

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant /X/
Filed by a party other than the Registrant / /

Check the appropriate box:
/ / Preliminary Proxy Statement
/ / Confidential, for Use of the Commission Only (as permitted by Rule
14a-6(e)(2))
/X/ Definitive Proxy Statement
/ / Definitive Additional Materials
/ / Soliciting Material Pursuant to 240.14a-11(c) or 240.14a-12

MERRILL LYNCH & CO., INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

/X/ No fee required.
/ / Fee computed on table below per Exchange Act Rules 14a-6(i)(1)
and 0-11
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the
filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

/ / Fee paid previously with preliminary materials.
/ / Check box if any part of the fee is offset as provided by Exchange Act
Rule 0-11(a)(2) and identify the filing for which the offsetting fee was
paid previously. Identify the previous filing by registration statement
number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PROXY
STATEMENT

[IMAGE OF PLANET EARTH]

1997

NOTICE OF THE ANNUAL MEETING
OF STOCKHOLDERS TO BE HELD
APRIL 15, 1997

MERRILL LYNCH & CO., INC.
CONFERENCE AND TRAINING CENTER
PLAINSBORO, NEW JERSEY

[LOGO] MERRILL LYNCH

GRAPHIC DESCRIPTION FOR COVER

GRAPHIC DEPICTS A HOLLOW GLOBE CONSTRUCTED OF GOLD LATITUDINAL AND LONGITUDINAL LINES, WITH CONTINENTS IN GOLD. THE WESTERN HEMISPHERE IS CENTERED ON THE GLOBE.

[LOGO]

March 10, 1997

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders to be held at 10:00 A.M., local time, on Tuesday, April 15, 1997, at the Merrill Lynch & Co., Inc. Conference and Training Center, Plainsboro, New Jersey.

Information regarding the business of the meeting is set forth in the attached formal Notice of Annual Meeting and Proxy Statement. There will be an opportunity for stockholders to ask questions about our business and to comment on any aspect of company affairs properly brought before the meeting.

We cannot stress strongly enough that your vote is important, regardless of the number of shares you own. Therefore, after you read the Notice of Annual Meeting and Proxy Statement, and even if you plan to attend the meeting, please complete and return promptly the enclosed form of proxy to ensure that your shares will be represented. A return envelope is enclosed for your convenience. Since mail delays may occur, it is important that the proxy be returned well in advance of the meeting. You may revoke your proxy at any time before it is exercised at the meeting. Accordingly, you should sign and return your proxy even if you think you may decide to attend the meeting and vote your shares in person. Merrill Lynch will admit to the meeting stockholders of record, persons holding proof of beneficial ownership or who have been granted proxies, and any other persons that Merrill Lynch, in its sole discretion, may elect to admit.

We look forward to receiving your vote and seeing you at the meeting. Any stockholder who needs directions to the meeting, or who has a disability that may require special assistance, is asked to contact our Corporate Secretary, Gregory T. Russo, at 100 Church Street, 12th Floor, New York, NY 10080-6512.

Sincerely,

<TABLE>

<S>	<C>
/S/ DANIEL P. TULLY	/S/ DAVID H. KOMANSKY
DANIEL P. TULLY	DAVID H. KOMANSKY
CHAIRMAN OF THE BOARD	PRESIDENT AND CHIEF EXECUTIVE OFFICER

</TABLE>

[LOGO]

NOTICE OF ANNUAL MEETING OF
STOCKHOLDERS
TO BE HELD APRIL 15, 1997

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MERRILL LYNCH & CO., INC. ("ML & Co."), a Delaware corporation, will be held on Tuesday, April 15, 1997, at 10:00 A.M., local time, at the Merrill Lynch & Co., Inc. Conference and Training Center, 800 Scudders Mill Road, Plainsboro, New Jersey, for the following purposes:

- (1) To elect 5 directors to the Board of Directors to hold office for a term of 3 years;
- (2) To consider approving a proposal to limit the number of stock options that may be granted to executive officers under the ML & Co. Long-Term Incentive Compensation Plan;
- (3) To consider approving a proposal to amend a definition in the performance goal formula applicable to annual cash bonuses and grants of restricted shares and units to executive management;
- (4) To consider 2 stockholder proposals; and
- (5) To transact such other business as properly may come before the Annual Meeting and any adjournment thereof.

Only holders of Common Stock of record on the books of ML & Co. at the close of business on February 25, 1997 are entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. A list of such stockholders will be available from April 4, 1997 until prior to the meeting, as required by law, at

the office of Merrill Lynch Asset Management located at 800 Scudders Mill Road, Plainsboro, New Jersey. This list will also be available at the Annual Meeting. The stock transfer books will not be closed.

Public notice of the date of the Annual Meeting was previously included in ML & Co.'s Quarterly Report on Form 10-Q for the period ended September 27, 1996, which was filed with the Securities and Exchange Commission on November 8, 1996, and in ML & Co.'s Third Quarter Report to stockholders, which was mailed on November 26, 1996.

By Order of the Board of Directors

GREGORY T. RUSSO
SECRETARY

New York, NY
March 10, 1997

STOCKHOLDERS ARE URGED TO VOTE, SIGN, AND DATE THE ENCLOSED FORM OF PROXY AND TO RETURN IT IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

The Proxy Statement for the Annual Meeting follows this page. For stockholders who have not previously been sent a copy, enclosed is the Annual Report of ML & Co. for 1996, which is not proxy soliciting material.

[LOGO]

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
APRIL 15, 1997

World Financial Center
North Tower
New York, NY 10281

March 10, 1997

This Proxy Statement is furnished in connection with the solicitation on behalf of the Board of Directors of Merrill Lynch & Co., Inc., a Delaware corporation ("ML & Co."), of proxies from holders of ML & Co. Common Stock, par value \$1.33 1/3 per share (the "Common Stock"), eligible to vote at the forthcoming Annual Meeting of Stockholders, and at any adjournment thereof, on the matters set forth in the foregoing Notice of Annual Meeting of Stockholders. The Annual Meeting will be held on Tuesday, April 15, 1997, at 10:00 A.M., local time, at the Merrill Lynch & Co., Inc. Conference and Training Center, 800 Scudders Mill Road, Plainsboro, New Jersey.

The close of business on February 25, 1997 has been fixed by the Board of Directors as the record date for determining the stockholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournment thereof. On that date, there were 168,190,091 shares of Common Stock outstanding (excluding treasury shares), with the holders thereof entitled to one vote per share. The holders of a majority of the shares of Common Stock entitled to vote at the Annual Meeting, present in person or by proxy, shall constitute a quorum. To the knowledge of ML & Co., except as provided below, no person is the beneficial owner of more than 5% of the outstanding shares of Common Stock.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS (1)

<S>	<C>	<C>
State Street Bank and Trust Company, Trustee ("State Street") 225 Franklin Street Boston, Massachusetts 02110 Merrill Lynch & Co., Inc. Employee Stock Ownership Plan (the "ESOP").....	16,996,351 (2)	10.1%
Other ML & Co. employee benefit plans.....	8,160,417 (3)	4.9
Other.....	1,756,927 (4)	1.0
The Equitable Companies Incorporated (the "Equitable Companies") and related parties 787 Seventh Avenue New York, New York 10019.....	13,268,645 (5)	7.9

(FOOTNOTES ON FOLLOWING PAGE)

(1) Percentages are calculated based on the Common Stock outstanding as of February 25, 1997.

(2) Information concerning the amount and nature of beneficial ownership is as

of February 25, 1997. As of that date, 13,905,570 shares of Common Stock held by the ESOP (representing 8.3% of the outstanding shares of Common Stock) were allocated to participants, and 3,090,781 shares of Common Stock held by the ESOP (representing 1.8% of the outstanding shares of Common Stock) were unallocated. Participants have the right to direct the voting of allocated shares by State Street as a co-trustee of the ESOP. Subject to the provisions of the ESOP trust agreement, State Street is obligated to vote unallocated shares, and allocated shares for which it has not received directions, in the same proportion as directed shares are voted. The trust agreement also contains provisions regarding the allocation, vesting and disposition of shares.

- (3) Information concerning the amount and nature of beneficial ownership is as of February 25, 1997. Participants have the right to direct the voting of shares of Common Stock by State Street as a co-trustee of these plans. Subject to the provisions of the trust agreements relating to these employee benefit plans, State Street is obligated to vote shares for which it has not received directions in the same proportion as directed shares are voted. The trust agreements also contain provisions regarding the disposition of shares.
- (4) Information concerning the amount and nature of beneficial ownership is as of December 31, 1996 and was supplied by State Street. As trustee or discretionary advisor for various collective investment funds for employee benefit plans and other index accounts not affiliated with ML & Co. and for various personal trust accounts not affiliated with ML & Co., State Street has sole voting power over 1,556,047 of such shares, sole dispositive power over 1,754,997 of such shares, shared voting power over 880 of such shares, and shared dispositive power over 1,930 of such shares.
- (5) Information concerning the amount and nature of beneficial ownership is as of December 31, 1996 and was supplied by the Equitable Companies and related parties, including AXA, a French insurance holding company that owns an interest in the Equitable Companies, and a group of five French mutual insurance companies (the "Mutuelles AXA") that own an interest in AXA. Such information indicates that shares are held by subsidiaries or affiliates of the Equitable Companies as follows: (i) 12,138,665 shares (including 320,000 shares which may be acquired upon the exercise of options) are held on behalf of client discretionary investment advisory accounts by Alliance Capital Management L.P. ("Alliance"), which has sole dispositive power over all such shares, sole voting power over 8,447,745 of such shares, and shared voting power over 380,200 of such shares; (ii) 1,041,900 shares are held for investment purposes by The Equitable Life Assurance Society of the United States ("Equitable Life"), which has sole voting and dispositive power over all such shares; (iii) 85,000 shares may be acquired upon the exercise of options held for investment purposes by Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), which is deemed to have sole voting and dispositive power over such shares; and (iv) 3,080 shares are held on behalf of client discretionary investment advisory accounts by Wood, Struthers & Winthrop Management Corp. ("Wood, Struthers & Winthrop"), which has sole dispositive power over all such shares and shared voting power over 700 of such shares. Each of AXA, the Mutuelles AXA, as a group, and the Equitable Companies, by virtue of their relationship to Alliance, Equitable Life, DLJ, and Wood, Struthers & Winthrop, may be deemed to have sole dispositive power over 13,268,645 of such shares, sole voting power over 9,574,645 of such shares, and shared voting power over 380,900 of such shares.

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It is the policy of ML & Co. that all proxies, ballots and voting materials that identify the votes of specific stockholders shall be kept confidential and shall not be disclosed to ML & Co., its affiliates, directors, officers or employees, subject to limited exceptions, including (i) disclosure to vote tabulators and inspectors of election; (ii) disclosure required by law; (iii) where a stockholder expressly requests disclosure; (iv) in the context of a bona fide dispute as to the authenticity of the proxy, ballot or vote; and (v) disclosure of aggregate vote totals at or in connection with the relevant meeting of stockholders. This policy does not apply in the event of a contested election for directors, the attempted removal of directors, any solicitation of proxies in connection with a merger or business combination, or a solicitation of proxies by anyone other than the Board of Directors of ML & Co. The policy is not intended to prohibit stockholders from voluntarily disclosing their votes to ML & Co. or the Board of Directors or to impair the free and voluntary communication between ML & Co. and its stockholders.

A plurality of the votes of the shares of Common Stock represented at the Annual Meeting in person or by proxy and entitled to vote is required for the election of directors. The affirmative vote of a majority of the shares of Common Stock represented at the Annual Meeting in person or by proxy and entitled to vote is required to approve the amendments to the Long-Term Incentive Compensation Plan and the performance goal formula (together, the "ML & Co. Proposals"), the stockholder proposals and all other matters. All shares of Common Stock represented by valid proxies received pursuant to this solicitation and not revoked will be voted in accordance with the choices specified. Where no specification is made with respect to any item submitted to a vote, such shares will be voted for the election as directors of ML & Co. of the 5 persons named

under the caption "Election of Directors--Nominees for Election to the Board of Directors", for the ML & Co. Proposals and against the stockholder proposals. Since the proxy confers discretionary authority to vote upon other matters that properly may come before the meeting, shares represented by signed proxies returned to ML & Co. will be voted in accordance with the judgment of the person or persons voting the proxies on any other matters that properly may be brought before the meeting. ML & Co.'s by-laws require prior notification of a stockholder's intent to submit any business to the meeting. The deadline for such notification has passed and no such notification has been received.

With regard to the election of directors, votes may be cast in favor or withheld; votes that are withheld will have no effect on the outcome of the vote. With regard to other proposals, votes may be cast in favor or against, or a stockholder may abstain. Abstentions will be counted as shares that are represented at the meeting and entitled to vote. Abstentions on the ML & Co. Proposals and the stockholder proposals will have the effect of a negative vote because such proposals require the affirmative vote of a majority of shares present in person or by proxy and entitled to vote. Under the rules of the New York Stock Exchange, Inc. ("NYSE"), brokers who hold shares in street name for customers have the authority to vote on certain items in the event that they have not received instructions from beneficial owners. Brokers (other than ML & Co.'s subsidiary, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S")) that do not receive instructions are entitled to vote on the election of directors and the ML & Co. Proposals; under NYSE policy, if MLPF&S does not receive instructions on these items, it is entitled to vote shares only in the same proportion as the shares voted by all record holders. With respect to the stockholder proposals, neither MLPF&S nor any other broker may vote shares held for customers without specific instructions from such customers. Under applicable Delaware law, a broker non-vote will be disregarded and will have no effect on the outcome of the vote on the election of directors, the ML & Co. Proposals or the stockholder proposals.

