

Other Information (Unaudited)

Regulation and Supervision

Certain aspects of our business, and the business of our competitors and the financial services industry in general, are subject to stringent regulation by U.S. federal and state regulatory agencies and securities exchanges and by various non-U.S. government agencies or regulatory bodies, securities exchanges, self-regulatory organizations, and central banks, each of which has been charged with the protection of the financial markets and the interests of those participating in those markets.

- These regulatory agencies in the United States include, among others, the SEC, the CFTC, the Federal Energy Regulatory Commission (“FERC”), the FDIC, the Municipal Securities Rulemaking Board (“MSRB”), the UTDFI and the OTS.
- Outside the United States, these regulators include the FSA in the United Kingdom; the Irish Financial Regulator; the Federal Financial Supervisory Authority in Germany; the Commission Bancaire, the Comité des Établissements de Crédit et des Entreprises d’Investissement and the Autorité des marchés financiers in France; the Swiss Federal Banking Commission; the Johannesburg Securities Exchange; the Japanese Securities and Exchange Surveillance Commission; the Monetary Authority of Singapore; the Office of the Superintendent of Financial Institutions in Canada; the National Securities Commission in Argentina; the Securities and Exchange Commission in Brazil; the National Securities and Banking Commission in Mexico; the Securities and Exchange Board of India; and the Securities and Futures Commission in Hong Kong, among many others.

Additional legislation and regulations, and changes in rules promulgated by the SEC or other U.S. federal and state government regulatory authorities and self-regulatory organizations and by non-U.S. government regulatory agencies may directly affect the manner of our operation and profitability. Certain of our operations are subject to compliance with privacy regulations enacted by the U.S. federal and state governments, the EU, other jurisdictions and/or enacted by the various self-regulatory organizations or exchanges. New laws or regulations or changes to existing laws either in the U.S. or in other jurisdictions where we conduct business could adversely affect us. As we expand into new regions we are subject to different regulatory regimes which impose additional complexities, compliance requirements and costs.

ML & Co. and certain U.S. and non-U.S. regulated subsidiaries are subject to regulatory capital requirements. Many of the principal regulators for these legal entities either have revised or are in the process of revising their capital requirements to be consistent with the Basel II capital standards issued by the Basel Committee on Banking Supervision. ML & Co. has adopted the Basel II capital standards and as of January 1, 2008, MLI, MLIB and our other regulated European subsidiaries also implemented the Basel II capital standards. We continue to address implementation of these revised regulatory capital requirements for other relevant subsidiaries, as required. We are investing in enhancements to our measurement and reporting systems to support effective implementation across the firm.

United States Regulatory Oversight and Supervision

Holding Company Supervision

In June 2004, the SEC approved the Consolidated Supervised Entity rule that created a voluntary framework for comprehensive group-wide risk management procedures and consolidated supervision of certain financial services holding companies by the SEC. We are a consolidated supervised entity subject to group-wide supervision by the SEC and capital requirements generally consistent with the standards of the Basel Committee on Banking Supervision. As such, we are computing allowable capital and risk allowances consistent with Basel II capital standards; permitting the SEC to examine the books and records of ML & Co. and any affiliate that does not have a principal regulator; and have adopted various additional SEC reporting, record-keeping, and notification requirements.

Broker-Dealer Regulation

MLPF&S, Merrill Lynch Professional Clearing Corp. (“ML Pro”) and certain other subsidiaries of ML & Co. are registered as broker-dealers with the SEC and, as such, are subject to regulation by the SEC and by self-regulatory organizations, such as the Financial Industry Regulatory Authority (“FINRA”). Certain Merrill Lynch subsidiaries and affiliates, including MLPF&S, are registered as investment advisers with the SEC.

The Merrill Lynch entities that are broker-dealers registered with the SEC are subject to Rule 15c3-1 under the Securities Exchange Act of 1934 (“Exchange Act”) which is designed to measure the general financial condition and liquidity of a broker-dealer. Under this rule, these entities are required to maintain the minimum net capital deemed necessary to meet broker-dealers’ continuing commitments to customers and others. Under certain circumstances, this rule limits the ability of such broker-dealers to allow withdrawal of such capital by ML & Co. or other Merrill Lynch subsidiaries. Additional information regarding certain net capital requirements is set forth in Note 15 to the Consolidated Financial Statements.

