions of the Restated Certificate of Incorporation, as amended, of the Corporation, which authorize the issuance of up to 25,000,000 shares of preferred stock, par value \$1.00 per share, and pursuant to authority conferred upon the Executive Committee of the Board of Directors in accordance with Section 141(c) of the General Corporation Law of the State of Delaware, by Article IV, Section 1 of

the By-laws of the Corporation and by the resolutions of the Board of Directors set forth herein, at a meeting of the Board of Directors duly held on April 19, 1994, by unanimous written consent to corporate action of the Board of Directors dated August 22, 1994, and by unanimous written consent of the Executive Committee dated November 2, 1994:

1. The Board of Directors on April 19, 1994 adopted the following resolutions authorizing the Executive Committee of the Board of Directors to act on behalf of the Board of Directors in connection with the designation, issuance and sale of up to 100,000 shares of preferred stock of the Corporation in one or more series (the "Preferred Stock") and depositary shares representing interests in the Preferred Stock (the "Depositary Shares"), either directly or in exchange for other obligations of the Corporation undertaken in connection with the issuance of preferred units that may be issued by a limited liability company affiliated with the Corporation, upon such terms as may be deemed appropriate by the Executive Committee, including, but not limited to, determinations with respect to classes and series, dividend and liquidation rights and preferences (provided that the aggregate liquidation preference of the Preferred Stock, does not exceed \$600,000,000), stated value, denomination, redemption and conversion or exchange features and to take all such actions in connection therewith as such Committee may deem necessary or appropriate:

"RESOLVED, that the Board of Directors hereby authorizes and empowers the Executive Committee to take all such actions as may be necessary or appropriate for the issuance and sale of up to 100,000 shares of the Corporation's

Preferred Stock, par value \$1.00 per share (the "Preferred Shares"), in one or more series, either directly or in exchange for other obligations of the Corporation undertaken in connection with the issuance of preferred units that may be issued by a limited liability company affiliated with the Corporation (the "LLC Units"); provided that the aggregate liquidation preference of such Preferred Shares shall not exceed \$600,000,000;"

"FURTHER RESOLVED, that the Executive Committee may approve the issuance of the Preferred Shares upon such terms as may be deemed appropriate by the Executive Committee, including, but not limited to, determinations with respect to classes and series, dividend and liquidation rights and preferences, stated value, denomination, redemption and conversion or exchange features, and may provide for the issuance of depositary shares representing interests in the Preferred Shares in order to accommodate retail marketing; provided, however, that the Preferred Shares shall not have voting rights except (i) in the event that dividends are in arrears for six consecutive quarters, the number of the Corporation's directors shall be increased by two and the holders of the Preferred Shares shall be entitled, voting as a class, to elect two directors of the Corporation to serve until such time as such arrearages are paid in full or (ii) as otherwise required by law;"

2. The Board of Directors, by unanimous written consent to corporate action dated August 22, 1994, adopted the following resolution amending the second resolution set forth in paragraph 1 above:

"RESOLVED, that the resolution attached hereto as Exhibit A, which was adopted at the meeting of the Board of Directors duly called and held on April 19, 1994, is hereby amended by deleting the word "consecutive" in the third line of the proviso and inserting the words "or the requirements of any stock exchange on which the Preferred Shares may be listed" at the end thereof prior to the semicolon."

3. The Executive Committee of the Board of Directors, by unanimous written consent to corporate action dated November 2, 1994, adopted the following resolution pursuant to the authority conferred upon the Executive Committee by the resolution of the Board of Directors set forth in paragraph 1 above adopted pursuant to Article 4, Section 1 of the By-laws of the Corporation and Section 141(c) of the General Corporation Law of the State of Delaware:

"RESOLVED, that the issue of a series of preferred stock, par value \$1.00 per share, of the Corporation is hereby authorized and the designation, preferences and privileges, relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, in addition to those set forth in the Restated Certificate of Incorporation, as amended, of the Corporation, are hereby fixed as follows:

9% CUMULATIVE PREFERRED STOCK, SERIES A

(1) Number of Shares and Designation. 42,500 shares of the preferred stock, par value \$1.00 per share, of the Corporation are hereby constituted as a series of preferred stock, par value \$1.00 per share, designated as 9% Cumulative Preferred Stock, Series A (hereinafter called the "Preferred Stock, Series A").

(2) Dividends. (a) The holders of shares of the Preferred Stock, Series A, shall be entitled to receive, as, if and

when declared by the Board of Directors of the Corporation (or a duly authorized Committee thereof), out of assets of the Corporation legally available for the payment of dividends, cash dividends at the rate set forth below in this Section (2) applied to the amount of \$10,000 per share. Such dividends shall be cumulative from the date of original issue of such shares, whether or not in any Dividend Period or Dividend Periods (as defined in subsection (b) of this Section (2)) there are assets of the Corporation legally available for the payment thereof, and shall be payable quarterly, as, if and when declared by the Board of Directors of the Corporation (or a duly authorized Committee thereof), on March 30, June 30, September 30, and December 30 of each year, commencing on December 30, 1994; provided that if any such payment date is not a business day, dividends (if declared) on the Preferred Stock, Series A, will be paid on the immediately succeeding business day, without interest. Each such dividend shall be payable to the holders of record of shares of the Preferred Stock, Series A, as they appear on the stock register of the Corporation on such record dates, which shall be the fifteenth day immediately preceding the payment date thereof, or such other date not more than 30 nor less than 15 days preceding the payment dates thereof, as shall be fixed by the Board of Directors of the Corporation (or a duly authorized Committee thereof). Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation (or a duly authorized Committee thereof).

(b) (i) Dividend periods ("Dividend Periods") shall commence on March 30, June 30, September 30, and December 30 of each year (other than the initial Dividend Period which shall commence on the date of original issue of the Preferred Stock, Series A) and shall end on and include the calendar day next preceding the first day of the next Dividend Period. The dividend rate on the shares of Preferred Stock, Series A, for the period from the date of original issue thereof to and including December 30, 1994, and for each Dividend Period thereafter shall be 9% per annum.

(ii) The amount of dividends payable for each full Dividend Period for the Preferred Stock, Series A, shall be computed by dividing the dividend rate of 9% per annum by four, rounded to the nearest one-

hundredth of a percent, with five one-thousandths rounded upwards, and applying the resulting rate to the amount of \$10,000 per share. The amount of dividends payable for the initial Dividend Period on the Preferred Stock, Series A, or any other period shorter than a full Dividend Period on the Preferred Stock, Series A, shall be computed on the basis of 30-day months, a 360-day year and the actual number of days elapsed in any period of less than one month. The amount of dividends payable on the Preferred Stock, Series A, shall be rounded to the nearest cent, with one-half cent being rounded upwards.

