

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 25, 1999

Commission File Number 1-7182

MERRILL LYNCH & CO., INC.

(Exact name of registrant as specified in its charter)

Delaware 13-2740599

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

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

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

YES X NO
--- ---

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

365,544,263 shares of Common Stock and 4,009,539 Exchangeable Shares as of the close of business on July 30, 1999. The Exchangeable Shares, which were issued by Merrill Lynch & Co., Canada Ltd. in connection with the merger with Midland Walwyn Inc., are exchangeable at any time into Common Stock on a one-for-one basis and entitle holders to dividend, voting, and other rights equivalent to Common Stock.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

<TABLE>
<CAPTION>

| | FOR THE THREE MONTHS ENDED | | PERCENT |
|--|----------------------------|----------------------|---------|
| | JUNE 25, 1999 | JUNE 26, (1) 1998 | |
| (2) (dollars in millions, except per share amounts) (DEC.) | | | INC. |
| | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> |
| NET REVENUES | | | |
| Commissions | \$1,592 | \$1,463 | 8.8% |
| Principal transactions | 1,064 | 989 | 7.6 |
| Investment banking | 908 | 898 | 1.1 |
| Asset management and portfolio service fees | 1,159 | 1,084 | 6.8 |
| Other | 175 | 137 | 28.1 |
| | ----- | ----- | |
| Subtotal | 4,898 | 4,571 | 7.2 |

| | | | |
|--|---------|---------|--------|
| Interest and dividends | 3,732 | 4,751 | (21.4) |
| Interest expense | 3,190 | 4,467 | (28.6) |
| Net interest profit | 542 | 284 | 90.9 |
| TOTAL NET REVENUES | 5,440 | 4,855 | 12.0 |
| NON-INTEREST EXPENSES | | | |
| Compensation and benefits | 2,729 | 2,473 | 10.4 |
| Communications and technology | 536 | 431 | 24.3 |
| Occupancy and related depreciation | 232 | 217 | 7.0 |
| Advertising and market development | 201 | 200 | 0.5 |
| Brokerage, clearing, and exchange fees | 170 | 167 | 2.0 |
| Professional fees | 143 | 143 | 0.5 |
| Goodwill amortization | 56 | 55 | 1.0 |
| Other | 342 | 254 | 34.5 |
| TOTAL NON-INTEREST EXPENSES | 4,409 | 3,940 | 11.9 |
| EARNINGS BEFORE INCOME TAXES AND DIVIDENDS ON PREFERRED SECURITIES ISSUED BY SUBSIDIARIES | | | |
| | 1,031 | 915 | 12.6 |
| Income Tax Expense | 310 | 339 | (8.8) |
| Dividends on Preferred Securities Issued by Subsidiaries | 48 | 27 | 82.0 |
| NET EARNINGS | \$ 673 | \$ 549 | 22.5 |
| NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS | \$ 664 | \$ 540 | 22.9 |
| EARNINGS PER COMMON SHARE | | | |
| Basic | \$ 1.80 | \$ 1.52 | |
| Diluted | \$ 1.57 | \$ 1.31 | |
| DIVIDEND PAID PER COMMON SHARE | | | |
| | \$.27 | \$.24 | |
| AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE | | | |
| Basic | 368.3 | 355.3 | |
| Diluted | 421.3 | 411.4 | |

</TABLE>

- (1) Amounts have been restated from that originally reported in the 1998 second quarter Form 10-Q to reflect the 1998 merger with Midland Walwyn Inc., accounted for as a pooling-of-interests.
- (2) Percentages are based on actual numbers before rounding.

See Notes to Consolidated Financial Statements

2

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

<TABLE>
<CAPTION>

| | FOR THE SIX MONTHS ENDED | | PERCENT INC. (DEC.) |
|--|--------------------------|----------------------|------------------------|
| | JUNE 25, 1999 | JUNE 26, (1) 1998 | |
| (2) (dollars in millions, except per share amounts) | | | |
| -- | | | |
| <S> | <C> | <C> | <C> |
| NET REVENUES | | | |
| Commissions | \$3,159 | \$2,926 | 8.0% |
| Principal transactions | 2,509 | 2,160 | 16.1 |
| Investment banking | 1,540 | 1,729 | (10.9) |
| Asset management and portfolio service fees | 2,268 | 2,114 | 7.3 |
| Other | 308 | 217 | 42.1 |

| | | | |
|--|---------|---------|--------|
| Subtotal | 9,784 | 9,146 | 7.0 |
| Interest and dividends | 7,413 | 9,239 | (19.8) |
| Interest expense | 6,491 | 8,767 | (26.0) |
| Net interest profit | 922 | 472 | 95.3 |
| TOTAL NET REVENUES | 10,706 | 9,618 | 11.3 |
| NON-INTEREST EXPENSES | | | |
| Compensation and benefits | 5,490 | 4,971 | 10.4 |
| Communications and technology | 1,016 | 823 | 23.4 |
| Occupancy and related depreciation | 459 | 418 | 9.7 |
| Advertising and market development | 353 | 377 | (6.3) |
| Brokerage, clearing, and exchange fees | 324 | 323 | 0.5 |
| Professional fees | 261 | 295 | (11.5) |
| Goodwill amortization | 113 | 111 | 1.9 |
| Other | 663 | 517 | 28.3 |
| TOTAL NON-INTEREST EXPENSES | 8,679 | 7,835 | 10.8 |
| EARNINGS BEFORE INCOME TAXES AND DIVIDENDS ON PREFERRED SECURITIES ISSUED BY SUBSIDIARIES | 2,027 | 1,783 | 13.7 |
| Income Tax Expense | 648 | 670 | (3.2) |
| Dividends on Preferred Securities Issued by Subsidiaries | 97 | 50 | 95.2 |
| NET EARNINGS | \$1,282 | \$1,063 | 20.5 |
| NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS | \$1,263 | \$1,044 | 20.9 |
| EARNINGS PER COMMON SHARE | | | |
| Basic | \$ 3.45 | \$ 2.96 | |
| Diluted | \$ 3.02 | \$ 2.57 | |
| DIVIDENDS PAID PER COMMON SHARE | \$ 0.51 | \$ 0.44 | |
| AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE | | | |
| Basic | 366.2 | 352.4 | |
| Diluted | 418.5 | 405.8 | |

</TABLE>

- (1) Amounts have been restated from that originally reported in the 1998 second quarter Form 10-Q to reflect the 1998 merger with Midland Walwyn Inc., accounted for as a pooling-of-interests.
- (2) Percentages are based on actual numbers before rounding.

See Notes to Consolidated Financial Statements

3

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

<TABLE>
<CAPTION>

DECEMBER 25,
(dollars in millions)
1998

JUNE 25,
1999

<S>
<C>

<C>

ASSETS

| | |
|---|-----------|
| CASH AND CASH EQUIVALENTS | \$ 11,787 |
| \$ 12,530 | ----- |
| ----- | |
| CASH AND SECURITIES SEGREGATED FOR REGULATORY PURPOSES OR DEPOSITED WITH CLEARING ORGANIZATIONS | 5,721 |
| 6,590 | ----- |
| ----- | |
| RECEIVABLES UNDER RESALE AGREEMENTS AND SECURITIES BORROWED TRANSACTIONS | 106,516 |
| 87,713 | ----- |
| ----- | |
| MARKETABLE INVESTMENT SECURITIES | 5,710 |
| 4,605 | ----- |
| ----- | |
| TRADING ASSETS, AT FAIR VALUE | |
| Equities and convertible debentures | 27,701 |
| 25,318 | |
| Contractual agreements | 16,420 |
| 21,979 | |
| Corporate debt and preferred stock | 21,113 |
| 21,166 | |
| U.S. Government and agencies | 11,686 |
| 15,421 | |
| Non-U.S. governments and agencies | 8,279 |
| 7,474 | |
| Mortgages, mortgage-backed, and asset-backed | 7,661 |
| 7,023 | |
| Other | 3,407 |
| 3,358 | ----- |
| ----- | |
| | 96,267 |
| 101,739 | |
| Securities received as collateral, net of securities pledged as collateral | 8,851 |
| 6,106 | ----- |
| ----- | |
| Total | 105,118 |
| 107,845 | ----- |
| ----- | |
| SECURITIES PLEDGED AS COLLATERAL | 11,677 |
| 8,184 | ----- |
| ----- | |
| OTHER RECEIVABLES | |
| Customers (net of allowance for doubtful accounts of \$66 in 1999 and \$48 in 1998) | 35,286 |
| 29,559 | |
| Brokers and dealers | 7,372 |
| 8,872 | |
| Interest and other | 10,125 |
| 9,278 | ----- |
| ----- | |
| Total | 52,783 |
| 47,709 | ----- |
| ----- | |
| INVESTMENTS OF INSURANCE SUBSIDIARIES | 4,285 |
| 4,485 | |
| LOANS, NOTES, AND MORTGAGES (net of allowance for loan losses of \$136 in 1999 and \$124 in 1998) | 7,988 |
| 7,687 | |
| OTHER INVESTMENTS | 3,065 |
| 2,590 | |
| EQUIPMENT AND FACILITIES (net of accumulated depreciation and amortization of \$3,742 in 1999 and \$3,482 in 1998) | 2,849 |
| 2,761 | |
| GOODWILL (net of accumulated amortization of \$434 in 1999 and \$338 in 1998) | 4,979 |
| 5,364 | |

| | |
|--------------|-----------|
| OTHER ASSETS | 2,262 |
| 1,741 | ----- |
| ----- | |
| TOTAL ASSETS | \$324,740 |
| \$299,804 | ===== |
| ===== | |

</TABLE>

See Notes to Consolidated Financial Statements

4

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

<TABLE>
<CAPTION>

| | JUNE 25, | |
|--|-----------|-------|
| DECEMBER 25, | 1999 | |
| (dollars in millions, except per share amount) | | |
| 1998 | | |
| ----- | ----- | ----- |
| <S> | <C> | <C> |
| LIABILITIES | | |
| PAYABLES UNDER REPURCHASE AGREEMENTS AND SECURITIES LOANED TRANSACTIONS | \$ 78,587 | \$ |
| 67,127 | ----- | -- |
| ----- | | |
| COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS | 15,627 | |
| 18,679 | ----- | -- |
| ----- | | |
| DEMAND AND TIME DEPOSITS | 15,161 | |
| 13,744 | ----- | -- |
| ----- | | |
| TRADING LIABILITIES, AT FAIR VALUE | | |
| Contractual agreements | 21,216 | |
| 23,840 | | |
| Equities and convertible debentures | 22,128 | |
| 21,558 | | |
| U.S. Government and agencies | 14,808 | |
| 7,939 | | |
| Non-U.S. governments and agencies | 9,455 | |
| 7,245 | | |
| Corporate debt and preferred stock | 4,232 | |
| 2,878 | | |
| Other | 317 | |
| 254 | ----- | -- |
| ----- | | |
| Total | 72,156 | |
| 63,714 | ----- | -- |
| ----- | | |
| OBLIGATION TO RETURN SECURITIES RECEIVED AS COLLATERAL | 20,528 | |
| 14,290 | ----- | -- |
| ----- | | |
| OTHER PAYABLES | | |
| Customers | 19,649 | |
| 20,972 | | |
| Brokers and dealers | 8,015 | |
| 7,899 | | |
| Interest and other | 20,702 | |
| 18,738 | ----- | -- |
| ----- | | |
| Total | 48,366 | |
| 47,609 | ----- | -- |
| ----- | | |

| | | |
|---|-----------|----|
| LIABILITIES OF INSURANCE SUBSIDIARIES 4,319 | 4,188 | |
| LONG-TERM BORROWINGS 57,563 | 56,054 | |
| ----- | ----- | -- |
| TOTAL LIABILITIES 287,045 | 310,667 | |
| ----- | ----- | -- |
| PREFERRED SECURITIES ISSUED BY SUBSIDIARIES 2,627 | 2,627 | |
| ----- | ----- | -- |
| STOCKHOLDERS' EQUITY | | |
| PREFERRED STOCKHOLDERS' EQUITY 425 | 425 | |
| ----- | ----- | -- |
| COMMON STOCKHOLDERS' EQUITY | | |
| Shares exchangeable into common stock 66 | 59 | |
| Common stock, par value \$1.33 1/3 per share; authorized: 1,000,000,000 shares; issued: 1999 - 472,661,774; 1998 - 472,660,324 | 630 | |
| 630 | | |
| Paid-in capital | 1,707 | |
| 1,427 | | |
| Accumulated other comprehensive loss (net of tax) (122) | (319) | |
| Retained earnings | 11,550 | |
| 10,475 | | |
| ----- | ----- | -- |
| 12,476 | 13,627 | |
| Less: Treasury stock, at cost: 1999 - 108,478,905 shares; 1998 - 116,376,259 shares | 1,894 | |
| 2,101 | | |
| Employee stock transactions | 712 | |
| 668 | | |
| ----- | ----- | -- |
| TOTAL COMMON STOCKHOLDERS' EQUITY 9,707 | 11,021 | |
| ----- | ----- | -- |
| TOTAL STOCKHOLDERS' EQUITY 10,132 | 11,446 | |
| ----- | ----- | -- |
| TOTAL LIABILITIES, PREFERRED SECURITIES ISSUED BY SUBSIDIARIES, AND STOCKHOLDERS' EQUITY \$299,804 | \$324,740 | |
| ===== | ===== | |

</TABLE>

See Notes to Consolidated Financial Statements

5

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

<TABLE>
<CAPTION>

| | |
|-----------------------|--------------------|
| ENDED | FOR THE SIX MONTHS |
| ----- | ----- |
| (dollars in millions) | JUNE 25, |
| JUNE 26, | 1999 |
| 1998 | ----- |
| ----- | -- |
| <S> | <C> |
| | <C> |

| | | |
|--|----------|----|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | \$ 1,282 | \$ |
| 1,063 | | |
| Noncash items included in earnings: | | |
| Depreciation and amortization | 336 | |
| 274 | | |
| Policyholder reserves | 104 | |
| 115 | | |
| Goodwill amortization | 113 | |
| 111 | | |
| Other | 309 | |
| 303 | | |
| (Increase) decrease in operating assets(a): | | |
| Trading assets | 4,727 | |
| (17,625) | | |
| Cash and securities segregated for regulatory purposes or deposited with clearing organizations | | |
| | 869 | |
| (971) | | |
| Receivables under resale agreements and securities borrowed transactions | | |
| | (18,803) | |
| (15,144) | | |
| Customer receivables | | |
| | (5,729) | |
| (4,461) | | |
| Brokers and dealers receivables | | |
| | 1,500 | |
| (2,224) | | |
| Other | | |
| | (1,397) | |
| (1,263) | | |
| Increase (decrease) in operating liabilities(a): | | |
| Trading liabilities | 8,442 | |
| 3,394 | | |
| Payables under repurchase agreements and securities loaned transactions | | |
| | 11,460 | |
| 22,108 | | |
| Customer payables | | |
| | (1,323) | |
| 2,832 | | |
| Brokers and dealers payables | | |
| | 116 | |
| 1,702 | | |
| Other | | |
| | 2,019 | |
| 3,379 | | |
| ----- | ----- | -- |
| CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | |
| | 4,025 | |
| (6,407) | | |
| ----- | ----- | -- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from (payments for): | | |
| Maturities of available-for-sale securities | | |
| | 2,666 | |
| 1,952 | | |
| Sales of available-for-sale securities | | |
| | 1,808 | |
| 1,346 | | |
| Purchases of available-for-sale securities | | |
| | (4,804) | |
| (3,916) | | |
| Maturities of held-to-maturity securities | | |
| | 329 | |
| 360 | | |
| Purchases of held-to-maturity securities | | |
| | (346) | |
| (446) | | |
| Loans, notes, and mortgages | | |
| | (317) | |
| (3,325) | | |
| Acquisitions, net of cash acquired | | |
| | (20) | |
| (5,220) | | |
| Other investments and other assets | | |
| | (984) | |
| (619) | | |
| Equipment and facilities | | |
| | (425) | |
| (504) | | |
| ----- | ----- | -- |
| CASH USED FOR INVESTING ACTIVITIES | | |
| | (2,093) | |
| (10,372) | | |
| ----- | ----- | -- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from (payments for): | | |
| Commercial paper and other short-term borrowings | | |
| | (3,052) | |
| 4,929 | | |
| Demand and time deposits | | |
| | 1,417 | |
| 1,301 | | |
| Issuance and resale of long-term borrowings | | |
| | 11,395 | |
| 17,174 | | |
| Settlement and repurchase of long-term borrowings | | |
| | (12,194) | |
| (7,771) | | |
| Issuance of subsidiaries' preferred securities | | |
| | - | |
| 1,150 | | |

| | | | |
|--------|---|-----------|----|
| 127 | Issuance of treasury stock | 149 | |
| (125) | Other common stock transactions | (184) | |
| (173) | Dividends | (206) | |
| ----- | | ----- | - |
| 16,612 | CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES | (2,675) | |
| ----- | | ----- | - |
| (167) | DECREASE IN CASH AND CASH EQUIVALENTS | (743) | |
| 12,073 | CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 12,530 | |
| ----- | | ----- | -- |
| 11,906 | CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 11,787 | \$ |
| ===== | | ===== | |
| (a) | Net of effects of acquisitions. | | |
| | SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| | Cash paid for: | | |
| 306 | Income taxes | \$ 33 | \$ |
| 8,429 | Interest | 6,360 | |

</TABLE>

See Notes to Consolidated Financial Statements

6

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 25, 1999
(dollars in millions, except per share amounts)

NOTE 1. BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Merrill Lynch & Co., Inc. ("ML & Co.") and subsidiaries (collectively, "Merrill Lynch"). All material intercompany balances have been eliminated. The December 25, 1998 consolidated balance sheet was derived from the audited financial statements. The interim consolidated financial statements for the three- and six-month periods are unaudited; however, in the opinion of Merrill Lynch management, all adjustments, 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 included as an exhibit to Form 10-K for the year ended December 25, 1998. 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 amounts have been restated to reflect the 1998 merger of Midland Walwyn Inc. with Merrill Lynch, which has been accounted for as a pooling-of-interests. Certain reclassifications have also been made to prior period financial statements, where appropriate, to conform to the current period presentation.

NOTE 2. SHORT-TERM BORROWINGS

Short-term borrowings at June 25, 1999 and December 25, 1998 are presented below:

| | June 25, 1999 | December 25, 1998 |
|--|------------------|----------------------|
| | ----- | ----- |
| PAYABLES UNDER REPURCHASE AGREEMENTS AND SECURITIES LOANED TRANSACTIONS | | |
| Repurchase agreements | \$67,481 | \$59,501 |
| Securities loaned transactions | 11,106 | 7,626 |

| | | |
|---|----------|----------|
| Total | \$78,587 | \$67,127 |
| | ===== | ===== |
| COMMERCIAL PAPER AND OTHER SHORT-TERM BORROWINGS | | |
| Commercial paper | \$13,161 | \$16,758 |
| Bank loans and other | 2,466 | 1,921 |
| | ----- | ----- |
| Total | \$15,627 | \$18,679 |
| | ===== | ===== |
| DEMAND AND TIME DEPOSITS | | |
| Demand | \$ 4,251 | \$ 4,454 |
| Time | 10,910 | 9,290 |
| | ----- | ----- |
| Total | \$15,161 | \$13,744 |
| | ===== | ===== |

NOTE 3. ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 137, "Accounting for Derivative Instruments and Hedging Activities -Deferral of the Effective Date of FASB Statement No. 133". SFAS No. 137 defers the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000. Merrill Lynch is currently evaluating the expected impact of adopting SFAS No. 133, which will be required for the company beginning January 1, 2001.

7

NOTE 4. SEGMENT INFORMATION

In reporting to management, Merrill Lynch's operating results are categorized into two business segments: Wealth Management and Corporate and Institutional Client Group ("CICG"). For more information on these segments, see the 1998 Annual Report included as an exhibit to Form 10-K.

Operating results by business segment follow:

<TABLE>
<CAPTION>

| | WEALTH MANAGEMENT | CICG | CORPORATE ITEMS | TOTAL |
|---|----------------------|-----------|--------------------|-----------|
| | ----- | ----- | ----- | ----- |
| THREE MONTHS ENDED JUNE 25, 1999 | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Net interest revenue(a) | \$ 292 | \$ 313 | \$ (63) (b) | \$ 542 |
| All other revenues | 2,825 | 2,073 | - | 4,898 |
| | ----- | ----- | ----- | ----- |
| Net revenues | 3,117 | 2,386 | (63) | 5,440 |
| Non-interest expenses | 2,617 | 1,736 | 56 (c) | 4,409 |
| | ----- | ----- | ----- | ----- |
| Earnings before income taxes | 500 | 650 | (119) | 1,031 |
| Income tax expense (benefit) | 186 | 188 | (64) | 310 |
| Dividends on preferred securities issued by subsidiaries | - | - | 48 | 48 |
| | ----- | ----- | ----- | ----- |
| Net earnings | \$ 314 | \$ 462 | \$ (103) | \$ 673 |
| | ===== | ===== | ===== | ===== |
| Total assets | \$53,138 | \$266,623 | \$4,979 | \$324,740 |
| | ===== | ===== | ===== | ===== |

<CAPTION>

THREE MONTHS ENDED
JUNE 26, 1998

| | | | | |
|-------------------------|--------|--------|-------------|--------|
| <S> | <C> | <C> | <C> | <C> |
| Net interest revenue(a) | \$ 222 | \$ 139 | \$ (77) (b) | \$ 284 |

| | | | | |
|--|----------|-----------|----------|-----------|
| All other revenues | 2,668 | 1,903 | - | 4,571 |
| | ----- | ----- | ----- | ----- |
| Net revenues | 2,890 | 2,042 | (77) | 4,855 |
| Non-interest expenses | 2,335 | 1,550 | 55 (c) | 3,940 |
| | ----- | ----- | ----- | ----- |
| Earnings before income taxes | 555 | 492 | (132) | 915 |
| Income tax expense (benefit) | 242 | 152 | (55) | 339 |
| Dividends on preferred securities issued by subsidiaries | - | - | 27 | 27 |
| | ----- | ----- | ----- | ----- |
| Net earnings | \$ 313 | \$ 340 | \$ (104) | \$ 549 |
| | ===== | ===== | ===== | ===== |
| Total assets | \$42,774 | \$322,419 | \$5,378 | \$370,571 |
| | ===== | ===== | ===== | ===== |

</TABLE>

(a) Management views interest income net of interest expense in evaluating results.