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The execution of a proxy will not affect a stockholder's right to attend the Annual Meeting and to vote in person. A stockholder who executes a proxy may revoke it at any time before it is exercised at the meeting by giving notice to Darryl W. Colletti, Assistant Secretary of ML & Co., at 100 Church Street, 12th Floor, New York, NY 10080-6512, or by filing another proxy.

The expenses involved in the preparation of proxy materials and the solicitation on behalf of the Board of Directors of proxies for the Annual Meeting will be borne by ML & Co. In addition to the solicitation of proxies by mail, solicitation may be made by certain directors, officers, and other employees of ML & Co. or of its subsidiaries in person or by telephone or other means of communication, for which no additional compensation will be paid, and by Georgeson & Co., Inc. for a fee of \$22,000 plus expenses. ML & Co. will reimburse brokers, including MLPF&S, and other nominees for costs incurred by them in mailing soliciting materials to the beneficial owners of its stock in accordance with the rules of the NYSE.

The accounting firm of Deloitte & Touche LLP has been selected by the Board of Directors, upon the recommendation of the Audit and Finance Committee of the Board, as the independent public accountants of ML & Co. and its subsidiaries during the 1997 fiscal year. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement, if they wish, and to answer stockholders' questions.

ELECTION OF DIRECTORS

The Board of Directors of ML & Co. is divided into 3 classes. Each class serves for a 3-year term and one class of directors is elected each year.

The Board of Directors proposes the election as directors of the 5 persons named below under "Nominees for Election to the Board of Directors", to hold office for a term of 3 years ending in 2000. The remaining 10 directors named below will continue to serve in accordance with their previous elections. It is intended that shares of Common Stock represented by proxies received in response to this Proxy Statement will be voted for the election of the nominees listed below unless otherwise directed by stockholders in their proxies. While it is not anticipated that any of the nominees will be unable to take office, if that is the case, such shares will be voted in favor of such other person or persons proposed by the Board of Directors.

Set forth below is age and biographical information concerning nominees for election as directors and directors continuing in office. The information as to outside directorships is based upon information received from the nominees and directors. Unless otherwise indicated, the offices listed are offices of ML & Co.

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NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS FOR A 3-YEAR TERM EXPIRING IN 2000

WILLIAM O. BOURKE (69)

DIRECTOR SINCE 1987

Corporate Director; Chairman of the Board of Reynolds Metals Company, a producer of aluminum products, from April 1988 to May 1992; Chief Executive Officer of that company from April 1986 to May 1992; President of that company from January 1983 to April 1988. Mr. Bourke also serves as a director of Reynolds Metals Company, Premark International, Inc., Sonat Inc., and Tupperware Corporation.

W.H. CLARK (64) DIRECTOR SINCE 1995

Corporate Director; Chairman of the Board of Nalco Chemical Company, a producer of specialty chemicals, from 1984 to 1994; Chief Executive Officer of that company from 1982 to 1994; President of that company from 1984 to 1990. Mr. Clark also serves as a director of Bethlehem Steel Corporation, James River Corporation of Virginia, Millennium Chemicals Inc., NICOR Inc., Ultramar Diamond Shamrock Corporation, and USG Corporation.

STEPHEN L. HAMMERMAN (58) DIRECTOR SINCE 1985

Vice Chairman of the Board since April 1992; Executive Vice President from June 1985 to April 1992; General Counsel since October 1984; General Counsel of MLPF&S from March 1981 to June 1996.

AULANA L. PETERS (55) DIRECTOR SINCE 1994

Partner in the law firm of Gibson, Dunn & Crutcher since 1988 and from 1980 to 1984; Commissioner of the U.S. Securities and Exchange Commission from 1984 to 1988. Mrs. Peters also serves as a director of Callaway Golf Company, Minnesota Mining and Manufacturing Company (3M), Mobil Corporation, and Northrop Grumman Corporation.

JOHN J. PHELAN, JR. (65) DIRECTOR SINCE 1991

Corporate Director; Senior Adviser to the Boston Consulting Group since October 1992; Member of the Council on Foreign Relations since 1988; President of the International Federation of Stock Exchanges from January 1991 to January 1993; Chairman and Chief Executive Officer of the New York Stock Exchange, Inc. from May 1984 to December 1990. Mr. Phelan also serves as a director of Eastman Kodak Company, Metropolitan Life Insurance Company, and Sonat Inc.

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MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE
TERM EXPIRING IN 1998

HERBERT M. ALLISON, JR. (53) DIRECTOR SINCE 1997

Executive Vice President, Corporate and Institutional Client Group since January 1995; Executive Vice President, Investment Banking Group from May 1993 to January 1995; Executive Vice President, Finance and Administration from October 1990 to April 1993; Executive Vice President, Administration from July 1989 to October 1990. Mr. Allison has been elected President and Chief Operating Officer, effective April 15, 1997.

EARLE H. HARBISON, JR. (68) DIRECTOR SINCE 1987

Chairman of the Board of Harbison Corporation, a manufacturer of molded plastic products; Chairman of the Executive Committee of Monsanto Company, a provider of chemical and agricultural products, pharmaceuticals, sweeteners, industrial process controls, and man-made fibers, from January 1993 to August 1993; President and Chief Operating Officer of that company from May 1986 to December 1992. Mr. Harbison also serves as a director of Harbison Corporation, Angelica Corporation, Mutual of America, National Life Insurance Company, and RightCHOICE Managed Care, Inc.

WILLIAM R. HOOVER (67) DIRECTOR SINCE 1995

Chairman of the Executive Committee of Computer Sciences Corporation, a provider of information technology consulting, systems integration and outsourcing to industry and government; Chairman of the Board of that company from November 1972 to March 1997; Consultant to that company since March 1995; its President from November 1969 to March 1995; and its Chief Executive Officer from November 1972 to March 1995. Mr. Hoover also serves as a director of Computer Sciences Corporation, Eltron International, Inc., Rofin-Sinar Technologies Inc., and Storage Technology Corporation.

ROBERT P. LUCIANO (63) DIRECTOR SINCE 1989

Chairman of the Board of Schering-Plough Corporation, a health and personal care products company, since January 1984 and its Chief Executive Officer from February 1982 to January 1996. Mr. Luciano also serves as a director of Schering-Plough Corporation, AlliedSignal Inc., and C.R. Bard, Inc.

DAVID K. NEWBIGGING (63)

DIRECTOR SINCE 1996

Chairman of the Board of Equitas Holdings Limited, the parent company of a group of reinsurance companies, since 1995; Chairman of the Board and Senior Managing Director of Jardine, Matheson & Co. Limited, a Hong Kong-based international trading, industrial and financial services group from 1975 to 1983; Chairman of the Board of Rentokil Group PLC, a United Kingdom-based international support services group, from 1987 to 1994. Mr. Newbigging also currently serves as Chairman of Faupel Trading Group PLC, as Deputy Chairman of Friends' Provident Life Office and Benchmark Group PLC and as a director of United Meridian Corporation and Wah Kwong Shipping Holdings Ltd.

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TERM EXPIRING IN 1999

JILL K. CONWAY (62)

DIRECTOR SINCE 1978

Visiting Scholar, Massachusetts Institute of Technology since 1985; President of Smith College from July 1975 to June 1985. Mrs. Conway also serves as a director of The Allen Group Inc., Arthur D. Little, Inc., Colgate-Palmolive Company, and NIKE, Inc.

GEORGE B. HARVEY (65)

DIRECTOR SINCE 1993

Corporate Director; Chairman of the Board of Pitney Bowes Inc., a provider of mailing, office and logistics systems and management and financial services from 1981 to December 1996; President and Chief Executive Officer of that company from 1983 to May 1996. Mr. Harvey also serves as a director of Massachusetts Mutual Life Insurance Company, The McGraw-Hill Companies, Inc., and Pfizer Inc.

DAVID H. KOMANSKY (57)

DIRECTOR SINCE 1995

Chief Executive Officer since December 1996; President and Chief Operating Officer since January 1995; Executive Vice President, Debt and Equity Markets Group from May 1993 to January 1995; Executive Vice President, Debt Markets Group from June 1992 to April 1993; Executive Vice President, Equity Markets Group from October 1990 to May 1992. Mr. Komansky has been elected Chairman of the Board, effective April 15, 1997.

JOHN L. STEFFENS (55)

DIRECTOR SINCE 1997

Executive Vice President, Private Client Group since October 1990; Executive Vice President and President of the Consumer Markets Sector from July 1985 to October 1990. Mr. Steffens has been elected Vice Chairman of the Board, effective April 15, 1997.

WILLIAM L. WEISS (67)

DIRECTOR SINCE 1993

Corporate Director; Chairman Emeritus of Ameritech Corporation, a provider of communications and information services; its Chairman of the Board from 1983 to April 1994 and its Chief Executive Officer from 1983 to December 1993. Mr. Weiss also serves as a director of Abbott Laboratories, The Quaker Oats Company, and Tenneco Inc.

Daniel P. Tully, age 65, has served as a director since 1985 and will continue to serve as Chairman of the Board until his retirement following the 1997 Annual Meeting of Stockholders. Mr. Tully has served as Chairman of the Board from June 1993 to the present; Chief Executive Officer from May 1992 to December 1996; and President and Chief Operating Officer from July 1985 to January 1995.

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BOARD OF DIRECTORS COMMITTEES AND MEETINGS

In addition to an Executive Committee, ML & Co. has standing Audit and Finance, Management Development and Compensation, and Nominating Committees of the Board of Directors.

The Audit and Finance Committee, which consists of Mr. Bourke, who chairs the committee, Messrs. Clark, Harvey, Hoover and Newbigging and Mrs. Peters, held 6 meetings during the 1996 fiscal year. This committee has performed the following functions, among others: monitoring ML & Co.'s system of internal accounting controls and overseeing and evaluating the internal audit function; recommending the appointment and monitoring the performance, independence, and fees of ML & Co.'s independent public accountants and monitoring the professional services they provide; reviewing the scope of the annual audit with the independent public accountants and reviewing their reports to management; reviewing ML & Co.'s annual consolidated financial statements; and overseeing corporate funding policy, securities offerings, financial commitments and related policies, and risk management policies and procedures.

The Management Development and Compensation Committee, which consists of Mrs.

Conway, who chairs the committee, and Messrs. Harbison, Luciano, Phelan and Weiss, held 9 meetings during the 1996 fiscal year. This committee has performed the following functions, among others: exercising primary responsibility on behalf of the Board of Directors for reviewing and recommending employee compensation programs, policies, and practices, including salary, cash incentive, long-term incentive compensation, stock purchase, retirement, and health and welfare programs; making grants under the ML & Co. Long-Term Incentive Compensation Plan and other stock-based compensation plans; discharging the responsibilities described below under the caption "Management Development and Compensation Committee Report on Executive Compensation"; and periodically reviewing management development programs and executive succession plans.

The Nominating Committee, which consists of Mr. Harbison, who chairs the committee, Mrs. Conway and Mr. Luciano (all of whom are voting members) and Messrs. Tully and Komansky (who are non-voting members), held 3 meetings and had a number of discussions during the 1996 fiscal year. This committee has performed the following functions: identifying potential candidates to serve on the Board of Directors with a view toward a desirable balance of expertise among Board members and recommending to the Board of Directors membership of committees of the Board and nominees to fill vacancies on the Board. The Nominating Committee will consider nominees recommended by stockholders. Those wishing to submit recommendations for the 1998 Annual Meeting of Stockholders should write to Gregory T. Russo, Secretary, Merrill Lynch & Co., Inc., 12th Floor, 100 Church Street, New York, NY 10080-6512.

During the 1996 fiscal year, the Board of Directors met 9 times. During 1996, each director attended at least 75% of the meetings of the Board of Directors and the committees on which they served except for Mr. Newbigging, who was elected to the Board in October 1996. Although preexisting travel commitments prevented Mr. Newbigging's attendance at a special meeting called in November 1996, Mr. Newbigging attended all regularly scheduled Board and committee meetings during the period that he served as a director.

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BENEFICIAL OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table contains certain information regarding beneficial ownership of Common Stock and Common Stock-linked units by each director, nominee, and named executive officer and by all current directors and executive officers as a group. All information is provided as of February 25, 1997.