Sarbanes-Oxley and Related Rules

Aspects of our public disclosure, corporate governance principles and the roles of auditors and counsel are subject to the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) and certain related regulations and rules proposed and/or adopted by the SEC, the NYSE and other self-regulatory organizations. Sarbanes-Oxley requirements include requiring our Chief Executive Officer and Chief Financial Officer to certify that our financial information is fairly presented and fully complies with disclosure requirements. Additionally, they must evaluate



the effectiveness of disclosure controls and procedures and disclose the results of their evaluation. Additional areas of focus as a result of Sarbanes-Oxley include: disclosures of off balance sheet arrangements and contractual obligations; management's assessment of internal controls and procedures for financial reporting; the adoption of a code of ethics for the Chief Executive Officer and senior financial and accounting officers; and disclosure of whether the Audit Committee of the Board of Directors includes an Audit Committee financial expert. Related FINRA and other self-regulatory organization rules require that our Chief Executive Officer certify compliance with applicable corporate governance standards. These rules also require listed companies to, among other items, adopt corporate governance guidelines and a code of business conduct, tighten applicable criteria for determining director and audit committee member independence, and increase the authority and responsibilities of the Audit Committee.

Research Related Regulation

Over the previous several years, the research function at integrated broker-dealers has been the subject of substantial regulatory and media attention. As a result of regulatory and legal mandates as well as firm initiatives, we enacted a number of new policies to enhance the quality of our research product including: modifying the compensation system for research analysts; forming a Research Recommendations Committee to review equity analysts' investment recommendations; adopting a new simplified securities rating system; implementing new policies and procedures to comply with all legal requirements, including those limiting communications between equity research analysts and investment banking and other origination personnel; and adding additional disclosures on research reports regarding potential conflicts of interest. We also appointed an independent consultant who identified independent third-party research providers to provide fundamental research on certain companies that we cover. This research has been made available to our clients in the United States beginning in July 2004 in accordance with legal requirements. Under the terms of the global research settlement, in 2005 we appointed an independent monitor who reported on our compliance with the terms of the settlement. Upon the fifth anniversary of the global settlement, October 31, 2008, the settling firms, including Merrill Lynch, are required to certify their compliance with the terms of the global settlement and are permitted to request relief from its terms.

The compensation system for research analysts includes an evaluation of the performance of analysts' recommendations, including the extent to which the analyst's insights and recommendations have benefited investors. The compensation of all analysts responsible for the substance of an equity research report is required to be reviewed and approved by a committee reporting to the Board of Directors of MLPF&S. The Management Development and Compensation Committee of the ML & Co. Board of Directors, a Committee consisting entirely of independent directors, is also required to review this compensation process for consistency with certain legal requirements. The Audit Committee of the ML & Co. Board of Directors is required to review the budget and expense allocation process for research for consistency with the terms of the global research settlement. Our Investment Banking Group has no input into research analyst compensation or the research budget.

FINRA continues to consider and propose changes to regulations relating to equity research and amendments to their rules are expected to be adopted in 2008. Research activities also remain a focus of securities regulators' rulemaking outside the U.S.

Client Information Regulation

We are subject to extensive anti-money laundering regulation in the United States and other jurisdictions. In the United States, our broker-dealers and banking subsidiaries are subject to the USA PATRIOT Act of 2001 (the "Patriot Act"). The Patriot Act was designed to promote the identification of parties that may be involved in terrorist activities, money laundering or other suspicious activities. To that end, it contains anti-money laundering and financial transparency laws and has mandated the implementation of various new regulations applicable to broker-dealers and other financial services companies, including so-called "know your customer" rules, which set standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Anti-money laundering laws outside the United States contain similar provisions.

Our obligations to verify client identity, to monitor and report suspicious transactions, and to respond to requests for information by regulatory authorities and law enforcement agencies, and to share information with other financial institutions, has required the implementation and maintenance of internal practices, including specialized employee training programs, procedures and controls. These practices, procedures and controls have increased, and may continue to increase, our costs, and any failure with respect to our programs in this area could subject us to substantial liability and regulatory fines.

Additional Regulation of Certain U.S. Entities

MLPF&S and ML Pro are registered futures commission merchants and, as such, are regulated by the CFTC and the National Futures Association ("NFA"). The CFTC and the NFA impose net capital requirements on these companies. In addition, these companies are subject to the rules of the futures exchanges and clearing associations of which they are members.

Merrill Lynch Commodities, Inc. ("MLCI") is subject to regulation by the FERC, CFTC and other agencies with respect to certain aspects of its activities. MLCI is also a member of the New York Mercantile Exchange and is subject to its rules.