(b) Represents Mercury financing costs.

(c) Represents goodwill amortization from acquisitions.

8

<TABLE>

<CAPTION>

| | WEALTH MANAGEMENT | CICG | CORPORATE ITEMS | TOTAL |
|--|----------------------|--------|--------------------|----------|
| | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> |
| SIX MONTHS ENDED JUNE 25, 1999 | | | | |
| Net interest revenue (a) | \$ 559 | \$ 492 | \$ (129) (b) | \$ 922 |
| All other revenues | 5,612 | 4,172 | - | 9,784 |
| | ----- | ----- | ----- | ----- |
| Net revenues | 6,171 | 4,664 | (129) | 10,706 |
| Non-interest expenses | 5,168 | 3,398 | 113 (c) | 8,679 |
| | ----- | ----- | ----- | ----- |
| Earnings before income taxes | 1,003 | 1,266 | (242) | 2,027 |
| Income tax expense (benefit) | 376 | 367 | (95) | 648 |
| Dividends on preferred securities issued by subsidiaries | - | - | 97 | 97 |
| | ----- | ----- | ----- | ----- |
| Net earnings | \$ 627 | \$ 899 | \$ (244) | \$ 1,282 |
| | ===== | ===== | ===== | ===== |

SIX MONTHS ENDED

JUNE 26, 1998

| | | | | |
|--|--------|--------|--------------|---------|
| Net interest revenue (a) | \$ 460 | \$ 157 | \$ (145) (b) | \$ 472 |
| All other revenues | 5,232 | 3,914 | - | 9,146 |
| | ----- | ----- | ----- | ----- |
| Net revenues | 5,692 | 4,071 | (145) | 9,618 |
| Non-interest expenses | 4,637 | 3,087 | 111 (c) | 7,835 |
| | ----- | ----- | ----- | ----- |
| Earnings before income taxes | 1,055 | 984 | (256) | 1,783 |
| Income tax expense (benefit) | 438 | 311 | (79) | 670 |
| Dividends on preferred securities issued by subsidiaries | - | - | 50 | 50 |
| | ----- | ----- | ----- | ----- |
| Net earnings | \$ 617 | \$ 673 | \$ (227) | \$1,063 |
| | ===== | ===== | ===== | ===== |

</TABLE>

(a) Management views interest income net of interest expense in evaluating results.

(b) Represents Mercury financing costs.

(c) Represents goodwill amortization from acquisitions.

9

NOTE 5. COMPREHENSIVE INCOME

The components of comprehensive income are as follows:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--|--------------------|------------------|------------------|--------------|
| | JUNE 25, 1999 | JUNE 26, 1998 | JUNE 25, 1999 | JUNE 1998 |
| Net earnings | \$673 | \$549 | \$1,282 | \$1,063 |
| Other comprehensive income (loss), net of tax: | | | | |
| Currency translation adjustment | (42) | (12) | (159) | 5 |
| Net unrealized (losses) gain on investment securities available-for-sale | (5) | 6 | (38) | - |
| Total other comprehensive income (loss), net | (47) | (6) | (197) | 5 |
| Comprehensive income | \$626 | \$543 | \$1,085 | \$1,068 |

NOTE 6. EARNINGS PER COMMON SHARE

Information relating to earnings per common share computations follows:

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|--|--------------------|------------------|------------------|--------------|
| | JUNE 25, 1999 | JUNE 26, 1998 | JUNE 25, 1999 | JUNE 1998 |
| Net earnings | \$673 | \$549 | \$1,282 | \$1,063 |
| Preferred stock dividends | 9 | 9 | 19 | 19 |
| Net earnings applicable to common stockholders | \$664 | \$540 | \$1,263 | \$1,044 |
| (shares in thousands) | | | | |
| Weighted-average shares outstanding | 368,273 | 355,289 | 366,156 | 352,392 |
| Effect of dilutive instruments(1)(2): | | | | |
| Employee stock options | 30,984 | 33,673 | 30,408 | 31,506 |
| FCCAAP shares | 16,640 | 17,066 | 16,594 | 16,948 |
| Restricted units | 5,323 | 5,323 | 5,242 | 4,909 |
| ESPP shares | 47 | 34 | 64 | 62 |
| Dilutive potential common shares | 52,994 | 56,096 | 52,308 | 53,425 |
| Total weighted-average diluted shares | 421,267 | 411,385 | 418,464 | 405,817 |
| Basic earnings per common share | \$1.80 | \$1.52 | \$3.45 | \$2.96 |
| Diluted earnings per common share | 1.57 | 1.31 | 3.02 | 2.57 |

</TABLE>

- (1) At June 25, 1999, there were 3,785 instruments that were considered antidilutive and were not included in the above computations.
- (2) See Note 10 to Consolidated Financial Statements in the 1998 Annual Report included as an exhibit to Form 10-K for a description of these instruments.

10

NOTE 7. DERIVATIVES, COMMITMENTS, AND OTHER CONTINGENCIES

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

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

<TABLE>

<CAPTION>

| (in billions) | INTEREST RATE RISK(1) (2) | CURRENCY RISK(3) | EQUITY PRICE RISK | COMMODITY PRICE RISK |
|-------------------|---------------------------------|---------------------|-------------------------|----------------------------|
| ----- | | | | |
| <S> | <C> | <C> | <C> | <C> |
| ----- | | | | |
| JUNE 25, 1999 | | | | |
| ----- | | | | |
| Swap agreements | \$1,975 | \$193 | \$25 | \$8 |
| Forward contracts | 63 | 182 | - | 2 |
| Futures contracts | 154 | 5 | 13 | 1 |
| Options purchased | 322 | 83 | 67 | 6 |
| Options written | 283 | 89 | 55 | 8 |
| ----- | | | | |
| DECEMBER 25, 1998 | | | | |
| ----- | | | | |
| Swap agreements | \$2,006 | \$170 | \$19 | \$5 |
| Forward contracts | 62 | 229 | - | 6 |
| Futures contracts | 184 | 2 | 10 | 3 |
| Options purchased | 254 | 93 | 71 | 4 |
| Options written | 192 | 96 | 58 | 6 |

-
- (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 at June 25, 1999 and December 25, 1998 used to hedge all other exposures, primarily borrowings, follow:

| (in billions) | JUNE 25, 1999 | DECEMBER 25, 1998 |
|------------------------------|------------------|----------------------|
| ----- | | |
| Interest rate derivatives(1) | \$67 | \$71 |
| Currency derivatives(1) | 21 | 19 |
| Equity derivatives | 5 | 5 |

-
- (1) Includes swap contracts totaling \$2 billion in notional amounts that contain embedded options hedging callable debt at June 25, 1999 and December 25, 1998.

</TABLE>

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 business, Merrill Lynch enters into underwriting commitments and commitments to extend credit. Settlement of these commitments as of June 25, 1999 would not have a material effect on the consolidated financial condition of Merrill Lynch.

There are civil actions, arbitration proceedings, and claims pending against Merrill Lynch as of June 25, 1999, some of which involve claims for substantial amounts. Among these are the matters discussed in the 1998 Annual Report included as an exhibit to Form 10-K. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of Merrill Lynch as set forth in the Consolidated Financial Statements contained herein.

As disclosed in the 1998 Annual Report included as an exhibit to Form 10-K, Merrill Lynch has agreed to pay \$400 and \$17 in settlement of the Orange County action and the related Irvine Ranch Water District action, respectively. At June 25, 1999, Merrill Lynch has remaining liabilities of these amounts plus interest.

NOTE 8. REGULATORY REQUIREMENTS

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), a registered broker-dealer, is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934. Under the alternative method permitted by this rule, the minimum required net capital, as defined, shall not be less than 2% of aggregate debit items arising from customer transactions. At June 25, 1999, MLPF&S's regulatory net capital of \$3,901 was 15% of aggregate debit items, and its regulatory net capital in excess of the minimum required was \$3,376.

Merrill Lynch International ("MLI"), a U.K. registered broker-dealer, is subject to the capital requirements of the Financial Services Authority ("FSA"). Financial resources, as defined, must exceed the total financial resources requirement of the FSA. At June 25, 1999, MLI's financial resources were \$3,483 and exceeded the minimum requirement by \$969.

Merrill Lynch Government Securities Inc. ("MLGSI"), a primary dealer in U.S. Government securities, is subject to the capital adequacy requirements of the Government Securities Act of 1986. This rule requires dealers to maintain liquid capital in excess of market and credit risk, as defined, by 20% (a 1.2-to-1 capital-to-risk standard). At June 25, 1999, MLGSI's liquid capital of \$1,390 was 320% of its total market and credit risk, and liquid capital in excess of the minimum required was \$869.

NOTE 9. COMMON STOCK

In February 1999, ML & Co. issued 1,450 shares of common stock to certain non-U.S. employees in connection with an employee incentive plan grant, thereby increasing issued shares to 472,661,774.

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 June 25, 1999, and the related condensed consolidated statements of earnings for the three- and six-month periods ended June 25, 1999 and June 26, 1998 and the condensed consolidated statements of cash flows for the six-month periods ended June 25, 1999 and June 26, 1998. These financial statements are the responsibility of Merrill Lynch's management. The unaudited interim condensed consolidated financial information for the three- and six-month periods ended June 26, 1998 gives retroactive effect to the 1998 merger of Merrill Lynch and Midland Walwyn Inc., which has been accounted for as a pooling-of-interests, as disclosed in Note 1 to the condensed consolidated financial statements.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with 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 25, 1998, and the related consolidated statements of earnings, changes in stockholders' equity, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated February 22, 1999, we expressed an unqualified opinion and included an explanatory paragraph for the change in accounting method for certain internal-use software development costs to conform with Statement of Position 98-1. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 25, 1998 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
August 6, 1999

13

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

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

The financial services industry continues to be affected by the intensifying competitive environment, as demonstrated by consolidation through mergers and acquisitions, diminishing margins in many mature products and services, as well as significant growth in the market for on-line trading services. The relaxation of banks' barriers to entry into the securities industry and expansion by insurance companies into traditional brokerage products, coupled with the potential repeal of the laws separating commercial and investment banking activities in the future, have increased the number of companies competing for a similar customer base.

In addition to providing historical information, Merrill Lynch may make or publish forward-looking statements about management expectations, strategic objectives, business prospects, anticipated financial performance, and other similar matters. A variety of factors, many of which are beyond its control, affect the operations, performance, business strategy, and results of Merrill Lynch and could cause actual results and experience to differ materially from the expectations expressed in these statements. These factors include, but are not limited to, the factors listed in the previous paragraphs, as well as:

- o actions and initiatives taken by both current and potential competitors,
- o the impact of current and future legislation and regulation throughout the world, and
- o the other risks and uncertainties detailed in the following sections.

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

BUSINESS ENVIRONMENT

Global financial markets were generally strong during the 1999 first quarter, aided by tightening credit spreads, improved liquidity in debt markets, and record highs on many equity indices. This trend continued through April and into early May in the U.S., when inflationary fears and an anticipated rise in U.S.

interest rates led to market volatility, widening credit spreads, and an industrywide slowdown in trading activity. More favorable market conditions returned by late June as investors adjusted to the expected increase in U.S. interest rates. Market indices for many Asian emerging markets, including those in Indonesia, South Korea, and Thailand, rose during the 1999 second quarter and posted their strongest gains in recent months. In Japan, strong economic results contributed to the advance in Japanese equity indices. Latin American market indices were up modestly during the quarter. In Europe, an economic slowdown contributed to the weakening euro.

14

U.S. bond prices declined during the 1999 second quarter, as the likelihood of higher interest rates led the yield on the 30 year U.S. Treasury bond to move past 6%, a level not reached since the 1997 fourth quarter. Long-term U.S. interest rates were also higher compared with the corresponding 1998 quarter, when low inflation and low unemployment contributed to a decrease in rates. In Europe, the sharp decline in industrial production and exports led the European Central Bank to reduce interest rates by fifty basis points during the quarter. European rates were lower in the 1999 second quarter compared with the year-ago period. Credit spreads, which represent the risk premium over the risk-free rate paid by an issuer based on the issuer's perceived creditworthiness, widened modestly in the 1999 second quarter compared with the 1999 first quarter, particularly in late May and early June.

U.S. equity indices rose to record levels during the 1999 second quarter, due in part to investor demand for cyclical stocks. The Dow Jones Industrial Average rose 12.1% in the quarter and 22.6% from the end of the 1998 second quarter, but, due to uncertainty about U.S. interest rates, failed to close above its record set in early May. The broader market was also impacted by the uncertainty regarding the direction of interest rates, with both the S&P 500 and the Nasdaq experiencing significant volatility during the quarter. Despite this volatility, the Nasdaq and S&P 500 ended the quarter up 9.1% and 6.7%, respectively, from the end of the 1999 first quarter and up 41.8% and 21.1%, respectively, from the end of the corresponding 1998 period.

Global equity markets rose 5.5% during the 1999 second quarter and 14.4% from the end of the 1998 second quarter, as measured by the Dow Jones World Index. Declining interest rates, strengthening of Asian currencies against the U.S. dollar, and increased liquidity led to strong performances in most Asian markets, including South Korea, Singapore, and Hong Kong. European equity indices generally posted modest gains during the 1999 second quarter; however, deteriorating economic conditions led to further weakening of the euro. Latin American indices posted favorable results during the 1999 second quarter, with the strongest gains recorded in Mexico.

Global underwriting volume declined industrywide in the 1999 second quarter to \$553 billion, with stock and bond offerings down 9% from the 1999 first quarter and 11% from 1998 second quarter levels, according to Securities Data Co. Bond issuances were especially hurt in the quarter as investor concern over the outlook of U.S. interest rates led to fewer offerings, particularly in high-yield securities. Underwriting volume declined modestly in the 1999 first half, down 3% from the corresponding 1998 period.

Strategic services activities remained strong during the 1999 second quarter and first half, as merger and acquisition activity was at near record volumes, surpassed only by 1998 second quarter and first-half levels. Contributing to 1999 first half results was an increase in non-U.S. strategic services activity, which advanced 39% from 1998 first-half levels to \$631 billion. Combinations in telecommunications, broadcasting, and commercial banking accounted for a majority of merger and acquisition activity during the 1999 six months.

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 effects of market downturns by exploring selective expansion of its global presence, developing and maintaining long-term client relationships, monitoring costs and risks, and continuing to diversify revenue sources.

STRATEGIC BUSINESS INITIATIVES

Merrill Lynch continued its commitment to client service with the announcement in June of a new model for personal financial services in the Digital Age. This new model will provide investors with choice, flexibility, and a broad range of products, services, and delivery channels to meet their financial needs, ranging from discretionary advisory services to the customary personalized services of a Merrill Lynch Financial Consultant to self-directed investing via the Internet.

15

Components of the new choices include the following:

- o Unlimited Advantage (Service Mark), a nondiscretionary financial service, launched as scheduled in July 1999, with asset-based pricing, subject to a minimum annual charge of \$1,500. Percentage rates decline as assets increase. Unlimited Advantage offers eligible clients comprehensive services, including virtually unlimited trading in most securities, unlimited enrolled accounts, traditional Financial Consultant relationships, a delayed debit card with a travel rewards program, a financial plan, on-line capabilities, and access to Merrill Lynch research.
- o A new Internet account, which will be introduced in December 1999, for clients preferring a self-directed approach to investing. This on-line service will address investment and cash management needs. In addition to on-line equity trading at \$29.95 per trade, clients will be able to purchase mutual funds, receive cash management services and Merrill Lynch research, and will have access to fixed-income and other products on-line. The successful initiation of this program is dependent in part upon the timely completion of the development of a system that meets technological demands. While Merrill Lynch's anticipated schedule is based on reasonable current expectation, there can be no assurance that its systems will be fully operational by such time.

While Merrill Lynch anticipates that these initiatives will allow it to provide new and existing clients with more product and service options and will enhance the role of its Financial Consultants, Merrill Lynch cannot predict with certainty the degree of acceptance by clients or Financial Consultants.

In addition, during the 1999 second quarter Merrill Lynch established the Direct Markets unit of its Corporate and Institutional Client Group as an electronic commerce initiative to develop and provide integrated, electronically-delivered products and services to our corporate and institutional clients worldwide, including research, analytics, investment advice, underwriting and trading.

Higher costs pertaining primarily to technology and marketing for these initiatives are expected during the 1999 third and fourth quarters. Based on information currently available, we cannot predict with certainty the impact that these initiatives will have on revenues or earnings in future periods.

These measures are expected to enhance the services offered to clients, further Merrill Lynch's business strategy, and allow the company to aggressively compete in a rapidly changing business environment.

<TABLE>
<CAPTION>

RESULTS OF OPERATIONS

| (DECREASE) | FOR THE THREE MONTHS ENDED | | | INCREASE | |
|--|----------------------------|-------------------|------------------|-------------------------------|------|
| | JUNE 25, 1999 | MARCH 26, 1999 | JUNE 26, 1998 | 2Q99 VERSUS 1Q99 2Q98 | |
| (dollars in millions, except per share amounts) | | | | | |
| | | | | | |
| Total Revenues | \$8,630 | \$8,567 | \$9,322 | 1% | (7)% |
| Net revenues | 5,440 | 5,266 | 4,855 | 3 | 12 |
| Pre-tax earnings | 1,031 | 996 | 915 | 3 | 13 |
| Net earnings | 673 | 609 | 549 | 11 | 22 |
| Net earnings applicable to common stockholders | 664 | 599 | 540 | 11 | 23 |
| Earnings per common share | | | | | |
| Basic | 1.80 | 1.65 | 1.52 | 9 | 18 |
| Diluted | 1.57 | 1.44 | 1.31 | 9 | 20 |
| Annualized return on average common stockholders' equity | 25.4% | 24.6% | 23.6% | | |
| Effective tax rate | 30.0 | 34.0 | 37.1 | | |

</TABLE>

The following discussion compares the second quarters of 1999 and 1998 and, where appropriate, contrasts the 1999 second and first quarters.

Merrill Lynch's net earnings were a record \$673 million, up 22% and 11%, respectively, from the \$549 million and \$609 million reported in the 1998 second quarter and 1999 first quarter. Record revenues were achieved in commissions, investment banking, asset management and portfolio service fees, and net interest.

Net revenues were a record, up 12% and 3% from the 1998 second quarter and 1999 first quarter, respectively, to \$5.4 billion in the 1999 second quarter. Non-U.S. net revenues were 33% of total net revenues in the 1999 second quarter, versus 28% in the 1998 second quarter and 36% in the 1999 first quarter.

For the 1999 first half, net earnings reached a record \$1.3 billion, up 21% from the previous record of \$1.1 billion in the 1998 first half. Year-to-date earnings per common share were \$3.45 basic and \$3.02 diluted, compared with \$2.96 basic and \$2.57 diluted in the corresponding 1998 period. Annualized return on average common stockholders' equity was 25.0% for the 1999 six months versus 23.8% in the 1998 six months.

Earnings on a cash basis, which excludes goodwill amortization, were \$729 million during the 1999 second quarter, up 21% from \$604 million in the corresponding 1998 period. On the same basis, earnings for the 1999 first six months were \$1.4 billion, up 19% from \$1.2 billion for the 1998 first six months.

Commissions revenues are summarized as follows:

<TABLE>
<CAPTION>

| (in millions) (DEC.) | THREE MONTHS ENDED | | | SIX MONTHS ENDED | | |
|------------------------------------|--------------------|------------------|------------------|------------------|------------------|-----------|
| | JUNE 25, 1999 | JUNE 26, 1998 | % INC. (DEC.) | JUNE 25, 1999 | JUNE 26, 1998 | % INC. |
| Listed and over-the-counter 15% | \$ 914 | \$ 763 | 20% | \$1,796 | \$1,568 | |
| Mutual funds (4) | 469 | 518 | (9) | 952 | 997 | |
| Other 14 | 209 | 182 | 15 | 411 | 361 | |
| Total 8 | \$1,592 | \$1,463 | 9 | \$3,159 | \$2,926 | |

</TABLE>

Commissions revenues reached record levels due to higher fees from global listed and over-the-counter securities transactions, partially offset by lower mutual fund revenues. Listed securities revenues benefited from increased trading volumes on most European and U.S. stock exchanges. Higher transaction volume from Nasdaq retail equities led to an increase in over-the-counter securities fees, while lower mutual fund sales contributed to a decline in mutual fund commissions.