<TABLE>
<CAPTION>

	COMMON STOCK (1)	COMMON STOCK UNITS (2)
	-----	-----
<S>	<C>	<C>
Herbert M. Allison, Jr.....	865,516 (3)	20,232
William O. Bourke.....	5,000 (4)	335
W.H. Clark.....	1,927	837
Jill K. Conway.....	3,354	837
Stephen L. Hammerman.....	566,932 (3) (5)	14,443
Earle H. Harbison, Jr.....	3,320 (4)	501
George B. Harvey.....	3,498	837
William R. Hoover.....	2,645	837
Jerome P. Kenney.....	905,396 (3)	15,843
David H. Komansky.....	868,149 (3) (4) (5)	24,298
Robert P. Luciano.....	3,920	837
David K. Newbigging.....	1,230 (6)	780
Aulana L. Peters.....	1,489	2,704
John J. Phelan, Jr.....	3,920	837
John L. Steffens.....	1,003,229 (3)	20,232
Daniel P. Tully.....	2,181,897 (3) (5)	34,082
William L. Weiss.....	2,786	669
All directors and executive officers of ML & Co. as a group.....	7,733,381 (3) (4) (5) (6)	193,809

</TABLE>

(1) All nominees, directors, and executive officers have sole investment power and sole voting power over all shares of Common Stock listed, except as indicated in notes 3, 4, 5, and 6 below. Except for Mr. Tully, whose beneficial ownership represented 1.3% of the outstanding Common Stock, no individual director, nominee or executive officer beneficially owned in excess of 1% of the outstanding Common Stock. The group consisting of all directors and executive officers of ML & Co. beneficially owned approximately 4.5% of the outstanding Common Stock. Percentages are based on the Common Stock outstanding as of February 25, 1997.

(2) Consists of units linked to the value of the Common Stock but payable in cash at the end of a restricted or deferral period, including Restricted Units issued under the ML & Co. Long-Term Incentive Compensation Plan, Deferred Units issued under the ML & Co. Deferred Unit and Stock Unit Plan for Non-Employee Directors and Stock Units issued under the ML & Co. Fee

- (3) Beneficial ownership shown for the following individuals, and for the group consisting of all directors and executive officers of ML & Co., includes the indicated number of shares of Common Stock that may be purchased upon the exercise (presently or within 60 days) of stock options granted under the ML & Co. Long-Term Incentive Compensation Plan: Mr. Allison (664,509); Mr. Hammerman (367,073); Mr. Kenney (626,475); Mr. Komansky (634,481); Mr. Steffens (511,069); Mr. Tully (1,571,915); and all directors and executive officers of ML & Co. as a group (5,189,715).
- (4) Beneficial ownership shown for Messrs. Bourke, Harbison, and Komansky, and for the group consisting of all directors and executive officers of ML & Co., excludes shares held by their wives (200 shares in the case of Mr. Bourke, 2,000 shares in the case of Mr. Harbison, and 1,400 shares in the case of Mr. Komansky), as to which they may be deemed to have shared investment and voting power. Each of them has expressly disclaimed beneficial ownership of the shares held by his wife. Beneficial ownership for the group consisting of all directors and executive officers of ML & Co. also excludes 2,364 shares held by the wife of an executive officer not named in the Summary Compensation Table, as to which such executive officer may be deemed to have shared investment and voting power but as to which he has expressly disclaimed beneficial ownership.
- (5) Beneficial ownership shown for Mr. Hammerman, and for the group consisting of all directors and executive officers of ML & Co., includes 18,000 shares of Common Stock held in trusts as to which Mr. Hammerman has shared voting and investment power. Beneficial ownership shown for Mr. Komansky, and for the group consisting of all directors and executive officers of ML & Co., includes 576 shares of Common Stock held by a charitable foundation of which Mr. Komansky and two other executive officers not named in the Summary Compensation Table act as trustees and as to which they have shared voting and investment power. Beneficial ownership shown for Mr. Tully, and for the group consisting of all directors and executive officers of ML & Co., includes 16,000 shares of Common Stock held in a trust as to which Mr. Tully has shared voting and investment power. Beneficial ownership shown for the group consisting of all directors and executive officers of ML & Co. includes 1,200 shares of Common Stock held in custodial accounts as to which an executive officer not named in the Summary Compensation Table has sole voting and investment power and 1,416 shares of Common Stock held in trusts as to which such executive officer has shared voting and investment power.
- (6) Beneficial ownership shown for Mr. Newbigging, and for the group consisting of all directors and executive officers of ML & Co., includes 730 shares of Common Stock deliverable at the end of the deferral period applicable to ML & Co. Deferred Stock Units issued under the ML & Co. Deferred Unit and Stock Unit Plan for Non-Employee Directors. These shares are not included for the purpose of calculating the percentages set forth in note 1 above, as they cannot be acquired within 60 days.

1. PROPOSAL TO LIMIT THE NUMBER OF STOCK OPTIONS THAT MAY BE GRANTED TO EXECUTIVE OFFICERS UNDER THE ML & CO. LONG-TERM INCENTIVE COMPENSATION PLAN.

The Board of Directors recommends approval by stockholders of an amendment to the ML & Co. Long-Term Incentive Compensation Plan (the "Plan") that will limit the number of stock options that may be granted to an executive officer of ML & Co. in any one fiscal year (the "Option Limit"). The Option Limit is required to allow stock options qualifying as performance-based under Section 162(m) of the Internal Revenue Code and the related regulations to be granted to executive officers under the Plan after April 1997. Section 162(m) limits the deductibility of compensation in excess of \$1 million, unless such compensation is performance-based within the meaning of Section 162(m) and the related regulations. The proposed amendment to the Plan states:

"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."

Since December 1993, ML & Co. has granted stock options under the Plan pursuant to transition regulations under Section 162(m) that expire on the date of ML & Co.'s 1997 Annual Meeting. After that date, ML & Co. will no longer be able to rely on these transition regulations and, in order to continue to comply with

Section 162(m) requirements, must have a shareholder-approved limit on the number of options issuable under the Plan. Consistent with ML & Co.'s practice of preserving the full deductibility of executive compensation by determining compensation awards for executive officers in accordance with performance-based criteria, the Board of Directors recommends stockholder approval of the Option Limit. If approved, the Option Limit will be effective for option grants under the Plan after the date of ML & Co.'s 1997 Annual Meeting.

As of December 27, 1996, 10,945,605 shares of Common Stock remained available for issuance under the Plan (net of shares subject to issuance upon the exercise of outstanding stock options). Stock options exercisable for shares of ML & Co. Common Stock are granted by the Management Development and Compensation Committee of the Board of Directors as part of the incentive compensation paid to members of executive management. For a description of the grants and the criteria used in connection with such grants, see "Management Development and Compensation Committee Report on Executive Compensation". Grants of stock options made to certain executive officers of ML & Co. for performance in 1996 are described under the heading "Compensation Tables and Other Information--Option Grants in Last Fiscal Year". The Plan provides that any non-qualified stock option issued thereunder shall have an exercise price of not less than 50% of the fair market value of the underlying shares of Common Stock on the date of grant. The exercise price of all stock options issued under the Plan has been the grant date fair market value. Consequently, stock options directly align the financial interests of

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executives with those of stockholders by providing value to executives only if, and to the extent that, the price of Common Stock appreciates in the future. On February 25, 1997, the closing price of the Common Stock on the Consolidated Transaction Reporting System was \$97.875. Non-employee directors are not eligible to receive grants under the Plan.

The Board believes that it is in the best interests of ML & Co. that compensation paid to its executive officers under the Plan include Section 162(m)-qualified stock options. Accordingly, the Board recommends that the Option Limit be adopted.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR the adoption of this proposal.

2. PROPOSAL TO AMEND A DEFINITION IN THE PERFORMANCE GOAL FORMULA APPLICABLE TO ANNUAL CASH BONUSES AND GRANTS OF RESTRICTED SHARES AND UNITS TO EXECUTIVE MANAGEMENT.

The Board of Directors recommends approval by stockholders of a change to the definition of Net Income used in the performance goal formula (the "Formula") that governs cash and stock bonuses awarded to the Chairman of the Board (the "Chairman") and/or Chief Executive Officer ("CEO") and the four next highest paid executive officers (collectively, the "covered officers"). The Formula was adopted by the Management Development and Compensation Committee ("MDCC") and was approved by the stockholders at ML & Co.'s 1994 Annual Meeting of Stockholders. The Formula is intended to allow compensation to the covered officers to qualify as "performance based" and therefore to continue to be deductible to ML & Co. under Section 162(m) of the Internal Revenue Code and the related regulations.

The proposed amendment to the definition of Net Income would exclude from the calculation of Net Income certain expenses or losses that would, under generally accepted accounting principles, be considered UNUSUAL IN NATURE OR INFREQUENT IN OCCURRENCE. These expenses or losses would be excluded from the definition only to the extent that they appear on the face of ML & Co.'s Consolidated Financial Statements. This change is intended to provide the MDCC with the discretion to determine whether a narrowly defined category of unusual expenses or losses should or should not reduce the compensation paid to the covered officers. The MDCC currently has the discretion to exclude unusual income items, but not expense items, in determining executive compensation. Prior to enactment of Section 162(m), the MDCC would typically review both unusual income and expense items in determining compensation. The amendment is intended to restore the MDCC's historical ability to consider all relevant financial factors in determining compensation and administering the pay-for-performance philosophy of ML & Co.'s compensation formula.

As amended, the definition of Net Income contained in the Formula would read as follows:

"NET INCOME means, with respect to any Performance Year, Net Earnings Applicable to Common Stockholders for ML & Co. as it appears in ML & Co.'s Statement of Consolidated Earnings contained in ML & Co.'s Consolidated Financial Statements for such Performance Year adjusted to eliminate: (i) the cumulative effect of changes in accounting policy (which include changes in generally accepted accounting principles) adopted by ML & Co. for the relevant Performance Year; (ii) expenses classified as "Provisions For Restructuring"; (iii) gains and/or losses classified as "Discontinued Operations"; (iv) gains or losses classified as "Extraordinary

Items", which may include: (A) profits or losses on the disposal of assets or segments of the previously separate companies of a business combination within two years of the date of such combination; (B) gains on restructuring payables; (C) gains or losses on the extinguishment of debt; (D) gains or losses from the expropriation of property; (E) gains or losses that are the direct result of a major casualty; and (F) losses resulting from a newly enacted law or regulation; and (v) other expenses or losses which are unusual in nature or infrequent in occurrence.

In each instance, the above-referenced adjustment to Net Income must be in accordance with generally accepted accounting principles and appear on the face of ML & Co.'s Statement of Consolidated Earnings contained in ML & Co.'s Consolidated Financial Statements for such Performance Year, and said adjustment will be calculated net of related applicable income tax effect."

As described under the caption "Management Development and Compensation Committee Report on Executive Compensation", the Formula is used by the MDCC to determine the MAXIMUM cash bonus and the MAXIMUM dollar value of stock bonus awards payable to the covered officers. These amounts are computed for the Chairman and/or CEO by increasing or decreasing maximum bonus amounts for the prior year by ML & Co.'s year-over-year Average Percentage Change in Performance (the sum of the percentage change in Net Income and the percentage change in Return on Equity ("ROE") from one fiscal year to the next, divided by two). The maximum cash and stock bonus awards for the other covered officers are calculated as a percentage of the Chairman and/or CEO's maximum amounts (80% for the Chief Operating Officer and 70% for the Vice Chairmen and Executive Vice Presidents).

ML & Co. believes that its performance goal formula is one of the most strictly articulated formulas adopted in response to Section 162(m). Under the Formula, executive compensation is increased only to the extent that ML & Co.'s performance increases over a prior year. Similarly, compensation is decreased if performance declines. Under the Formula, the Committee may REDUCE but not increase the maximum award values. Moreover, the Formula provides that no cash or stock bonus amounts will be paid unless ML & Co. achieves a positive Net Income and a positive ROE for the relevant performance year.

The Board believes the change to the definition of Net Income in the Formula better reflects ML & Co.'s overall pay-for-performance compensation philosophy. Under Section 162(m), stockholder approval of this change is required so that compensation determined in accordance with the Formula can continue to qualify as "performance-based", thus preserving ML & Co.'s federal tax deduction for such compensation.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR the adoption of this proposal.

FIRST STOCKHOLDER PROPOSAL

Mrs. Evelyn Y. Davis, Watergate Office Building, 2600 Virginia Ave., N.W., Suite 215, Washington, D.C. 20037, holding 200 shares of Common Stock, has given notice of her intention to propose the following resolution at the Annual Meeting:

"RESOLVED: That the stockholders of Merrill Lynch, assembled in Annual Meeting in person and by proxy, hereby request the Board of Directors to take the necessary steps to provide for cumulative voting in the election of directors, which means each stockholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit."

The following statement has been submitted by Mrs. Davis in support of the resolution:

"REASONS: Many states have mandatory cumulative voting, so do National Banks."

"In addition, many corporations have adopted cumulative voting."

"Last year the owners of 31,623,319 shares, representing approximately 22.5% of shares voting, voted FOR this proposal."

"If you AGREE, please mark your proxy FOR this resolution."

The Board of Directors recommends a vote AGAINST the adoption of this proposal.

This same proposal has been previously submitted eleven times by its proponent to ML & Co.'s Annual Meetings of Stockholders. The issue has been consistently opposed by the Board of Directors and defeated by stockholders every time by a substantial majority of the votes cast.

The reasons the Board of Directors opposes this resolution are essentially the

same as those stated in the proxy statements for the eleven prior Annual Meetings at which the proposal was submitted. Under the General Corporation Law of Delaware (the "Corporation Law"), the state in which ML & Co. is incorporated, cumulative voting is permissible only if provided for in a corporation's certificate of incorporation. The general rule under the Corporation Law, which is followed by many large corporations, is that each director must be elected by a plurality of the votes of the shares present in person or represented by proxy.