Merrill Lynch Alternative Investments LLC is registered with the CFTC as a commodity pool operator and a commodity trading advisor and is a member of the NFA in such capacities. IQ Investment Advisors, LLC is registered with the CFTC.

MLGSI is subject to regulation by FINRA and, as a member of the Chicago Board of Trade, is subject to the rules of that exchange. It is required to maintain minimum net capital pursuant to rules of the U.S. Department of the Treasury. Merrill Lynch's municipal finance professionals are subject to various trading and underwriting regulations of the MSRB.

MLBT-FSB, a federal savings bank, including its First Republic division, is subject to regulation by the OTS and the FDIC. Merrill Lynch Credit Corporation and First Franklin are both subsidiaries of MLBT-FSB and their activities are regulated and subject to examination by the OTS. As a result of its ownership of MLBT-FSB, ML & Co. is registered with the OTS as a SLHC and subject to regulation and examination by the OTS as a SLHC.

MLBUSA is regulated primarily by the UTDFI and the FDIC. Merrill Lynch Commercial Finance Corp. ("MLCFC") is a wholly-owned subsidiary of MLBUSA, and its activities are regulated and subject to examination by the FDIC and the UTDFI. In addition to the UTDFI and the FDIC, MLCFC is licensed or registered in several states, subjecting it to regulation and examination by the appropriate authorities in those jurisdictions.

MLML is licensed or registered to conduct its commercial mortgage conduit business and its residential mortgage trading business in multiple jurisdictions.

Merrill Lynch Financial Markets, Inc. ("MLFM") is registered with, and received approval in January 2005 from, the SEC to act as an OTC Derivatives Dealer. A special set of SEC rules apply to OTC Derivatives Dealers. MLFM is in an initial stage of operations.

Non-U.S. Regulatory Oversight and Supervision

Merrill Lynch's business is also subject to extensive regulation by various non-U.S. regulators including governments, securities exchanges, central banks and regulatory bodies. Certain Merrill Lynch subsidiaries are regulated as broker-dealers under the laws of the jurisdictions in which they operate. Subsidiaries engaged in banking and trust activities outside the United States are regulated by various government entities in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activities. In some cases, the legislative and regulatory developments outside the U.S. applicable to these subsidiaries may have a global impact.

On November 1, 2007, countries in the European Union implemented the Markets in Financial Instruments Directive ("MiFID") marking a significant change in the regulation of the European investment industry. The main objective of MiFID is to enhance the development of a pan-European market in investment services through the establishment of a single set of European regulatory rules. Among its impacts are changes in the way trades can be executed, the level of protection afforded to investors, the integration of commodity related financial instruments into financial regulation and pre and post trade transparency in equity markets. These changes affect Merrill Lynch's European regulated entities and the clients and counterparties with which they trade. Under MiFID Merrill Lynch, through its European regulated entities, undertook a global communication exercise to affected clients providing information on the impact of MiFID and completed infrastructure enhancements to ensure affected Merrill Lynch entities are MiFID compliant.

MLI is regulated and supervised in the United Kingdom by the FSA and by local regulators in certain other jurisdictions with respect to its branch offices. MLIB is authorized and regulated by the Irish Financial Regulator and by local regulators in certain other jurisdictions with respect to its branch offices and subsidiaries. Merrill Lynch's activities in Australia are regulated by the Australian Securities and Investments Commission or the Australian Prudential Regulatory Authority, and its Hong Kong and Singapore operations are regulated and supervised by the Hong Kong Securities and Futures Commission and the Monetary Authority of Singapore, respectively. Merrill Lynch's Japanese business is subject to the regulation of the JFSA as well as other Japanese regulatory authorities.

Merrill Lynch Bank (Suisse) S.A. is regulated by the Swiss Federal Banking Commission. Merrill Lynch Bank and Trust Company (Cayman) Limited is regulated by the Cayman Islands Monetary Authority and its U.S. representative office by the Federal Reserve and the Florida Financial Services Commission Office of Financial Regulation.

Merrill Lynch Commodities (Europe) Ltd. ("MLCE") is a member of the International Petroleum Exchange, Nordpool and other exchanges and is subject to their rules and is regulated by the FSA.

Merrill Lynch's activities in Canada, Mexico, Brazil and Argentina are regulated by their respective securities commissions and exchanges as well as other regulatory authorities.