17

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

<TABLE>
<CAPTION>

| ENDED | THREE MONTHS ENDED | | SIX MONTHS |
|---|--------------------|------------------|------------------|
| | JUNE 25, 1999 | JUNE 26, 1998 | JUNE 25, 1999 |
| INTEREST AND DIVIDEND REVENUES | | | |
| Resale agreements and securities borrowed transactions | \$1,421 | \$2,046 | \$2,788 |
| Trading assets | 790 | 1,247 | 1,741 |
| Margin lending | 685 | 726 | 1,368 |
| Dividends | 235 | 167 | 315 |

| | | | |
|---|--------|--------|--------|
| Other | 601 | 565 | 1,201 |
| 1,086 | | | |
| ----- | ----- | ----- | ----- |
| Total | 3,732 | 4,751 | 7,413 |
| 9,239 | | | |
| ===== | ===== | ===== | ===== |
| ===== | | | |
| INTEREST EXPENSE | | | |
| Repurchase agreements and securities loaned transactions | 1,258 | 1,859 | 2,494 |
| 3,604 | | | |
| Borrowings | 1,104 | 1,431 | 2,215 |
| 2,792 | | | |
| Trading liabilities | 424 | 719 | 951 |
| 1,488 | | | |
| Other | 404 | 458 | 831 |
| 883 | | | |
| ----- | ----- | ----- | ----- |
| Total | 3,190 | 4,467 | 6,491 |
| 8,767 | | | |
| ===== | ===== | ===== | ===== |
| ===== | | | |
| NET INTEREST AND DIVIDEND PROFIT | \$ 542 | \$ 284 | \$ 922 |
| \$ 472 | | | |
| ===== | ===== | ===== | ===== |
| ===== | | | |

</TABLE>

Interest and dividend revenues and expenses are a function of the level and mix of interest-earning assets and interest-bearing liabilities and the prevailing level, term structure, and volatility of interest rates. Net interest and dividend profit nearly doubled from the 1998 second quarter, primarily due to higher dividend revenues as well as a reduction in funding costs.

Merrill Lynch hedges certain of its long- and short-term borrowings, primarily with interest rate and currency swaps, to better match the interest rate and currency characteristics of the borrowings to the assets funded by borrowing proceeds. The effect of this hedging activity, which is included in "Borrowings" in the previous table, decreased interest expense by \$87 million and \$8 million for the 1999 and 1998 second quarters, respectively, and by \$165 million and \$22 million for the 1999 and 1998 six-months, respectively.

18

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

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

<TABLE>
<CAPTION>

| TRADING REVENUES | PRINCIPAL TRANSACTIONS REVENUES | | NET INTEREST REVENUES | | NET |
|-----------------------|---------------------------------------|-------|-----------------------------|-------|-------|
| | 1999 | 1998 | 1999 | 1998 | 1999 |
| ----- | ----- | ----- | ----- | ----- | ----- |
| 1998 (in millions) | | | | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| <S> | <C> | <C> | <C> | <C> | <C> |
| <C> | | | | | |

SECOND QUARTER

| ----- | | | | | | |
|---------------------------------|---------|--------|-------|-------|---------|----|
| Equities and equity derivatives | \$ 419 | \$ 448 | \$184 | \$ 46 | \$ 603 | \$ |
| 494 | | | | | | |
| Debt | 520 | 401 | 15 | 13 | 535 | |
| 414 | | | | | | |
| Mortgages and municipals | 71 | 77 | 75 | 62 | 146 | |
| 139 | | | | | | |
| Foreign exchange | 54 | 63 | 1 | (1) | 55 | |
| 62 | | | | | | |
| | ----- | ----- | ---- | ---- | ----- | |
| Total | \$1,064 | \$ 989 | \$275 | \$120 | \$1,339 | |
| \$1,109 | | | | | | |
| | ===== | ===== | ===== | ===== | ===== | |
| | ===== | | | | | |

FIRST HALF

| ----- | | | | | | |
|---------------------------------|---------|---------|-------|-------|---------|----|
| Equities and equity derivatives | \$1,089 | \$ 921 | \$195 | \$ 56 | \$1,284 | \$ |
| 977 | | | | | | |
| Debt | 1,107 | 975 | 96 | (32) | 1,203 | |
| 943 | | | | | | |
| Mortgages and municipals | 205 | 155 | 150 | 121 | 355 | |
| 276 | | | | | | |
| Foreign exchange | 108 | 109 | 1 | (1) | 109 | |
| 108 | | | | | | |
| | ----- | ----- | ---- | ---- | ----- | |
| Total | \$2,509 | \$2,160 | \$442 | \$144 | \$2,951 | |
| \$2,304 | | | | | | |
| | ===== | ===== | ===== | ===== | ===== | |
| | ===== | | | | | |

</TABLE>

Net trading revenues increased 21% from the 1998 second quarter to \$1.3 billion in the 1999 second quarter. Higher revenues from equities and equity derivatives, debt products, and mortgages and municipals, were partially offset by a decline in foreign exchange revenues.

Equities and equity derivatives trading revenues were \$603 million, up 22% from the 1998 second quarter. Higher dividend revenues on European positions and increased fees from U.S. equities, particularly in the technology sector, were partially offset by lower revenues from both global equity derivatives and non-U.S. equities.

Debt revenues were \$535 million in the 1999 second quarter, up 29% from the year-ago period, primarily due to higher revenues from non-U.S. debt products. Improved market conditions compared with the 1998 second quarter contributed to an increase in revenues from debt instruments primarily in Asia during the quarter. Latin American debt revenues improved due in part to losses on certain positions in the corresponding 1998 period. Japanese credit trading also rose because of more favorable market conditions.

Mortgages and municipals revenues increased 5% to \$146 million in the 1999 second quarter. Foreign exchange revenues were down 11% to \$55 million in the 1999 second quarter due in part to lower demand for various currencies, primarily the Japanese yen.

19

Investment banking revenues were \$908 million in the 1999 second quarter, up 1% from the 1998 second quarter and 44% from the 1999 first quarter. A summary of Merrill Lynch's investment banking revenues follows:

| ----- | | | | | | |
|--------------------|--------------------|----------|-------------|------------------|----------|---|
| % | THREE MONTHS ENDED | | | SIX MONTHS ENDED | | % |
| | JUNE 25, | JUNE 26, | % | JUNE 25, | JUNE 26, | |
| | 1999 | 1998 | | 1999 | 1998 | |
| (in millions) | | | INC. (DEC.) | | | |
| INC. (DEC.) | | | | | | |
| | ----- | ----- | | ----- | ----- | |
| <S> | <C> | <C> | <C> | <C> | <C> | |
| <C> | | | | | | |
| Underwriting | \$594 | \$648 | (8)% | \$1,021 | \$1,264 | |
| (19)% | | | | | | |
| Strategic services | 314 | 250 | 25 | 519 | 465 | |
| 12 | | | | | | |
| | ---- | ---- | | ----- | ----- | |

| | | | | | |
|---------------|-------|-------|---|---------|---------|
| Total (11) | \$908 | \$898 | 1 | \$1,540 | \$1,729 |
| | ===== | ===== | | ===== | ===== |

</TABLE>

Underwriting revenues declined from the 1998 second quarter as decreases in revenues from most debt categories more than offset a substantial increase in equity underwriting fees. Merrill Lynch remained the leading underwriter of total debt issuances and total debt and equity offerings during the 1999 second quarter. Merrill Lynch's underwriting market share information based on transaction value follows:

<TABLE>
<CAPTION>

| | THREE MONTHS ENDED | | | |
|-----------------|--------------------|------|-----------------|------|
| | JUNE 25, 1999 | | JUNE 26, 1998 | |
| | MARKET SHARE | RANK | MARKET SHARE | RANK |
| <S> | <C> | <C> | <C> | <C> |
| U.S. PROCEEDS | | | | |
| Debt | 14.2% | 1 | 16.9% | 1 |
| Equity | 10.7 | 3 | 15.0 | 2 |
| Debt and Equity | 13.9 | 1 | 16.9 | 1 |
| GLOBAL PROCEEDS | | | | |
| Debt | 11.5 | 1 | 14.7 | 1 |
| Equity | 11.3 | 3 | 12.4 | 2 |
| Debt and Equity | 11.6 | 1 | 14.7 | 1 |

</TABLE>

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

Strategic services fees increased 25% from the 1998 second quarter and over 50% from the 1999 first quarter, benefiting from higher levels of merger and acquisition activity. Deal flow remained strong, as evidenced by Merrill Lynch's 30.6% 1999 second quarter market share in global announced transactions. Merrill Lynch's merger and acquisition market share information for the 1999 and 1998 second quarters based on transaction value follows:

<TABLE>
<CAPTION>

| | THREE MONTHS ENDED | | | |
|------------------------|--------------------|------|-----------------|------|
| | JUNE 25, 1999 | | JUNE 26, 1998 | |
| | MARKET SHARE | RANK | MARKET SHARE | RANK |
| <S> | <C> | <C> | <C> | <C> |
| COMPLETED TRANSACTIONS | | | | |
| U.S. | 20.4% | 3 | 27.9% | 1 |
| Global | 19.8 | 3 | 23.8 | 3 |
| ANNOUNCED TRANSACTIONS | | | | |
| U.S. | 34.5 | 2 | 35.9 | 2 |
| Global | 30.6 | 2 | 29.3 | 2 |

</TABLE>

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

20

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

<TABLE>
<CAPTION>

| % (in millions) | THREE MONTHS ENDED | | | SIX MONTHS ENDED | |
|--------------------|--------------------|----------|-------------|------------------|----------|
| | JUNE 25, | JUNE 26, | % | JUNE 25, | JUNE 26, |
| | 1999 | 1998 | INC. (DEC.) | 1999 | 1998 |

| <S> | <C> | <C> | <C> | <C> | <C> |
|------------------------|---------|---------|------|---------|---------|
| Asset management fees | \$ 545 | \$ 531 | 2% | \$1,070 | \$1,052 |
| 2% | | | | | |
| Portfolio service fees | 362 | 288 | 25 | 695 | 540 |
| 29 | | | | | |
| Account fees | 130 | 118 | 11 | 257 | 234 |
| 10 | | | | | |
| Other fees | 122 | 147 | (17) | 246 | 288 |
| (14) | | | | | |
| Total | \$1,159 | \$1,084 | 7 | \$2,268 | \$2,114 |
| 7 | | | | | |

</TABLE>

Asset management fees increased slightly from the 1998 second quarter due to growth in assets under management, attributable to a net inflow of customer assets and asset appreciation since June 26, 1998. However, during the 1999 second quarter assets under management had net redemptions from both retail and institutional accounts. These outflows were more than offset by asset appreciation and reinvested dividends. Portfolio service fees were up 25% from the corresponding 1998 period due to record revenues from various fee-based products, including both advisory services such as Merrill Lynch Consults (Registered Trademark) and Merrill Lynch Mutual Fund Advisor (Service Mark) (Merrill Lynch MFA (Registered Trademark)), and brokerage pricing alternatives, such as Financial Advantage (Service Mark) and Asset Power (Service Mark). Financial Advantage, the predecessor to Unlimited Advantage, a nondiscretionary financial service, accounted for 24% of the total increase in portfolio service fees, as the number of relationships tripled from the end of the 1998 second quarter. See Strategic Business Initiatives for further information regarding Unlimited Advantage. Account fees rose due in part to an increase in Individual Retirement Account/Keogh and Cash Management Account fees. Other fee-based revenues were down primarily due to lower fees from mortgage-related activities, attributable in part to the 1998 third quarter sale of a majority interest in Lender's Service, Inc., a residential real estate services provider. Lower revenues from Visa card services also contributed to the decline.

Total assets in client accounts or under management and assets under management were \$1.5 trillion and \$516 billion, respectively, at the end of the 1999 second quarter, representing increases of \$150 billion and \$25 billion, respectively, from the end of the 1998 second quarter. The changes in these balances are noted as follows:

<TABLE>
<CAPTION>

| (in billions) | JUNE 26, 1998 | NET CHANGES DUE TO | | JUNE 25, 1999 |
|--|------------------|--------------------|---------------------------|------------------|
| | | NEW MONEY (1) | ASSET APPRECIATION (2) | |
| Total assets in client accounts or under management | \$1,380 | \$77 | \$73 | \$1,530 |
| Total assets under management | 491 | 19 | 6 | 516 |

</TABLE>

- (1) Includes reinvested dividends of \$11 billion.
- (2) Includes foreign exchange translation adjustments of \$(12) billion.

Other revenues increased 28% from the 1998 second quarter to \$175 million in the 1999 second quarter, partly because of net realized investment gains, distributions from partnership investments, and consulting revenues from Howard Johnson & Co., a U.S. employee benefits consulting firm acquired during the 1998 fourth quarter.

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

<TABLE>
<CAPTION>

| 26, (in millions) | JUNE 25, | JUNE 26, | JUNE 25, | JUNE |
|---|----------|----------|----------|---------|
| | 1999 | 1998 | 1999 | 1998 |
| <S> | <C> | <C> | <C> | <C> |
| Compensation and benefits | \$2,729 | \$2,473 | \$5,490 | \$4,971 |
| ----- | | | | |
| - | | | | |
| Non-interest expenses, excluding compensation and benefits: | | | | |
| Communications and technology | 536 | 431 | 1,016 | 823 |
| Occupancy and related depreciation | 232 | 217 | 459 | 418 |
| Advertising and market development | 201 | 200 | 353 | 377 |
| Brokerage, clearing, and exchange fees | 170 | 167 | 324 | 323 |
| Professional fees | 143 | 143 | 261 | 295 |
| Goodwill amortization | 56 | 55 | 113 | 111 |
| Other | 342 | 254 | 663 | 517 |
| ----- | | | | |
| - | | | | |
| Total non-interest expenses, excluding compensation and benefits | 1,680 | 1,467 | 3,189 | 2,864 |
| ----- | | | | |
| - | | | | |
| Total non-interest expenses | \$4,409 | \$3,940 | \$8,679 | \$7,835 |
| ===== | | | | |
| | | | | |
| Compensation and benefits as a percentage of net revenues | 50.2% | 50.9% | 51.3% | 51.7% |
| Compensation and benefits as a percentage of pre-tax earnings before compensation and benefits | 72.6 | 73.0 | 73.0 | 73.6 |
| ----- | | | | |

</TABLE>

Non-interest expenses were \$4.4 billion in the 1999 second quarter, up 12% from the comparable 1998 period and 3% from the first quarter of 1999. Higher communications and technology spending contributed to the increases in both periods.

Compensation and benefits, the largest expense category, increased 10% to \$2.7 billion in the 1999 second quarter, due to higher incentive and production-related compensation and increased benefit costs. Benefit costs were down, however, compared with the 1999 first quarter. Compensation and benefits expense as a percentage of net revenues was 50.2% in the 1999 second quarter, below second quarter 1998 and first quarter 1999 levels.

Communications and technology expense was \$536 million, up 24% from the 1998 second quarter, principally as a result of increased systems consulting costs, partly related to the Year 2000 initiative, and higher technology-related depreciation. Occupancy and related depreciation rose 7% to \$232 million due in part to global expansion.

Advertising and market development expense was \$201 million, up 1% from the 1998 second quarter as increased costs for advertising campaigns were partially offset by a reduction in global travel and entertainment expenses. Brokerage, clearing, and exchange fees rose 2% to \$170 million due to higher global trading volume.

Professional fees and goodwill amortization were \$143 million and \$56 million, respectively, both virtually unchanged from a year ago.

Other expenses were \$342 million, compared with \$254 million in the year ago quarter. This increase was due in part to higher provisions related to various legal and business matters.

The effective tax rate was 30.0% in the 1999 second quarter, compared with 37.1% in the corresponding 1998 period, benefiting from tax-advantaged financing and higher tax-exempt and non-U.S. income. The 1999 year-to-date effective tax rate was 32.0% versus 34.0% for full-year 1998.

BUSINESS SEGMENTS

Merrill Lynch reports the results of its four strategic business priorities within two business segments: Wealth Management and Corporate and Institutional Client. Wealth Management comprises Merrill Lynch's U.S. Private Client, International Private Client, and Asset Management strategic priorities, all of which provide services related to the accumulation and management of wealth for individual investors, corporations, institutions, and governments. These strategic priorities serve largely the same customer base, provide similar products and services, utilize comparable distribution channels to deliver those products and services, operate in a highly regulated environment, and

accordingly, are managed and evaluated on an aggregate basis. The Corporate and Institutional Client Group ("CICG"), Merrill Lynch's other strategic priority, is reported as a separate business segment due to the distinct nature of the products it provides and the clients it serves. CICG's activities primarily involve providing equity and debt sales and trading, underwriting and strategic advisory services, and other capital markets services to corporate, institutional, and governmental clients throughout the world. For further information on services provided to clients within these segments, see the 1998 Annual Report included as an exhibit to Form 10-K.

The segment operating results exclude certain corporate items, which reduced net earnings for the 1999 and 1998 second quarters by \$103 million and \$104 million, respectively. Corporate items reduced the 1999 and 1998 six-month net earnings by \$244 million and \$227 million, respectively. (See Note 4 to Consolidated Financial Statements - Unaudited.)

WEALTH MANAGEMENT

| (in millions) | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---------------|--------------------|------------------|------------------|------------------|
| | JUNE 25, 1999 | JUNE 26, 1998 | JUNE 25, 1999 | JUNE 26, 1998 |
| Net revenues | \$3,117 | \$ 2,890 | \$6,171 | \$5,692 |
| Net earnings | 314 | 313 | 627 | 617 |

Net revenues for Wealth Management were \$3.1 billion in the 1999 second quarter, up 8% from \$2.9 billion in the 1998 second quarter. However, net earnings were virtually unchanged from the year-ago period, as higher net revenues were offset by increased expenses, primarily in communications and technology and advertising and market development. Increased trading volumes on global exchanges and the continued growth in fee-based revenues, resulting from market appreciation and net inflows of assets, led to record revenues in brokerage, which includes commissions, and asset management and portfolio service fees.

In the U.S., total assets in client accounts or under management were \$1.2 trillion at June 25, 1999, which included \$310 billion in assets under management. Outside the U.S., total assets in client accounts or under management were \$304 billion. Non-U.S. assets under management were \$206 billion at the end of the second quarter. In the asset management business, U.S. mutual fund performance strengthened dramatically during the 1999 first half, as funds containing over 80% of client assets outperformed their Lipper median. However, during the 1999 second quarter accounts under management had net redemptions, from both retail and institutional accounts. These outflows were more than offset by asset appreciation and reinvested dividends. Initiatives in Japan proceeded according to presently established targets during the quarter, with net revenues double the 1999 first quarter level and client assets up nearly 50% to \$5.5 billion at quarter end. In Canada, results were in line with expectations and client assets increased 12% from year-end 1998. Growth in Merrill Lynch's fee-based products continued, particularly in Financial Advantage, where account openings increased significantly and assets rose \$6.5 billion during the quarter to \$16.6 billion. Subsequent to quarter end, Merrill Lynch introduced Unlimited Advantage, a nondiscretionary financial service, which offers clients a comprehensive array of personal financial services. In December 1999, Merrill Lynch will further its on-line trading capabilities with the introduction of new Internet trading options. (See Strategic Business Initiatives for further information.)

23

CICG
<TABLE>
<CAPTION>

| (in millions) | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---------------|--------------------|------------------|------------------|------------------|
| | June 25, 1999 | June 26, 1998 | June 25, 1999 | June 26, 1998 |
| Net revenues | \$2,386 | \$2,042 | \$4,664 | \$4,071 |
| Net earnings | 462 | 340 | 899 | 673 |

</TABLE>

CICG net revenues were \$2.4 billion in the 1999 second quarter, up 17% from the 1998 second quarter. CICG net earnings also increased, up 36% from the 1998 second quarter to \$462 million due to record revenues in equity businesses and significantly higher strategic services fees. Record equity revenues resulted primarily from sharply higher origination fees compared with the 1998 second quarter, partially offset by lower equity trading revenues. Debt trading revenues benefited from improved market conditions particularly in Asia, compared with the year-ago period, while debt origination fees declined during

part of the 1999 second quarter. Strategic services fees increased significantly from both the 1998 second quarter and the 1999 first quarter, benefiting from higher levels of merger and acquisition activity. During the 1999 second quarter, Merrill Lynch also established the Direct Markets unit, an electronic commerce initiative. (See Strategic Business Initiatives for further information.)

 CAPITAL ADEQUACY AND LIQUIDITY

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

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

These objectives and Merrill Lynch's capital structure and funding policies are discussed more fully in the 1998 Annual Report included as an exhibit to Form 10-K.

Among U.S. institutions engaged primarily in the global securities business, Merrill Lynch is one of the most highly capitalized, with \$11.0 billion in common equity, \$425 million in preferred stock, and \$2.6 billion of preferred securities issued by subsidiaries at June 25, 1999. Preferred securities issued by subsidiaries consist primarily of Trust Originated Preferred Securities (Service Mark) ("TOPrS" (Service Mark)). Based on various analyses and criteria, management believes that Merrill Lynch's equity capital base of \$14.1 billion is adequate.

Merrill Lynch's leverage ratios were as follows:

| | LEVERAGE RATIO (1) | ADJUSTED LEVERAGE RATIO (2) |
|--------------------------------|-----------------------|-----------------------------------|
| PERIOD-END | | |
| June 25, 1999 | 23.1x | 14.0x |
| December 25, 1998 | 23.5x | 15.5x |
| AVERAGE (3) | | |
| Six months ended June 25, 1999 | 24.3x | 15.1x |
| Year ended December 25, 1998 | 32.9x | 19.2x |

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

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

Commercial paper outstanding totaled \$13.2 billion at June 25, 1999 and \$16.8 billion at December 25, 1998, which was equal to 4.1% and 5.6% of total assets at second quarter-end 1999 and year-end 1998, respectively. Outstanding long-term borrowings decreased to \$56.1 billion at June 25, 1999 from \$57.6 billion at December 25, 1998. Major components of the change in long-term borrowings during the 1999 first half follow:

| (in billions) | |
|------------------------------|--------|
| Balance at December 25, 1998 | \$57.6 |
| Issuances | 11.4 |
| Maturities | (12.2) |
| Other, net | (.7) |
| Balance at June 25, 1999 (1) | \$56.1 |

- (1) At the end of the 1999 second quarter, \$46.0 billion of long-term borrowings had maturity dates beyond one year.