(c) So long as any shares of the Preferred Stock, Series A, are outstanding, no full dividends shall be declared or paid or set apart for payment on the preferred stock of the Corporation of any series ranking, as to dividends, on a parity with or junior to the Preferred Stock, Series A, for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Preferred Stock, Series A, for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of the Preferred Stock, Series A, and any other preferred stock ranking on a parity as to dividends with the Preferred Stock, Series A, all dividends declared upon shares of the Preferred Stock, Series A, and any other preferred stock ranking on a parity as to dividends (whether cumulative or noncumulative) shall be declared pro rata so that the amount of dividends declared per share on the Preferred Stock, Series A, and such other preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of the Preferred Stock, Series A, and such other preferred stock bear to each other. Holders of shares of the Preferred Stock, Series A, shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on the Preferred Stock, Series A. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Preferred Stock, Series A, which may be in arrears.

(d) So long as any shares of the Preferred Stock, Series A, are outstanding, no dividends (other than dividends or

distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, the Common Stock or another stock of the Corporation ranking junior to the Preferred Stock, Series A, as to dividends and upon liquidation and other than as provided in subsection (c) of this Section (2)) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock of the Corporation ranking junior to or on a parity with the Preferred Stock, Series A, as to dividends or upon liquidation, nor shall any Common Stock nor any other stock of the Corporation ranking junior to or on parity with the Preferred Stock, Series A, as to dividends or upon liquidation be redeemed, purchased or otherwise acquired, other than in connection with the distribution or trading thereof, for

any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Preferred Stock, Series A, as to dividends and upon liquidation) unless, in each case, full cumulative dividends on all outstanding shares of the Preferred Stock, Series A, shall have been declared and paid for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends.

(3) Liquidation Preference. (a) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation or proceeds thereof (whether capital or surplus) shall be made to or set apart for the holders of any series or class or classes of stock of the Corporation ranking junior to the Preferred Stock, Series A, upon liquidation, dissolution, or winding up, the holders of the shares of the Preferred Stock, Series A, shall be entitled to receive \$10,000 per share plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution, or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of the Preferred Stock, Series A, shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of preferred stock ranking, as to liquidation, dissolution or winding up, on a parity with the Preferred Stock, Series A, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Preferred Stock, Series A, and any such other preferred stock ratably in accordance with the respective amounts which would be payable on such shares of Preferred Stock, Series A, and any such other preferred stock if all amounts payable thereon were paid in full. For the purposes of this Section (3), a consolidation or merger of the Corporation with one or more corporations shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of shares of any series or class or classes of stock ranking on a parity with or prior to the Preferred Stock, Series A, upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of Preferred Stock, Series A, as provided in this Section (3), but not prior thereto, any other series of class or classes of stock ranking junior to the Preferred Stock, Series A, upon liquidation shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Preferred Stock, Series A, shall not be entitled to share therein.

(4) Redemption. (a) The Preferred Stock, Series A, may not be redeemed prior to December 30, 2004. At any time or from time to time on and after December 30, 2004, the Corporation, at its option, may redeem shares of the Preferred Stock, Series A, as a whole or in part, at a redemption price of \$10,000 per share, together in each case with accrued and unpaid dividends (whether or not earned or declared) to the date fixed for redemption.

(b) In the event the Corporation shall redeem shares of Preferred Stock, Series A, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (1) the redemption date; (2) the number of shares of Preferred Stock, Series A, to be redeemed and, if less than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (3) the

redemption price; (4) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (5) that dividends on the shares to be redeemed shall cease to accrue on such redemption date. Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the redemption price) dividends on the shares of the Preferred Stock, Series A, so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the redemption price) shall cease. The Corporation's obligation to provide moneys in accordance with the preceding sentence shall be deemed fulfilled if, on or before the redemption date, the Corporation shall deposit with a bank or trust company (which may be an affiliate of the Corporation) having an office in the Borough of Manhattan, City of New York, having a capital and surplus of at least \$50,000,000, funds necessary for such redemption, in trust, with irrevocable instructions that such funds be applied to the redemption of the shares of Preferred Stock, Series A, so called for redemption. Any interest accrued on such funds shall be paid to the Corporation from time to time. Any funds so deposited and unclaimed at the end of two years from such redemption date shall be released or repaid to the Corporation, after which the holder or holders of such shares of Preferred Stock, Series A, so called for redemption shall look only to the Corporation for payment of the redemption price.

Upon surrender, in accordance with said notice, of the certificates for any such shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price aforesaid. If less than all the outstanding shares of Preferred Stock, Series A, are to be redeemed, shares to be

redeemed shall be selected by the Board of Directors of the Corporation (or a duly authorized committee thereof) from outstanding shares of Preferred Stock, Series A, not previously called for redemption by lot or pro rata or by any other method determined by the Board of Directors of the Corporation (or a duly authorized committee thereof) to be equitable. If fewer than all the shares represented by any certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without charge to the holder thereof.

(c) In no event shall the Corporation redeem less than all the outstanding shares of Preferred Stock, Series A, pursuant to subsection (a) of this Section (4) unless full cumulative dividends on all outstanding shares of the Preferred Stock, Series A, shall have been or all contemporaneously declared and paid or declared and a sum sufficient for payment thereof set apart for such payment for all Dividend Periods terminating on or prior to the date of payment of such full cumulative dividends.

(5) Voting Rights. The Preferred Stock, Series A, shall have no voting rights, except as hereinafter set forth or as otherwise from time to time required by law. Whenever dividends payable on the Preferred Stock, Series A, shall be in arrears for such number of dividend periods, whether or not consecutive, which shall in the aggregate contain a number of months equivalent to six calendar quarters, the holders of outstanding shares of the Preferred Stock, Series A, shall have the exclusive right, voting as a class with holders of shares of all other series of preferred stock ranking on a parity with the Preferred Stock, Series A, either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, to vote for the election of two additional directors at the next annual meeting of stockholders and at each subsequent annual meeting of stockholders. At elections for such directors, each holder of the Preferred Stock, Series A, shall be entitled to one vote for each share held (the holders of shares of any other series of preferred stock ranking on such a parity being entitled to such number of votes, if any, for each share of stock held as may be granted to them). Upon the vesting of such right of such holders, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such outstanding shares of Preferred Stock, Series A, (either alone or together with the holders of shares of all other series of preferred stock ranking on such a parity) as hereinafter set forth. The right of such holders of such shares of the Preferred Stock, Series A, voting as a class with holders of shares of all other series of preferred stock ranking on such a parity, to elect members of the Board of Directors of the Corporation as aforesaid shall continue until all past dividends accumulated on such shares of

Preferred Stock, Series A, shall have been paid in full. Upon payment in full of such dividends, such voting rights shall terminate except as

expressly provided by law, subject to re-vesting in the event of each and every subsequent default in the payment of dividends as aforesaid.