■ Legal Proceedings

ML & Co., certain of its subsidiaries, including MLPF&S, and other persons have been named as parties in various legal actions and arbitration proceedings arising in connection with the operation of ML & Co.'s businesses. In most cases, plaintiffs seek unspecified damages and other relief. These actions include the following:

IPO Underwriting Fee Litigation

In re Public Offering Fee Antitrust Litigation and In re Issuer Plaintiff Initial Public Offering Fee Antitrust Litigation: Beginning in 1998, Merrill Lynch was named as one of approximately two dozen defendants in purported class actions filed in the United States District Court for the Southern District of New York alleging that underwriters conspired to fix the "fee" paid to purchase certain initial public offering securities at 7% in violation of antitrust laws. These complaints have been filed by both investors and issuers in initial public offerings. On February 24, 2004, the court held that the purchaser plaintiffs' claims for damages were barred, but declined to dismiss the claim for injunctive relief. On April 18, 2006, the court held that the issuer claim could not proceed as a class action. On September 11, 2007, the Second Circuit Court of Appeals vacated the April 18 decision and remanded the case for further proceedings on the issue of class certification. Following the remand, plaintiffs have moved for class certification of the issuer class, and the defendants have opposed class certification. The court has not issued a decision on the class certification issue.

IPO Allocation Litigation

In re Initial Public Offering Securities Litigation: Beginning in 2001, Merrill Lynch was named as one of the defendants in approximately 110 securities class action complaints alleging that dozens of underwriter defendants artificially inflated and maintained the stock prices of securities by creating an artificially high post-IPO demand for shares. On October 13, 2004, the district court, having previously denied defendants' motions to dismiss, issued an order allowing certain of these cases to proceed against the underwriter defendants as class actions. On December 5, 2006, the Second Circuit Court of Appeals reversed this order, holding that the district court erred in certifying these cases as class actions. On September 27, 2007, plaintiffs again moved for class certification. On December 21, 2007, defendants filed their opposition to plaintiffs' motion. The court has not issued a decision on the class certification issue.

Enron Litigation

Newby v. Enron Corp. et al.: On April 8, 2002, Merrill Lynch was added as a defendant in a consolidated class action filed in the United States District Court for the Southern District of Texas on behalf of the purchasers of Enron's publicly traded equity and debt securities during the period October 19, 1998 through November 27, 2001. The complaint alleges, among other things, that Merrill Lynch engaged in improper transactions in the fourth quarter of 1999 that helped Enron misrepresent its earnings and revenues in the fourth quarter of 1999. The district court denied Merrill Lynch's motions to dismiss, and certified a class action by Enron shareholders and bondholders against Merrill Lynch and other defendants. On March 19, 2007, the Fifth Circuit Court of Appeals reversed the district court's decision certifying the case as a class action. On January 22, 2008, the Supreme Court denied plaintiffs' petition to review the Fifth Circuit's decision. Merrill Lynch intends to move for summary judgment dismissing the action. Plaintiffs have stated they will oppose that motion.

Other Enron Litigation

Over a dozen other actions have been brought against Merrill Lynch and other investment firms in connection with their Enron-related activities. There has been no adjudication of the merits of these claims.

Mortgage-Related Litigation

Merrill Lynch & Co. Shareholder Litigation: Beginning on October 30, 2007, purported class actions were filed in the United States District Court for the Southern District of New York against Merrill Lynch and certain present or former officers and directors on behalf of persons who acquired Merrill Lynch securities beginning as early as November 3, 2006 and ending as late as November 7, 2007. Among other things, the complaints allege violations of the federal securities laws based on alleged false and misleading statements related to Merrill Lynch's exposure to collateralized debt obligations and the sub-prime lending markets. One such action is brought on behalf of persons who exchanged the securities of First Republic Bank for the securities of Merrill Lynch in a merger that occurred on September 21, 2007. Merrill Lynch intends to vigorously defend itself in these actions.

Shareholder Derivative Actions: Beginning on November 1, 2007, purported shareholder derivative actions were brought in federal and state courts against certain present or former officers and directors of Merrill Lynch in which the Company is named as a nominal defendant. The actions allege, among other things, breach of fiduciary duty, corporate waste, and abuse of control related to Merrill Lynch's exposure to collateralized debt obligations and the sub-prime lending markets. They also challenge the payment of alleged severance to Merrill Lynch's former chief executive officer and certain of the actions assert claims for contribution or indemnification on the Company's behalf. In addition, the Company has received letters from law firms, on behalf of purported shareholders, demanding that the Board bring claims on behalf of Merrill Lynch against certain present and former directors and officers of Merrill Lynch based on allegations substantially similar to those that are alleged in the shareholder derivative actions described above. The Board, with the assistance of counsel, will review the claims made in the demand letters and determine whether the maintenance of the proposed derivative suits is in the best interests of the Company.