In addition to equity capital sources, Merrill Lynch views long-term debt as a

stable funding source for its core balance sheet assets. Other sources of liquidity are unsecured bank credit facilities that, at June 25, 1999, totaled \$8.0 billion and were not drawn upon. Additionally, Merrill Lynch maintains access to significant uncommitted credit lines, both secured and unsecured, from a large group of banks.

The cost and availability of unsecured financing generally are dependent on credit ratings. Merrill Lynch's senior long-term debt, preferred stock, and TOPrS were rated by several recognized credit rating agencies at June 25, 1999 as follows:

| 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. | AA | Not Rated |
| Moody's Investors Service, Inc. | Aa3 | aa3 |
| Standard & Poor's | AA- | A |
| Thomson BankWatch, Inc. | AA+ | Not Rated |

25

CAPITAL PROJECTS AND EXPENDITURES

Merrill Lynch continually prepares for the future by expanding its operations and investing in new technology to improve service to clients. For more information, see the 1998 Annual Report included as an exhibit to Form 10-K.

YEAR 2000 COMPLIANCE

As the Year 2000 approaches, Merrill Lynch has undertaken initiatives to address the Year 2000 problem (the "Y2K problem"), as more fully described in the 1998 Annual Report. The failure of Merrill Lynch's technology systems relating to a Y2K problem would likely have a material adverse effect on the company's business, results of operations, and financial condition. This effect could include disruption of normal business transactions, such as the settlement, execution, processing, and recording of trades in securities, commodities, currencies, and other assets. The Y2K problem could also increase Merrill Lynch's exposure to risk and legal liability and its need for liquidity.

The renovation phase of Merrill Lynch's Year 2000 system efforts, as described in the 1998 Annual Report, was 100% completed as of June 30, 1999, and production testing was 100% completed as of that date. In March and April 1999, Merrill Lynch successfully participated in U.S. industrywide testing sponsored by the Securities Industry Association. These tests involved an expanded number of firms, transactions, and conditions compared with those previously conducted. Merrill Lynch has participated in and continues to participate in numerous industry tests throughout the world.

In light of the interdependency of the parties in or serving the financial markets, there can be no assurance that all Y2K problems will be identified and remedied on a timely basis or that all remediation will be successful. Public uncertainty regarding successful remediation of the Y2K problem may cause a reduction in activity in the financial markets. Disruption or suspension of activity in the world's financial markets is also possible. In some non-U.S. markets in which Merrill Lynch does business, the level of awareness and remediation efforts relating to the Y2K problem are thought to be less advanced than in the U.S. Management is unable at this point to ascertain whether all significant third parties will successfully address the Y2K problem. Merrill Lynch will continue to monitor third parties' Year 2000 readiness to determine if additional or alternative measures are necessary. Contingency plans have been established for all business units. However, the failure of exchanges, clearing organizations, vendors, service providers, clients and counterparties, regulators, or others to resolve their own processing issues in a timely manner could have a material adverse effect on Merrill Lynch's business, results of operations, and financial condition.

As of June 25, 1999, the total estimated expenditures of existing and incremental resources for the Year 2000 compliance initiative are approximately \$520 million. This estimate includes \$104 million of occupancy, communications, and other related overhead expenditures, as Merrill Lynch is applying a fully costed pricing methodology for this project. Of the total estimated expenditures, approximately \$80 million remains to be spent, primarily on continued testing, contingency planning, and risk management. There can be no assurance that the costs associated with remediation efforts will not exceed those currently anticipated by Merrill Lynch, or that the possible failure of such remediation efforts will not have a material adverse effect on Merrill Lynch's business, results of operations, or financial condition.

 AVERAGE ASSETS AND LIABILITIES

Merrill Lynch monitors changes in its balance sheet using average daily balances that are determined on a settlement date basis and reported for management information purposes. 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.

26

For the six months of 1999, average total assets were \$329 billion, down 4% from \$342 billion for the 1998 fourth quarter. Average total liabilities decreased 4% to \$315 billion from \$329 billion for the 1998 fourth quarter. The major components in the decline in average total assets and liabilities for the six months of 1999 are summarized as follows:

| (in millions) | INCREASE (DECREASE) | CHANGE |
|---|---------------------|--------|
| AVERAGE ASSETS | | |
| Trading assets | \$(9,814) | (8)% |
| Securities pledged as collateral | (2,660) | (19) |
| Receivables under resale agreements and securities borrowed transactions | 2,278 | 2 |
| AVERAGE LIABILITIES | | |
| Payables under repurchase agreements and securities loaned transactions | \$(10,145) | (9)% |
| Commercial paper and other short-term borrowings | (8,111) | (24) |
| Obligation to return securities received as collateral | (954) | (5) |
| Trading liabilities | 3,976 | 6 |
| Long-term borrowings | 2,980 | 5 |

Merrill Lynch reduced its balance sheet levels during the 1998 fourth quarter. Average balances in the 1999 first half were lower in comparison due to continued reductions in debt trading assets and related funding, primarily repurchase agreements. Lower matched-book activity also contributed to the reductions in payables under repurchase agreements and securities loaned transactions, as well as declines in securities pledged as collateral and obligation to return securities received as collateral. The decrease in commercial paper and other short-term borrowings resulted from a shift towards longer-term borrowings, primarily during the 1999 first quarter, and reductions in certain non-trading assets. Merrill Lynch continually monitors its balance sheet and reassesses its funding needs.

 NON-INVESTMENT GRADE HOLDINGS

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

In the normal course of business, Merrill Lynch underwrites, trades, and holds non-investment grade cash instruments in connection with its investment banking, market-making, and derivative structuring activities. Non-investment grade trading inventories have increased in recent years to satisfy growing client demand for higher-yielding investments, including emerging market and other non-U.S. securities. During the past year, however, these exposures were reduced in conjunction with the reduction in the balance sheet. Non-investment grade holdings have been defined as debt and preferred equity securities rated as BB+ or lower, or equivalent ratings by recognized credit rating agencies, sovereign debt in emerging markets, amounts due under derivative contracts from non-investment grade counterparties, and other instruments that, in the opinion of management, are non-investment grade.

27

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 or issuer default risk, in that changes in credit spreads or in the credit quality of the underlying securities may adversely affect the derivatives' fair values. Merrill Lynch engages in various hedging strategies to reduce its exposure associated with non-investment grade positions, such as purchasing an option to sell the related security or entering into other offsetting derivative contracts.

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

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

TRADING EXPOSURES

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

| (in millions) | JUNE 25, 1999(1) | DECEMBER 25, 1998 |
|--|---------------------|----------------------|
| ----- | | |
| Trading assets: | | |
| Cash instruments | \$6,463 | \$7,606 |
| Derivatives | 4,187 | 4,675 |
| Trading liabilities - cash instruments | (1,151) | (920) |
| Collateral on derivative assets | (1,174) | (2,192) |
| | ----- | ----- |
| Net trading asset exposure | \$8,325 | \$9,169 |
| | ===== | ===== |

(1) At June 25, 1999, Merrill Lynch had derivatives with a notional value of \$1.7 billion which may subject the company to additional future credit exposure, and derivatives with investment grade counterparties with a notional value of \$1.1 billion which hedge certain on and off balance sheet credit exposure.

Among the trading exposures included in the preceding table are debt and equity securities and bank loans of companies in various stages of bankruptcy proceedings or in default. At June 25, 1999, the carrying value of such debt and equity securities totaled \$90 million, of which 83% resulted from Merrill Lynch's market-making activities in such securities. This compared with \$74 million at December 25, 1998, of which 84% related to market-making activities. Also included are distressed bank loans with a carrying value totaling \$153 million and \$156 million at June 25, 1999 and December 25, 1998, respectively.

NON-TRADING EXPOSURES

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

| (in millions) | JUNE 25, 1999 | DECEMBER 25, 1998 |
|---|------------------|----------------------|
| ----- | | |
| Marketable investment securities | \$ 8 | \$ 39 |
| Investments of insurance subsidiaries | 110 | 148 |
| Loans (net of allowance for loan losses): | | |
| Bridge loans | - | 66 |
| Other loans(1) | 727 | 1,058 |
| Other investments: | | |
| Partnership interests(2) | 1,094 | 852 |
| Other equity investments(3) | 326 | 459 |

- (1) Represented outstanding loans to 117 and 80 companies at June 25, 1999 and December 25, 1998, respectively.
- (2) Included is \$451 and \$279 million in investments at June 25, 1999 and December 25, 1998, respectively, related to deferred compensation plans, for which the default risk of the investments generally rests with the participating employees.
- (3) Invested in 99 and 89 enterprises at June 25, 1999 and December 25, 1998,

respectively.

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

| (in millions) | JUNE 25, 1999 | DECEMBER 25, 1998 |
|--|------------------|----------------------|
| Additional commitments to invest in partnerships | \$ 205 | \$ 227 |
| Unutilized revolving lines of credit and other lending commitments | 1,156 | 1,678 |

At June 25, 1999, the largest industry exposure was to the financial services sector, which accounted for 38% of total non-investment grade positions.

29

STATISTICAL DATA

<TABLE>

<CAPTION>

| | 2ND QTR. 1998 | 3RD QTR. 1998 | 4TH QTR. 1998 | 1ST QTR. 1999 | 2ND QTR. 1999 |
|--|------------------|------------------|------------------|------------------|------------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| CLIENT ACCOUNTS (in billions): | | | | | |
| U.S. Client Assets | \$ 1,110 | \$ 1,065 | \$ 1,164 | \$ 1,186 | \$ 1,226 |
| Non-U.S. Client Assets | 270 | 254 | 282 | 298 | 304 |
| Total Assets in Client Accounts or Under Management | \$ 1,380 | \$ 1,319 | \$ 1,446 | \$ 1,484 | \$ 1,530 |
| ASSETS UNDER MANAGEMENT: | \$ 491 | \$ 467 | \$ 501 | \$ 515 | \$ 516 |
| Retail | 263 | 255 | 276 | 274 | 275 |
| Institutional | 228 | 212 | 225 | 241 | 241 |
| Equity | 266 | 238 | 262 | 267 | 272 |
| Fixed-Income/Other | 225 | 229 | 239 | 248 | 244 |
| U.S. | 292 | 279 | 298 | 306 | 310 |
| Non-U.S. | 199 | 188 | 203 | 209 | 206 |
| FEE-BASED PROGRAM ASSETS (a) | \$ 58 | \$ 55 | \$ 64 | \$ 70 | \$ 81 |
| UNDERWRITING: | | | | | |
| Global Debt and Equity: | | | | | |
| Volume (in billions) | \$ 120 | \$ 81 | \$ 87 | \$ 113 | \$ 105 |
| Market Share | 14.7% | 13.5% | 13.7% | 11.7% | 11.6% |
| U.S. Debt and Equity: | | | | | |
| Volume (in billions) | \$ 104 | \$ 68 | \$ 71 | \$ 94 | \$ 80 |
| Market Share | 16.9% | 14.9% | 15.3% | 15.4% | 13.9% |
| FULL-TIME EMPLOYEES: | | | | | |
| U.S. | 47,600 | 47,700 | 46,500 | 46,100 | 46,700 |
| Non-U.S. | 16,000 | 17,900 | 17,300 | 17,000 | 17,300 |
| Total | 63,600 | 65,600 | 63,800 | 63,100 | 64,000 |
| Financial Consultants and Other Investment Professionals | 17,600 | 18,100 | 18,200 | 18,200 | 18,500 |
| INCOME STATEMENT: | | | | | |
| Net Earnings (Loss) (in millions) | \$ 549 | \$ (163) | \$ 359 | \$ 609 | \$ 673 |
| Economic Profit (b) | 244 | (485) | 43 | 275 | 310 |
| Annualized Return on Average Common Stockholders' Equity | 23.6% | (7.3)% | 14.8% | 24.6% | 25.4% |
| Earnings (Loss) per Common Share: | | | | | |
| Basic | \$ 1.52 | \$ (.48) | \$.97 | \$ 1.65 | \$ 1.80 |
| Diluted | 1.31 | (.48) | .86 | 1.44 | 1.57 |
| BALANCE SHEET (in millions): | | | | | |
| Total Assets | \$370,571 | \$353,391 | \$299,804 | \$314,620 | \$324,740 |
| Total Stockholders' Equity | 9,897 | 9,779 | 10,132 | 10,692 | 11,446 |
| Book Value Per Common Share | 26.62 | 26.12 | 26.89 | 28.05 | 29.87 |
| SHARE INFORMATION (in thousands): | | | | | |
| Weighted-Average Shares Outstanding: | | | | | |
| Basic | 355,289 | 357,620 | 359,864 | 364,039 | 368,273 |
| Diluted | 411,385 | 357,620 | 404,872 | 415,662 | 421,267 |

</TABLE>

- (a) Includes Merrill Lynch Consults(Registered Trademark), Mutual Fund Advisor(Service Mark), Asset Power(Service Mark), Global Funds Advisor(Service Mark), and Financial Advantage(Service Mark).
- (b) Net earnings available to common shareholders less the cost of common equity capital.

30

PART II - OTHER INFORMATION

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

On April 14, 1999, ML & Co. held its Annual Meeting of Stockholders. Further details concerning matters submitted for vote of security holders can be found in ML & Co.'s Quarterly Report on Form 10-Q for the quarter ended March 26, 1999.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, ML & Co. hereby undertakes to furnish to the Securities and Exchange Commission (the "SEC"), upon request, copies of the instruments defining the rights of holders of long-term debt securities of ML & Co. that authorize an amount of securities constituting 10% or less of the total assets of ML & Co. and its subsidiaries on a consolidated basis.
- (10)(i) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan, as amended on July 26, 1999.
- (ii) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan for Managers and Producers, as amended on July 26, 1999.
- (iii) Merrill Lynch & Co., Inc. Equity Capital Accumulation Plan, as amended on July 26, 1999.
- (11) Statement re: computation of per common share earnings.
- (12) Statement re: computation of ratios.
- (15) Letter re: unaudited interim financial information.
- (27) Financial Data Schedule.

(b) Reports on Form 8-K

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

- (i) Current Report dated April 13, 1999 for the purpose of filing the Preliminary Unaudited Earnings Summary of ML & Co. for the three-month period ended March 26, 1999.
- (ii) Current Report dated April 19, 1999 for the purpose of filing the form of ML & Co.'s Consumer Staples Select Sector SPDRs(Registered Trademark) Fund Market Index Target-Term Securities(Registered Trademark) due April 19, 2006.

SPDRs is a registered trademark of The McGraw-Hill Companies, Inc. and has been licensed for use in connection with the listing and trading of Select Sector SPDRs on the American Stock Exchange.

31

- (iii) Current Report dated May 26, 1999 for the purpose of filing the form of ML & Co.'s Major 11 International Market Index Target-Term Securities due May 26, 2006.
- (iv) Current Report dated May 28, 1999 for the purpose of filing the form of ML & Co.'s Select Sector SPDRs Fund Growth Portfolio Market Index Target-Term Securities due May 25, 2006.

- (v) Current Report dated May 28, 1999 for the purpose of filing the form of the warrant agreement, including a form of the warrant, for ML & Co.'s Russell 2000(Registered Trademark) Index Call Warrants expiring May 25, 2001.
- (vi) Current Report dated June 1, 1999 for the purpose of filing a press release announcing a new model for personal financial services.
- (vii) Current Report dated June 25, 1999 for the purpose of filing the form of ML & Co.'s Market Index Target-Term Securities based upon the Dow Jones Industrial Average(Service Mark) due June 26, 2006.

32

INDEX TO EXHIBITS

Exhibits

- 10(i) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan, as amended on July 26, 1999.
- (ii) Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan for Managers and Producers, as amended on July 26, 1999.
- (iii) Merrill Lynch & Co., Inc. Equity Capital Accumulation Plan, as amended on July 26, 1999.
- 11 Statement re: computation of per common share earnings.
- 12 Statement re: computation of ratios.
- 15 Letter re: unaudited interim financial information.
- 27 Financial Data Schedule.

| | | |
|--|--|----|
| | (i) Death..... | 8 |
| | (ii) Disability or Retirement..... | 8 |
| | (iii) Other Terminations..... | 9 |
| | (b) After the end of a Performance Period but prior to the end of a Restricted Period..... | 9 |
| | (i) Death, Disability, or Retirement.... | 9 |
| | (ii) Other Terminations..... | 9 |
| Section 2.8 | Deferral of Payment..... | 10 |
| ARTICLE III - PROVISIONS APPLICABLE TO RESTRICTED SHARES AND RESTRICTED UNITS..... | | |
| | | 10 |
| Section 3.1 | Vesting Periods and Restricted Periods..... | 10 |
| Section 3.2 | Grants of Restricted Shares and Restricted Units.. | 10 |
| Section 3.3 | Rights and Restrictions Governing Restricted Shares | 11 |
| Section 3.4 | Rights Governing Restricted Units..... | 11 |
| Section 3.5 | Adjustment with respect to Restricted Shares and Restricted Units..... | 11 |
| ii | | |
| Section 3.6 | Payment of Restricted Shares and Restricted Units. | 12 |
| | (a) Restricted Shares..... | 12 |
| | (b) Restricted Units..... | 12 |
| Section 3.7 | Termination of Employment..... | 12 |
| | (a) Prior to the end of a Vesting Period..... | 12 |
| | (i) Death..... | 12 |
| | (ii) Disability or Retirement..... | 12 |
| | (iii) Other Terminations..... | 13 |
| | (b) After the end of a Vesting Period but prior to the end of a Restricted Period..... | 13 |
| | (i) Death, Disability, or Retirement.... | 13 |
| | (ii) Other Terminations..... | 13 |
| Section 3.8 | Extension of Vesting; Deferral of Payment..... | 13 |
| ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS..... | | |
| | | 14 |
| Section 4.1 | Grants of Stock Options..... | 14 |
| Section 4.2 | Option Documentation..... | 14 |
| Section 4.3 | Exercise Price..... | 14 |
| Section 4.4 | Exercise of Stock Options..... | 14 |
| | (a) Exercisability..... | 14 |
| | (b) Option Period..... | 15 |
| | (c) Exercise in the Event of Termination of Employment..... | 15 |
| | (i) Death..... | 15 |
| | (ii) Disability or Retirement..... | 15 |
| | (iii) Other Terminations..... | 15 |
| | (d) Limitations on Transferability..... | 16 |
| Section 4.5 | Payment of Purchase Price and Tax Liability Upon Exercise; Delivery of Shares..... | 16 |
| | (a) Payment of Purchase Price..... | 16 |
| | (b) Payment of Taxes..... | 16 |
| iii | | |
| | (c) Delivery of Shares..... | 17 |
| Section 4.6 | Limitation on Shares of Common Stock Received upon Exercise of Stock Options..... | 17 |

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

ARTICLE I - GENERAL

Section 1.1 Purpose.

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

Section 1.2 Definitions.

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

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

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

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

(d) "Committee" shall mean the Management Development and Compensation Committee of the Board of Directors, or its functional successor or any other Board committee that has been designated by the Board of Directors to administer the Plan, or the Board of Directors. The Committee shall be constituted so that at all relevant times it meets the then applicable requirements of Rule 16b-3 (or its successor) promulgated under the Securities Exchange Act of 1934, as amended.

(e) "Common Stock" shall mean the Common Stock, par value \$1.33 1/3 per share, of ML & Co. and a "share of Common Stock" shall mean one share of

1

Common Stock together with, for so long as Rights are outstanding, one Right (whether trading with the Common Stock or separately).

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

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

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

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

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

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

(k) "Performance Period" shall mean, in relation to Performance Shares or Performance Units, any period, for which performance objectives have been established, of not less than one nor more than ten consecutive ML & Co. fiscal years, commencing with the first day of the fiscal year in which such Performance Shares or Performance Units were granted.

2

(l) "Performance Share" shall mean a right, granted to a Participant pursuant to Article II, that will be paid out as a share of Common Stock.

(m) "Performance Unit" shall mean a right, granted to a Participant pursuant to Article II, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(n) "Restricted Period" shall mean, (i) in relation to shares of Common Stock receivable in payment for Performance Shares, the period beginning at the end of the applicable Performance Period during which restrictions on the transferability of such shares of Common Stock are in effect; and (ii) in relation to Restricted Shares or, if the Committee shall so determine, Restricted Units, the period beginning with the first day of the month in which Restricted Shares or Restricted Units are granted, during which restrictions on the transferability of such Restricted Shares or Restricted Units are in effect, which shall not be of shorter duration than the Vesting Period applicable to the same Restricted Shares or Restricted Units.

(o) "Restricted Share" shall mean a share of Common Stock, granted to a Participant pursuant to Article III, subject to the restrictions set forth in Section 3.3 hereof.

(p) "Restricted Unit" shall mean the right, granted to a Participant pursuant to Article III, as provided by the Committee at the time of grant to receive (i) either: (A) an amount equal to the Fair Market Value of one share of Common Stock in cash, or (B) one share of Common Stock, or, (ii) if the Committee so determines, the holder of the Restricted Unit may elect whether to receive cash or Common Stock.

(q) "Retirement" shall mean the cessation of employment by the Company (1) after reaching age 55 and having completed at least 5 years of service; (2) after reaching age 50 and having completed at least 10 years of service; (3) after reaching age 45 and having completed at least 15 years of service; or (4) having completed at least 20 years of service (in each case including approved leaves of absence of one year or less), provided that, termination of employment by the Company for Cause, as defined in Section 8.4 of the Plan, shall not be Retirement.