Upon termination of the right of the holders of the Preferred Stock, Series A, to vote for directors as herein provided, the term of office of all directors then in office elected by such holders will terminate immediately. If the office of any director elected by such holders voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office or otherwise, the remaining director elected by such holders voting as a class may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Whenever the term of office of the directors elected by such holders voting as a class shall end and the special voting rights shall have expired, the number of directors shall be such number as may be provided for in the By-laws irrespective of any increase made pursuant to the provisions hereof.

So long as any shares of the Preferred Stock, Series A, remain outstanding, the affirmative vote or consent of the holders of at least two-thirds of the shares of the Preferred Stock, Series A, outstanding at the time (voting as a class with all other series of preferred stock ranking on a parity with the Preferred Stock, Series A, either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable), given in person or by proxy, either in writing or at any meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) the authorization, creation or issuance, or any increase in the authorized or issued amount, of any class or series of stock ranking prior to the Preferred Stock, Series A, with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up; or

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of the Restated Certificate of Incorporation, as amended, or of the resolutions set forth in a Certificate of Designations for such Preferred Stock, Series A, which would materially and adversely affect any right, preference, privilege or voting power of the Preferred Stock, Series A, or of the holders thereof; provided, however, that any increase in the amount of authorized preferred stock or the creation and issuance, or an increase in the authorized or issued amount, of other series of preferred stock, or any increase in the amount of authorized shares of Preferred Stock, Series A, in each case ranking on a parity with or junior to the Preferred Stock, Series A, with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions shall not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Preferred Stock, Series A, shall have been redeemed or sufficient funds shall have been deposited in trust to effect such a redemption which is scheduled to be consummated within three months after the time that such rights would otherwise be exercisable.

(6) Record Holders. The Corporation and the transfer agent for the Preferred Stock, Series A, may deem and treat the record holder of any share of such Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor such transfer agent shall be affected by any notice to the contrary.

(7) Ranking. Any class or classes of stock of the Corporation shall be deemed to rank:

(i) on a parity with the Preferred Stock, Series A, as to dividends or as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of the Preferred Stock, Series A, if the holders of such class of stock and the Preferred Stock, Series A, shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates

or liquidation prices, without preference or priority one over the other; and

(ii) junior to the Preferred Stock, Series A, as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock shall be Common Stock or if the holders of Preferred Stock, Series A, shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up, as the case may be, in preference or priority to the holders of shares of such stock.

(8) Exclusion of Other Rights. Unless otherwise required by law, shares of Preferred Stock, Series A, shall not have any rights, including preemptive rights, or preferences other than those specifically set forth herein or as provided by applicable law.

(9) Notices. All notices or communications unless otherwise specified in the By-laws of the Corporation or the Restated Certificate of Incorporation, as amended, shall be sufficiently given if in writing and delivered in person or by first class mail, postage prepaid. Notice shall be deemed given on the earlier of the date received or the date such notice is mailed."

MERRILL LYNCH & CO., INC. DEFERRED UNIT AND STOCK UNIT PLAN FOR
NON-EMPLOYEE DIRECTORS

Article I - General

Section 1.1 Purposes.

The purposes of the Merrill Lynch & Co., Inc. Deferred Unit and Stock Unit Plan for Non-Employee Directors (the "Plan") are (a) to provide an incentive to highly qualified individuals to serve as Directors of Merrill Lynch & Co., Inc. ("ML & Co.") and (b) to further align the interests of Non-Employee Directors with the stockholders of ML & Co.

Section 1.2 Definitions.

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

"Account(s)" means a Participant's Mutual Fund Index Account and/or Deferred Unit/Stock Unit Account.

"Account Balance(s)" means the Participant's Deferred Unit Account Balance, Deferred Stock Unit Account Balance and/or Mutual Fund Index Account Balance.

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

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

"Annual Meeting" means the Annual Meeting of Stockholders of ML & Co.

"annuitized payments" has the meaning specified in Section 2.5(b).

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

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

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

(a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, other than ML & Co.'s employee stock ownership plan, is or

becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of ML & Co. representing 30% or more of the combined voting power of ML & Co.'s then outstanding securities entitled to vote in the election of directors of ML & Co.;

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

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

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

"Common Stock" means the Common Stock, par value \$1.33 1/3 per share, of ML & Co. and a "share of Common Stock" 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).

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

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

"Daily Market Price" of shares of Common Stock on any date means:

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

"Deferred Stock Unit" means a unit representing ML & Co.'s obligation to deliver one share of Common Stock in accordance with the terms of the Plan.

"Deferred Stock Unit Account Balance" means, with respect to a particular grant as of any date, the Deferred Stock Units credited to a Participant's Deferred Unit/Stock Unit Account, adjusted in accordance with Section 3.1 to reflect the addition of dividend equivalents and any changes in capitalization and adjusted for any payments to the Participant in respect of Deferred Stock Units.

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

"Deferred Unit Account Balance" means, with respect to a particular grant as of any date, the Deferred Units credited to a Participant's Deferred Unit/Stock Unit Account, adjusted in accordance with Section 3.1 to reflect the addition of dividend equivalents and any changes in capitalization and adjusted for any payments to the Participant in respect of Deferred Units or optional deferrals into a Mutual Fund Index Account prior to that date.

"Deferred Unit/Stock Unit Account" means the reserve account established on the books and records of ML & Co. to record a Participant's Deferred Unit Account Balance and Deferred Stock Unit Account Balance.

"Determination Date" has the meaning specified in Section 2.5(b).

"Director" means a member of the Board.

"Disability" means any physical or mental condition that in the opinion of the Administrator renders a Director incapable of continuing to serve on the Board.

"Early Separation" means ceasing to serve as a Director of ML & Co. prior to scheduled Retirement for any reason other than death or Disability.

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

"Holding Period" has the meaning specified in Section 2.3(a).

"Initial Payment Date" has the meaning specified in Section 2.5(b).

"Junior Preferred Stock" means ML & Co.'s Series A Junior Preferred Stock, par value \$1.00 per share.

"modified installment payments" has the meaning specified in Section 2.5(b).

"Mutual Fund Index Account" means the reserve account established on

the books and records of ML & Co. to record a Participant's Mutual Fund Index Account Balance.

"Mutual Fund Index Account Balance" means, with respect to a particular grant as of any date, the deferred amounts, if any, credited to a Participant's Mutual Fund Index Account pursuant to Section 2.4(b), adjusted in accordance with Section 3.2 to reflect the performance of the Participant's Selected Mutual Fund Index Account Return Options and adjusted for any payments made from the Mutual Fund Index Account to the Participant prior to that date.