The Board of Directors would recommend a change in the method of stockholder voting only if another method would better serve the interests of the stockholders as a whole. To the contrary, cumulative voting would give stockholders who seek to support a special interest group the potential to elect one or more directors representing the interests of that group. Any directors so elected may view themselves as representatives of the group that elected them and feel obligated to represent that group's interests, regardless of whether the furtherance of those interests would benefit all stockholders generally. This would tend to promote adherence to narrow interests rather than those of stockholders at large, whereas the election of directors by plurality vote is designed to produce a board of directors that views its accountability as being to stockholders generally. Cumulative voting would also create a risk of promoting factionalism among members of the Board of Directors and may, therefore, undermine their ability to

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work together effectively. Accordingly, the Board of Directors regards the proposed change as not only serving no useful purpose but as being contrary to the best interests of all ML & Co. stockholders.

For the reasons stated above, THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST the adoption of this proposal.

SECOND STOCKHOLDER PROPOSAL

Mr. John A. Gearhart and Mrs. Gretchen B. Gearhart, 1010 Park Avenue, Fayetteville, AR 72701, holding 390 shares of Common Stock, have given notice of their intention to propose for adoption at the Annual Meeting the following proposal:

"PROPOSAL: It is recommended that the Board of Directors of Merrill Lynch provide share owners with the relationship of claims arising from derivatives to underlying assets when trading for its own account, so that share owners can evaluate the degree of risk involved."

The following statement has been submitted by Mr. and Mrs. Gearhart in support of the proposal:

"REASON: A derivative is a contract which, for a fee, transfers a business or monetary risk, or group of risks, to somebody else when time is of the essence. The compounding nature of multiple, complex contracts makes possible "risk free" business operation transactions subject to massive gains or losses. The basic time frame is the future, hence the vagaries involved redirect current and future influences and create a complexity that denies efficient or effective ascertainment of true risk/ reward relationship. There are periodic financial eruptions among substantial derivative "players," which can be harmful to other serious investors."

"How are Merrill Lynch share owners protected from the numerous losses reported by corporations, banks, brokers, and other institutional investors?"

"The Federal Reserve Board of Kansas City, in its Economic Review for the Third Quarter of 1993 makes these observations:

Many derivatives promise to deliver the underlying asset in the future. However, most derivatives are settled by taking offsetting positions in the derivative security rather than by taking or making delivery of the underlying asset. As a consequence, there is no effective limit on the quantity of claims to the underlying asset that can be traded. Indeed, outstanding futures contracts often promise to deliver many multiples of the existing quantity of the underlying asset."

"Merrill Lynch should also query its derivative customers to get indications of risk as the Comptroller of Currency is requesting of banks. It is in the share owners' interest to know the overall capital adequacy of Merrill Lynch and its customers' assets in relation to derivatives."

"Stock index futures, a derivative, make a mockery of investment research (common stock research and SIF betting may oppose one another) and contribute little or nothing to capital formation. Merrill Lynch should examine SIF's termination irrespective of what domestic and foreign markets permit."

The Board of Directors recommends a vote AGAINST the adoption of this proposal.

Mr. and Mrs. Gearhart submitted the same proposal to ML & Co.'s 1995 Annual Meeting of Stockholders. In that year, the Board of Directors opposed this proposal and it was defeated by stockholders by more than 90% of the votes cast.

The Board of Directors opposes Mr. and Mrs. Gearhart's proposal because it is so vague and indefinite that any action taken to implement it, if adopted, would likely be different from the action subjectively envisioned by the proponents or by any stockholders who voted in its favor. In ML & Co.'s view, the action that appears to be called for by this proposal has already been substantially implemented. ML & Co.'s 1996 Annual Report to stockholders provides a description of derivative financial instruments that ML & Co. owns and trades and how such instruments relate to underlying assets and liabilities.

The market for derivative financial products has grown substantially over the last decade. Derivative financial products offer businesses and other clients a cost-effective and practical means to implement desirable hedging or investment strategies that would be difficult or impossible to achieve using traditional investment vehicles.

ML & Co. is a voluntary participant in SEC Chairman Levitt's Derivatives Policy Group initiatives and has a long-standing commitment to protecting the integrity and liquidity of the financial markets and maintaining investor confidence. ML & Co. will continue to work with Congress and regulators to achieve these goals.

For the reasons stated above, THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST the adoption of this proposal.

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE
REPORT ON EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION OVERVIEW

As ML & Co. continues to strengthen its position as a global leader in financial services, and as one of the world's standard-setting companies by every measure of performance, it must further develop its tradition of leadership to meet the challenges of business expansion and intensifying global competition. ML & Co.'s success in maintaining and enhancing its tradition of leadership rests upon its ability to recruit, retain and motivate high-caliber executives. To that end, ML & Co. has developed an executive compensation program designed to provide strong incentives to individuals to achieve superior performance, while ensuring that all aspects of compensation reflect business unit and company results. By varying both the annual cash incentive award (cash bonus) and the stock-based incentive award (stock bonus) directly with changes in ML & Co.'s financial results and the performance of the individual executives, the incentive compensation program's focus is made explicit and strongly aligns the interests of ML & Co.'s executives with those of its stockholders.

POLICIES AND PROCESS

GENERAL

On behalf of the Board of Directors, the Management Development & Compensation Committee (the "MDCC") is responsible for overseeing all executive officer compensation programs and plans, including the determination of base salaries, cash bonuses and stock-based compensation. The MDCC consists of five directors who have never been employees of ML & Co. and who are not eligible to participate in any of the MDCC-administered compensation programs or plans.

Each year, the MDCC conducts a broad review of ML & Co.'s executive compensation programs to ensure that such programs are aligned with ML & Co.'s long-term strategic and financial goals, annual financial plans and other short-term objectives. As part of this review, the MDCC assesses the impact of changes in laws and regulations on the compensation programs for ML & Co.'s executive officers. The MDCC has access to advice and counsel from independent third parties. The MDCC also reviews executive management compensation with the other non-employee members of the Board of Directors. The Board of Directors has the specific responsibility for approving the compensation of executive management.

Cash and stock bonus opportunities for executives are determined by a formula that generates a maximum award value that increases or decreases based on changes in ML & Co.'s Net Income and Return on Equity ("ROE"). The actual awards granted to an executive by the MDCC may be reduced below, but may not be increased above, their respective formula maximum amounts. Individual performance factors taken into consideration in determining the award for a particular executive include: the executive's contribution to financial results, productivity, expense and risk control, product innovation, quality of client service, management development, succession planning, workforce diversity and strategic planning. The MDCC also considers the extent to which individuals take a leadership role in

exemplifying and fostering ML & Co.'s principles of Client Focus, Respect for the Individual, Teamwork, Responsible Citizenship and Integrity.

TOTAL COMPENSATION

The three elements of total compensation for ML & Co. executives are base salary, cash bonus and stock bonus. The MDCC has balanced these components of executive pay to provide ML & Co.'s top executives with a powerful motivation to maximize the long-term shareholder value of the company.

BASE SALARIES

The MDCC typically reviews executive officer base salaries every three to four years based on factors determined at that time. Executive officer salaries were reviewed by the MDCC for 1996. Salary increases were recommended by the MDCC to the Board and approved by the Board effective January 1, 1996. Base salary adjustments were made for those executives who experienced significant changes in responsibilities over the prior three to four years. These adjustments to base salaries were made within the context of the total compensation opportunity offered to executive officers. Base salaries continue to be managed so that the principal compensation opportunity is derived from the cash bonus and stock bonus awards. For 1996, the base salaries of executive officers named in the Summary Compensation Table ranged from 9% to 11% of their total annual cash compensation levels (base salary plus cash bonus). This relationship of salaries to total annual cash compensation is intended to maximize the motivational value of the variable portion of performance-based compensation.

INCENTIVE COMPENSATION

ML & Co.'s incentive awards to executive officers are based on a performance goal formula that increases or decreases the prior year's formula award by the Average Percentage Change from the prior year in ML & Co.'s Net Income and ROE (as such terms are defined in the performance goals adopted by the MDCC and approved by stockholders). The performance goal formula provides an incentive for executives to work towards both a high return on stockholders' equity and growth in profits. Use of the formula also allows ML & Co. to comply with IRS regulations regarding the tax deductibility of executive compensation in excess of \$1 million. Net Income and ROE are among the same performance measures that are used by the MDCC in determining the funding for annual bonuses for other bonus-eligible employees.

The MDCC retains the discretion to determine actual awards less than the formula amount for each executive based on an assessment of the performance factors listed above under "Policies and Process-General." These factors are considered collectively by the MDCC and are not weighted in any particular order of importance. Because this process determines compensation levels based on ML & Co.'s financial performance and the individual executive officer's performance, compensation is not targeted to specific competitive levels.

CASH BONUS. ML & Co.'s cash bonus program provides a direct incentive for executive officers to improve the financial performance of ML & Co. For the 1996 performance year, the MDCC determined

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cash bonuses for each executive officer using the performance goal formula. The CEO's formula cash bonus for 1996 was determined by adjusting the 1995 formula cash bonus by the 40% average increase in ML & Co.'s Net Income and ROE from 1995 to 1996. Under the stockholder approved plan, the formula cash bonus maximums for executive officers (other than the CEO) are established as a percentage of the CEO's formula cash bonus. This percentage (80% for the Chief Operating Officer and 70% for other executive officers) reflects the relative responsibility and accountability of these individuals in relation to that of the CEO. The Chief Operating Officer received 80% and the executive officers named in the Summary Compensation Table received between 48% and 65% of the CEO formula amount for the 1996 performance year.

STOCK BONUS. Stock-based incentive awards are a fundamental component of the total compensation awarded each year to members of executive management. The stock bonus, which consists of Restricted Shares, Restricted Units and Stock Options, aligns executive and stockholder financial interests and provides an appropriate balance between short-term goals and long-term strategic planning.

Restricted Shares and Restricted Units provide an immediate proprietary interest and reinforce a long-term orientation in decision making. Restricted Shares are shares of Common Stock that convey to their holder all the rights of a stockholder except that they are restricted from being sold, transferred, or assigned for a period of time after they are granted. In the case of Restricted Shares granted for the 1996 performance year, the restricted period is five years, consisting of a three-year vesting period followed by a two-year restriction on transferability. Restricted Units are similar to Restricted Shares but are payable in cash at the end of a three-year vesting period and do not convey voting rights (throughout the remainder of this report, Restricted Shares and Restricted Units are referred to as "Restricted Shares/ Units").

Stock Options directly align the financial interests of executives with those of stockholders by rewarding executives only if, and to the extent that, the price of Common Stock appreciates in the future. Stock Options granted for 1996

performance have a term of ten years and become exercisable in 20% increments each year over a five-year period.

The stock bonuses granted in January 1997 to executive officers for the 1996 performance year were determined using the same performance goal formula as was used to determine cash bonuses. That is, for the 1996 performance year, the formula dollar value of the CEO's stock bonus was determined by adjusting the formula dollar value of the CEO's 1995 stock bonus by the 40% average increase in Net Income and ROE from 1995 to 1996. The formula dollar values of the awards for executive officers other than the CEO were established as a percentage of the CEO's formula amount (80% for the COO and 70% for other executive officers). The Chief Operating Officer received 80% and the executive officers named in the Summary Compensation Table received between 43% and 59% of the CEO formula amount for the 1996 performance year. Stock ownership levels are not a consideration in deciding the appropriate stock bonus award for a given performance year.

Executive officers are also eligible to participate in broad-based plans offered generally to ML & Co. employees, such as the 401(k) Savings and Investment Plan, retirement plans, and various health and welfare insurance plans.

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APPROVAL PROCESS

Consistent with the executive compensation policies discussed above, the MDCC assesses the performance of the CEO and of all other executive officers and determines awards of Restricted Shares/Units and Stock Options, and approves and recommends the annual cash and stock bonuses of ML & Co.'s CEO, COO, Vice Chairmen, and Executive Vice Presidents to the Board of Directors for approval.

COMPENSATION OF THE CHIEF EXECUTIVE OFFICER FOR 1996 PERFORMANCE

CASH BONUS

The 1996 performance year cash bonus for the CEO was determined in accordance with the performance goals referred to above.

ML & Co.'s Net Income in 1996 was \$1,572 million which represents a 47.5% increase from \$1,066 million in 1995. ML & Co.'s ROE in 1996 was 26.8%, which represents a 33.5% increase from ML & Co.'s ROE of 20.1% in 1995. The average change in these performance measures, rounded to the nearest whole percentage point, is an increase of 40%. As a result, the CEO's 1995 formula cash bonus of \$4,643,800 was increased by the 40% average change in the performance measures to produce a 1996 formula cash bonus of \$6,501,320. The MDCC awarded the CEO the full formula cash bonus in recognition of his contribution to ML & Co.'s 1996 financial results as well as the other factors listed above under "Policies and Process--General" and his leadership in exemplifying and fostering ML & Co.'s principles of Client Focus, Respect for the Individual, Teamwork, Responsible Citizenship and Integrity.

The MDCC determined Mr. Tully's base salary for 1996 to be \$700,000.