ERISA Litigation: Beginning on November 13, 2007, purported class actions were filed in the United States District Court for the Southern District of New York against Merrill Lynch and certain of its present or former officers and directors on behalf of the Merrill Lynch 401(k) Savings and Investment Plan, Retirement Accumulation Plan, Employee Stock Ownership Plan and a class of similarly situated plan participants. The actions are pending in the United States District Court for the Southern District of New York. These actions challenge the Company's disclosures about its performance, business prospects and the attractiveness of the Company's stock between a variety of purported class periods, beginning as early as January 1, 2004 and ending as late as December 6, 2007. Merrill Lynch intends to vigorously defend itself in these actions.

City of Cleveland v. Deutsche Bank Trust Company, et al.: On January 10, 2008, the City of Cleveland filed a lawsuit against twenty-one financial services firms, including Merrill Lynch, alleging that the securitization of sub-prime mortgages created a "public nuisance" and that defendants are, therefore, liable for the cost incurred by the City of Cleveland related to foreclosures. The case was initially filed in the Cuyahoga County Common Pleas Court and was removed to the United States District Court for the Northern District of Ohio on January 17, 2008. Plaintiff has filed a motion seeking an order remanding the case. Merrill Lynch intends to vigorously defend itself in this action.

Regulatory Investigations: Merrill Lynch is cooperating with the SEC and other regulators investigating sub-prime-related activities.

Allegheny Energy Litigation

Merrill Lynch v. Allegheny Energy, Inc.: On September 24, 2002, Merrill Lynch filed an action in the United States District Court for the Southern District of New York against Allegheny Energy, Inc. The complaint alleged that Allegheny owed Merrill Lynch the final \$115 million payment due in connection with Allegheny's purchase of Merrill Lynch's energy trading business and assets in 2001. The following day, Allegheny filed an action against Merrill Lynch in the Supreme Court of the State of New York claiming misrepresentations in connection with Merrill Lynch's sale of the energy trading business to Allegheny. On July 18, 2005, following a bench trial, the court issued a decision holding that Allegheny was required to pay Merrill Lynch \$115 million plus interest. On August 31, 2007, the Second Circuit Court of Appeals reversed the district court's decision and remanded the case for further proceedings in the district court. In January 2008, Allegheny and Merrill Lynch settled the matter. Under the terms of the settlement, Allegheny will pay Merrill Lynch \$50 million and Merrill Lynch will relinquish its interest in Allegheny Energy Supply LLC.

Short Sales Litigation

Electronic Trading Group, LLC v. Banc of America Securities LLC, et al.: On April 12, 2006, a purported class action was filed against eleven financial services firms, including Merrill Lynch, in the United States District Court for the Southern District of New York. The case alleged that the defendants violated federal antitrust laws by charging unearned fees on short sales by their clients even when they failed to borrow and/or deliver stock in support of those short sales. On December 20, 2007, the court granted defendants' motion to dismiss. Plaintiffs have filed an appeal.

Avenius v. Banc of America Securities LLC, et al.: On June 22, 2006, 37 purchasers of securities of NovaStar Financial filed an action against eleven financial services firms, including Merrill Lynch, in the California Superior Court in San Francisco. The case alleges that the defendants improperly depressed the price of NovaStar Financial shares by facilitating short sales that did not comply with regulatory requirements. Merrill Lynch is vigorously defending itself against these charges. On July 17, 2007, the Superior Court of the State of California, County of San Francisco, rejected defendants' argument that state law claims of facilitating improper short sales were preempted by the federal securities laws. The court did not rule on the substance of the underlying claims. The defendants, including Merrill Lynch, are vigorously defending themselves against the claims.

Overstock.com, Inc. v. Morgan Stanley & Co., et al.: On February 2, 2007, Overstock.com brought an action in the Superior Court of the State of California, County of San Francisco, against approximately a dozen investment banks, including Merrill Lynch, alleging that they violated state law by improperly facilitating short sales of Overstock.com, which artificially depressed the price of its shares. Merrill Lynch is vigorously defending itself against these charges. On July 17, 2007, the Superior Court of the State of California, County of San Francisco, rejected defendants' argument that state law claims of facilitating improper short sales were preempted by the federal securities laws. The court did not rule on the substance of the underlying claims. The defendants, including Merrill Lynch, are vigorously defending themselves against the claims.