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

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

"Non-Employee Director" means a member of the Board who is not employed by ML & Co. or 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 or any successor thereto.

"Participant" means each Non-Employee Director to whom a grant of Deferred Units or Deferred Stock Units has been made under the Plan.

"Retirement" means ceasing to serve as a Director of ML & Co. on the date of the Annual Meeting next following the calendar year of such Director's seventieth birthday, or at such other time as may subsequently be established as the normal retirement date for Non-Employee Directors.

"Retirement Annual Meeting" means, with respect to any Retiring Non-Employee Director, the Annual Meeting coincident with such Director's Retirement.

"Retirement Fraction" means, with respect to any Retiring Non-Employee Director, a fraction whose numerator is the number of Annual Meetings (including the Retirement Annual Meeting) remaining until such Director's Retirement, and whose denominator is five.

"Retiring Non-Employee Director" means a Non-Employee Director whose Retirement Annual Meeting will occur prior to, or will be the fifth Annual Meeting following, the effective date of any grant of Deferred Units or Deferred Stock Units to such Director.

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

"Selected Mutual Fund Index Account Return Option" means a Mutual Fund Index Account Return Option selected by a Participant in accordance with Section 3.2(a).

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

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Section 1.3 Shares Subject to the Plan.

(a) Reservation of Shares. The total number of shares of Common Stock that shall be reserved for issuance in payment of Deferred Stock Units under the Plan shall be 200,000, subject to adjustment for changes in capitalization of ML & Co. as provided in subparagraph (b) below. Shares of Common Stock issued under the Plan shall only be shares previously issued and reacquired by ML & Co. and held in its treasury.

(b) Changes in Common Stock. If any change is made in the terms or provisions of the Common Stock (or the Rights of Junior Preferred Stock) subject

to the Plan (whether by reason of reorganization, merger, consolidation, recapitalization, stock dividend, stock split, combination of shares, exchange of shares, change in corporate structure, or otherwise), then appropriate adjustments shall be made to the maximum number of shares of Common Stock and Rights subject to and reserved under the Plan without any action by the Board of Directors.

Article II - Deferred Units and Deferred Stock Units; Optional Deferral of Payment

Section 2.1 Deferred Unit Grants.

(a) Initial Grants. Each Non-Employee Director who is a member of the Board on the effective date of the Plan shall have a Deferred Unit/Stock Unit Account established in his or her name and be granted and have credited to such account as of the date this Plan becomes effective the number of Deferred Units obtained by dividing \$50,000 by the Current Market Value per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Unit; provided, however, that the dollar amount used to determine the grant to any Retiring Non-Employee Director shall be \$50,000 multiplied by the Retirement Fraction applicable to such Retiring Non-Employee Director.

(b) New Director Grants. Each person who becomes a Non-Employee Director after this Plan becomes effective shall, on the date when such person becomes a Non-Employee Director and without any action by the Board of Directors, have a Deferred Unit/Stock Unit Account established in his or her name and be granted and have credited to such account the number of Deferred Units obtained by dividing \$50,000 by the Current Market Value per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Unit; provided, however, that the dollar amount used to determine the grant to any Retiring Non-Employee Director shall be \$50,000 multiplied by the Retirement Fraction applicable to such Retiring Non-Employee Director.

(c) Subsequent Grants. Effective on the close of business on the first Business Day of the month next following the date of the fifth Annual Meeting following the grant of Deferred Units to a Non-Employee Director pursuant to Section 2.1(a) or (b), as applicable, and, thereafter, effective on the date of the fifth Annual Meeting following the grant of Deferred Units to a Non-Employee Director pursuant to this Section 2.1 (c), any Director then serving as a Non-Employee Director shall, without any action by the Board of Directors, be granted and have credited to his or her Deferred Unit/Stock Unit Account on such date the number of Deferred Units obtained by dividing \$50,000 by the Current Market Value per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Unit; provided, however, that the dollar amount used to determine the grant to any Retiring Non-Employee Director shall be \$50,000 multiplied by the Retirement Fraction applicable to such Retiring Non-Employee Director.

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(d) Annual Grants. (i) Effective on the close of business on the first Business Day of the month next following the date of each Annual Meeting any Director then serving as a Non-Employee Director shall, without any action by the Board of Directors, be granted and have credited to his or her Deferred Unit/Stock Unit Account on such date the number of Deferred Units obtained by dividing \$10,000 by the Current Market Value per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Unit. (ii) Each person who becomes a Non-Employee Director on a date other than the date of an Annual Meeting, shall, on the date when such person becomes a Non-Employee Director and without any action by the Board of Directors, have a Deferred Unit/Stock Unit Account established in his or her name and be granted and have credited to such account the number of Deferred Units obtained by dividing \$10,000 by the Current Market Value per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Unit.

Section 2.2 Deferred Stock Unit Grants.

In the event that ML & Co. determines to amend the Merrill Lynch & Co., Inc. Non-Employee Directors' Equity Plan (the "Equity Plan") to eliminate future grants thereunder, then, without any action by the Board of Directors, each Director serving as a Non-Employee Director on the effective dates set forth in Section 2.2(a), (b) or (c) below, shall be granted and have credited to his or her Deferred Unit/Stock Unit Account the number of Deferred Stock Units obtained by dividing \$50,000 by the Current Market Value per share of Common Stock on such date and rounding the result upwards to the nearest whole Deferred Stock Unit, effective as follows:

(a) Continuing Director Initial Grants. For each Non-Employee Director who has received a grant under the Equity Plan, effective on the close of business on the first Business Day of the month next following the date of the Annual Meeting upon which such Director's grant under the Equity Plan becomes fully vested;

(b) New Director Grants. For each Non-Employee Director who has not

received a grant under the Equity Plan, effective on the date that such Director joins the Board of Directors; and

(c) Subsequent Grants. For each Non-Employee Director who has received a grant of Deferred Stock Units under Section 2.2(a) or (b), effective on the close of business on the first Business Day of the month next following the date of the fifth Annual Meeting following the grant of Deferred Stock Units to a Non-Employee Director pursuant to Section 2.2(a) or (b), as applicable, and, thereafter, effective on the close of business on the date of the fifth Annual Meeting following the grant of Deferred Stock Units to a Non-Employee Director pursuant to this Section 2.2(c);

provided, however, that, in each case, the dollar amount used to determine the grant to any Retiring Non-Employee Director shall be \$50,000 multiplied by the Retirement Fraction applicable to such Retiring Non-Employee Director.

Section 2.3 Payment of Deferred Units and Deferred Stock Units.