STOCK BONUS

The value of Mr. Tully's stock bonus award for 1996 performance was determined in accordance with the performance goals referred to above. The dollar value of the stock bonus was computed by applying the 40% average increase in Net Income and ROE to the dollar value of Mr. Tully's 1995 stock bonus award of \$2,172,100 (which was the 1995 formula maximum amount) resulting in a formula stock bonus maximum for the 1996 performance year of \$3,040,940. Again, in recognition of ML & Co.'s financial results and the other factors discussed above, the MDCC deemed it appropriate to award Mr. Tully a stock bonus equal to the full formula value.

The dollar value of the stock bonus is split equally between Restricted Shares/Units and Stock Options. The actual number of Restricted Shares/Units awarded was calculated by dividing the dollar value to be paid in Restricted Shares/Units (\$1,520,470) by the average fair market value (\$81.85) of a share of Common Stock over the twenty business days preceding January 20, 1997, the date the MDCC met to review executive stock awards. The number of Stock Options awarded for 1996 performance was calculated by dividing the dollar value to be paid in stock options (\$1,520,470) by the same price of Common Stock used to determine the Restricted Share/Unit grants, and multiplying the result by four. The multiple of four options to one share/unit is used because the Black-Scholes value of an ML & Co.

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employee Stock Option, taking into account the non-marketability of employee stock options, has over time averaged approximately 25% of the value of a share of Common Stock.

The ultimate future value to be realized by the CEO for this long-term incentive award of Restricted Shares/Units and Stock Options is dependent upon the future price of the Common Stock and on dividends.

SUMMARY

The CEO's compensation for performance in 1996, valued when it was approved in January 1997 using the methodology explained above, consisted of:

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SALARY	ANNUAL BONUS	RESTRICTED SHARES/UNITS*	STOCK OPTIONS*	TOTAL
\$ 700,000	\$ 6,501,320	\$ 1,520,470	\$ 1,520,470	\$ 10,242,260

* The value of these awards is based on the average fair market value (\$81.85) of a share of Common Stock over the twenty business days preceding January 20, 1997, the date the MDCC met to review these awards. These amounts differ from the amounts shown in the Summary Compensation Table under the column headed "Restricted Stock Awards" and in the table entitled "Option Grants in Last Fiscal Year" under the column headed "Grant Date Present Value" because the amounts in those tables are required to be based on grant date Common Stock prices.

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

JILL K. CONWAY, CHAIR
EARLE H. HARBISON, JR.
ROBERT P. LUCIANO
JOHN J. PHELAN, JR.
WILLIAM L. WEISS

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COMPENSATION TABLES AND OTHER INFORMATION

The following tables set forth information with respect to the Chief Executive Officer and the four other most highly compensated executive officers of ML & Co.

SUMMARY COMPENSATION TABLE

<TABLE>
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COMPEN- NAME AND PRINCIPAL POSITION(2) SATION(6)	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS(1)	
		SALARY	BONUS	RESTRICTED STOCK AWARDS (3) (4) (5)	SECURITIES UNDERLYING OPTIONS
Daniel P. Tully..... 444,298 Chairman of the Board 219,261 144,950	1996	\$ 700,000	\$ 6,501,320	\$ 1,562,874	74,305
	1995	500,000	4,643,800	1,211,811	84,665
	1994	500,000	4,340,000	1,058,682	113,684
David H. Komansky..... 73,127 President and Chief Executive Officer 42,635 31,250	1996	500,000	5,201,056	1,250,266	59,445
	1995	300,000	3,715,040	969,472	467,735
	1994	300,000	2,900,000	625,837	67,204
Herbert M. Allison, Jr..... 68,607 Executive Vice President 27,759 21,800	1996	400,000	4,200,000	925,039	43,985
	1995	300,000	3,000,000	725,300	50,675
	1994	300,000	2,900,000	625,837	67,204
Jerome P. Kenney..... 26,752 Executive Vice President 20,760 18,000	1996	400,000	3,100,000	668,121	31,765
	1995	400,000	2,400,000	557,901	38,980
	1994	400,000	1,700,000	521,537	56,004

John L. Steffens.....	1996	400,000	4,200,000	925,039	43,985
447,098					
Executive Vice President	1995	400,000	2,900,000	725,300	50,675
220,761					
	1994	400,000	2,800,000	625,837	67,204
149,250					

(FOOTNOTES ON FOLLOWING PAGE)

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- (1) Awards were made in January or February of the succeeding fiscal year for performance in the year indicated.
- (2) During the 1996 fiscal year, Mr. Tully served as Chairman of the Board and Chief Executive Officer. The Board of Directors elected Mr. Komansky Chief Executive Officer effective December 28, 1996 and Chairman of the Board effective April 15, 1997 upon Mr. Tully's retirement. The Board has also elected Mr. Allison President and Chief Operating Officer and Mr. Steffens Vice Chairman, in each case effective April 15, 1997.
- (3) Amounts shown are for awards granted in February 1997 for performance in 1996, in February 1996 for performance in 1995, and in February 1995 for performance in 1994. The awards were split equally between Restricted Shares and Restricted Units. All awards have been valued for this table using closing prices of Common Stock on the Consolidated Transaction Reporting System on the effective dates of grant of such awards. The closing price on the last trading day prior to February 1, 1997, the effective date of the grant for performance in 1996, was \$84.125. All of the shares and units vest three years following grant and the shares are restricted from transferability for an additional two years after vesting.
- (4) During the applicable vesting and restricted periods, dividends are paid on Restricted Shares and dividend equivalents are paid on Restricted Units. Such dividends and dividend equivalents are equal in amount to the dividends paid on shares of Common Stock.
- (5) The number and value of Restricted Shares and Restricted Units held by executive officers named in the table as of December 27, 1996 are as follows: Mr. Tully (24,795 shares and 58,273 units-- \$6,998,479); Mr. Komansky (16,868 shares and 34,184 units--\$4,301,131); Mr. Allison (14,736 shares and 32,051 units--\$3,941,805); Mr. Kenney (11,874 shares and 25,725 units--\$3,167,716); and Mr. Steffens (14,736 shares and 32,051 units--\$3,941,805). These amounts do not include Restricted Shares and Restricted Units awarded in 1997 for performance in 1996.
- (6) Amounts shown for 1996 consist of the following: (i) contributions made in 1996 by ML & Co. to accounts of employees under the ML & Co. 401(k) Savings & Investment Plan (including, where applicable, cash payments made because of limitations imposed by the Internal Revenue Code)-- Mr. Komansky (\$1,500); Mr. Allison (\$1,500); Mr. Kenney (\$1,500); and Mr. Steffens (\$1,500); (ii) allocations made in 1996 by ML & Co. to accounts of employees under the defined contribution retirement program--Mr. Tully (\$27,548); Mr. Komansky (\$25,252); Mr. Allison (\$22,957); Mr. Kenney (\$25,252); and Mr. Steffens (\$27,548); and (iii) distributions received in 1996 on investments of personal funds in ML & Co.-sponsored employee partnerships--Mr. Tully (\$416,750); Mr. Komansky (\$46,375); Mr. Allison (\$44,150); and Mr. Steffens (\$418,050).

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OPTION GRANTS IN LAST FISCAL YEAR (1)

<TABLE>
<CAPTION>

GRANT DATE	NAME	NUMBER OF SECURITIES UNDERLYING	% OF TOTAL OPTIONS GRANTED TO	EXERCISE PRICE	EXPIRATION DATE (2)
PRESENT		OPTIONS GRANTED	EMPLOYEES IN FISCAL YEAR	PER SHARE	
<S>	<C>	<C>	<C>	<C>	<C>
Daniel P. Tully.....		74,305	1.1%	\$ 81.1875	1/29/2007
\$1,973,223					
David H. Komansky.....		59,445	0.8	81.1875	1/29/2007
1,578,605					
Herbert M. Allison, Jr.....		43,985	0.6	81.1875	1/29/2007
1,168,053					

Jerome P. Kenney..... 843,542	31,765	0.5	81.1875	1/29/2007
John L. Steffens..... 1,168,053	43,985	0.6	81.1875	1/29/2007

- - - - -

- (1) Reflects awards made in January 1997 for performance in 1996. Excludes awards made in January 1996 for performance in 1995 (which were reflected in ML & Co.'s 1996 Proxy Statement).
- (2) All options are exercisable as follows: 20% after one year, 40% after two years, 60% after three years, 80% after four years, and 100% after five years.
- (3) Valued using a modified Black-Scholes option pricing model. The exercise price of each option (\$81.1875) is equal to the average of the high and low prices on the Consolidated Transaction Reporting System of a share of Common Stock on January 29, 1997, the effective date of grant. The assumptions used for the variables in the model were: 26.87% volatility (which is the volatility of the Common Stock for the 36 months preceding grant); a 6.78% risk-free rate of return (which is the yield as of the date of grant on a U.S. Treasury Strip (zero-coupon bond) maturing in February, 2007, as quoted in THE WALL STREET JOURNAL); a 1.48% dividend yield (which was the dividend yield on the date of grant); and a 10-year option term (which is the term of the option when granted). A discount of 25% was applied to the option value yielded by the model to reflect the non-marketability of employee options. The actual gain realized on the options will depend on the future price of the Common Stock and cannot be accurately forecast by application of an option pricing model.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

UNEXERCISED OPTIONS END(1)	SHARES		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF IN-THE-MONEY AT FISCAL YEAR-	
	ACQUIRED ON	VALUE	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	
	EXERCISE	REALIZED				
NAME						
UNEXERCISABLE						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Daniel P. Tully..... 11,439,893	100,000	\$4,565,625(2)	1,472,956	273,013	\$99,946,774	\$
David H. Komansky..... 18,946,320	0	0	485,471	574,118	31,153,454	
Herbert M. Allison, Jr..... 6,482,134	0	0	600,551	155,418	39,577,176	
Jerome P. Kenney..... 5,172,088	0	0	576,046	123,468	38,019,141	
John L. Steffens..... 6,564,852	240,000	11,154,375(2)	445,471	157,058	28,377,829	

- - - - -

- (1) This valuation represents the difference between \$84.25, the closing price of the Common Stock on December 27, 1996 on the Consolidated Transaction Reporting System, and the exercise prices of these options.
- (2) This valuation represents the difference between the average of the high and low prices of the Common Stock on the Consolidated Transaction Reporting System on the date of exercise and the exercise prices of the options exercised. Mr. Tully and Mr. Steffens continue to hold the shares received upon the exercise of these options (net of shares withheld for taxes).

PENSION PLAN ANNUITY

In 1988, the ML & Co. defined benefit pension plan (the "Pension Plan") was

terminated, and a group annuity contract to pay the Pension Plan benefits to the vested participants was purchased from Metropolitan Life Insurance Company with a portion of the terminated Pension Plan trust assets. This annuity is payable at normal retirement (generally age 65) or at an early retirement age in a reduced amount. ML & Co. participates in the actuarial experience and investment performance of these annuity assets under an agreement with Metropolitan Life Insurance Company.

Under the arrangement described above, the executive officers named in the Summary Compensation Table will be eligible to receive an annuity upon retirement. Those retiring at age 65 with at least 10 years of Pension Plan participation will receive up to the annual statutory maximum applicable to the year in which the annuity payments are made, which, during 1997, is \$125,000 (if born before 1938) and \$116,667 (if born between 1938 and 1954). These limits are adjusted periodically by the Internal Revenue Service for increases in the cost of living. The compounded annual growth rate of these cost of living increases has been 3.5% since 1988, the year indexing began. Effective for 1995 and later years, however, the cost of living adjustment calculation is subject to rounding rules. These annuity payments, if payable as straight life annuities, will not exceed the following annual amounts for the following executive officers: Mr. Tully (\$316,168) subject to the statutory maximum (\$125,000 in 1997); Mr. Komansky (\$103,655); Mr. Allison (\$81,543); Mr. Kenney (\$173,456) subject to the statutory maximum (\$116,667 in 1997); and Mr. Steffens (\$227,963) subject to the statutory maximum (\$116,667 in 1997). These amounts reflect an offset for estimated social security benefits in accordance with the provisions of the terminated Pension Plan.

SUPPLEMENTAL ANNUITY AGREEMENTS

ML & Co. entered into an annuity agreement with Mr. Tully, effective July 24, 1991, which has been amended as of April 30, 1992 and January 27, 1997, to provide for supplemental defined benefit annuity payments to him and his surviving spouse. The annuity is payable if Mr. Tully retires or dies while an executive officer of ML & Co. The annual amount of this annuity will equal \$1,620,000, if payable as a straight life annuity or a 10-year certain and life annuity, or \$1,370,000 if payable as a 50% or 100% joint and survivor life annuity, in each case as reduced by Mr. Tully's Pension Plan annuity described above and the combined annuity value at retirement of his account balances attributable to ML & Co. contributions to the ML & Co. 401(k) Savings & Investment Plan and the Retirement Accumulation Plan and to the allocations under the ESOP, and as further reduced by 50% of the annual social security retirement benefit amount he would receive upon retirement at age 65. The payment will be made monthly in the form of a life annuity, a 10-year certain and life annuity or a 50% or 100% joint and survivor life annuity. The survivor benefits, if applicable, are payable only to a spousal beneficiary.