(r) "Rights" means the Rights to Purchase Units of Junior Preferred Stock issued pursuant to the Rights Agreement.

(s) "Rights Agreement" means the Rights Agreement dated as of December 16, 1987 between ML & Co. and Manufacturers Hanover Trust Company, Rights Agent, as amended from time to time.

(t) "Stock Appreciation Right" shall mean a right, granted to a Participant pursuant to Article V, to receive, in cash or shares of Common Stock, an amount equal

3

to the increase in Fair Market Value, over a specified period of time, of a specified number of shares of Common Stock.

(u) "Stock Option" shall mean a right, granted to a Participant pursuant to Article IV, to purchase, before a specified date and at a specified price, a specified number of shares of Common Stock. Stock Options may be "Incentive Stock Options," which meet the definition of such in Section 422A of the Code, or "Nonqualified Stock Options," which do not meet such definition.

(v) "Vesting Period" shall mean, in relation to Restricted Shares or Restricted Units, any period of not less than 12 months beginning with the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective, during which such Restricted Shares or Restricted Units may be forfeited if the Participant terminates employment.

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

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

Section 1.4 Shares Subject to the Plan.

The total number of shares of Common Stock that may be distributed under the Plan shall be 80,000,000 (whether granted as Restricted Shares or reserved for distribution upon grant of Performance Shares, Stock Options, Stock Appreciation

4

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

Section 1.5 Eligibility and Participation.

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

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

Section 2.1 Performance Periods and Restricted Periods.

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

Section 2.2 Performance Objectives.

At any time before or during a Performance Period, the Committee shall establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the

grant of any Performance Shares or Performance Units with respect to such Period. Performance

5

objectives shall be based on one or more measures such as return on stockholders' equity, earnings, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; provided,

however, that any such measure shall include all accruals for grants made under

the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period, the Committee shall determine both a minimum performance level, below which no Performance Shares or Performance Units shall be payable, and a full performance level, at or above which 100% of the Performance Shares or Performance Units shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares or Performance Units shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 2.5 and 2.6 and Article VII hereof.

Section 2.3 Grants of Performance Shares and Performance Units.

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

Section 2.4 Rights and Benefits During Performance Period.

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

6

Section 2.5 Adjustment with respect to Performance Shares and Performance

Units.

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

Section 2.6 Payment of Performance Shares and Performance Units.

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

(a) Performance Shares:

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

Performance Shares:

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

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

however, that the Company shall not be required to register any fractional

shares of Common Stock payable to any Participant, but will

7

pay the value of such fractional shares, measured as set forth in Section 2.6(b) below, to the Participant.

(B) At the end of the applicable Restricted Period, all

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

(ii) If a Restricted Period has not been established in relation to

the Performance Shares, at the end of the applicable Performance Period, one or more stock certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable, free of restrictions, shall be registered in the name of the Participant and delivered to the Participant, or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Performance Units: At the end of the applicable Performance Period, a

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

Section 2.7 Termination of Employment.

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

(i) Death: If a Participant ceases to be an employee of the Company

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

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article II, and such Participant shall not forfeit any Performance Shares or Performance Units held by him, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company during the remainder of

the applicable Performance Period. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

(iii) Other Terminations: If a Participant ceases to be an employee

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

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

(i) Death, Disability, or Retirement: If a Participant ceases to be an

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

(ii) Other Terminations: Terminations of employment for any reason

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

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

Section 2.8 Deferral of Payment.

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

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

Section 3.1 Vesting Periods and Restricted Periods.

The Committee shall establish one or more Vesting Periods applicable to Restricted Shares and Restricted Units and one or more Restricted Periods applicable to Restricted Shares, at its discretion. Each such Vesting Period shall have a duration of not less than 12 months, measured from the first day of the month in which the grant of the applicable Restricted Shares or Restricted

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

Section 3.2 Grants of Restricted Shares and Restricted Units.

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

Subject to the provisions of Section 3.7 hereof, a grant of Restricted Shares or Restricted Units shall be effective for the entire applicable Vesting and Restricted Periods and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Restricted Shares granted, the Vesting Period,

10

the Restricted Period, the restrictions applicable to such Restricted Shares, the nature and terms of payment of consideration, if any, and the consequences of forfeiture that will apply to such Restricted Shares, and any other terms, conditions, and rights with respect to such grant. Each grant to a Participant of Restricted Units shall be evidenced by a written instrument stating the number of Restricted Units granted, the Vesting Period, and all other terms, conditions and rights with respect to such grant.

Section 3.3 Rights and Restrictions Governing Restricted Shares.

At the time of grant of Restricted Shares, subject to the receipt by the Company of any applicable consideration for such Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock granted to a Participant shall be registered either in his name or for his benefit either individually or collectively with others, but shall be held by the Company for the account of the Participant. The Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (a) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (c) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company for the entire Vesting Period in relation to which such Restricted Shares were granted, except as otherwise allowed by Section 3.7 hereof. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such Restricted Shares.

Section 3.4 Rights Governing Restricted Units.

During the Vesting Period, or, if longer, the Restricted Period, for Restricted Units, a Participant shall be paid, with respect to each such Restricted Unit, cash amounts in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

Section 3.5 Adjustment with respect to Restricted Shares and Restricted

Units.

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

11

acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

Section 3.6 Payment of Restricted Shares and Restricted Units.

(a) Restricted Shares: At the end of the Restricted Period, all

restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to Restricted Shares granted in relation to such Restricted Period, and one or more stock certificates for the appropriate number of shares of Common Stock, free of restrictions, shall be delivered to the Participant or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Restricted Units: At the end of the Vesting Period (or, if longer, the

Restricted Period) applicable to a Participant's Restricted Units, there shall be paid to the Participant, or his beneficiary or estate, as the case may be: (1), a cash amount equivalent in value to the Fair Market Value of one share of Common Stock on the last day of the Vesting Period (or, if longer, the Restricted Period), or, (2) if so determined by the Committee at the time of grant, at the election of the Participant, one share of Common Stock for each Restricted Unit, provided, however, that, if the grant of Restricted Units is payable either in cash or Common Stock at the election of the Participant, at least six months prior to the end of the applicable period, a Participant may elect to: (A) extend the Restricted Period of a Restricted Unit for an additional period determined by the Participant at the time of such election or (B) if a Participant is eligible for a deferred compensation program offered by the Corporation, defer the receipt of cash proceeds of a Participant's applicable Restricted Units in accordance with the terms of such program.

Section 3.7 Termination of Employment.

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

(i) Death: If a Participant ceases to be an employee of the Company

prior to the end of a Vesting Period by reason of death, all Restricted Shares and Restricted Units granted to such Participant are immediately payable as set forth in Section 3.6.

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article III and such Participant shall not forfeit any Restricted Shares or Restricted Units held by him, provided that, during the remainder of the applicable Vesting Period, such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

12

(iii) Other Terminations: If a Participant ceases to be an employee

prior to the end of a Vesting Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares and Restricted Units previously granted with respect to such Vesting Period in accordance with the provisions of Section 3.2 hereof, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and allows a Participant whose employment has so terminated to retain any or all of the Restricted Shares or Restricted Units granted to such Participant.

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

(i) Death, Disability, or Retirement: If a Participant ceases to be

an employee of the Company by reason of death, or in the case of the Disability or Retirement of a Participant, prior to the end of a Restricted Period, all Restricted Shares granted to such Participant are immediately payable in the manner set forth in Section 3.6.

(ii) Other Terminations: : Terminations of employment for any reason

other than death after the end of a Vesting Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless (A) the Restricted Period relates to Restricted Units that have been further deferred in which case the Restricted Units shall be paid to the Participant, or (B) the Committee, in its sole discretion, finds that the circumstances so warrant and determines that the Restricted Period shall end on an earlier date as determined by the Committee and, in each case, the applicable Restricted Shares or Restricted Units shall be paid as soon as practicable in the manner set forth in Section 3.6.

(c) Approved leaves of absence of one year or less shall not be deemed to be terminations of employment under this Section 3.7. Leaves of absence of more than one year will be deemed to be terminations of employment under this Section

3.7, unless the Committee determines otherwise.

Section 3.8 Extension of Vesting; Deferral of Payment.

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

13

such Restricted Shares shall be extended to the same date. The provisions of any written agreement with a Participant pursuant to this Section 3.8 may provide for the payment or crediting of interest, an appreciation factor or index or dividend equivalents, as appropriate.

ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS.

Section 4.1 Grants of Stock Options.

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

Section 4.2 Option Documentation.

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

Section 4.3 Exercise Price.

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

Section 4.4 Exercise of Stock Options.

(a) Exercisability: Stock Options shall become exercisable at such

times and in such installments as the Committee may provide at the time of grant. The Committee may, however, in its sole discretion accelerate the time at which a Stock Option or installment may be exercised. A Stock Option may be exercised at any time

14

from the time first set by the Committee until the close of business on the expiration date of the Stock Option. Notwithstanding the foregoing, in no event may a Participant, or a Participant's transferee pursuant to Section 4.4(d), exercise a Stock Option during the 12-month period following a hardship withdrawal by the Participant of Elective 401(k) Deferrals as defined under the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan.

(b) Option Period: For each Stock Option granted, the Committee shall

specify the period during which the Stock Option may be exercised, provided that no Stock Option shall be exercisable after the expiration of 10 years from the

date of grant of such Stock Option.

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

(i) Death: If a Participant ceases to be an employee of the Company by

reason of death prior to the exercise or expiration of Stock Options granted to him and outstanding on the date of death, such Stock Options may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant or under the terms of Section 4.4(a) hereof, by his estate or beneficiaries, as the case may be, if such Stock Options are outstanding in his name, or by his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Options are outstanding in the name of such transferee, at any time and from time to time, but in no event after the expiration date of such Stock Option.

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be competition with business engaged in by the Company shall be deemed to have terminated employment. In the case of Incentive Stock Options, Disability shall be as defined in Code Section 22(e)(3).

(iii) Other Terminations: If a Participant ceases to be an employee prior

to the exercise or expiration of a Stock Option for any reason other than death, all outstanding Stock Options granted to such Participant, whether outstanding in his name or in the name of another person as a result of a transfer in accordance with Section 4.4(d), shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and determines that the Participant, his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, may exercise any such outstanding Stock Option at any time and from time to time after such termination of employment but in no event after the expiration date of such Stock Option (the "Extended Period"). If a Participant dies during the Extended Period and prior to the exercise or expiration of a Stock Option, his estate or

beneficiaries, as the case may be, if such Stock Option is outstanding in his name, or his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Option is outstanding in the name of such transferee, may exercise such Stock Option (to the extent such Stock Option could have been exercised at the date of termination of employment) at any time and from time to time, but in no event after the end of the Extended Period.

(d) Limitations on Transferability: Stock Options are not transferable by

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

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

Delivery of Shares.

(a) Payment of Purchase Price: The purchase price of the shares as to

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

(b) Payment of Taxes: Upon exercise, a Participant may elect to satisfy

any federal, state or local taxes required by law to be withheld that arise as a result of the exercise of a Stock Option by directing the Company to withhold from the shares of Common Stock otherwise deliverable upon the exercise of such Stock Option, such

16

number of shares as shall have a total Fair Market Value, on the date of exercise, at least equal to the amount of tax to be withheld.

(c) Delivery of Shares: Upon receipt by the Company of the purchase price,

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

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

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

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

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

Section 5.1 Grants of Stock Appreciation Rights.

The Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant Stock Appreciation Rights to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. The Committee shall have the authority to grant Stock Appreciation Rights in connection with a Stock Option or independently. The Committee may grant Stock Appreciation Rights in connection with a Stock Option, either at the time of grant or by amendment, in which case each such right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right granted in connection with a Stock Option shall entitle the holder to surrender to the

17

Company the related Stock Option unexercised, or any portion thereof, and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of one share of the Common Stock on the day preceding the surrender of such Stock Option over the Stock Option exercise price times the number of shares underlying the Stock Option, or portion thereof, that is surrendered. A Stock Appreciation Right granted independently of a Stock Option shall entitle the holder to receive upon exercise an amount equal to the excess of the Fair Market Value of one share of Common Stock on the day preceding the exercise of the Stock Appreciation Right over the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted, or such other price determined by the Committee at the time of grant, which shall in no event be less than 50% of the Fair Market Value of one share of Common Stock on the date such Stock Appreciation Right was granted. Stock Appreciation Rights are not transferable by a Participant except by will or the laws of descent and

distribution and are exercisable during his lifetime only by him.

Section 5.2 Stock Appreciation Rights Granted in Connection with Incentive

Stock Options.

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

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

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

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

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

18

Section 5.3 Payment Upon Exercise of Stock Appreciation Rights.

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

Section 5.4 Termination of Employment.

(a) Death: If a Participant ceases to be an employee of the Company prior

to the exercise or expiration of a Stock Appreciation Right outstanding in his name on the date of death, such Stock Appreciation Right may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant, by his estate or beneficiaries, as the case may be, at any time and from time to time within 12 months after the date of death but in no event after the expiration date of such Stock Appreciation Right.

(b) Disability: The Disability of a Participant shall not constitute a

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

(c) Retirement: The Retirement of a Participant shall not constitute a

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

(d) Other Terminations: If a Participant ceases to be an employee prior to

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

19

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

Section 6.1 Grants of Other ML & Co. Securities.

Subject to the provisions of the Plan and any necessary action by the Board of Directors, the Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant to Participants Other ML & Co. Securities or the right or option to purchase Other ML & Co. Securities on such terms and conditions as the Committee shall determine, including, without limitation, the period such rights or options may be exercised, the nature and terms of payment of consideration for such Other ML & Co. Securities, whether such Other ML & Co. Securities shall be subject to any or all of the provisions of Article III of the Plan applicable to Restricted Shares and/or Restricted Units, the consequences of termination of employment, and the terms and conditions, if any, upon which such Other ML & Co. Securities may or must be repurchased by the Company. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Each such Other ML & Co. Security shall be issued at a price that will not exceed the Fair Market Value thereof on the date the corresponding right or option is granted. Other ML & Co. Securities may bear interest or pay dividends from such date and at a rate or rates or pursuant to a formula or formulas fixed by the Committee or any necessary action of the Board. Any applicable conversion or exchange rate with respect to Other ML & Co. Securities shall be fixed by, or pursuant to a formula determined by, the Committee or any necessary action of the Board at each date of grant and may be predicated upon the attainment of financial or other performance goals.

Section 6.2 Terms and Conditions of Conversion or Exchange.

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

ARTICLE VII - CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends) including, without limitation, a merger or other

reorganization event in which the shares of Common Stock cease to exist, or, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions, divestitures, distributions, or other unusual or extraordinary items have disproportionately and materially affected the value of shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in (a) the maximum number of shares of Common Stock available for distribution under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance Share, Restricted Share, and Stock Option grants; (c) the performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full performance levels and portion of payments related thereto; and (d) any other terms or provisions of any outstanding grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, in order to preserve the full benefits of such grants for the Participants, taking into account inflation, interest rates, and any other factors that the Committee, in its sole discretion, considers relevant. In the event of a change in the presently authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan. In the event of any other change affecting the shares of Common Stock, Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

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

Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall be paid the value of his Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, and Other ML & Co. Securities in a lump sum in cash, promptly after termination of his employment but, without limiting the foregoing, in no event later than 30 days thereafter. Payments shall be calculated as set forth below:

21

(a) Performance Shares and Performance Units.

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

(b) Restricted Shares and Restricted Units.

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

(c) Stock Options and Stock Appreciation Rights.

Any payment for Stock Options and Stock Appreciation Rights pursuant to this Section 8.1(c) shall be calculated as if all such Stock Options and Stock Appreciation Rights, regardless of whether or not then fully exercisable under the terms of the grant, became exercisable immediately prior to the date on which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(c) shall be reduced by the amount of any payment previously made to a Participant with respect to the Stock Options and Stock Appreciation Rights, exclusive of any ordinary dividend payments, resulting by operation of law from the Change in

22

Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Stock Options and Stock Appreciation Rights payable pursuant to this Section 8.1(c) shall be

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

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

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

(d) Other ML & Co. Securities.

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

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

(ii) in the case of the Other ML & Co. Security itself (where there is no outstanding option or right relating to such Other ML & Co.

23

Security), the Fair Market Value of the Other ML & Co. Security on the day the Participant's employment is terminated, or, if higher, the Pre-CIC Value.

Section 8.2 A Change in Control.

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

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

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

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

Section 8.3 Effect of Agreement Resulting in Change in Control.

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

24

Section 8.4 Termination for Cause.

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

(a) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or from the Participant's Retirement or any such actual or anticipated failure resulting from termination by the Participant for Good Reason) after a written demand for substantial performance is delivered to him by the Board of Directors, which demand specifically identifies the manner in which the Board of Directors believes that he has not substantially performed his duties; or

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

No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth above in clause (a) or (b) of the first sentence of this Section 8.4 and specifying the particulars thereof in detail.

Section 8.5 Good Reason.

"Good Reason" shall mean the Participant's termination of his employment with the Company if, without the Participant's written consent, any of the following circumstances shall occur:

(a) Inconsistent Duties. A meaningful and detrimental alteration in the -----
Participant's position or in the nature or status of his responsibilities (including those as a director of ML & Co., if any) from those in effect immediately prior to the Change in Control;

(b) Reduced Salary or Bonus Opportunity. A reduction by the Company in the -----
Participant's annual base salary as in effect immediately prior to the Change in Control; a failure by the Company to increase the Participant's salary at a rate

25

commensurate with that of other key executives of the Company; or a reduction in the Participant's annual cash bonus below the greater of (i) the annual cash bonus that he received, or to which he was entitled, immediately prior to the Change in Control, or (ii) the average annual cash bonus paid to the Participant by the Company for the three years preceding the year in which the Change in Control occurs;

(c) Relocation. The relocation of the office of the Company where the -----
Participant is employed at the time of the Change in Control (the "CIC Location") to a location that in his good faith assessment is an area not generally considered conducive to maintaining the executive offices of a company such as ML & Co. because of hazardous or undesirable conditions including without limitation a high crime rate or inadequate facilities, or to a location that is more than twenty-five (25) miles away from the CIC Location or the Company's requiring the Participant to be based more than twenty-five (25) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with his customary business travel obligations in the ordinary course of business prior to the Change in Control);

(d) Compensation Plans. The failure by the Company to continue in effect -----
any compensation plan in which the Participant participates, including but not limited to this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978 Incentive Equity Purchase Plan, Equity Capital Accumulation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, limited partnership offerings, cash incentive compensation or any other plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue the Participant's participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the

level of his participation relative to other Participants, as existed immediately prior to the Change in Control;

(e) Benefits and Perquisites. The failure of the Company to continue to

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

26

(f) No Assumption by Successor. The failure of ML & Co. to obtain a

satisfactory agreement from any successor to assume and agree to perform a Participant's employment agreement as contemplated thereunder or, if the business of the Company for which his services are principally performed is sold at any time after a Change in Control, the purchaser of such business shall fail to agree to provide the Participant with the same or a comparable position, duties, compensation, and benefits as provided to him by the Company immediately prior to the Change in Control.

Section 8.6 Effect on Plan Provisions.

In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities and no adjustments, determinations or other exercises of discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his payments under the Plan or this Article shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to the Plan. Once a Participant has received a payment pursuant to this Article VIII, shares of Common Stock that were reserved for issuance in connection with any Performance Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares or that are restricted and held by the Company pursuant to Section 2.6(a)(i), for which payment has been made, shall no longer be registered in the name of the Participant and shall again be available for grants under the Plan. If the Participant's employment is terminated without Cause or for Good Reason after a Change in Control, any election to defer payment for Performance Shares or Performance Units pursuant to Section 2.8 hereof or Restricted Shares or Restricted Units pursuant to Section 3.8 hereof shall be null and void.

ARTICLE IX - MISCELLANEOUS.

Section 9.1 Designation of Beneficiary.

A Participant, or the transferee of a Stock Option pursuant to Section 4.4(d), may designate, in a writing delivered to ML & Co. before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. A Participant or Stock Option transferee, may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant or Stock Option transferee. A Participant or Stock Option transferee may designate more than one person as his beneficiary or alternate beneficiary, in which case such persons would receive payments as joint tenants with a right of survivorship. A beneficiary designation may be changed or revoked by a Participant or Stock Option transferee at any time by filing a written statement of such change or

27

revocation with the Company. If a Participant or Stock Option transferee fails to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

Section 9.2 Employment Rights.

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

Section 9.3 Nontransferability.

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

Section 9.4 Withholding.

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

Section 9.5 Relationship to Other Benefits.

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

Section 9.6 No Trust or Fund Created.

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

28

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

Section 9.7 Expenses.

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

Section 9.8 Indemnification.

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

Section 9.9 Tax Litigation.

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

ARTICLE X - AMENDMENT AND TERMINATION.

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

ARTICLE XI - INTERPRETATION.

Section 11.1 Governmental and Other Regulations.

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

29

Section 11.2 Governing Law.

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

ARTICLE XIII - EFFECTIVE DATE AND STOCKHOLDER APPROVAL.