(a) Payment of Units Upon Expiration of Holding Period. Unless deferred at the option of the Participant in accordance with Section 2.4(a) hereof, the Deferred Unit Account Balance and Deferred Stock Unit Account Balance with respect to a particular grant will become

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payable upon the expiration of the holding period with respect to such grant (the "Holding Period"), which shall expire on the earlier of: (i) the date of the fifth Annual Meeting following the date of such grant, and (ii) a Participant's End of Service Date. The Deferred Units will be paid in cash. The amount of such cash payment shall be determined by multiplying the number of Deferred Units to be paid by the Current Market Value per share of Common Stock for the last day of the month immediately preceding the month in which payment is to be made and rounding the result to the nearest whole cent. The Deferred Stock Units will be paid in shares of Common Stock. One share of Common Stock will be delivered for each Deferred Stock Unit to be paid, after rounding any fractional Deferred Stock Unit upwards to the nearest whole share.

(b) Reduced Payment upon Early Separation. In the event of a Participant's Early Separation, the amount payable to such Participant pursuant to paragraph 2.3(a) with respect to grants made pursuant to Sections 2.1(a)-(c) and Section 2.2 hereof shall be reduced by multiplying the relevant Account Balance(s) by a fraction, the numerator of which shall be 1 plus the number of Annual Meetings that have occurred since the date of the relevant grant, and the denominator of which shall be 5 or, in the case of a Retiring Non-Employee Director, the number of Annual Meetings from the relevant grant date to and including the Retirement Annual Meeting. No such reduction shall be applied to any Account Balance(s) relating to grants whose Holding Periods have expired prior to the date of Early Separation.

Section 2.4 Optional Deferral of Payment.

(a) Optional Deferral of Payment. A Participant shall have the option to defer the payment of all or a portion of any Deferred Unit or Deferred Stock Unit grant upon the expiration of the relevant Holding Period for later payment in accordance with Section 2.5 by submitting to the Administrator or his or her designee such forms as the Administrator shall prescribe by no later than one year prior to the expiration of the relevant Holding Period. No such deferral election shall become effective if the Holding Period expires prior to the fifth Annual Meeting following the date of the relevant grant as a result of the Participant's Early Separation, death or Disability.

(1) With respect to Deferred Units, a Participant may elect: (i) to have all or a portion of his or her Deferred Unit Account Balance retained as Deferred Units in his or her Deferred Unit/Stock Unit Account for payment at a later date, or (ii) to have all or a portion of his or her Deferred Unit Account Balance credited (either at the expiration of the Holding Period or upon some specified subsequent date) to a Mutual Fund Index Account in accordance with Section 2.4(b).

(2) With respect to Deferred Stock Units, a Participant may elect to have all or a portion of his or her Deferred Stock Unit Account Balance retained as Deferred Stock Units in his or her Deferred Unit/Stock Unit Account for payment at a later date.

(b) Crediting to Mutual Fund Index Account. If a Participant elects, pursuant to Section 2.4(a), to defer all or a portion of his or her Deferred Unit Account Balance into a Mutual Fund Index Account, then, as soon as practicable (but in no event later than the end of the following month) after the expiration of the Holding Period applicable to such Participant's Deferred Unit grant, a Mutual Fund Index Account will be established in the Participant's name and will be credited with a dollar amount determined by multiplying the relevant number of Deferred Units by the Current Market Value per share of Common Stock on the last day of the month immediately preceding the month in which the Holding Period expires and rounding the result to the nearest

whole cent. Mutual Fund Index Account Balances may not subsequently be converted to Deferred Units or Deferred Stock Units.

(c) Irrevocability of Deferral Election. Except as provided in Sections 2.4(d) or (e) or Section 2.5, an election to defer the payment of all or a portion of a Participant's Deferred Unit Account Balance or Deferred Stock Unit Account Balance made pursuant to Section 2.4(a)(1) or (2) shall be irrevocable once submitted to the Administrator or his or her designee.

(d) Rescission of Deferral Election Prior to the Expiration of the Holding Period. An optional deferral election may be rescinded at the request of the Participant only (i) prior to the expiration of the Holding Period with respect to any grant of Deferred Units or Deferred Stock Units, and (ii) if the Administrator, in his or her sole discretion and upon evidence of such basis that he or she finds persuasive (including a material applicable change in the Participant's U.S. Federal and/or foreign income tax rate during the period between the deferral election and the expiration of the Holding Period), agrees to the rescission of the election. In the event of a rescission under this Section 2.4(d), no deferral will be effected under the Plan and the Participant will be paid the Deferred Units or Deferred Stock Units in accordance with Section 2.4(a).

(e) Rescission of Deferral Election Caused by an Adverse Tax Determination. Notwithstanding the provisions of Section 2.4(c), 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 or her sole discretion, decides, upon the Participant's request and upon evidence of the occurrence of the events described in clause (i) hereof that he or she finds persuasive, to rescind the election. Upon such rescission, the relevant Account Balance(s) will be paid to the Participant as soon as practicable as provided herein.

Section 2.5 Payment of Amounts Optionally Deferred.

(a) Regular Payment Elections. A Participant's Account Balance(s) will be paid by ML & Co., as elected by the Participant at the time of his or her optional deferral election, either in a single payment to be made, or in the number of annual installment payments (not to exceed 15) chosen by the Participant to commence, (i) in the month following the month of the Participant's End of Service Date or death, (ii) in any month and year selected by the Participant after the scheduled expiration of the Holding Period (i.e., without taking into account the possibility of Early Separation, death or Disability) or (iii) in any month in the calendar year following the Participant's End of Service Date, but in no event may the date elected under clause (i), (ii) or (iii) result in the payment (in the case of a single payment) or commencement of payments (in the case of installment payments) later than the month following the Participant's 72nd birthday. The amount of each annual installment payment, if applicable, shall be determined by multiplying the Account Balance(s) as of the last day of the month immediately preceding the month in which the payment is to be made by a fraction, the numerator of which is one and the denominator of which is the number of remaining installment payments (including the installment payment to be made) and rounding the result to the nearest whole Deferred Unit, Deferred Stock Unit or cent, as the case may be.