Bank Sweep Programs Litigation

DeBlasio v. Merrill Lynch, et al.: On January 12, 2007, a purported class action was brought against Merrill Lynch and three other securities firms in the United States District Court for the Southern District of New York alleging that their bank sweep programs violated state law because their terms were not adequately disclosed to customers. On May 1, 2007, plaintiffs filed an amended complaint, which added additional defendants. On November 12, 2007, defendants filed motions to dismiss the second amended complaint. Briefing on the motion is expected to be completed by March 6, 2008.



Private Equity Litigation

Davidson, et al., v. Bain Capital Partners, LLC, et al.: On December 28, 2007, a purported class action was brought against sixteen defendants, including Merrill Lynch, in the United States District Court for the District of Massachusetts. The complaint alleges that defendants conspired to limit competition in bidding for private-equity sponsored acquisitions of public companies in violation of the antitrust laws. Merrill Lynch intends to vigorously defend itself in this action.

Employment Litigation

McReynolds v. Merrill Lynch: On November 18, 2005, a purported class action was filed in the United States District Court for the Northern District of Illinois seeking to certify a class of current and former African American Merrill Lynch employees, as well as African Americans who applied for employment. Plaintiff alleges that the firm has engaged in a pattern and practice of discrimination against African Americans in violation of federal Civil Rights statutes. Merrill Lynch is vigorously contesting these claims.

Other

Merrill Lynch has been named as a defendant in various other legal actions, including arbitrations, class actions, and other litigation arising in connection with its activities as a global diversified financial services institution. Some of the legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or otherwise in financial distress. Merrill Lynch is also involved in investigations and/or proceedings by governmental and self-regulatory agencies.

Merrill Lynch believes it has strong defenses to, and where appropriate, will vigorously contest, many of these matters. Given the number of these matters, some are likely to result in adverse judgments, penalties, injunctions, fines, or other relief. Merrill Lynch may explore potential settlements before a case is taken through trial because of the uncertainty, risks, and costs inherent in the litigation process. In accordance with SFAS No. 5, Merrill Lynch will accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many lawsuits, arbitrations, and investigations, including the class action lawsuits disclosed in ML & Co.'s public filings, it is not possible to determine whether a liability has been incurred or to estimate the ultimate or minimum amount of that liability until the matter is close to resolution, in which case no accrual is made until that time. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Merrill Lynch cannot predict what the eventual loss or range of loss related to such matters will be. Subject to the foregoing, Merrill Lynch continues to assess these matters and believes, based on information available to it, that the resolution of these matters will not have a material adverse effect on the financial condition of Merrill Lynch as set forth in the Consolidated Financial Statements, but may be material to Merrill Lynch's operating results or cash flows for any particular period and may impact ML & Co.'s credit ratings.

■ Properties

We have offices in various locations throughout the world. Other than those described below as being owned, substantially all of our offices are located in leased premises. We believe that the facilities we own or occupy are adequate for the purposes for which they are currently used and that they are well maintained. Set forth below is the location and the approximate square footage of our principal facilities. Each of these principal facilities supports our GMI and GWM businesses. Information regarding our property lease commitments is set forth in "Leases" in Note 11 to the Consolidated Financial Statements.

■ Principal Facilities in the United States

Our executive offices and principal administrative offices are located in leased premises at the World Financial Center in New York City. We lease portions of 4 World Financial Center (1,800,000 square feet) and 2 World Financial Center (2,500,000 square feet); both leases expire in 2013. One of our subsidiaries is a partner in the partnership that holds the ground lessee's interest in 4 World Financial Center. As of December 28, 2007, we occupied the entire 4 World Financial Center and approximately 27% of 2 World Financial Center.

We own a 760,000 square foot building at 222 Broadway, New York and occupy 92% of this building. We also lease and occupy, pursuant to an operating lease with an unaffiliated lessor, 1,251,000 square feet of office space and 273,000 square feet of ancillary buildings in Hopewell, New Jersey. One of our subsidiaries is the lessee under such operating lease and owns the underlying land upon which the Hopewell facilities are located. We also own a 54-acre campus in Jacksonville, Florida, with four buildings.

Principal Facilities Outside the United States

In London, we lease and occupy 100% of our 576,626 square foot London headquarters facility known as Merrill Lynch Financial Centre; this lease expires in 2022. In addition, we lease approximately 367,607 square feet in other London locations with various terms, the longest of which lasts until 2015. We occupy 196,894 square feet of this space and have sublet the remainder. In Tokyo, we have leased 292,349 square feet until 2014 for our Japan headquarters. Other leased facilities in the Pacific Rim are located in Hong Kong, Singapore, Seoul, South Korea, Mumbai and Chunnai, India, and Sydney and Melbourne, Australia.