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

30

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN
FOR MANAGERS AND PRODUCERS

TABLE OF CONTENTS

| | | |
|--|---|---|
| PAGE | | |
| ARTICLE I - GENERAL..... | | 1 |
| Section 1.1 | Purpose..... | 1 |
| Section 1.2 | Definitions..... | 1 |
| | (a) "Board of Directors" or "Board"..... | 1 |
| | (b) "Code"..... | 1 |
| | (c) "Company"..... | 1 |
| | (d) "Committee"..... | 1 |
| | (e) "Common Stock"..... | 1 |
| | (f) "Disability"..... | 2 |
| | (g) "Fair Market Value"..... | 2 |
| | (h) "Junior Preferred Stock"..... | 2 |
| | (I) "Other ML & Co. Security"..... | 2 |
| | (j) "Participant"..... | 2 |
| | (k) "Performance Period"..... | 2 |
| | (l) "Performance Share"..... | 3 |
| | (m) "Performance Unit"..... | 3 |
| | (n) "Restricted Period"..... | 3 |
| | (o) "Restricted Share"..... | 3 |
| | (p) "Restricted Unit"..... | 3 |
| | (q) "Retirement"..... | 3 |
| | (r) "Rights"..... | 3 |
| | (s) "Rights Agreement"..... | 3 |
| | (t) "Stock Appreciation Right"..... | 3 |
| | (u) "Stock Option"..... | 4 |
| | (v) "Vesting Period"..... | 4 |
| Section 1.3 | Administration..... | 4 |
| Section 1.4 | Shares Subject to the Plan..... | 4 |
| Section 1.5 | Eligibility and Participation..... | 5 |
| ARTICLE II - PROVISIONS APPLICABLE TO PERFORMANCE SHARES AND PERFORMANCE UNITS..... | | 5 |
| Section 2.1 | Performance Periods and Restricted Periods..... | 5 |
| Section 2.2 | Performance Objectives..... | 5 |
| | i | |
| Section 2.3 | Grants of Performance Shares and Performance Units..... | 6 |
| Section 2.4 | Rights and Benefits During Performance Period..... | 6 |
| Section 2.5 | Adjustment with respect to Performance Shares and Performance Units..... | 7 |
| Section 2.6 | Payment of Performance Shares and Performance Units..... | 7 |
| | (a) Performance Shares..... | 7 |
| | (i) If a Restricted Period has been established..... | 7 |
| | (ii) If a Restricted Period has not been established..... | 8 |
| | (b) Performance Units..... | 8 |
| Section 2.7 | Termination of Employment..... | 8 |
| | (a) Prior to the end of a Performance Period... .. | 8 |
| | (i) Death..... | 8 |
| | (ii) Disability or Retirement..... | 8 |
| | (iii) Other Terminations..... | 9 |

| | | |
|--|--|----|
| | (b) After the end of a Performance Period but prior to the end of a Restricted Period..... | 9 |
| | (i) Death, Disability, or Retirement.... | 9 |
| | (ii) Other Terminations..... | 9 |
| Section 2.8 | Deferral of Payment..... | 10 |
| ARTICLE III - PROVISIONS APPLICABLE TO RESTRICTED SHARES AND RESTRICTED UNITS..... | | |
| | | 10 |
| Section 3.1 | Vesting Periods and Restricted Periods..... | 10 |
| Section 3.2 | Grants of Restricted Shares and Restricted Units.. | 10 |
| Section 3.3 | Rights and Restrictions Governing Restricted Shares | 11 |
| Section 3.4 | Rights Governing Restricted Units..... | 11 |
| Section 3.5 | Adjustment with respect to Restricted Shares and Restricted Units..... | 11 |
| ii | | |
| Section 3.6 | Payment of Restricted Shares and Restricted Units. | 12 |
| | (a) Restricted Shares..... | 12 |
| | (b) Restricted Units..... | 12 |
| Section 3.7 | Termination of Employment..... | 12 |
| | (a) Prior to the end of a Vesting Period..... | 12 |
| | (i) Death..... | 12 |
| | (ii) Disability or Retirement..... | 12 |
| | (iii) Other Terminations..... | 13 |
| | (b) After the end of a Vesting Period but prior to the end of a Restricted Period..... | 13 |
| | (i) Death, Disability, or Retirement.... | 13 |
| | (ii) Other Terminations..... | 13 |
| Section 3.8 | Extension of Vesting; Deferral of Payment..... | 13 |
| ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS..... | | |
| | | 14 |
| Section 4.1 | Grants of Stock Options..... | 14 |
| Section 4.2 | Option Documentation..... | 14 |
| Section 4.3 | Exercise Price..... | 14 |
| Section 4.4 | Exercise of Stock Options..... | 14 |
| | (a) Exercisability..... | 14 |
| | (b) Option Period..... | 15 |
| | (c) Exercise in the Event of Termination of Employment..... | 15 |
| | (i) Death..... | 15 |
| | (ii) Disability or Retirement..... | 15 |
| | (iii) Other Terminations..... | 15 |
| | (d) Limitations on Transferability..... | 16 |
| Section 4.5 | Payment of Purchase Price and Tax Liability Upon Exercise; Delivery of Shares..... | 16 |
| | (a) Payment of Purchase Price..... | 16 |
| | (b) Payment of Taxes..... | 16 |
| iii | | |
| | (c) Delivery of Shares..... | 17 |
| Section 4.6 | Limitation on Shares of Common Stock Received upon Exercise of Stock Options..... | 17 |
| ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS..... | | |
| | | 17 |
| Section 5.1 | Grants of Stock Appreciation Rights..... | 17 |

| | | |
|--|--|----|
| Section 5.2 | Stock Appreciation Rights Granted in Connection with Incentive Stock Options..... | 18 |
| Section 5.3 | Payment Upon Exercise of Stock Appreciation Rights | 18 |
| Section 5.4 | Termination of Employment..... | 18 |
| | (a) Death..... | 18 |
| | (b) Disability..... | 19 |
| | (c) Retirement..... | 19 |
| | (d) Other Terminations..... | 19 |
| ARTICLE VI - PROVISIONS APPLICABLE TO OTHER ML & CO. SECURITIES..... | | 19 |
| Section 6.1 | Grants of Other ML & Co. Securities..... | 19 |
| Section 6.2 | Terms and Conditions of Conversion or Exchange.... | 20 |
| ARTICLE VII - CHANGES IN CAPITALIZATION..... | | 20 |
| ARTICLE VIII - PAYMENTS UPON TERMINATION OF EMPLOYMENT AFTER A CHANGE IN CONTROL..... | | 21 |
| Section 8.1 | Value of Payments Upon Termination After a Change in Control..... | 21 |
| | (a) Performance Shares and Performance Units.. | 22 |
| | (b) Restricted Shares and Restricted Units.... | 22 |
| | (c) Stock Options and Stock Appreciation Rights | 22 |
| | (d) Other ML & Co. Securities..... | 23 |
| Section 8.2 | A Change in Control..... | 24 |
| Section 8.3 | Effect of Agreement Resulting in Change in Control | 24 |
| iv | | |
| Section 8.4 | Termination for Cause..... | 24 |
| Section 8.5 | Good Reason..... | 25 |
| | (a) Inconsistent Duties..... | 25 |
| | (b) Reduced Salary or Bonus Opportunity..... | 25 |
| | (c) Relocation..... | 25 |
| | (d) Compensation Plans..... | 26 |
| | (e) Benefits and Perquisites..... | 26 |
| | (f) No Assumption by Successor..... | 26 |
| Section 8.6 | Effect on Plan Provisions..... | 26 |
| ARTICLE IX - MISCELLANEOUS..... | | 27 |
| Section 9.1 | Designation of Beneficiary..... | 27 |
| Section 9.2 | Employment Rights..... | 27 |
| Section 9.3 | Nontransferability..... | 27 |
| Section 9.4 | Withholding..... | 28 |
| Section 9.5 | Relationship to Other Benefits..... | 28 |
| Section 9.6 | No Trust or Fund Created..... | 28 |
| Section 9.7 | Expenses..... | 28 |
| Section 9.8 | Indemnification..... | 28 |
| Section 9.9 | Tax Litigation..... | 28 |
| ARTICLE X - AMENDMENT AND TERMINATION..... | | 29 |
| ARTICLE XI - INTERPRETATION..... | | 29 |
| Section 11.1 | Governmental and Other Regulations..... | 29 |
| Section 11.2 | Governing Law..... | 29 |
| ARTICLE XII - EFFECTIVE DATE AND STOCKHOLDER APPROVAL..... | | 29 |

LONG-TERM INCENTIVE COMPENSATION PLAN

FOR MANAGERS AND PRODUCERS

ARTICLE I - GENERAL

Section 1.1 Purpose.

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

Section 1.2 Definitions.

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

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

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

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

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

(e) "Common Stock" shall mean the Common Stock, par value \$1.33 1/3 per share, of ML & Co. and a "share of Common Stock" shall mean one share of

1

Common Stock together with, for so long as Rights are outstanding, one Right (whether trading with the Common Stock or separately).

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

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

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

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

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

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

(k) "Performance Period" shall mean, in relation to Performance Shares or Performance Units, any period, for which performance objectives have been established, of not less than one nor more than ten consecutive ML & Co. fiscal years, commencing with the first day of the fiscal year in which such Performance Shares or Performance Units were granted.

2

(l) "Performance Share" shall mean a right, granted to a Participant pursuant to Article II, that will be paid out as a share of Common Stock.

(m) "Performance Unit" shall mean a right, granted to a Participant pursuant to Article II, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(n) "Restricted Period" shall mean, (i) in relation to shares of Common Stock receivable in payment for Performance Shares, the period beginning at the end of the applicable Performance Period during which restrictions on the transferability of such shares of Common Stock are in effect; and (ii) in relation to Restricted Shares or, if the Committee shall so determine, Restricted Units, the period beginning with the first day of the month in which Restricted Shares or Restricted Units are granted, during which restrictions on the transferability of such Restricted Shares or Restricted Units are in effect, which shall not be of shorter duration than the Vesting Period applicable to the same Restricted Shares or Restricted Units.

(o) "Restricted Share" shall mean a share of Common Stock, granted to a Participant pursuant to Article III, subject to the restrictions set forth in Section 3.3 hereof.

(p) "Restricted Unit" shall mean the right, granted to a Participant pursuant to Article III, as provided by the Committee at the time of grant to receive (i) either: (A) an amount equal to the Fair Market Value of one share of Common Stock in cash, or (B) one share of Common Stock, or, (ii) if the Committee so determines, the holder of the Restricted Unit may elect whether to receive cash or Common Stock.

(q) "Retirement" shall mean the cessation of employment by the Company (1) after reaching age 55 and having completed at least 5 years of service; (2) after reaching age 50 and having completed at least 10 years of service; (3) after reaching age 45 and having completed at least 15 years of service; or (4) having completed at least 20 years of service (in each case including approved leaves of absence of one year or less), provided that, termination of employment by the Company for Cause, as defined in Section 8.4 of the Plan, shall not be Retirement..

(r) "Rights" means the Rights to Purchase Units of Junior Preferred Stock issued pursuant to the Rights Agreement.

(s) "Rights Agreement" means the Rights Agreement dated as of December 16, 1987 between ML & Co. and Manufacturers Hanover Trust Company, Rights Agent, as amended from time to time.

(t) "Stock Appreciation Right" shall mean a right, granted to a Participant pursuant to Article V, to receive, in cash or shares of Common Stock, an amount equal

3

to the increase in Fair Market Value, over a specified period of time, of a specified number of shares of Common Stock.

(u) "Stock Option" shall mean a right, granted to a Participant pursuant to Article IV, to purchase, before a specified date and at a specified price, a specified number of shares of Common Stock. Stock Options may be "Incentive Stock Options," which meet the definition of such in Section 422A of the Code, or "Nonqualified Stock Options," which do not meet such definition.

(v) "Vesting Period" shall mean, in relation to Restricted Shares or Restricted Units, any period of not less than 12 months beginning with the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective, during which such Restricted Shares or Restricted Units may be forfeited if the Participant terminates employment.

Section 1.3 Administration.

(a) The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to:

(i) subject to Section 1.5 hereof, select Participants after receiving the

recommendations of the management of the Company; (ii) determine the number of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Appreciation Rights, or Other ML & Co. Securities subject to each grant; (iii) determine the number of shares of Common Stock subject to each Stock Option grant; (iv) determine the time or times when grants are to be made or are to be effective; (v) determine the terms and conditions subject to which grants may be made; (vi) extend the term of any Stock Option; (vii) provide at the time of grant that all or any portion of any Stock Option shall be canceled upon the Participant's exercise of any Stock Appreciation Rights; (viii) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (ix) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (x) construe and interpret the Plan and all rules, regulations, and instruments utilized thereunder; and (xi) make all determinations deemed advisable or necessary for the administration of the Plan. All determinations by the Committee shall be final and binding.

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

Section 1.4 Shares Subject to the Plan. -----

The total number of shares of Common Stock that may be distributed under the Plan shall be 20,000,000 (whether granted as Restricted Shares or reserved for distribution upon grant of Performance Shares, Stock Options, Stock Appreciation

4

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

Section 1.5 Eligibility and Participation. -----

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

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

Section 2.1 Performance Periods and Restricted Periods. -----

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

Section 2.2 Performance Objectives. -----

At any time before or during a Performance Period, the Committee shall establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the grant of any Performance Shares or Performance Units with respect to such Period. Performance

5

objectives shall be based on one or more measures such as return on stockholders' equity, earnings, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; provided,

however, that any such measure shall include all accruals for grants made under

the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period, the Committee shall determine both a minimum performance level, below which no Performance Shares or Performance Units shall be payable, and a full performance level, at or above which 100% of the Performance Shares or Performance Units shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares or Performance Units shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 2.5 and 2.6 and Article VII hereof.

Section 2.3 Grants of Performance Shares and Performance Units.

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

Section 2.4 Rights and Benefits During Performance Period.

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

6

Section 2.5 Adjustment with respect to Performance Shares and Performance

Units.

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

Section 2.6 Payment of Performance Shares and Performance Units.

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

(a) Performance Shares:

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

Performance Shares:

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

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

7

pay the value of such fractional shares, measured as set forth in Section 2.6(b) below, to the Participant.

(B) At the end of the applicable Restricted Period, all

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

(ii) If a Restricted Period has not been established in relation to the

Performance Shares, at the end of the applicable Performance Period, one or more stock certificates representing the number of shares of Common Stock equal to the number of Performance Shares payable, free of restrictions, shall be registered in the name of the Participant and delivered to the Participant, or such shares shall be credited to a brokerage account if the Participant so directs.

(b) Performance Units: At the end of the applicable Performance Period, a

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

Section 2.7 Termination of Employment.

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

(i) Death: If a Participant ceases to be an employee of the

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

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article II, and such Participant shall not forfeit any Performance Shares or Performance Units held by him, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company during the remainder of

8

the applicable Performance Period. A Participant who does engage in or assist any business that the Committee, in its sole discretion, determines to be in

competition with business engaged in by the Company shall be deemed to have terminated employment.

(iii) Other Terminations: If a Participant ceases to be an employee

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

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

(i) Death, Disability, or Retirement: If a Participant ceases to

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

(ii) Other Terminations: Terminations of employment for any reason

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

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

Section 2.8 Deferral of Payment.

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

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

Section 3.1 Vesting Periods and Restricted Periods.

The Committee shall establish one or more Vesting Periods applicable to Restricted Shares and Restricted Units and one or more Restricted Periods applicable to Restricted Shares, at its discretion. Each such Vesting Period shall have a duration of not less than 12 months, measured from the first day of the month in which the grant of the applicable Restricted Shares or Restricted Units is effective. Each such Restricted Period shall have a duration of 12 or more consecutive months, measured from the first day of the month in which the grant of the applicable Restricted Shares is effective, but in no event shall any Restricted Period applicable to a Restricted Share be of shorter duration than the Vesting Period applicable to such Restricted Share.

Section 3.2 Grants of Restricted Shares and Restricted Units.

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

Subject to the provisions of Section 3.7 hereof, a grant of Restricted Shares or Restricted Units shall be effective for the entire applicable Vesting and Restricted Periods and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Restricted Shares granted, the Vesting Period,

10

the Restricted Period, the restrictions applicable to such Restricted Shares, the nature and terms of payment of consideration, if any, and the consequences of forfeiture that will apply to such Restricted Shares, and any other terms, conditions, and rights with respect to such grant. Each grant to a Participant of Restricted Units shall be evidenced by a written instrument stating the number of Restricted Units granted, the Vesting Period, and all other terms, conditions and rights with respect to such grant.

Section 3.3 Rights and Restrictions Governing Restricted Shares.

At the time of grant of Restricted Shares, subject to the receipt by the Company of any applicable consideration for such Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock granted to a Participant shall be registered either in his name or for his benefit either individually or collectively with others, but shall be held by the Company for the account of the Participant. The Participant shall have all rights of a holder as to such shares of Common Stock, including the right to receive dividends, to exercise Rights, and to vote such Common Stock and any securities issued upon exercise of Rights, subject to the following restrictions: (a) the Participant shall not be entitled to delivery of certificates representing such shares of Common Stock and any other such securities until the expiration of the Restricted Period; (b) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (c) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company for the entire Vesting Period in relation to which such Restricted Shares were granted, except as otherwise allowed by Section 3.7 hereof. Any shares of Common Stock or other securities or property received with respect to such shares shall be subject to the same restrictions as such Restricted Shares.

Section 3.4 Rights Governing Restricted Units.

During the Vesting Period, or, if longer, the Restricted Period, for Restricted Units, a Participant shall be paid, with respect to each such Restricted Unit, cash amounts in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

Section 3.5 Adjustment with respect to Restricted Shares and Restricted

Units.

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

11

acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

Section 3.6 Payment of Restricted Shares and Restricted Units.

(a) Restricted Shares: At the end of the Restricted Period, all

restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to Restricted Shares granted in relation to such Restricted Period, and one or more stock certificates for the appropriate number of shares of Common Stock, free of restrictions, shall be delivered to the Participant or such

shares shall be credited to a brokerage account if the Participant so directs.

(b) Restricted Units: At the end of the Vesting Period (or, if longer, the

Restricted Period) applicable to a Participant's Restricted Units, there shall be paid to the Participant, or his beneficiary or estate, as the case may be: (1), a cash amount equivalent in value to the Fair Market Value of one share of Common Stock on the last day of the Vesting Period (or, if longer, the Restricted Period), or, (2) if so determined by the Committee at the time of grant, at the election of the Participant, one share of Common Stock for each Restricted Unit, provided, however, that, if the grant of Restricted Units is payable either in cash or Common Stock at the election of the Participant, at least six months prior to the end of the applicable period, a Participant may elect to: (A) extend the Restricted Period of a Restricted Unit for an additional period determined by the Participant at the time of such election or (B) if a Participant is eligible for a deferred compensation program offered by the Corporation, defer the receipt of cash proceeds of a Participant's applicable Restricted Units in accordance with the terms of such program.

Section 3.7 Termination of Employment.

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

(i) Death: If a Participant ceases to be an employee of the

Company prior to the end of a Vesting Period by reason of death, all Restricted Shares and Restricted Units granted to such Participant are immediately payable as set forth in Section 3.6.

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article III and such Participant shall not forfeit any Restricted Shares or Restricted Units held by him, provided that, during the remainder of the applicable Vesting Period, such Participant does not engage in or assist any business that the Committee, in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee in its sole discretion, determines to be in competition with business engaged in by the Company shall be deemed to have terminated employment.

12

(iii) Other Terminations: If a Participant ceases to be an employee

prior to the end of a Vesting Period for any reason other than death, the Participant shall immediately forfeit all Restricted Shares and Restricted Units previously granted with respect to such Vesting Period in accordance with the provisions of Section 3.2 hereof, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and allows a Participant whose employment has so terminated to retain any or all of the Restricted Shares or Restricted Units granted to such Participant.

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

(i) Death, Disability, or Retirement: If a Participant ceases to

be an employee of the Company by reason of death, or in the case of the Disability or Retirement of a Participant, prior to the end of a Restricted Period, all Restricted Shares granted to such Participant are immediately payable in the manner set forth in Section 3.6.

(ii) Other Terminations: Terminations of employment for any reason

other than death after the end of a Vesting Period but prior to the end of a Restricted Period shall not have any effect on the Restricted Period, unless (A) the Restricted Period relates to Restricted Units that have been further deferred in which case the Restricted Units shall be paid to the Participant, or (B) the Committee, in its sole discretion, finds that the circumstances so warrant and determines that the Restricted Period shall end on an earlier date as determined by the Committee and, in each case, the applicable Restricted Shares or Restricted Units shall be paid as soon as practicable in the manner set forth in Section 3.6.

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

Section 3.8 Extension of Vesting; Deferral of Payment.

The Committee may, in its sole discretion, offer any Participant the right,

by execution of a written agreement with ML & Co. containing such terms and conditions as the Committee shall in its sole discretion provide for, to extend the Vesting Period applicable to all or any portion of such Participant's Restricted Shares or Restricted Units, to convert all or any portion of such Participant's Restricted Shares into Restricted Units or to defer the receipt of all or any portion of the payment, if any, for such Participant's Restricted Units (including any Restricted Shares converted into Restricted Units). In the event that any Vesting Period with respect to Restricted Shares is extended pursuant to this Section 3.8, the Restricted Period with respect to

13

such Restricted Shares shall be extended to the same date. The provisions of any written agreement with a Participant pursuant to this Section 3.8 may provide for the payment or crediting of interest, an appreciation factor or index or dividend equivalents, as appropriate.

ARTICLE IV - PROVISIONS APPLICABLE TO STOCK OPTIONS.

Section 4.1 Grants of Stock Options.

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

Section 4.2 Option Documentation.

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

Section 4.3 Exercise Price.

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

Section 4.4 Exercise of Stock Options.

(a) Exercisability: Stock Options shall become exercisable at such times

and in such installments as the Committee may provide at the time of grant. The Committee may, however, in its sole discretion accelerate the time at which a Stock Option or installment may be exercised. A Stock Option may be exercised at any time

14

from the time first set by the Committee until the close of business on the expiration date of the Stock Option. Notwithstanding the foregoing, in no event may a Participant, or a Participant's transferee pursuant to Section 4.4(d), exercise a Stock Option during the 12-month period following a hardship withdrawal by the Participant of Elective 401(k) Deferrals as defined under the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan.