(b) Modified Installment Payments. In lieu of one of the regular payment elections provided for in Section 2.5(a), a Participant may elect to receive his or her Deferred Unit Account Balance or Mutual Fund Index Account Balance in at least 11 but no more than 15 annual

installment payments ("modified installment payments"), such modified installment payments to commence on the last business day in March in the year following the Participant's End of Service Date (the "Initial Payment Date"). The modified installment payments shall be computed in accordance with the last sentence of Section 2.5(a) and will in all other respects be treated like regular installment payments under the Plan. By electing modified installment payments, the Participant agrees that at any time prior to the last day of February immediately preceding a Participant's Initial Payment Date (the "Determination Date"), ML & Co. shall have the right, without the consent of Participant or any beneficiary, to change the Participant's method of payment to 11 annuitized payments ("annuitized payments"), in the event that the Administrator, in his or her sole discretion, determines that such a change is necessary or appropriate in order to preserve the intended state tax benefits of the modified installment payments to the Participant or any beneficiary. In the event that the Administrator determines that annuitized payments shall be made, the amount of the annuitized payments will be determined by applying the

Discount Rate, as defined below, to the value of the Deferred Unit Account Balance (determined as provided in Section 2.5(c)) or Mutual Fund Index Account Balance, as applicable, as of the Determination Date to create a stream of 11 equal annual payments. If annuitized payments are to be made, then the Deferred Unit Account Balance or Mutual Fund Index Account Balance, as applicable, shall cease to be adjusted pursuant to Article III as of the Determination Date and the Company's only obligation to the Participant shall be to make the annuitized payments when due. As used herein, Discount Rate shall mean ML & Co.'s then-applicable after-tax cost of borrowing and is defined as (A) x (B), where (A) is equal to 1 minus ML & Co.'s then-effective tax rate, expressed as a decimal, and (B) is equal to the sum of: (i) the annual yield on the then-current 5-year U.S. Treasury Note, and (ii) a spread (which will not be less than 0.10%) indicative of ML & Co.'s borrowing cost for transactions of similar structure and average maturity to the annuity, as determined by ML & Co.

(c) Form of Payment. Deferred Units payable pursuant to this Section 2.5 will be paid in cash. Except as otherwise provided in Section 2.5(b), the amount of any such cash payment shall be determined by multiplying the number of Deferred Units to be paid by the Current Market Value per share of Common Stock for the last day of the month immediately preceding the month in which payment is to be made and rounding the result to the nearest whole cent. Deferred Stock Units payable pursuant to this Section 2.5 will be paid in shares of Common Stock. One share of Common Stock will be delivered for each Deferred Stock Unit to be paid, after rounding any fractional Deferred Stock Unit upwards to the nearest whole share. Amounts deferred as Mutual Fund Index Account Balances will be paid in cash as provided in Section 2.5(a) or (b), whichever is applicable.

(d) Death Prior to Payment. If the Participant dies prior to payment of any or all amounts optionally deferred, then the Account Balance(s) will be paid to the Participant's beneficiary in accordance with the Participant's election of either installment payments, modified installment payments or a single payment, provided, however, that, in the event that a beneficiary of the Participant's Account Balance(s) is the Participant's estate or is otherwise not a natural person, then (i) if the Participant has elected a regular payment election pursuant to Section 2.5(a), the applicable portion of the Account Balance(s) will be paid in a single payment to such beneficiary, and (ii) if the Participant has elected modified installment payments pursuant to Section 2.5(b), the applicable portion of the Account Balance(s) will continue to be paid as modified installment payments or annuitized payments, as the case may be, but only to a single person consisting of the administrator or executor of the Participant's estate or another person lawfully designated by the

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administrator or executor (and in the event no such person is designated within a reasonable time, payment will be made in a lump sum).

(e) Discretion to Alter Payment Date. Notwithstanding the other provisions of this Section 2.5, if the Participant ceases to be a Director for any reason, the Administrator may, in his or her sole discretion, direct that the Account Balance(s), except for any Deferred Unit Account Balance resulting from a grant pursuant to Section 2.1(a) (but not any subsequent optional deferral thereof), be paid at some other time or that it be paid in installments; provided, that no such direction that adversely affects the rights of the Participant or his or her beneficiary under this Plan shall be implemented without the consent of the affected Participant or beneficiary. This direction may be revoked by the Administrator at any time in his or her sole discretion.

(f) Hardship Distributions. ML & Co. may pay to the Participant, on such terms and conditions as the Administrator may establish, such part or all of the Account Balance(s), except for any Deferred Unit Account Balance resulting from a grant pursuant to Section 2.1(a) (but not any subsequent optional deferral thereof), as the Administrator may, in his or her sole discretion based upon substantial evidence submitted by the Participant, determine necessary to alleviate hardship caused by an unanticipated emergency or necessity outside of the Participant's control affecting the Participant's personal or family affairs. Such payment will be made only at the Participant's written request and with the express approval of the Administrator and will be made on the date selected by the Administrator in his or her sole discretion. The balance of the Account(s), if any, will continue to be governed by the terms of this Plan. Hardship shall be deemed to exist only on account of expenses for medical care (described in Code Section 213(d)) of the Participant, the Participant's spouse or the Participant's dependents (described in Code Section 152); payment of unreimbursed tuition and related educational fees for the Participant, the Participant's spouse or the Participant's dependents; the need to prevent the Participant's eviction from, or foreclosure on, the Participant's principal residence; unreimbursed damages resulting from a natural disaster; or such other financial need deemed by the Administrator in his or her sole discretion to be immediate and substantial.

Section 2.6 Beneficiary.

(a) Designation of Beneficiary. The Participant may designate, in a writing delivered to the Administrator or his or her designee before the

Participant's death, a beneficiary to receive payments under the Plan in the event of the Participant's death. The Participant may also designate a contingent beneficiary to receive payments under 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.

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

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(c) Default Beneficiary. In the event a Participant does not designate a beneficiary, or no designated beneficiary survives the Participant, the Participant's beneficiary shall be the Participant's surviving spouse, if the Participant is married at the time of his or her death and not subject to a court-approved agreement or court decree of separation, or otherwise the person or persons designated to receive benefits on account of the Participant's death under the ML & Co. pre-retirement death benefit for Non-Employee Directors, unless the rights to such benefit have been assigned, in which case any amounts payable to the Participant's beneficiary under the Plan will be paid to the Participant's estate.

(d) If the Beneficiary Dies During Payment. If a beneficiary who is receiving or is entitled to receive payments hereunder dies after the Participant but before all the payments have been made, the portion of the Account Balance(s) to which that beneficiary was entitled will be paid as soon as practicable in a single payment to such beneficiary's estate and not to any contingent beneficiary the Participant may have designated; provided, however, that if the beneficiary was receiving modified installment payments or annuitized payments pursuant to Section 2.5(b), the applicable portion of the Account Balance(s) will continue to be paid as modified installment payments or annuitized payments, as the case may be, 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).

Section 2.7 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 Balance(s) specified in a valid court order entered in a domestic relations proceeding involving the Participant's divorce or legal separation; provided that no portion of the Account Balance(s) that may be subject to reduction pursuant to Section 2.3(b) will be so distributed. Any such payment will be made net of any amounts the Company may be required to withhold under applicable federal, state or local law.

Section 2.8 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.

Article III - Adjustment of Account(s)

Section 3.1 Adjustment of Deferred Unit/Stock Unit Accounts.