Securities Issued Under Merrill Lynch's Equity Compensation Plans

The following table provides information on the shares that are available under our equity compensation plans and, in the case of plans where stock options may be granted, the number of shares of common stock issuable upon exercise of those stock options.

Shareholder Approved Plans

We have the following five shareholder approved plans:

- the Long-Term Incentive Compensation Plan for executive officers (for stock grants made to executive officers) ("LTICP-Executive");
- the Equity Capital Accumulation Plan (for restricted share grants made to a broad group of employees) ("ECAP");
- the Merrill Lynch & Co., Inc. 1986 Employee Stock Purchase Plan ("Employee Stock Purchase Plan");
- the Merrill Lynch & Co., Inc. Employee Stock Compensation Plan (for stock grants made to key managers and producers) ("ESCP"); and
- the Merrill Lynch & Co., Inc. Deferred Stock Unit Plan for Non-Employee Directors (for deferred stock unit grants to non-employee directors) ("New Director Plan").

Plans Not Approved by Shareholders

We have also adopted the following stock compensation plans that are used to compensate non-executive employees:

- the Financial Advisor Capital Accumulation Award Plan (stock-based compensation to the financial advisor population) ("FACAAP"); and
- the Long-Term Incentive Compensation Plan for Managers and Producers (for stock grants made to key managers and producers) ("LTICP-M&P").

We previously provided for the issuance of deferred stock units and non-qualified stock options to the ML & Co. non-employee directors as compensation for their director services under the Merrill Lynch & Co., Inc. Deferred Stock Unit and Stock Option Plan for Non-Employee Directors ("Old Director Plan"). The New Director Plan described above was approved by stockholders in 2005 and has replaced the Old Director Plan.

The numbers in the table are as of December 28, 2007, the last day of our 2007 fiscal year.

EQUITY COMPENSATION PLAN CATEGORY	SECURITIES ISSUABLE UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS, AND RIGHTS ⁽¹⁾	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS, AND RIGHTS	SECURITIES THAT REMAIN AVAILABLE FOR ISSUANCE UNDER PLANS
Plans approved by shareholders	9,575,242	\$ 56.71	92,383,901
Plans not approved by shareholders ⁽²⁾	103,344,793	53.75	45,556,613
Total	112,920,035	\$ 54.00	137,940,514⁽³⁾

(1) We have also made the following grants under our stock compensation plans that remain outstanding as of December 28, 2007 and are not included in this column: 33,740,269 units (payable in stock) under FACAAP and 70,777,831 restricted shares and restricted units granted under LTICP-Executive, LTICP-M&P, ECAP and ESCP. In addition, in January 2008, 195,134 restricted shares, 36,870,521 restricted units and 3,140,538 options were granted under ESCP, ECAP and LTICP-Executive, 6,732 restricted shares, 6,524,114 restricted units and 10,644,476 options were granted under LTICP-M&P and 4,902,824 units (payable in stock) were granted under FACAAP.

(2) These plans are: (i) FACAAP, (ii) LTICP-M&P and (iii) the Old Director Plan. The material features of FACAAP, LTICP-M&P and the Old Director Plan are described in Note 13 to the Consolidated Financial Statements included in this Annual Report on Form 10-K. Those descriptions do not purport to be complete and are qualified in their entirety by reference to the plan documents that are included as exhibits to this 2007 Annual Report on Form 10-K.

(3) This amount includes, as of December 28, 2007: 30,328,125 shares available for issuance under LTICP-Executive; 32,835,970 shares available for issuance under LTICP-M&P; 10,825,078 shares available for issuance under ECAP; 21,710,119 shares available for issuance under the Employee Stock Purchase Plan; 12,694,124 shares available for issuance under FACAAP; 919,365 and 26,519 shares available for issuance under the New and Old Director Plans, respectively; and 28,601,214 shares available for issuance under ESCP.



■ Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

On January 15, 2008, we reached separate agreements with several long-term investors to sell an aggregate of 66,000 shares of newly issued 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 1, par value \$1.00 per share and liquidation preference \$100,000 per share (the "Mandatory Convertible Preferred Stock"), at a price of \$100,000 per share, for an aggregate purchase price of approximately \$6.6 billion. Key terms of the investments are described in Exhibit 99.1 to our Current Report on Form 8-K, dated January 16, 2008.