(b) Option Period: For each Stock Option granted, the Committee shall

specify the period during which the Stock Option may be exercised, provided that no Stock Option shall be exercisable after the expiration of 10 years (or such longer period as the Committee shall designate) from the date of grant of such Stock Option.

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

(i) Death: If a Participant ceases to be an employee of the

Company by reason of death prior to the exercise or expiration of Stock Options granted to him and outstanding on the date of death, such Stock Options may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant or under the terms of Section 4.4(a) hereof, by his estate or beneficiaries, as the case may be, if such Stock Options are outstanding in his name, or by his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Options are outstanding in the name of such transferee, at any time and from time to time, but in no event after the expiration date of such Stock Option.

(ii) Disability or Retirement: The Disability or Retirement of a

Participant shall not constitute a termination of employment for purposes of this Article IV, provided that following Disability or Retirement such Participant does not engage in or assist any business that the Committee in its sole discretion, determines to be in competition with business engaged in by the Company. A Participant who does engage in or assist any business that the Committee in its sole discretion, determines to be competition with business engaged in by the Company shall be deemed to have terminated employment. In the case of Incentive Stock Options, Disability shall be as defined in Code Section 22(e)(3).

(iii) Other Terminations: If a Participant ceases to be an employee

prior to the exercise or expiration of a Stock Option for any reason other than death, all outstanding Stock Options granted to such Participant, whether outstanding in his name or in the name of another person as a result of a transfer in accordance with Section 4.4(d), shall expire on the date of such termination of employment, unless the Committee, in its sole discretion, finds that the circumstances in the particular case so warrant and determines that the Participant, his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, may exercise any such outstanding Stock Option at any time and from time to time after such termination of employment but in no event after the expiration date of such Stock Option (the "Extended Period"). If a Participant dies during the Extended Period and prior to the exercise or expiration of a Stock Option, his estate or

15

beneficiaries, as the case may be, if such Stock Option is outstanding in his name, or his transferee pursuant to Section 4.4(d) or such transferee's estate or beneficiaries, if such Stock Option is outstanding in the name of such transferee, may exercise such Stock Option (to the extent such Stock Option could have been exercised at the date of termination of employment) at any time and from time to time, but in no event after the end of the Extended Period.

(d) Limitations on Transferability: Stock Options are not transferable

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

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

Delivery of Shares.

(a) Payment of Purchase Price: The purchase price of the shares as to

which a Stock Option is exercised shall be paid to the Company at the time of exercise (i) in cash, (ii) by delivering freely transferable shares of Common Stock already owned by the person exercising the Stock Option having a total Fair Market Value on the date of exercise equal to the purchase price, (iii) a combination of cash and shares of Common Stock equal in value to the exercise

price, or (iv) by such other means as the Committee, in its sole discretion, may determine.

(b) Payment of Taxes: Upon exercise, a Participant may elect to satisfy

any federal, state or local taxes required by law to be withheld that arise as a result of the exercise of a Stock Option by directing the Company to withhold from the shares of Common Stock otherwise deliverable upon the exercise of such Stock Option, such

16

number of shares as shall have a total Fair Market Value, on the date of exercise, at least equal to the amount of tax to be withheld.

(c) Delivery of Shares: Upon receipt by the Company of the purchase price,

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

Section 4.6 Limitation on Fair Market Value of Shares of Common Stock

Received upon Exercise of Incentive Stock Options.

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

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

Section 5.1 Grants of Stock Appreciation Rights.

The Committee may select employees to become Participants (subject to the provisions of Section 1.5 hereof) and grant Stock Appreciation Rights to such Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. The Committee shall have the authority to grant Stock Appreciation Rights in connection with a Stock Option or independently. The Committee may grant Stock Appreciation Rights in connection with a Stock Option, either at the time of grant or by amendment, in which case each such right shall be subject to the same terms and conditions as the related Stock Option and shall be exercisable only at such times and to such extent as the related Stock Option is exercisable. A Stock Appreciation Right granted in connection with a Stock Option shall entitle the holder to surrender to the Company the related Stock Option unexercised, or any portion thereof, and receive from the Company in exchange therefor an amount equal to the excess of the Fair Market Value of one share of the Common Stock on the day preceding the surrender of such Stock Option over the Stock Option exercise price times the number of shares underlying the Stock Option, or portion thereof, that is surrendered. A Stock Appreciation Right granted independently of a Stock Option shall entitle the holder to receive upon exercise an amount equal to the excess of the Fair Market Value of one share of Common Stock on the day preceding the exercise of the Stock Appreciation Right over the Fair Market Value of one share of Common Stock on the date such

17

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

Section 5.2 Stock Appreciation Rights Granted in Connection with Incentive

Stock Options.

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

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

Incentive Stock Option at the time the Stock Appreciation Right is exercised.

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

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

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

Section 5.3 Payment Upon Exercise of Stock Appreciation Rights.

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

Section 5.4 Termination of Employment.

(a) Death: If a Participant ceases to be an employee of the Company

prior to the exercise or expiration of a Stock Appreciation Right outstanding in his name on the date of death, such Stock Appreciation Right may be exercised to the full extent not yet exercised, regardless of whether or not then fully exercisable under the terms of the grant, by his estate or beneficiaries, as the case may be, at any time and from time to time within 12 months after the date of death but in no event after the expiration date of such Stock Appreciation Right.

18

(b) Disability: The Disability of a Participant shall not constitute a

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

(c) Retirement: The Retirement of a Participant shall not constitute a

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

(d) Other Terminations: If a Participant ceases to be an employee prior to

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

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

Section 6.1 Grants of Other ML & Co. Securities.

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

repurchased by the Company. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account

19

such factors as level of responsibility, current and past performance, and performance potential. Each such Other ML & Co. Security shall be issued at a price that will not exceed the Fair Market Value thereof on the date the corresponding right or option is granted. Other ML & Co. Securities may bear interest or pay dividends from such date and at a rate or rates or pursuant to a formula or formulas fixed by the Committee or any necessary action of the Board. Any applicable conversion or exchange rate with respect to Other ML & Co. Securities shall be fixed by, or pursuant to a formula determined by, the Committee or any necessary action of the Board at each date of grant and may be predicated upon the attainment of financial or other performance goals.

Section 6.2 Terms and Conditions of Conversion or Exchange.

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

ARTICLE VII - CHANGES IN CAPITALIZATION.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of shares of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the shares of Common Stock cease to exist, or, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions, divestitures, distributions, or other unusual or extraordinary items have disproportionately and materially affected the value of shares of Common Stock or Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in (a) the maximum number of shares of Common Stock available for distribution under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance Share, Restricted Share, and Stock Option grants; (c) the performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full performance levels and portion of payments related thereto; and (d) any other terms or provisions of any outstanding grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, in order to preserve the full benefits of such grants for the Participants,

20

taking into account inflation, interest rates, and any other factors that the Committee, in its sole discretion, considers relevant. In the event of a change in the presently authorized shares of Common Stock that is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be shares of Common Stock within the meaning of the Plan. In the event of any other change affecting the shares of Common Stock, Performance Units, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

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

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

Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall be paid the value of his Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, and Other ML & Co. Securities in a lump sum in cash, promptly after termination of his employment but, without limiting the foregoing, in no event later than 30 days thereafter. Payments shall be calculated as set forth below:

(a) Performance Shares and Performance Units.

Any payment for Performance Shares and Performance Units pursuant to this Section 8.1(a) shall be calculated by applying performance objectives for any outstanding Performance Shares and Performance Units as if the applicable Performance Period and any applicable Restricted Period had ended on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section 8.1(a) shall be reduced by the amount of any payment previously made to the Participant with respect to the Performance Shares and Performance Units, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Performance Shares and Performance Units payable pursuant to this Section 8.1(a) shall be the amount equal to the number of Performance Shares and Performance Units payable in accordance with the preceding sentence multiplied by the Fair Market Value of a share of Common Stock on the day the Participant's employment is terminated or, if higher,

21

the highest Fair Market Value of a share of the Common Stock on any day during the 90-day period ending on the date of the Change in Control (the "Pre-CIC Value").

(b) Restricted Shares and Restricted Units.

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

(c) Stock Options and Stock Appreciation Rights.

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

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

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

(iii) in the case of a Stock Appreciation Right granted independently of a Stock Option, the Fair Market Value of a share of

22

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

(d) Other ML & Co. Securities.

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

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

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

Section 8.2 A Change in Control. -----

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

limitation, a Change in Control shall be deemed to have occurred if:

(a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, other than the Company's employee stock ownership plan, is or becomes the "beneficial owner" (as defined in

23

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

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

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

Section 8.3 Effect of Agreement Resulting in Change in Control. -----

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

Section 8.4 Termination for Cause. -----

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

(a) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness or from the Participant's Retirement or any such actual or anticipated failure resulting from termination by the Participant for Good Reason) after a written demand for substantial performance is delivered to him by the Board of Directors, which

demand specifically identifies the manner in which the Board of Directors believes that he has not substantially performed his duties; or

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

No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

24

Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth above in clause (a) or (b) of the first sentence of this Section 8.4 and specifying the particulars thereof in detail.

Section 8.5 Good Reason.

"Good Reason" shall mean the Participant's termination of his employment with the Company if, without the Participant's written consent, any of the following circumstances shall occur:

(a) Inconsistent Duties. A meaningful and detrimental alteration in the

Participant's position or in the nature or status of his responsibilities (including those as a director of ML & Co., if any) from those in effect immediately prior to the Change in Control;

(b) Reduced Salary or Bonus Opportunity. A reduction by the Company in the

Participant's annual base salary as in effect immediately prior to the Change in Control; a failure by the Company to increase the Participant's salary at a rate commensurate with that of other key executives of the Company; or a reduction in the Participant's annual cash bonus below the greater of (i) the annual cash bonus that he received, or to which he was entitled, immediately prior to the Change in Control, or (ii) the average annual cash bonus paid to the Participant by the Company for the three years preceding the year in which the Change in Control occurs;

(c) Relocation. The relocation of the office of the Company where the

Participant is employed at the time of the Change in Control (the "CIC Location") to a location that in his good faith assessment is an area not generally considered conducive to maintaining the executive offices of a company such as ML & Co. because of hazardous or undesirable conditions including without limitation a high crime rate or inadequate facilities, or to a location that is more than twenty-five (25) miles away from the CIC Location or the Company's requiring the Participant to be based more than twenty-five (25) miles away from the CIC Location (except for required travel on the Company's business to an extent substantially consistent with his customary business travel obligations in the ordinary course of business prior to the Change in Control);

(d) Compensation Plans. The failure by the Company to continue in effect

any compensation plan in which the Participant participates, including but not limited to

25

this Plan, the Company's retirement program, Employee Stock Purchase Plan, 1978 Incentive Equity Purchase Plan, Equity Capital Accumulation Plan, Canadian Capital Accumulation Plan, Management Capital Accumulation Plan, limited partnership offerings, cash incentive compensation or any other plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan in connection with the Change in Control, or the failure by the Company to continue the Participant's participation therein on at least as favorable a basis, both in terms of the amount of benefits provided and the level of his participation relative to other Participants, as existed immediately prior to the Change in Control;

(e) Benefits and Perquisites. The failure of the Company to continue to

provide the Participant with benefits at least as favorable as those enjoyed by the Participant under any of the Company's retirement, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which

the Participant was participating immediately prior to the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him immediately prior to the Change in Control, including, without limitation, the use of a car, secretary, office space, telephones, expense reimbursement, and club dues; or the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

(f) No Assumption by Successor. The failure of ML & Co. to obtain a

satisfactory agreement from any successor to assume and agree to perform a Participant's employment agreement as contemplated thereunder or, if the business of the Company for which his services are principally performed is sold at any time after a Change in Control, the purchaser of such business shall fail to agree to provide the Participant with the same or a comparable position, duties, compensation, and benefits as provided to him by the Company immediately prior to the Change in Control.

Section 8.6 Effect on Plan Provisions.

In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares, Performance Units, Restricted Shares, Restricted Units, Stock Options, Stock Appreciation Rights, or Other ML & Co. Securities and no adjustments, determinations or other exercises of discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his payments under the Plan or this Article shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to the Plan. Once a Participant has received a payment pursuant to this Article VIII, shares of Common Stock that were reserved for issuance in connection with any Performance

26

Shares, Restricted Shares, Stock Options, or Other ML & Co. Securities for which payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares or that are restricted and held by the Company pursuant to Section 2.6(a)(i), for which payment has been made, shall no longer be registered in the name of the Participant and shall again be available for grants under the Plan. If the Participant's employment is terminated without Cause or for Good Reason after a Change in Control, any election to defer payment for Performance Shares or Performance Units pursuant to Section 2.8 hereof or Restricted Shares or Restricted Units pursuant to Section 3.8 hereof shall be null and void.

ARTICLE IX - MISCELLANEOUS.

Section 9.1 Designation of Beneficiary.

A Participant, or the transferee of a Stock Option pursuant to Section 4.4(d), may designate, in a writing delivered to ML & Co. before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. A Participant or Stock Option transferee, may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant or Stock Option transferee. A Participant or Stock Option transferee may designate more than one person as his beneficiary or alternate beneficiary, in which case such persons would receive payments as joint tenants with a right of survivorship. A beneficiary designation may be changed or revoked by a Participant or Stock Option transferee at any time by filing a written statement of such change or revocation with the Company. If a Participant or Stock Option transferee fails to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

Section 9.2 Employment Rights.

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

Section 9.3 Nontransferability.

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

Section 9.4 Withholding.

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

Section 9.5 Relationship to Other Benefits.

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

Section 9.6 No Trust or Fund Created.

Neither the Plan nor any grant made hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to a grant under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

Section 9.7 Expenses.

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

Section 9.8 Indemnification.

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

Section 9.9 Tax Litigation.

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

ARTICLE X - AMENDMENT AND TERMINATION.

The Board of Directors or the Committee (but no other committee of the Board of Directors) may modify, amend or terminate the Plan at any time. No modification, amendment or termination of the Plan shall adversely affect the rights of a Participant under a grant previously made to him without the consent of such Participant.

ARTICLE XI - INTERPRETATION.

Section 11.1 Governmental and Other Regulations.

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

Section 11.2 Governing Law.

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

ARTICLE XII - EFFECTIVE DATE.

The Plan shall not be effective unless it is approved by the Board of Directors of the Corporation.

As amended through July 26, 1999

MERRILL LYNCH & CO., INC.

EQUITY CAPITAL ACCUMULATION PLAN

1. Purpose.

The purposes of the Equity Capital Accumulation Plan (the "Plan") are: (a) to enhance the growth and profitability of Merrill Lynch & Co., Inc., a Delaware corporation ("ML & Co."), and its subsidiaries by providing the incentive of long-term rewards (which will be realized through continued employment and, in the case of Performance Shares, upon attainment of established performance objectives) to key employees who are capable of having a significant impact on the performance of ML & Co. and its subsidiaries; (b) to attract and retain employees of outstanding competence and ability; and (c) to further the identity of interests of such employees with those of stockholders of ML & Co.

2. Definitions.

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

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

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

(c) "Committee" shall mean the Management Development and Compensation Committee of the Board of Directors, or its functional successor, or any other Board committee that has been designated by the Board of Directors to administer the Plan or the Board of Directors. The Committee shall be constituted so that at all relevant times it meets the then applicable requirements of Rule 16b-3 (or its successor) promulgated under the Securities Exchange Act of 1934, as amended.

1

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

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

(f) "Fair Market Value" of Common Stock on any given date(s) shall be: (a) if Common Stock is not listed for trading on a national securities exchange but is traded in the over-the-counter market, the mean of the highest and lowest bid prices for the Common Stock on the date(s) in question, or, if there are no such bid prices for the Common Stock on any such date(s), the mean of the highest and lowest bid prices on the first day prior thereto on which such prices appear; (b) if the Common Stock is listed for trading on one or more national securities exchanges, the mean of the high and low sales prices on the principal such exchange on the date(s) in question, or, if the Common Stock shall not have been traded on such principal exchange on any such date(s), the mean of the high and low sales prices on such principal exchange on the first day prior thereto on which the Common Stock was so traded; provided, however, if the Distribution

Date (as defined in the Rights Agreement) shall have occurred and the Rights shall then be represented by separate certificates rather than by certificates representing the Common Stock, there shall be added to such value calculated in accordance with (a) or (b) above, as the case may be, (i) if the Rights are not listed for trading on a national securities exchange but are traded in the over-the-counter market, the mean of the highest and lowest bid prices of the Rights on the date(s) in question, or, if there are no such bid prices for the Rights on any such date(s), the mean of the highest and lowest bid prices on the first day prior thereto on which such prices appear or (ii) if the Rights are listed

for trading on one or more national securities exchanges, the mean of the high and low sales prices of the Rights on the principal such exchange on the date(s) in question, or if the Rights shall not have been traded on such principal exchange on any such date(s), the mean of the high and low sales prices on such principal exchange on the first day prior thereto on which the Rights were so traded; or (c) such other amount as may be determined by the Committee by any fair and reasonable means.

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

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

(i) "Performance Period" shall mean, in relation to Performance Shares, any period, for which performance objectives have been established, of not less than

2

three nor more than five consecutive ML & Co. fiscal years, commencing with the first day of the fiscal year in which such Performance Shares were granted.

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

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

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

(m) "Retirement" shall mean the cessation of employment by the Company (1) after reaching age 55 and having completed at least 5 years of service; (2) after reaching age 50 and having completed at least 10 years of service; (3) after reaching age 45 and having completed at least 15 years of service; or (4) having completed at least 20 years of service (in each case including approved leaves of absence of one year or less), provided that, termination of employment by the Company for Cause, as defined in Section 8.4 of the Plan, shall not be Retirement.

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

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

3. Administration.

(a) The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to: (i) subject to Section 5 hereof, select Participants after receiving the recommendations of the management of the Company; (ii) determine the number of Performance Shares or Restricted Shares subject to each grant; (iii) determine the time or times when grants are to be made; (iv) determine the terms and conditions subject to which grants may be made; (v) prescribe the form or forms of the instruments evidencing any grants made hereunder, provided that such forms are consistent with the Plan; (vi) adopt, amend, and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (vii) construe and interpret the Plan, the rules and regulations, and the instruments utilized under the Plan; and (viii) make all determinations deemed advisable or necessary for the administration of the Plan. All determinations by the Committee shall be final and binding.

3

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

4. Shares Subject to the Plan.

The total number of shares of Common Stock which may be issued under the Plan shall be 26,200,000 (whether granted as Restricted Shares or reserved for

issuance upon grant of Performance Shares), subject to adjustment as provided in Section 8 hereof. Any Performance Shares or Restricted Shares that have been granted but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of grants under the Plan. Shares of Common Stock issued under the Plan may be treasury shares or authorized but unissued shares.

5. Eligibility and Participation.

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

6. Provisions Applicable to Performance Shares.

(a) Performance Periods. The Committee shall establish Performance Periods at its discretion. Each such Performance Period shall commence with the beginning of a fiscal year and have a duration of not less than three nor more than five consecutive fiscal years. There shall be no limitation on the number of Performance Periods established by the Committee, and more than one Performance Period may encompass the same fiscal year, but no more than one Performance Period for any

Performance Shares granted to any one Participant can commence in the same fiscal year.

(b) Performance Objectives. At any time before or during a Performance Period, the Committee shall establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the grant of any Performance Shares with respect to such Period. Performance objectives shall be based on one or more measures such as return on stockholders' equity, growth in earnings per share, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; provided, however, that any such measure shall

include all accruals for grants made under the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance objectives for the Company as a whole or for only that part of the Company in which a given Participant is involved, or a combination thereof. In establishing the performance objective or objectives for a Performance Period, the Committee shall determine both a minimum performance level, below which no Performance Shares shall be payable, and a full performance level, at or above which 100% of the Performance Shares shall be payable. In addition, the Committee may, in its discretion, establish intermediate levels at which given proportions of the Performance Shares shall be payable. Such performance objectives shall not thereafter be changed except as set forth in Sections 6(d), 6(e), and 8 hereof.

(c) Grants of Performance Shares. The Committee may select employees to become Participants (subject to the provisions of Section 5 hereof) and grant Performance Shares to Participants at any time prior to or during the first fiscal year of a Performance Period. Grants shall be deemed to have been made as of the beginning of the first fiscal year of the Performance Period. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of Section 6(e) hereof, a grant of Performance Shares shall be effective for the entire applicable Performance Period and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Performance Shares granted, the Performance Period, the performance objective or objectives, the proportion of payments for performance between the minimum and full performance levels, if any, and any other terms, conditions, and rights with respect to such grant. At the time of any grant of Performance Shares, there shall be reserved for issuance the number of whole shares of Common Stock authorized for issuance under this Plan equal to at least one-half of the Performance Shares so granted.

(d) Adjustment of Performance Objectives. Any other provision of the Plan to the contrary notwithstanding, at any time during a Performance Period, the

Committee may adjust (up or down) the performance objectives and minimum or full performance levels (and any intermediate levels and proportion of payments related

5

thereto) for such Period or may adjust the way such performance objectives are measured if it determines that conditions, including but not limited to changes in the economy, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen or extraordinary events, so warrant. Notwithstanding any provision of this Section 6(d) to the contrary, the performance objectives shall be determined without taking into account any Units of Junior Preferred Stock that may be outstanding at the time of such calculation.

(e) Termination of Employment.