ML & Co. also entered into an annuity agreement with Mr. Komansky, effective January 27, 1997, to provide for supplemental defined benefit annuity payments to him and his surviving spouse. Estimated amounts payable to Mr. Komansky (when combined with retirement benefits from other sources described in the paragraph below), assuming payment in the form of a straight life annuity upon

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retirement at age 60 or thereafter, can be calculated using the following table based on his "Highest Consecutive 5-Year Average Compensation" and "Years of Service":

<TABLE>
<CAPTION>

HIGHEST CONSECUTIVE 5-YEAR AVERAGE COMPENSATION	YEARS OF SERVICE		
	28	32	36
<S>	<C>	<C>	<C>
\$3,250,000.....	\$ 1,137,500	\$ 1,300,000	\$ 1,462,500
3,750,000.....	1,312,500	1,500,000	1,620,000
4,250,000.....	1,487,500	1,620,000	1,620,000
4,750,000.....	1,620,000	1,620,000	1,620,000
5,250,000.....	1,620,000	1,620,000	1,620,000

As of December 27, 1996, Mr. Komansky had highest consecutive 5-year average compensation of approximately \$3.4 million and approximately 28 years of service. The annuity is payable if Mr. Komansky retires at the age of 60 or thereafter or dies while employed by ML & Co. The annual amount of his annuity will be equal to 1.25% of his highest consecutive 5-year average compensation (excluding stock-based compensation and certain non-recurring cash compensation awards) multiplied by years of service up to age 65, as reduced by Mr. Komansky's Pension Plan annuity described above and the combined annuity value at retirement of his account balances attributable to ML & Co. contributions to the ML & Co. 401(k) Savings & Investment Plan and the Retirement Accumulation Plan, and to the allocations under the ESOP and as further reduced by 50% of the annual social security retirement benefit amount he would receive upon retirement at age 65. The amount of his annuity, however, together with the

combined annuity value described above, cannot exceed \$1,620,000 if payable as a straight life annuity or a 10-year certain and life annuity, or \$1,370,000 if payable as a 50% or 100% joint and survivor life annuity, in each case subject to a semi-annual adjustment for inflation until commencement of payment. The payment will be made monthly in the form of a life annuity or, subject to reductions, a 10-year certain and life annuity or a 50% or 100% joint and survivor life annuity. The survivor benefits, if applicable, are payable only to a spousal beneficiary.

SEVERANCE AGREEMENTS

ML & Co. has severance agreements with certain members of executive and senior management, including Messrs. Tully, Komansky, Allison, Kenney and Steffens. These agreements provide for payments and other benefits if there is a Change in Control (as defined below) of ML & Co., and the employee's employment is subsequently terminated by ML & Co. or its successor without "Cause" or by the employee for "Good Reason", including a detrimental change in responsibilities or a reduction in salary or benefits. The term of each agreement does not exceed 3 years, which term is automatically extended each year for an additional year until notice to the contrary is given to the employee. Under each agreement, the employee will receive a lump sum payment equal to the lesser of 2.99 times the employee's average annual W-2 compensation for the 5 years immediately preceding the year of the termination of employment or 2.99 times the employee's average annual salary, bonus and the grant value of stock-based compensation for the five years immediately preceding the year of the termination of employment. The employee shall also receive (i) a lump sum payment approximating the value of life, disability, accident, and medical insurance benefits for 24 months after termination of employment, and

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an amount sufficient to cover any income taxes payable thereon; (ii) a lump sum payment equal to the retirement contribution, and an amount sufficient to cover any income taxes payable thereon, that the employee would have been eligible to receive from ML & Co. under the terms of the ML & Co. retirement program, consisting of the Retirement Accumulation Plan and the ESOP, and any applicable ML & Co. contributions to the ML & Co. 401(k) Savings & Investment Plan, or any successor program or plan that may be in effect at the time of the Change in Control, determined as if the employee were fully vested thereunder and had continued (after the date of termination) to be employed for an additional 24 months at the employee's highest annual rate of compensation during the 12 months immediately preceding the date of termination for purposes of determining the basic contributions and any applicable supplemental contributions; and (iii) any legal fees and expenses incurred as a result of his termination of employment. A "Change in Control" of ML & Co. means: (i) any change in control of a nature required to be reported under the Securities and Exchange Commission's proxy rules; (ii) the acquisition by any person of the beneficial ownership of securities representing 30% or more of the combined voting power of ML & Co.'s then outstanding voting securities; (iii) a change in the composition of the Board of Directors such that, within a period of 2 consecutive years, individuals who at the beginning of such 2-year period constituted the Board of Directors and any new directors elected or nominated by at least 3/4 of the directors who were either directors at the beginning of the 2-year period or were so elected or nominated, cease for any reason to constitute at least a majority of the Board of Directors; or (iv) the liquidation of all or substantially all of the assets of ML & Co. In addition, if ML & Co. enters into an agreement, the consummation of which would result in a Change in Control, then a Change in Control shall be deemed to have occurred with respect to any participant's termination without "Cause" or for "Good Reason" occurring after the execution of such agreement and, if such agreement expires or is terminated prior to consummation of the Change in Control, before such expiration or termination. Subject to certain limitations contained in the severance agreements, any payments thereunder would be in addition to amounts payable under certain stock-based plans, including the ML & Co. Long-Term Incentive Compensation Plan, which, in the event of a Change in Control, provide for early vesting and payment if an employee is terminated without cause or leaves for good reason.

COMPENSATION OF DIRECTORS

ML & Co. directors who are not full-time employees of ML & Co. or an affiliated corporation receive monthly cash payments at a rate of \$35,000 per year in base compensation and receive transportation to meetings, or reasonable travel expenses incurred in order to attend. In addition, non-employee directors receive \$15,000 per year for service as members of, or \$25,000 per year for chairing, the Audit and Finance Committee and the MDCC. The director who chairs the Nominating Committee receives \$6,000 per year. Other members of that committee receive no additional fee. Under the ML & Co. Fee Deferral Plan for Non-Employee Directors, non-employee directors may defer all or a portion of their base compensation and committee or chair fees until a specified later date or until after retirement. At the option of the participant, deferred fees may be credited with a return based on the performance of selected mutual funds (or, in the case of fees deferred in 1997, a return based on the performance of a ML & Co.-sponsored employee partnership) or may be represented by Common Stock equivalents that are credited with dividend equivalents equal to dividends declared on the Common Stock. All distributions under the Fee Deferral Plan are

payable in cash.

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Under the ML & Co. Non-Employee Directors' Equity Plan (the "Equity Plan"), each non-employee director who commenced service prior to October 1996 received an initial grant of restricted stock upon commencement of Board service or, in the case of directors in service at the inception of the Equity Plan, on November 4, 1992. The number of shares of restricted stock granted was based on a grant value of \$50,000, provided that grants to directors scheduled to retire prior to the fifth Annual Meeting subsequent to grant were reduced proportionately. Restricted stock granted under the Equity Plan vests and becomes transferable in equal annual installments on the date of each of the five Annual Meetings subsequent to grant (or, in the case of a director scheduled to retire earlier, such lesser number of Annual Meetings remaining until retirement). Unvested shares may not be transferred, assigned, pledged or otherwise encumbered, and if Board service ends prior to scheduled retirement for any reason other than death, unvested shares are forfeited. In all other respects, holders of restricted stock under the Equity Plan have the same rights as holders of Common Stock, including the right to vote and receive dividends. The Equity Plan was terminated in October 1996; no further grants will be made thereunder.

The Equity Plan has been replaced by the ML & Co. Deferred Unit and Stock Unit Plan for Non-Employee Directors (the "Unit Plan"). The Unit Plan provides for grants of Deferred Units (representing ML & Co.'s obligation to pay an amount in cash equal to the value of one share of Common Stock at the end of the deferral period) and Deferred Stock Units (representing ML & Co.'s obligation to deliver one share of Common Stock at the end of the deferral period). Under the Unit Plan, each non-employee director receives an initial grant of Deferred Units and Deferred Stock Units upon commencement of Board service and additional grants of Deferred Units and Deferred Stock Units at the beginning of the month following the fifth Annual Meeting subsequent to the most recent grant of Deferred Units or Deferred Stock Units, as applicable. Directors in service at the inception of the Unit Plan received their initial Deferred Unit grants in August 1996 and receive their initial Deferred Stock Unit grants at the beginning of the month following the date their most recent grants of restricted stock under the Equity Plan become fully vested. The grant value of each grant of Deferred Units or Deferred Stock Units is \$50,000, except that grants to directors scheduled to retire prior to the fifth Annual Meeting subsequent to grant are reduced proportionately. Deferred Units and Deferred Stock Units are payable in cash and Common Stock, respectively, at the end of a 5-year deferral period or upon earlier cessation of service; provided that payments are prorated if Board service ends prior to scheduled retirement for any reason other than death. Participants in the Unit Plan have the option to defer payment of Deferred Units and Deferred Stock Units, and in the case of Deferred Units, may choose to index their return after the initial 5-year deferral period to the performance of selected mutual funds. Deferred Units and Deferred Stock Units are non-transferable and carry no voting rights, but they receive dividend equivalents that are credited in the form of additional Deferred Units or Deferred Stock Units, as applicable.

Each non-employee director who has served for 5 years (or has reached age 65 with at least one year of service), and who thereafter ceases to serve for any reason other than removal for cause, is eligible to receive a pension benefit. The beneficiary(ies) or estate of each non-employee director is entitled to receive a death benefit in the event of such director's death during his or her term. Both such benefits are based upon the annual base compensation at the time of the director's cessation of service or death (currently \$35,000) plus the annual grant value of stock-based compensation for non-employee directors at the time of the director's cessation of service or death (currently \$20,000), and the director's age and length of service. Although the amount and method of payment of each such benefit cannot be

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determined until the time of entitlement, it will not, on an annualized basis, exceed an amount equal to the sum of the annual base compensation for non-employee directors at the time of the director's cessation of service or death plus the annual grant value of stock-based compensation for non-employee directors at the time of the director's cessation of service or death. ML & Co. offers comprehensive medical insurance benefits to non-employee directors and eligible family members, which are comparable to those offered to ML & Co. employees generally, except that these benefits are provided on a non-contributory basis and with differences in deductible, coinsurance and lifetime benefits. ML & Co. also offers life and business travel insurance benefits to non-employee directors.

From time to time, non-employee directors are offered the option of investing personal funds in certain ML & Co.-sponsored employee partnerships. The distributions on such investments received in 1996 by persons who were non-employee directors during 1996 were: Earle H. Harbison, Jr. (\$64,000); and Aulana L. Peters (\$6,400).

CERTAIN TRANSACTIONS

From time to time since the beginning of the 1996 fiscal year, certain directors and executive officers of ML & Co. and associates of such persons were indebted

to subsidiaries of ML & Co., as customers, in connection with margin account loans, mortgage loans, revolving lines of credit and other extensions of credit by ML & Co.'s subsidiaries. These transactions were in the ordinary course of business; they were substantially on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, except that for some credit products interest rates charged were the same as the lowest interest rates charged other persons or were more favorable for ML & Co. employees and directors than for other persons; and they did not involve more than the normal risk of collectibility or present other unfavorable features. In addition, directors, officers and employees of ML & Co. are entitled to receive certain discounts or waivers of fees or commissions for products and services offered by subsidiaries of ML & Co.

From time to time since the beginning of the 1996 fiscal year, ML & Co. and certain of its subsidiaries have engaged in transactions in the ordinary course of business with State Street and the Equitable Companies and certain of their respective affiliates, which are beneficial owners of more than 5% of the outstanding shares of Common Stock; such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with others.

From time to time since the beginning of the 1996 fiscal year, ML & Co., through certain of its subsidiaries in the ordinary course of business, has performed investment banking, financial advisory, and other services for certain corporations with which certain of its directors are affiliated.

From time to time since the beginning of the 1996 fiscal year, legal services were performed by the law firm of Gibson, Dunn & Crutcher for business activities of, and litigation matters on behalf of, ML & Co. and its affiliates and for mutual funds advised by affiliates of ML & Co. Aulana L. Peters, a director, is a partner of this law firm.

The directors (other than Messrs. Clark, Hoover, and Newbigging) have been named as defendants in stockholder derivative actions, commenced on December 5, 1994 and now consolidated, purportedly

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brought on behalf of ML & Co. in the Supreme Court of the State of New York, New York County. These actions allege, among other things, breach of fiduciary duties in connection with ML & Co.'s business activities with the Orange County Treasurer-Tax Collector. The consolidated action has been dismissed, and an appeal is pending. In addition, all current directors who were directors at the time of the transactions described below have been named as defendants in stockholder derivative actions, commenced October 11, 1991 and now consolidated, purportedly brought on behalf of ML & Co. in the Supreme Court of the State of New York, New York County. The plaintiffs allege, among other things, breach of fiduciary duties in connection with a series of year-end securities transactions between subsidiaries of ML & Co. and Guarantee Security Life Insurance Company during the period from 1984 to 1988. In each of the foregoing stockholder derivative actions, damages in an unspecified amount are sought on behalf of ML & Co.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the MDCC are Jill K. Conway (Chair), Earle H. Harbison, Jr., Robert P. Luciano, John J. Phelan, Jr., and William L. Weiss. None of these individuals was an officer or employee of ML & Co. or any of its subsidiaries, and no "compensation committee interlocks" existed during the 1996 fiscal year.