On December 24, 2007, we reached agreements with each of Temasek Capital (Private) Limited ("Temasek") and Davis Selected Advisors LP ("Davis") to sell an aggregate of 116,666,666 shares of newly issued common stock, par value \$1.33 $\frac{1}{3}$ per share, at \$48.00 per share, for an aggregate purchase price of approximately \$5.6 billion. Temasek initially purchased 91,666,666 shares of our common stock (the "Original Shares") at a price of \$48.00 per share, or an aggregate purchase price \$4.4 billion. Temasek purchased 55,000,000 of the Original shares in December 2007 and the remaining 36,666,666 in January 2008. In addition in February 2008, Temasek and its assignees exercised options to purchase an additional 12,500,000 shares of our common stock at a purchase price of \$48.00 per share for an aggregate purchase price of \$600 million. Temasek is subject to customary standstill provisions, including a prohibition on acquisitions of additional voting securities that would cause Temasek to own 10% or more of our common stock, that will expire on the earlier of (x) 2 years or (y) such time as Temasek owns less than 5% of our outstanding common stock. Certain terms of Temasek's investment are described in Exhibit 99.2 to our Current Report on Form 8-K, dated December 28, 2007.

Davis purchased 25,000,000 shares of Merrill Lynch common stock in December 2007 at a price per share of \$48.00, or an aggregate purchase price of \$1.2 billion. There are no other material terms associated with the Davis investment.

The shares in the transactions described above were issued in separate private placements to accredited investors pursuant to Section 4(2) of the Securities Act of 1933, with each purchaser receiving customary registration rights for their respective shares. All the above-mentioned investors are passive investors in Merrill Lynch and none of the investors have any rights of control or role in our governance.

Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital and Funding — Equity Capital for details on purchases made by or on behalf of us or any "affiliated purchaser" of our common stock for the year ended December 28, 2007.

■ Executive Officers of Merrill Lynch & Co., Inc.

The following list sets forth the name, age, present title, principal occupation and certain biographical information for ML & Co.'s executive officers, all of whom have been elected by the ML & Co. Board of Directors. Unless otherwise indicated, the officers listed are of ML & Co. Under ML & Co.'s By-Laws, elected officers are elected annually to hold office until their successors are elected and qualify or until their earlier resignation or removal.

John A. Thain (52) Chairman of the Board and Chief Executive Officer since December 2007; Chief Executive Officer of NYSE Euronext, Inc. and its predecessor companies, NYSE Group, Inc. and New York Stock Exchange Inc., from January 2004 until November 2007; President and Chief Operating Officer of The Goldman Sachs Group, Inc. from July 2003 to January 2004; President and Co-Chief Operating Officer of The Goldman Sachs Group, Inc. from May 1999 to June 2003.

Rosemary T. Berkery (54) Vice Chairman since July 2007; Executive Vice President since October 2001; General Counsel since September 2001; Senior Vice President and Head of U.S. Private Client (now a part of Global Private Client) Marketing and Investments from June 2000 to September 2001; Co-Director of Global Securities Research & Economics Group from April 1997 to June 2000.

Nelson Chai (42) Executive Vice President and Chief Financial Officer since December 2007; Executive Vice President and Chief Financial Officer of NYSE Euronext and its predecessor company NYSE Group, Inc., from January 2006 to December 2007; Chief Financial Officer of Archipelago Holdings from June 2000 to December 2005.

Gregory J. Fleming (45) President and Chief Operating Officer since May 2007; Executive Vice President from October 2003 to May 2007; President of GMI from August 2003 to May 2007; Chief Operating Officer of the Global Investment Banking Group of GMI from January 2003 to August 2003; Co-Head of the Global Financial Institutions Group of GMI from April 2001 to August 2003; Head of the United States Financial Institutions Group of GMI from June 1999 to April 2001; Managing Director of the Global Investment Banking Group of GMI from February 1999 to October 2003.

Robert J. McCann (49) Executive Vice President since August 2003; Vice Chairman and President of Global Private Client (now Global Wealth Management) since June 2005; Vice Chairman, Wealth Management Group from August 2003 to June 2005; Vice Chairman and Director of Distribution and Marketing for AXA Financial Inc. from March 2003 to August 2003; Head of the Global Securities Research & Economics Group of Merrill Lynch from October 2001 to March 2003; Chief Operating Officer of GMI from September 2000 to October 2001; Head of the Global Institutional Client Division of GMI from August 1998 to September 2000.