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

(ii) If a Participant ceases to be an employee prior to the end of a Performance Period for any reason other than death, the Participant immediately forfeits all Performance Shares granted under the Plan and all right to receive any payment for such Performance Shares, except that the Committee may, within six months after such termination, direct payment in accordance with the provisions of Section 6(f) hereof for a number of Performance Shares, as it may determine, granted under the Plan to a Participant whose employment has so terminated (but not exceeding the number of Performance Shares that could have been payable had the Participant remained an employee) if it finds that the circumstances in the particular case so warrant; for purposes of this provision, the Performance Period shall be deemed to end as of the end of the fiscal year in which termination occurred. Termination of employment after the end of a Performance Period but before the payment of Performance Shares relating to such Performance Period shall not affect the amount, if any, to be paid pursuant to Section 6(f) hereof. Approved leaves of absence of one year or less shall not be deemed to be terminations under this Section. Leaves of absence of more than one year will be deemed to be terminations under this Section unless the Committee determines otherwise.

6

(f) Payment of Performance Shares. Within 90 days after the end or deemed end of any Performance Period, the Company shall determine the extent to which performance objectives established by the Committee pursuant to Section 6(b) hereof for such Performance Period have been met during such Performance Period and the resultant extent to which Performance Shares granted for such Performance Period are payable. Payment to a Participant or his beneficiary or estate, as the case may be, for any Performance Shares which have been granted to such Participant and which are determined to be payable shall be made, as soon as practicable after the end of the Performance Period and the determination of both the extent to which performance objectives have been met and the value of the Performance Shares payable, as follows: (i) a certificate for the number of shares of Common Stock equal to one-half the number of Performance Shares payable shall be delivered to the Participant or his beneficiary or estate, as the case may be, or such shares shall be credited to a brokerage account if the Participant or his beneficiary or estate, as the case may be, so directs, and (ii) cash equal to one-half of the value of Performance Shares payable, valued at the mean of the Fair Market Value of Common Stock during the calendar month of February next following the end or deemed end of the Performance Period, shall be paid to the Participant or his beneficiary or estate, as the case may be; provided, however, that the Company shall not be

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

(g) Deferral of Payment. If the Committee, in its sole discretion, offers a Participant the right to defer, then, within 90 days after any grant of

Performance Shares but in any event before the end of the fiscal year in which the grant is made, any Participant may elect, by execution of a written agreement, to defer all or any portion of the payment, if any, for such Performance Shares. If such an election is made, the stock portion of any payment for Performance Shares shall be deferred as stock units equal in number to and convertible, at the end of the deferral period, into the number of shares of Common Stock which would have been paid to the Participant. Such stock units represent only a contractual right and do not give the Participant any interest, right, or title to any Common Stock during the deferral period. During the period of deferral of stock units, the Company shall, for each stock unit, periodically credit a cash amount to the Participant's account. Such cash amount shall be paid in the same manner and at the same time, and be measured by the amount paid, as a dividend on a share of Common Stock, plus, if any shares of Junior Preferred Stock shall then be outstanding, the amount, if any, paid on one one-hundredth of a share of Junior Preferred Stock. A Participant's right to receive such cash amount is a contractual right only. Any such cash amounts shall be deferred as cash in the manner set forth for the deferral of the cash portion of any payment for Performance Shares. The cash portion of any payment for Performance Shares shall be deferred as cash units and credited annually with the appreciation factor contained in the Deferred Compensation Program of the Company for the year of grant. All other terms and

7

conditions of deferred payments shall be the same as those contained in such Deferred Compensation Program.

7. Provisions Applicable to Restricted Shares.

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

(b) Grants of Restricted Shares. The Committee may select employees to become Participants (subject to the provisions of Section 5 hereof) and grant Restricted Shares to Participants at any time. Before making grants, the Committee must receive the recommendations of the management of the Company, which will take into account such factors as level of responsibility, current and past performance, and performance potential. Subject to the provisions of Section 7(d) hereof, a grant of Restricted Shares shall be effective for the entire applicable Restricted Period and may not be revoked. Each grant to a Participant shall be evidenced by a written instrument stating the number of Restricted Shares granted, the Restricted Period, the restrictions applicable to such Restricted Shares, and any other terms, conditions, and rights with respect to such grant.

(c) Restrictions. At the time of grant of Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock and the appropriate number of Rights granted to a Participant shall be registered either in his name or for his benefit either individually or collectively with others, but shall be held by the Company for the account of the Participant. The Participant shall have all rights of a holder as to such shares of Common Stock and Rights, including the right to receive dividends, the right to exercise the Rights for Junior Preferred Stock and the right to vote such Common Stock and Junior Preferred Stock, subject to the following restrictions: (i) subject to Section 7(d) hereof, the Participant shall not be entitled to delivery of the stock or Rights certificates until the expiration of the Restricted Period; (ii) none of the Restricted Shares may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of during the Restricted Period; and (iii) all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate without further obligation on the part of the Company unless the Participant remains in the continuous employment of the Company for the entire Restricted Period in relation to which such Restricted Shares were granted, except as allowed by Section 7(d) hereof. Any shares of Common Stock, Rights, or Junior

8

Preferred Stock or other securities or property received as a result of a stock distribution to holders of Restricted Shares or as a stock dividend on Restricted Shares shall be subject to the same restrictions as such Restricted Shares.

(d) Termination of Employment. If a Participant ceases to be an employee of the Company prior to the end of a Restricted Period by reason of death, all restrictions contained in the Restricted Share Agreement(s) and in the Plan shall lapse as to all Restricted Shares granted to such Participant, and a certificate for such shares shall be delivered or such shares shall be credited

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

(e) Payment of Restricted Shares. At the end of the Restricted Period or at such earlier time as provided for in Section 7(d) hereof, all restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to Restricted Shares granted in relation to such Restricted Period, and a stock certificate for the appropriate number of shares of Common Stock, free of the restrictions, shall be delivered to the Participant or his beneficiary or estate, as the case may be, or such shares shall be credited to a brokerage account if the Participant or his beneficiary or estate, as the case may be, so directs.

(f) Shortening of Restricted Period. Any other provision of the Plan to the contrary notwithstanding, the Committee may at any time shorten any Restricted Period to no less than 12 months if it determines that conditions, including but not limited to, changes in the economy, changes in competitive conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles,

changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant, provided that, for any officer of ML & Co., as defined in Rule 16a-1 under the Securities Exchange Act of 1934, such Restricted Period may not be less than 36 months.

8. Changes in Capitalization.

Any other provision of the Plan to the contrary notwithstanding, if any change shall occur in or affect Common Stock on account of a merger, consolidation, reorganization, stock dividend, stock split or combination, reclassification, recapitalization, or distribution to holders of Common Stock (other than cash dividends) including, without limitation, a merger or other reorganization event in which the Common Stock ceases to exist, or, if in the opinion of the Committee, after consultation with the Company's independent public accountants, changes in the Company's accounting policies, acquisitions, divestitures, distributions, or other unusual or extraordinary items have disproportionately and materially affected the value of Common Stock, the Committee shall make such adjustments, if any, that it may deem necessary or equitable in (a) the maximum number of shares of Common Stock available for issuance under the Plan; (b) the number of shares subject to or reserved for issuance under outstanding Performance and Restricted Share grants; and (c) the performance objectives for the Performance Periods not yet completed, including the minimum, intermediate, and full performance levels and portion of payments related thereto. In the event of a change in the presently authorized Common Stock which is limited to a change in the designation thereof or a change of authorized shares with par value into the same number of shares with a different par value or into the same number of shares without par value, the shares resulting from any such change shall be deemed to be Common Stock within the meaning of the Plan. In the event of any other change affecting the Common Stock, such adjustment shall be made as may be deemed equitable by the Committee to give proper effect to such event.

9. Payments Upon Termination of Employment After a Change in Control.

(a) Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall

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

10

the Participant's employment is terminated; for Performance Shares granted on or after January 1, 1988, any payment under this Section shall be calculated by applying performance objectives for any outstanding Performance Shares as if the applicable Performance Period had ended on the first day of the month in which the Participant's employment is terminated. The value of the Performance Shares payable pursuant to this Section shall be the amount equal to the number of Performance Shares payable in accordance with the preceding sentence multiplied by the Fair Market Value of a share of the Common Stock on the day the Participant's employment is terminated or, if higher, the highest Fair Market Value of a share of the Common Stock on any day during the 90-day period ending on the date of the Change in Control (the "Pre-CIC Value").

(b) Any other provision of the Plan to the contrary notwithstanding and notwithstanding any election to the contrary previously made by the Participant, in the event a Change in Control shall occur and thereafter the Company shall terminate the Participant's employment without Cause or the Participant shall terminate his employment with the Company for Good Reason, the Participant shall be paid the value of all of his Restricted Shares in a lump sum in cash as promptly as possible after termination of his employment; provided, however,

that if the Participant, at least 30 days prior to such termination, has made an election in writing pursuant to this Section, payment may be made in the number of annual installments (not to exceed 5) specified in such election. Any payment under this Section shall be calculated as if all the relevant Restricted Periods had been fully completed on the first day of the month in which the Participant's employment is terminated. The amount of any payment to a Participant pursuant to this Section shall be reduced by the amount of any payment previously made to the Participant with respect to the Restricted Shares, exclusive of ordinary dividend payments, resulting by operation of law from the Change in Control, including, without limitation, payments resulting from a merger pursuant to state law. The value of the Participant's Restricted Shares payable pursuant to this Section shall be the amount equal to the number of the Restricted Shares outstanding in a Participant's name multiplied by the Fair Market Value of the Common Stock on the day the Participant's employment is terminated or, if higher, the Pre-CIC Value.

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

Control shall be deemed to have occurred if:

(i) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of ML & Co. representing 30% or

11

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

(ii) during any period of two consecutive years individuals who at the beginning of such period constituted the Board of Directors and any new directors, whose election by the Board of Directors or nomination for election by the stockholders of ML & Co. was approved by a vote of at least three quarters of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof.

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

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

(i) the willful and continued failure by the Participant substantially to perform his duties with the Company (other than any such actual or anticipated failure resulting from termination by the Participant for Good Reason) after a written demand for substantial performance is delivered to him by the Board of Directors, which demand specifically identifies the manner in which the Board of Directors believes that he has not substantially performed his duties; or

(ii) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his action or omission was in the best interest of the Company.

Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the entire membership of the Board of Directors at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for him, together with counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth above in clause (i) or (ii) of the first sentence of this Subsection and specifying the particulars thereof in detail.

12

(f) "Good Reason" shall mean the Participant's termination of his employment with the Company if, without the Participant's written consent, any of the following circumstances shall occur:

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

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

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

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

(v) the failure of the Company to continue to provide the Participant with benefits at least as favorable as those enjoyed by the Participant under any of the Company's retirement, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which the Participant was participating at the time of the Change in Control, the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive the Participant of any material fringe benefit enjoyed by him at the time of the Change in Control, or the failure by the Company to provide the Participant with the number of paid vacation days to which the Participant is entitled on the basis of years of service with the Company in

13

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

(g) In the event of a Change in Control, no changes in the Plan, or in any documents evidencing grants of Performance Shares or Restricted Shares, and no adjustments, determinations or other exercises of discretion by the Committee or the Board of Directors, that were made subsequent to the Change in Control and that would have the effect of diminishing a Participant's rights or his payments under the Plan or this Section shall be effective, including, but not limited to, any changes, determinations or other exercises of discretion made to or pursuant to Sections 2(f), 3, 6, 7, 8 or 19 of the Plan. Once a Participant has received a payment pursuant to this Section, shares of Common Stock that were reserved for issuance in connection with any Performance Shares for which payment is made shall no longer be reserved and shares of Common Stock that are Restricted Shares for which payment has been made shall no longer be registered in the name of the Participant and shall again be available for grants under the Plan. If the Participant's employment is terminated without Cause or for Good Reason after a Change in Control, any election to defer payment for Performance Shares pursuant to Section 6(g) hereof shall be null and void.

10. Designation of Beneficiary.

A Participant may designate, in writing delivered to ML & Co. before his death, a person or persons to receive, in the event of his death, any rights to which he would be entitled under the Plan. A Participant may also designate an alternate beneficiary to receive payments if the primary beneficiary does not survive the Participant. A Participant may designate more than one person as his beneficiary or alternate beneficiary, in which case such persons would receive payments as joint tenants with a right of survivorship. A beneficiary designation may be changed or revoked by a Participant at any time by filing a written statement of such change or revocation with the Company. If a Participant fails to designate a beneficiary, then his estate shall be deemed to be his beneficiary.

11. Employment Rights.

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

12. Nontransferability.

A Participant's rights under the Plan, including the right to any amounts or shares payable, may not be assigned, pledged, or otherwise transferred except, in the event of a Participant's death, to his designated beneficiary or, in the absence of such a designation, by will or the laws of descent and distribution.

13. Withholding.

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

14. Relationship to Other Benefits.

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

15. No Trust or Fund Created.

Neither the Plan nor any grant made hereunder shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to a grant under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

16. Expenses.

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

17. Indemnification.

Service on the Committee shall constitute service as a member of the Board of Directors so that members of the Committee shall be entitled to indemnification and

15

reimbursement as directors of ML & Co. pursuant to its Certificate of Incorporation, By-Laws, or resolutions of its Board of Directors or stockholders.

18. Tax Litigation.

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

19. Amendment and Termination.

The Board of Directors or the Committee (but no other committee of the Board of Directors) may modify, amend, or terminate the Plan at any time except that the maximum number of shares of Common Stock available for issuance under the Plan may not be increased (other than increases due to adjustments in accordance with the Plan) without approval of the holders of a majority of shares of Common Stock represented in person or by proxy at a meeting of the stockholders. No modification, amendment, or termination of the Plan shall adversely affect the rights of a Participant under a grant previously made to him without the consent of such Participant.

20. Governmental and Other Regulations.

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

21. Governing Law.

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

22. Effective Date.

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

16

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

<TABLE>
 <CAPTION>

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|------------------|--------------------------|----------------------|
| | June 25, 1999 | June 26, 1998 | June 25, 1999 | June 26, (a) 1998 |
| <S> | <C> | <C> | <C> | <C> |
| EARNINGS | | | | |
| Net earnings | \$ 673 | \$ 549 | \$ 1,282 | \$ 1,063 |
| Preferred stock dividends | (9) | (9) | (19) | (19) |
| | ----- | ----- | ----- | ----- |
| Net earnings applicable to common stockholders | \$ 664 | \$ 540 | \$ 1,263 | \$ 1,044 |
| | ===== | ===== | ===== | ===== |
| WEIGHTED-AVERAGE SHARES OUTSTANDING | 368.3 | 355.3 | 366.2 | 352.4 |
| | ----- | ----- | ----- | ----- |
| EFFECT OF DILUTIVE INSTRUMENTS | | | | |
| Employee stock options | 31.0 | 33.7 | 30.4 | 31.5 |
| FCCAAP shares | 16.7 | 17.1 | 16.6 | 16.9 |
| Restricted units | 5.3 | 5.3 | 5.2 | 4.9 |
| ESPP shares | - | - | .1 | .1 |
| | ----- | ----- | ----- | ----- |
| DILUTIVE POTENTIAL COMMON SHARES | 53.0 | 56.1 | 52.3 | 53.4 |
| | ----- | ----- | ----- | ----- |
| TOTAL WEIGHTED-AVERAGE DILUTED SHARES | 421.3 | 411.4 | 418.5 | 405.8 |
| | ===== | ===== | ===== | ===== |
| BASIC EARNINGS PER SHARE | \$ 1.80 | \$ 1.52 | \$ 3.45 | \$ 2.96 |
| | ===== | ===== | ===== | ===== |
| DILUTED EARNINGS PER SHARE | \$ 1.57 | \$ 1.31 | \$ 3.02 | \$ 2.57 |
| | ===== | ===== | ===== | ===== |

</TABLE>

(a) Amounts have been restated from that originally reported in the 1998 second quarter Form 10-Q to reflect the 1998 merger with Midland Walwyn Inc., accounted for as a pooling-of-interests.

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

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)

| Months | For the Three Months | | For the Six | |
|---|----------------------|--------------|-------------|------|
| | Ended | | Ended | |
| ----- | June 25, | June 26, (a) | June 25, | |
| June 26, (a) | 1999 | 1998 | 1999 | |
| 1998 | ----- | ----- | ----- | ---- |
| ----- | <C> | <C> | <C> | <C> |
| Pre-tax earnings from continuing operations 1,783 | \$1,031 | \$ 915 | \$2,027 | \$ |
| Add: Fixed charges (excluding capitalized interest and preferred security dividend requirements of subsidiaries) 8,857 | 3,243 | 4,513 | 6,595 | |
| ----- | ----- | ----- | ----- | |
| Pre-tax earnings before fixed charges 10,640 | 4,274 | 5,428 | 8,622 | |
| ===== | ===== | ===== | ===== | |
| Fixed charges: | | | | |
| Interest 8,754 | 3,183 | 4,459 | 6,475 | |
| Other (b) 154 | 110 | 81 | 220 | |
| ----- | ----- | ----- | ----- | |
| Total fixed charges \$8,908 | \$3,293 | \$4,540 | \$6,695 | |
| ===== | ===== | ===== | ===== | |
| Preferred stock dividend requirements 31 | 14 | 15 | 28 | |
| ----- | ----- | ----- | ----- | |
| Total combined fixed charges and preferred stock dividends \$8,938 | \$3,307 | \$4,555 | \$6,723 | |
| ===== | ===== | ===== | ===== | |
| RATIO OF EARNINGS TO FIXED CHARGES 1.19 | 1.30 | 1.20 | 1.29 | |
| RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS 1.19 | 1.29 | 1.19 | 1.28 | |

(a) Amounts have been restated from that originally reported in the 1998 second quarter Form 10-Q to reflect the 1998 merger with Midland Walwyn Inc., accounted for as a pooling-of-interests.

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

August 6, 1999

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 condensed consolidated financial information of Merrill Lynch & Co., Inc. and subsidiaries ("Merrill Lynch") as of June 25, 1999 and for the three- and six-month periods ended June 25, 1999 and June 26, 1998 as indicated in our report dated August 6, 1999; because we did not perform an audit, we expressed no opinion on that information. The unaudited interim condensed consolidated financial information for the three- and six-month periods ended June 26, 1998 gives retroactive effect to the 1998 merger of Merrill Lynch and Midland Walwyn Inc., which has been accounted for as a pooling-of-interests, as disclosed in Note 1 to the condensed consolidated financial statements.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 25, 1999, 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)
- 1
- 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 & Investment 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 and 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)

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

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

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

Filed on Form S-3:

Debt Securities:

Registration Statement No. 33-54218

Registration Statement No. 2-78338

2

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

Registration Statement No. 333-59997

Registration Statement No. 333-68747

Medium Term Notes:

Registration Statement No. 2-96315

Registration Statement No. 33-03079

Registration Statement No. 33-05125

3

Registration Statement No. 33-09910

Registration Statement No. 33-16165

Registration Statement No. 33-19820

Registration Statement No. 33-23605

Registration Statement No. 33-27549

Registration Statement No. 33-38879

Other Securities:

Registration Statement No. 33-33335 (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 (Long-Term Incentive Compensation Plan,
and Long-Term Incentive Compensation Plan for Managers and Producers)

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

Registration Statement No. 333-42859 (TOPrS)

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

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

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

/s/ Deloitte & Touche LLP

New York, New York
August 6, 1999

<TABLE> <S> <C>

<ARTICLE> BD

| <S> | <C> |
|-------------------------------|-------------|
| <PERIOD-TYPE> | OTHER |
| <FISCAL-YEAR-END> | DEC-31-1999 |
| <PERIOD-END> | JUN-25-1999 |
| <CASH> | 11,787 |
| <RECEIVABLES> | 52,783 |
| <SECURITIES-RESALE> | 59,836 |
| <SECURITIES-BORROWED> | 46,680 |
| <INSTRUMENTS-OWNED> | 137,807<F1> |
| <PP&E> | 2,849 |
| <TOTAL-ASSETS> | 324,740 |
| <SHORT-TERM> | 30,788 |
| <PAYABLES> | 27,664 |
| <REPOS-SOLD> | 67,481 |
| <SECURITIES-LOANED> | 11,106 |
| <INSTRUMENTS-SOLD> | 92,684<F2> |
| <LONG-TERM> | 56,054 |
| <PREFERRED-MANDATORY> | 0 |
| <PREFERRED> | 425 |
| <COMMON> | 630 |
| <OTHER-SE> | 10,391 |
| <TOTAL-LIABILITY-AND-EQUITY> | 324,730<F3> |
| <TRADING-REVENUE> | 2,509 |
| <INTEREST-DIVIDENDS> | 7,413 |
| <COMMISSIONS> | 3,159 |
| <INVESTMENT-BANKING-REVENUES> | 1,540 |
| <FEE-REVENUE> | 2,268 |
| <INTEREST-EXPENSE> | 6,491 |
| <COMPENSATION> | 5,490 |
| <INCOME-PRETAX> | 2,027 |
| <INCOME-PRE-EXTRAORDINARY> | 2,027 |
| <EXTRAORDINARY> | 0 |
| <CHANGES> | 0 |
| <NET-INCOME> | 1,282 |
| <EPS-BASIC> | 3.45 |
| <EPS-DILUTED> | 3.02 |

<FN>
<F1>Includes \$8,851 of securities received as collateral, net of securities pledged as collateral, and \$11,677 of securities pledged as collateral, recorded pursuant to the provisions of Statement of Financial Accounting Standards No. 127 ("SFAS NO. 127").

<F2>Includes \$20,528 of obligation to return securities received as collateral, recorded pursuant to the provisions of SFAS NO. 127.

<F3>Includes \$2,627 of Preferred Securities issued by Subsidiaries.

</FN>

</TABLE>