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PERFORMANCE GRAPH

The following performance graph compares the performance of ML & Co.'s Common Stock for the last 5 fiscal years of ML & Co. to that of the S&P 500 Index, the S&P Financial Index, and an index based on the common stock of the following 11 companies: A.G. Edwards, Inc.; Bankers Trust New York Corporation; The Bear Stearns Companies Inc.; The Charles Schwab Corporation; Dean Witter, Discover & Co.; J.P. Morgan & Co. Incorporated; Lehman Brothers Holdings Inc.; Morgan Stanley Group Inc.; Paine Webber Group Inc.; Salomon Inc; and The Travelers Inc. (the successor to Primerica Corporation). The graph assumes that the value of the investment in Common Stock and each index was \$100 at December 27, 1991, and that all dividends were re-invested. Points on the graph represent the performance as of the last Friday in December of the specified year, ML & Co.'s fiscal year end. Stock price performances shown on the graph are not necessarily indicative of future price performances.

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

<TABLE>
<CAPTION>

<S>	ML & CO. <C>	S&P 500 INDEX <C>	S&P FINANACIAL INDEX <C>	11 COMPANY GROUP <C>
1991	100	100	100	100
1992	108	112	125	107
1993	153	122	140	135

1994	133	124	135	115
1995	195	170	206	174
1996	327	213	288	249

</TABLE>

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OTHER MATTERS

The Board of Directors knows of no business that will be presented for consideration at the Annual Meeting other than those items stated in the Notice of Annual Meeting of Stockholders. Should any other matters properly come before the Annual Meeting or any adjournment thereof, shares represented by the enclosed form of proxy, if signed and returned, will be voted in accordance with the judgment of the person or persons voting the proxies.

ML & CO. WILL FURNISH ANY STOCKHOLDER A COPY OF ITS 1996 ANNUAL REPORT ON FORM 10-K (INCLUDING FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES BUT EXCLUDING OTHER EXHIBITS), WITHOUT CHARGE, UPON REQUEST ADDRESSED TO GREGORY T. RUSSO, SECRETARY, MERRILL LYNCH & CO., INC., 12TH FLOOR, 100 CHURCH STREET, NEW YORK, NY 10080-6512.

STOCKHOLDER PROPOSALS FOR THE 1998 ANNUAL MEETING

In accordance with the rules of the Securities and Exchange Commission, stockholder proposals intended to be presented at the 1998 Annual Meeting of Stockholders of ML & Co. must be received by ML & Co., at its principal executive office not later than November 10, 1997, in order to be included in ML & Co.'s Proxy Statement and form of proxy relating to that meeting.

<TABLE>
<S>

<C>
By Order of the Board of
Directors
GREGORY T. RUSSO
SECRETARY

</TABLE>

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[LOGO]MERRILL LYNCH

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

MERRILL LYNCH & CO., INC. PROXY ANNUAL MEETING-APRIL 15, 1997

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Daniel P. Tully, David H. Komansky and Joseph T. Willett, and each of them individually, as proxies, with power of substitution, to vote, as specified herein, all the shares of Common Stock of Merrill Lynch & Co., Inc. held of record by the undersigned at the close of business on February 25, 1997, at the Annual Meeting of Stockholders to be held on April 15, 1997, and at any adjournment thereof and, in

their discretion, upon other matters that properly may come before the meeting. The shares represented by this proxy will be voted in accordance with instructions given on the reverse of this card. If this proxy is signed and returned without specific instructions as to any item or all items, it will be voted for the election of 5 directors, for proposals (2) and (3), and against

stockholder proposals (4) and (5). The undersigned hereby revokes any proxy heretofore given in respect of the same shares of stock.

<TABLE>

<S>

<C>

(SIGNATURE OF STOCKHOLDER)

(DATE)

(SIGNATURE OF STOCKHOLDER)

(DATE)

PLEASE VOTE ON THE REVERSE OF THIS CARD. SIGN, DATE AND RETURN THIS CARD PROMPTLY USING THE ENCLOSED ENVELOPE. SIGN EXACTLY AS NAME APPEARS ABOVE. EACH JOINT TENANT SHOULD SIGN. WHEN SIGNING AS ATTORNEY, TRUSTEE, ETC., GIVE FULL TITLE.

</TABLE>

<TABLE>

<CAPTION>

<S>

<C>

<C>

<C>

<C>

The Board of Directors

recommends a

The Board of Directors recommends a vote FOR proposals (1), (2) and (3).

vote AGAINST stockholder proposals (4)

and (5).

(1) The election to the Board of Directors of the 5 nominees named below for a cumulative term of 3 years

(4) Institute voting

// FOR all nominees listed // WITHHOLD AUTHORITY

(5) Provide

(except as marked to the relationship of contrary below) to vote for all nominees listed

with derivatives underlying

claims to

assets

William O. Bourke, W. H. Clark, Stephen L. Hammerman, Aulana L. Peters and John J. Phelan, Jr.

(2) Limit the number of stock options that may be granted to executive officers // FOR // AGAINST // ABSTAIN

(3) Amend the performance goal formula for incentive compensation to executive management // FOR // AGAINST // ABSTAIN

INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ONE OR MORE INDIVIDUAL NOMINEES, WRITE THE NAME(S) OF SUCH PERSON(S) HERE:

<CAPTION>

(1) // FOR // AGAINST // ABSTAIN // FOR // AGAINST // ABSTAIN

(2)

(3)

INSTRUCTI NAME(S) O

</TABLE>

(TO BE SIGNED ON THE OTHER SIDE)

[PROPOSED FORM OF LONG-TERM INCENTIVE COMPENSATION PLAN, REFLECTING AMENDMENT FOR OPTION LIMIT]

MERRILL LYNCH & CO., INC.

LONG-TERM INCENTIVE COMPENSATION PLAN

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(d) "Committee"	1
(e) "Common Stock"	1
(f) "Disability"	2
(g) "Fair Market Value"	2
(h) "Junior Preferred Stock"	2
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(j) "Participant"	2
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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

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.

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

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

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

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

(p) "RESTRICTED UNIT" shall mean the right, granted to a Participant pursuant to Article III, to receive an amount equal to the Fair Market Value of one share of Common Stock in cash.

(q) "RETIREMENT" shall mean the cessation of employment by the Company (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).

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

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

(t) "STOCK APPRECIATION RIGHT" shall mean a right, granted to a Participant pursuant to Article V, to receive, in cash or shares of Common Stock, an amount equal to the increase in Fair Market Value, over a specified period of time, of a specified number of shares of Common Stock.

(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 80,000,000 (whether granted as Restricted Shares or reserved for distribution upon grant of Performance Shares, Stock Options, Stock Appreciation Rights (to the extent they may be paid out in Common Stock), or Other ML & Co. Securities), subject to adjustment as provided in Article VII hereof. Shares of Common 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.

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

SECTION 2.1 PERFORMANCE PERIODS AND RESTRICTED PERIODS.

The Committee shall establish Performance Periods applicable to Performance Shares and Performance Units and may establish Restricted Periods applicable to Performance Shares, at its discretion. Each such Performance Period shall commence with the beginning of a fiscal year in which the Performance Shares and Performance Units are granted and have a duration of not less than one nor more

than ten consecutive fiscal years. Each such Restricted Period shall commence with the end of the Performance Period established for such Performance Shares and shall end on such date as may be determined by the Committee at the time of grant. There shall be no limitation on the number of Performance Periods or Restricted Periods established by the Committee, and more than one Performance Period may encompass the same fiscal year.

SECTION 2.2 PERFORMANCE OBJECTIVES.

At any time before or during a Performance Period, the Committee shall establish one or more performance objectives for such Performance Period, provided that such performance objectives shall be established prior to the grant of any Performance Shares or Performance Units with respect to such Period. Performance objectives shall be based on one or more measures such as return on stockholders' equity, earnings, or any other standard deemed relevant by the Committee, measured internally or relative to other organizations and before or after extraordinary items, as may be determined by the Committee; PROVIDED, HOWEVER, that any such measure shall include all accruals for grants made under the Plan and for all other employee benefit plans of the Company. The Committee may, in its discretion, establish performance

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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.

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

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performance levels (and any intermediate levels and proportion of payments related thereto), adjust the way performance objectives are measured, or shorten any Performance Period or Restricted Period, if it determines that conditions, including but not limited to, changes in the economy, changes in competitive

conditions, changes in laws or governmental regulations, changes in generally accepted accounting principles, changes in the Company's accounting policies, acquisitions or dispositions, or the occurrence of other unusual, unforeseen, or extraordinary events, so warrant.

SECTION 2.6 PAYMENT OF PERFORMANCE SHARES AND PERFORMANCE UNITS.

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

(a) Performance Shares:

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

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

(B) At the end of the applicable Restricted Period, all restrictions applicable to the shares of Common Stock, and other securities or property received with respect to such shares, held by the Company for the accounts of recipients of Performance Shares granted in relation to such Restricted Period shall lapse, and one

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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

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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

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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, 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.

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SECTION 3.3 RIGHTS AND RESTRICTIONS GOVERNING RESTRICTED SHARES.

At the time of grant of Restricted Shares, subject to the receipt by the Company of any applicable consideration for such Restricted Shares, one or more certificates representing the appropriate number of shares of Common Stock granted to a Participant shall be registered either in his 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 for Restricted Units, a Participant shall be paid, with respect to each Restricted Unit to which such Vesting Period is applicable, cash amounts in the same manner, at the same time, and in the same amount paid, as a dividend on a share of Common Stock.

SECTION 3.5 ADJUSTMENT WITH RESPECT TO RESTRICTED SHARES AND RESTRICTED UNITS.

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

SECTION 3.6 PAYMENT OF RESTRICTED SHARES AND RESTRICTED UNITS.

(a) Restricted Shares: At the end of the Restricted Period, all restrictions contained in the Restricted Share Agreement and in the Plan shall lapse as to

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

(b) Restricted Units: At the end of the Vesting Period applicable to Restricted Units granted to a Participant, a cash amount equivalent in value to the Fair Market Value of one share of Common Stock on the last day of the Vesting Period, or during such period as is established by the Committee at the time of grant, shall be paid, with respect to each such Restricted Unit, to the Participant, or his beneficiary or estate, as the case may be.

SECTION 3.7 TERMINATION OF EMPLOYMENT.

(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.

(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 the Committee, in its sole discretion, finds that the circumstances so warrant and determines that the Restricted Period shall end on an earlier date as determined by the Committee and that shares held by the Company shall be paid as soon as practicable following such earlier date in the manner set forth in Section 3.6.

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

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 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

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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 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

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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 (to the extent that any such outstanding Stock Option could have been exercised at the date of such termination of employment) at any time and from time to time within up to 5 years after such termination of employment but in no event after the expiration date of such Stock Option (the "Extended Period"). If a Participant dies during the Extended Period and prior to the exercise or expiration of a Stock Option, his estate or beneficiaries, as the case may be, 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

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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 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.

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SECTION 4.6 LIMITATIONS ON SHARES OF COMMON STOCK RECEIVED UPON EXERCISE OF STOCK OPTIONS.

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

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

ARTICLE V - PROVISIONS APPLICABLE TO STOCK APPRECIATION RIGHTS.

SECTION 5.1 GRANTS OF STOCK APPRECIATION RIGHTS.

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

* This paragraph is subject to approval by ML & Co.'s stockholders at its 1997 Annual Meeting of Stockholders

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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.

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

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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.

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

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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

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

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

SECTION 8.1 VALUE OF PAYMENTS UPON TERMINATION AFTER A CHANGE IN CONTROL.

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

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of Common Stock on the day the Participant's employment is terminated or, if higher, the highest Fair Market Value of a share of the Common Stock on any day during the 90-day period ending on the date of the Change in Control (the "Pre-CIC Value").

(b) Restricted Shares and Restricted Units.

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

(c) Stock Options and Stock Appreciation Rights.

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

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

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

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

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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

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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.

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No act or failure to act by the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and

without reasonable belief that his 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 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);

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

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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 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.

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SECTION 9.4 WITHHOLDING.

The Company shall have the right, before any payment is made or a certificate for any shares is delivered or any shares are credited to any brokerage account, to deduct or withhold from any payment under the Plan any Federal, state, local 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

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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.

SECTION 11.2 GOVERNING LAW.

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

ARTICLE XII - EFFECTIVE DATE AND STOCKHOLDER APPROVAL.

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

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[PROPOSED FORM OF EXECUTIVE OFFICER COMPENSATION PLAN, REFLECTING AMENDMENT TO PERFORMANCE GOAL FORMULA APPLICABLE TO CASH BONUSES FOR EXECUTIVE MANAGEMENT]

MERRILL LYNCH & CO., INC.

EXECUTIVE OFFICER COMPENSATION PLAN

ARTICLE I - GENERAL

SECTION 1.1 PURPOSE

The purposes of the Executive Officer Compensation Plan (the "PLAN") are: (a) to motivate and reward Participants on an individual basis for their contributions to the corporate profitability and growth, financial strength, and return to stockholders of Merrill Lynch & Co., Inc., a Delaware corporation; and (b) to ensure that Merrill Lynch & Co., Inc. receives a tax deduction for the compensation paid to its Chairman and/or Chief Executive Officer and its four additional most highly compensated Executive Officers whose compensation is disclosed in its annual proxy statement.