(a) Dividend Equivalents. Whenever a cash dividend is paid on a share of Common Stock, a Participant's Deferred Unit/Stock Unit Account will be adjusted by adding to the Deferred Unit Account Balance or Deferred Stock Unit Account Balance, as applicable, the number of Deferred Units or Deferred Stock Units determined by multiplying the per share amount of the cash dividend by the Deferred Unit Account Balance or Deferred Stock Unit Account Balance, as applicable, on the record date for the cash dividend, dividing the result by the price per share of Common Stock used for purposes of the reinvestment of such cash dividend in the Merrill Lynch &

Co., Inc. Dividend Reinvestment Program currently administered by Group Employee Services, or if at any time there is no Dividend Reinvestment Program, the Daily Market Price of a share of Common Stock on the date the cash dividend is paid, and rounding the result to the nearest 1/100th of a Deferred Unit or Deferred Stock Unit as the case may be (with .005 being rounded upwards); provided that, if a Participant's Deferred Unit Account Balance or Deferred Stock Unit Account Balance is reduced to zero in accordance with the Plan between the record date and the payment date for such cash dividend, then, in lieu of such adjustment to the Participant's Deferred Unit/Stock Unit Account, the dividend equivalent amount with respect to such record date will be determined by multiplying the per share amount of the cash dividend by the Deferred Unit Account Balance or Deferred Stock Unit Account Balance on the record date for the cash dividend and rounding the result to the nearest whole cent, which amount shall be applied as follows: (i) the amount relating to any Deferred Units or Deferred Stock Units, as the case may be, with respect to which distribution has been made to the Participant under the Plan shall be paid to the Participant in cash, and (ii) the amount relating to the portion, if any, of the Deferred Unit Account Balance that is credited to the Participant's Mutual Fund Index Account in accordance with the Plan shall be credited to such Mutual Fund Index Account, in each case, at the same time as such cash dividend is paid to the holders of the Common Stock.

(b) Changes in Capitalization. Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock (or the Rights or Junior Preferred 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, then appropriate adjustments shall be made, without any action by the Board of Directors, to the Deferred Units and Deferred Stock Units, as shall be necessary to maintain the proportionate interest of the Participants and to preserve, without increasing, the value of their Account Balance(s). 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.

Section 3.2 Adjustment of Mutual Fund Index Accounts; Mutual Fund Index Account Return Options.

(a) Selection of Mutual Fund Index Account Return Options. At the time of his or her optional deferral election pursuant to Section 2.4(a), the Participant must select one or more Mutual Fund Index Account Return Options and the percentage of the Participant's Mutual Fund Index Account to be adjusted to reflect the performance of each Selected Mutual Fund Index Account Return Option. A Participant may, by complying with such procedures as the Administrator may prescribe, including procedures specifying the frequency with respect to which such changes may be effected (but not more than twelve times in any calendar year), change the Selected Mutual Fund Index Account Return Options to be applicable with respect to his or her Mutual Fund Index Account.

(b) Adjustment of Mutual Fund Index Accounts. While a Participant's Mutual Fund Index Account does not represent the Participant's ownership of, or any ownership interest in, any particular assets, the Mutual Fund Index Account shall be adjusted to reflect the investment experience of the Participant's Selected Mutual Fund Index Account Return Options in the same

manner as if investments in accordance with the Participant's elections had actually been made through the ML Benefit Services Platform and ML II Core Recordkeeping System, or any successor system used for keeping records of Participants' Mutual Fund Index Accounts (the "ML II System"). In adjusting Mutual Fund Index Accounts, the timing of receipt of Participant instructions by the ML II System shall control the timing and pricing of the notional investments in the Participant's Selected Mutual Fund Index Account Return Options in accordance with the rules of operation of the ML II System and its requirements for placing corresponding investment orders, as if orders to make corresponding investments were actually to be made, except that in connection with the crediting of deferred amounts to the Participant's Mutual Fund Index Account and distributions from the Mutual Fund Index Account, deferral allocation instructions shall be treated as if received by the ML II System prior to the close of transactions through the ML II System on the relevant day. Each Selected Mutual Fund Index Account Return Option shall be valued using the Net Asset Value of the Selected Mutual Fund Index Account Return Option as of the relevant day, provided, that, in valuing a Selected Mutual Fund Index Account Return Option for which a Net Asset Value is not computed, the value of the security involved for determining Participants' rights under the Plan shall be the price reported for actual transactions in that security through the ML II System on the relevant day, without giving effect to any transaction charges or

costs associated with such transactions, provided, further, that, if there are no such transactions effected through the ML II System on the relevant day, the value of the security shall be:

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

Article IV - Status of Accounts

Section 4.1 No Trust or Fund Created; General Creditor Status.

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

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Section 4.2 Non-Assignability.

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

Section 4.3 Effect on Benefits Under Pension and Welfare Benefit Plans.

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

Article V - Change in Control

Section 5.1 Payment of Account Balance(s) upon Change in Control.

(a) Payment of Account Balance(s). Notwithstanding any other provision of this Plan, in the event that (i) ML & Co. receives a Tender Offer Statement on Schedule 14D-1 under the Securities Exchange Act of 1934 relating to a Tender Offer or (ii) a Change in Control shall occur, the Participant's Account Balance(s), except for any Deferred Unit Account Balance resulting from a grant pursuant to Section 2.1(a) (but not any subsequent optional deferral thereof), will be paid to the Participant in a lump sum promptly after the receipt of such Tender Offer Statement or the occurrence of such Change in Control, and in any event, not later than 30 days thereafter.

(b) Manner of Payment. Payment of Account Balance(s) pursuant to Section 5.1(a) shall be made in the following manner:

(1) With respect to Deferred Units and Deferred Stock Units, payment shall be made in cash and shall be calculated as if any applicable Holding Period had expired. The amount of the cash payment shall be determined by multiplying the number of Deferred Units and Deferred Stock Units in the Participant's Deferred Unit/Stock Unit Account by the Daily Market Price per share of Common Stock on the date of the event specified in Section 5.1(a) (i) or (ii), as the case may be, or, if higher, the highest Daily Market Price per share of Common Stock on any day during the 90-day period ending on such date.

(2) Any Mutual Fund Index Account Balance shall be valued as of the date of the event specified in 5.1(a), and such amount shall be paid in cash.

Article VI - Administration of the Plan

Section 6.1 Powers of the Administrator.

The Administrator has full power and authority to interpret, construe, and administer this Plan. The Administrator's interpretations and construction hereof, and actions hereunder, including any determinations regarding the amount or recipient of any payments, will be binding and conclusive on all persons for all purposes. The Administrator will not be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan

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

Section 6.2 Payments on Behalf of an Incompetent.

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

Section 6.3 Corporate Books and Records Controlling.