SECTION 1.2 DEFINITIONS

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

- (a) "AVERAGE COMMON STOCKHOLDERS' EQUITY" means, with respect to any fiscal year, the sum of the month-end common stockholders' equity (excluding preferred stock) for the month of December of the fiscal year prior to the fiscal year for which Average Common Stockholders' Equity is being computed and each of the 12 months in the fiscal year, as reported by ML & Co., divided by 13.
- (b) "AVERAGE PERCENTAGE CHANGE IN PERFORMANCE" means, with respect to any Performance Year, the percentage change (increase or decrease) in Net Income from the immediately preceding fiscal year (or the fiscal year indicated in the proviso to Section 2.1 (b) (2)) plus the percentage change (increase or decrease) in ROE from the immediately preceding fiscal year (or the fiscal year indicated in the proviso to Section 2.1 (b) (2)) divided by 2 and rounded to the nearest whole percentage point.
- (c) "AWARD" means the amounts payable to a Participant pursuant to Section 2.2.

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- (d) "BOARD OF DIRECTORS" or "BOARD" means the Board of Directors of ML & Co.
- (e) "CASH BONUS AMOUNT" means the cash bonus computed for each Participant in accordance with Section 2.1 (b) (4).
- (f) "CEO" means the Chief Executive Officer (or a functional successor) of ML & Co. as of the end of the relevant Performance Year.
- (g) "CHAIRMAN" means the Chairman of the Board (or a functional successor) of ML & Co. as of the end of the relevant Performance Year.
- (h) "CHIEF OPERATING OFFICER" means the Chief Operating Officer (or a functional successor) of ML & Co. as of the end of the relevant Performance Year.
- (i) "COMMITTEE" means the Management Development and Compensation Committee of the Board of Directors of ML & Co., or any subcommittee of the Management Development and Compensation Committee composed of "outside directors", as such term is defined in Regulation Section 1.162-27(e) (3) or any functional successor thereto.
- (j) "IRC" means the Internal Revenue Code of 1986, as amended.
- (k) "MAXIMUM CASH BONUS AMOUNT" means, with respect to an individual Performance Year, the amount derived by performing the calculations called for in Sections 2.1(b) (2) and (3).

- (l) "ML & CO." means Merrill Lynch & Co., Inc. 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 term "ML & Co." shall include any successor thereto.
- (m) "NET INCOME" means, with respect to any Performance Year, Net Earnings Applicable to Common Stockholders for ML & Co. as it appears in ML & Co.'s Statement of Consolidated Earnings contained in ML & Co.'s Consolidated Financial Statements for such Performance Year adjusted to eliminate: (i) the cumulative effect of changes in accounting policy (which include changes in generally accepted accounting principles) adopted by ML & Co. for the relevant Performance Year; (ii) expenses classified as "Provisions for Restructuring"; (iii) gains and/or losses classified as "Discontinued Operations"; (iv) gains or losses classified as "Extraordinary Items", which may include: (A) profits or losses on disposal of assets or segments of the previously separate companies of a

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business combination within two years of the date of such combination; (B) gains on restructuring payables (C) gains or losses on the extinguishment of debt; (D) gains or losses from the expropriation of property; (E) gains or losses that are the direct result of a major casualty; and (F) losses resulting from a newly enacted law or regulation; and (v) other expenses or losses that are unusual in nature or infrequent in occurrence.

In each instance, the above-referenced adjustment to Net Income must be in accordance with generally accepted accounting principles and appear on the face of ML & Co.'s Statement of Consolidated Earnings contained in ML & Co.'s Consolidated Financial Statements for such Performance Year, and said adjustment will be calculated net of related applicable income tax effect.

- (n) "RETIREMENT" means the cessation of employment by ML & Co. after reaching age 55 and having completed at least 10 years of service (or age 65 and having completed at least 5 years of service), including approved leaves of absence of one year or less.
- (o) "ROE" means, with respect to any fiscal year, the Net Income for such period, divided by the Average Common Stockholders' Equity for such period.
- (p) "PARTICIPANT" means, any employee of ML & Co. who has met the eligibility requirements set forth in Section 1.4 hereof.
- (q) "PERFORMANCE YEAR" means, the fiscal year of ML & Co. that is being used to measure whether the Performance Goals outlined in Section 2.1(b) have been met.
- (r) "PERMANENT DISABILITY" means any physical or mental condition that, in the opinion of the Committee, renders an employee incapable of engaging in any employment or occupation for which the employee is suited by reason of education or training.
- (s) "PRIOR YEAR'S MAXIMUM CASH BONUS AMOUNT" means, (A) for the Performance Year 1994, the actual cash bonus paid to the Chairman and CEO with respect to performance in 1993, as reported in the Summary Compensation Table of ML & Co.'s Proxy Statement for its 1994 Annual Meeting and (B) for all subsequent Performance Years, the Maximum Cash Bonus Amount determined under Section 2.1(b) for the fiscal year immediately preceding the Performance Year (or the fiscal year indicated in the proviso to Section 2.1(b)(3)).

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SECTION 1.3 ADMINISTRATION

- (a) The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee will have sole and complete authority to: (i) adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable for the administration of the Plan; (ii) construe and interpret the Plan and all rules and regulations; and, (iii) make all determinations deemed advisable or necessary for the administration of the Plan. This shall include sole and complete authority to determine and certify the results of the calculations of Net Income and ROE (and that the Performance Goals contained in Section 2.1(b) have been met), and to determine and

certify the calculations of the Maximum Cash Bonus Amount, the Cash Bonus Amounts for each Participant, and all other calculations contained in Section 2.1. All determinations and certifications by the Committee shall be final and binding.

- (b) The Committee shall act in accordance with its charter and 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 ELIGIBILITY AND PARTICIPATION

Eligibility to participate in the Plan in any Performance Year shall be limited to employees of ML & Co. who are determined to be "covered employees" in accordance with Regulation Section 1.162-27 (c)(2) of the proposed regulations under Section 162(m) of the IRC and any successor provision in proposed, temporary or final regulations thereunder.

ARTICLE II - CASH BONUS AWARDS

SECTION 2.1 MAXIMUM CASH BONUSES - PERFORMANCE GOALS

- (a) At the end of each Performance Year, the Committee shall determine the Maximum Cash Bonus Amount and the Cash Bonus Amounts for each Participant in accordance with Section 2.1(b) and shall certify that the performance goals contained in such Section 2.1(b) have been met.

(b) PERFORMANCE GOALS

(1) No cash bonus compensation shall be awarded under this Article II unless ML & Co. shall have positive Net Income and a positive ROE for the relevant Performance Year.

(2) After ML & Co.'s ROE and Net Income are determined for the relevant Performance Year, the Committee shall determine the Average

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Percentage Change in Performance for the Performance Year; PROVIDED THAT, in the event that Net Income and ROE in the prior fiscal year were not positive, the Committee shall determine the Average Percentage Change in Performance for the relevant Performance Year, using Net Income and ROE from the most recent prior fiscal year in which Net Income and ROE were positive.

(3) The Committee shall determine the Maximum Cash Bonus Amount for the relevant Performance Year by multiplying the Prior Year's Maximum Cash Bonus Amount by the Average Percentage Change in Performance plus 1; provided that, in the event that Net Income and ROE in the prior year were not positive, the Committee shall determine the Maximum Cash Bonus Amount for the relevant Performance Year by multiplying the Maximum Cash Bonus Amount from the most recent prior fiscal year in which Net Income and ROE were positive by the Average Percentage Change in Performance determined in accordance with the proviso to Section 2.1(b)(2) plus 1.

(4) The Committee shall determine each Participant's Cash Bonus Amount by multiplying the Maximum Cash Bonus Amount by (a) 100% for the Chairman and/or CEO, (b) 80%, for the Chief Operating Officer, and (c) 70% for each of the other Participants.

(5) The Committee, in its sole discretion, shall have the option of determining to pay any Participant an Award less than the Cash Bonus Amount yielded by this Section 2.1(b).

SECTION 2.2 PAYMENT OF AWARDS

Awards shall be paid (if otherwise payable pursuant to this Plan) as soon as practicable following the end of each Performance Year, but in no event later than end of the first fiscal quarter following the end of such Performance Year.

SECTION 2.3 TERMINATION OF EMPLOYMENT

Termination of a Participant's employment prior to the date an Award is actually paid pursuant to this Plan for any reason other than death, Permanent Disability, or Retirement shall result in forfeiture of such Award, and no payment shall be made to any such Participant.

In the event of Death, Permanent Disability or Retirement of a Participant after the close of a Performance Year but prior to the date an Award is paid pursuant to this Plan, the Award shall be paid (if otherwise payable pursuant to this Plan) to the Participant (or his or her beneficiary, as appropriate), pursuant to Section 2.2 as if the Participant had continued

to be employed through such date.

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ARTICLE III - MISCELLANEOUS

SECTION 3.1 NONTRANSFERABILITY

A Participant's rights under this Plan, including the right to any Awards 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 3.2 WITHHOLDING

ML & Co. shall have the right, before any Award is paid, to deduct or withhold from any payment under this Plan any Federal, state, local or other 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 3.3 NO TRUST OR FUND CREATED

Neither the Plan nor any communication in connection herewith shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between ML & Co. and a Participant or any other person. To the extent that any person acquires a right to receive Awards from ML & Co. pursuant to the Plan, such right shall be no greater than the right of any unsecured creditor of ML & Co.

SECTION 3.4 TAX LITIGATION

ML & Co. will 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 ML & Co. believes to be important to Participants in this Plan and to conduct any such contest or any litigation arising therefrom to a final determination.

ARTICLE IV - AMENDMENT AND TERMINATION

The Committee may modify, amend or terminate this Plan at any time, provided that no modification or amendment of the Plan shall be made of Articles I or II hereof with respect to a Performance Year that has already been completed, and provided further that no modification or amendment of this Plan shall be effective that would (1) increase the cost of this Plan to ML & Co. or (2) alter the allocation of benefits among Participants unless such modification or amendment has received approval from ML & Co. stockholders in accordance with Article VI.

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ARTICLE V - INTERPRETATION

SECTION 5.1 GOVERNING LAW

This 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.

SECTION 5.2 GOVERNMENTAL AND OTHER REGULATIONS

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

ARTICLE VI - STOCKHOLDER APPROVAL AND EFFECTIVE DATE

The Plan shall not be effective unless and until the Performance Goals and the eligibility and participation requirements contained herein are approved by a majority of the votes cast by ML & Co. stockholders at a duly held stockholder meeting at which a quorum is present either in person or by proxy.

Subject to stockholder approval as described herein, the Plan shall be effective as of January 1, 1994, and shall be applicable for all future fiscal years of the Company unless amended or terminated by the Company

pursuant to Article IV.

[AMENDMENT TO PERFORMANCE GOAL FORMULA APPLICABLE TO GRANTS OF
RESTRICTED SHARES AND UNITS TO EXECUTIVE MANAGEMENT]

RESOLUTIONS OF THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE
OF THE MERRILL LYNCH & CO., INC. BOARD OF DIRECTORS

ADOPTED DECEMBER 2, 1996, SUBJECT TO STOCKHOLDER APPROVAL.

RESOLVED, that, having received the recommendation of the Corporation's management, the Committee hereby amends Section 1(m) of the Executive Officer Compensation Plan and the Definition of Net Income contained in the Performance Goals governing the grant of Restricted Shares and Units under the Merrill Lynch & Co., Inc. Long-Term Incentive Compensation Plan ("LTICP") or successor plans, adopted in resolutions of the Committee, dated January 17, 1994 and February 28, 1994, and approved by the Corporation's Stockholders on April 19, 1994, to read in its entirety as follows:

(m) "NET INCOME" means, with respect to any Performance Year, Net Earnings Applicable to Common Stockholders for ML & Co. as it appears in ML & Co.'s Statement of Consolidated Earnings contained in ML & Co.'s Consolidated Financial Statements for such Performance Year adjusted to eliminate: (i) the cumulative effect of changes in accounting policy (which include changes in generally accepted accounting principles) adopted by ML & Co. for the relevant Performance Year; (ii) expenses classified as "Provisions for Restructuring"; (iii) gains and/or losses classified as "Discontinued Operations"; (iv) gains or losses classified as "Extraordinary Items", which may include: (A) profits or losses on disposal of assets or segments of the previously separate companies of a business combination within two years of the date of such combination; (B) gains on restructuring payables (C) gains or losses on the extinguishment of debt; (D) gains or losses from the expropriation of property; (E) gains or losses that are the direct result of a major casualty; and (F) losses resulting from a newly enacted law or regulation; and (v) other expenses or losses that are unusual in nature or infrequent in occurrence.

In each instance, the above-referenced adjustment to Net Income must be in accordance with generally accepted accounting principles and appear on the face of ML & Co.'s Statement of Consolidated Earnings contained in ML & Co.'s Consolidated Financial Statements for such Performance Year, and said adjustment will be calculated net of related applicable income tax effect.