The books and records of the Company will be controlling in the event a question arises hereunder concerning Account Balance(s), deferral elections, beneficiary designations, or any other matters.

Article VII - Miscellaneous Provisions

Section 7.1 Litigation.

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

Section 7.2 Headings Are Not Controlling.

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

Section 7.3 Governing Law.

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

Section 7.4 Amendment and Termination.

The Board of Directors, or, if permitted pursuant to Rule 16b-3 under the Exchange Act, the Executive Committee may amend or terminate this Plan at any time, provided that no amendment or termination may be made that would adversely affect the right of a Participant to his or her Account Balance(s) as of the date of such amendment or termination.

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Article VIII - Effective Date

The Plan shall be effective as of August 12, 1996.

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MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
 COMPUTATION OF PER COMMON SHARE EARNINGS
 (In Millions, Except Per Share Amounts)

	FOR THE THREE MONTHS ENDED	
	MARCH 27, 1998	MARCH 28, 1997
	-----	-----
EARNINGS		
Net earnings	\$ 518	\$ 466
Preferred stock dividends	(9)	(11)
	-----	-----
Net earnings applicable to common stockholders	\$ 509	\$ 455
	=====	=====
 WEIGHTED-AVERAGE SHARES OUTSTANDING	 340.6	 331.2
	-----	-----
EFFECT OF DILUTIVE INSTRUMENTS		
Employee stock options	28.9	30.8
FCCAAP shares	16.8	22.2
Restricted units	4.5	5.3
ESPP shares	0.1	0.1
	-----	-----
DILUTIVE POTENTIAL COMMON SHARES	50.3	58.4
	-----	-----
 TOTAL WEIGHTED-AVERAGE DILUTED SHARES	 390.9	 389.6
	=====	=====
 BASIC EARNINGS PER SHARE	 \$ 1.49	 \$ 1.37
	=====	=====
 DILUTED EARNINGS PER SHARE	 \$ 1.30	 \$ 1.17
	=====	=====

Note: Share and per share amounts for the 1997 first quarter have been restated for the two-for-one common stock split, effected in the form of a 100% stock dividend, paid on May 30, 1997.

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)

	THREE MONTHS ENDED	
	MARCH 27, 1998	MARCH 28, 1997
	-----	-----
Pretax earnings from continuing operations	\$ 874	\$ 766
Add: Fixed charge	4,642	3,672
	-----	-----
Pretax earnings before fixed charges	\$5,516	\$4,438
	=====	=====
Fixed charges:		
Interest	\$4,559	\$3,608
Other(A)	83	64
	-----	-----
Total fixed charges	4,642	3,672
Preferred stock dividend requirements	16	17
	-----	-----
Total combined fixed charges and preferred stock dividends	\$4,658	\$3,689
	=====	=====
Ratio of earnings to fixed charges	1.19	1.21
Ratio of earnings to combined fixed charges and preferred stock dividends	1.18	1.20

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

May 8, 1998

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

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim consolidated financial information of Merrill Lynch & Co., Inc. and subsidiaries as of March 27, 1998 and for the three-month period ended March 27, 1998 and March 28, 1997 as indicated in our report dated May 8, 1998; 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 March 27, 1998, 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. 333-09779 (1997 Deferred Compensation Plan for a Select Group of Eligible Employees)

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

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

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 & Producers)

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)

Filed on Form S-3:

Debt Securities

Registration Statement No. 33-54218

Registration Statement No. 2-78338
Registration Statement No. 2-89519
Registration Statement No. 2-83477
Registration Statement No. 33-03602
Registration Statement No. 33-17965
Registration Statement No. 33-27512
Registration Statement No. 33-35456

Registration Statement No. 33-42041
Registration Statement No. 33-45327
Registration Statement No. 33-49947
Registration Statement No. 33-51489
Registration Statement No. 33-52647
Registration Statement No. 33-60413
Registration Statement No. 33-61559
Registration Statement No. 33-65135
Registration Statement No. 333-13649
Registration Statement No. 333-25255
Registration Statement No. 333-28537
Registration Statement No. 333-44173

Medium Term Notes

Registration Statement No. 2-96315
Registration Statement No. 33-03079
Registration Statement No. 33-05125
Registration Statement No. 33-09910
Registration Statement No. 33-16165
Registration Statement No. 33-19820
Registration Statement No. 33-23605
Registration Statement No. 33-27594
Registration Statement No. 33-38879

Other Securities

Registration Statement No. 33-33335 (Common Stock)
Registration Statement No. 33-45777 (Common Stock)
Registration Statement No. 33-55363 (Preferred Stock)
Registration Statement No. 333-02275 (Long Term Incentive Compensation Plan)
Registration Statement No. 333-16603 (TOPrS)
Registration Statement No. 333-20137 (TOPrS)
Registration Statement No. 333-24889 (LTIC and LTICPMP)
Registration Statement No. 333-36651 (Hotchkis and Wiley Resale)
Registration Statement No. 333-42859 (TOPrS)

the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP
New York, New York

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Includes \$12,490 of securities received as collateral, net of securities pledged as collateral, and \$16,452 of securities pledged as collateral, recorded pursuant to the provisions of Statement of Financial Accounting Standards No. 127 ("SFAS No. 127").

<F2>
Includes \$28,942 in obligation to return securities received as collateral, recorded pursuant to the provisions of SFAS No. 127.

<F3>
Includes \$1,377 in Preferred Securities issued by Subsidiaries.
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Includes \$627 in Preferred Securities issued by Subsidiaries.

<F2>

The quarterly earnings per share calculations for 1997 have been restated for the adoption of Statement of Financial Accounting Standards No. 128, "Earnings Per Share", as follows:

	1Q97	2Q97	3Q97	4Q97
	----	----	----	----
Basic	1.37	1.43	1.46	1.37
Diluted	1.17	1.25	1.25	1.17

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Includes \$327 in Preferred Securities Issued by Subsidiaries, which is classified between Total Liabilities and Stockholders' Equity.

<F2>

Amount has been restated for the adoption of Statement of Financial Accounting Standards No. 128, "Earnings Per Share." In addition, 1996 quarterly earnings per share information has been restated as follows:

	1Q96	2Q96	3Q96	4Q96
	----	----	----	----
Basic	1.15	1.24	.95	1.32
Diluted	1.01	1.10	.84	1.14

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Financial Instruments Owned includes commodity contracts but excludes physical commodities and real estate owned totalling \$140.

<F2>

Amount has been restated for the adoption of Statement of Financial Accounting Standards No. 128, "Earnings Per Share." In addition, 1995 quarterly earnings per share information has been restated as follows:

	1Q95	2Q95	3Q95	4Q95
	----	----	----	----
Basic	.60	.77	.82	.83
Diluted	.53	.70	.73	.75

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