Supplemental Listing Document for

200,000,000 European cash-settled call warrants relating to existing issued ordinary shares of HK$5.00 each of Hang Seng Bank Limited in Global Registered Form 2009 (Stock Code: 17359)

200,000,000 European cash-settled call warrants relating to existing issued ordinary shares of HK$0.25 each of Hutchison Whampoa Limited in Global Registered Form 2009/2011 (Stock Code: 17360)

200,000,000 European cash-settled call warrants relating to existing issued ordinary H shares of RMB1.00 each of Industrial and Commercial Bank of China Limited in Global Registered Form 2009/2010 (Stock Code: 17362)

issued by

Merrill Lynch International & Co. C.V.

(A Netherlands Antilles limited partnership)

and unconditionally and irrevocably guaranteed by

Merrill Lynch & Co., Inc.

(Incorporated in the State of Delaware, United States of America)

Manager

Merrill Lynch Far East Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Hong Kong Securities Clearing Company Limited ("**HKSCC**") take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Stock Exchange's Listing Rules**") for the purpose of giving information with regard to the issuer, Merrill Lynch & Co., Inc. as the guarantor of the warrants, and the warrants.

The issuer and the guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in the listing documents (as defined on page 2) misleading.

Investors are warned that the price of the warrants may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the warrants and carefully study the risk factors set out in this document and the base listing document and, where necessary, seek professional advice, before they invest in the warrants.

The warrants constitute general unsecured contractual obligations of the issuer and of no other person and if you purchase the warrants you are relying upon the creditworthiness of the issuer and the guarantor and have no rights under the warrants against the company which has issued the underlying securities.

The warrants are structured products which involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

The issuer and the guarantor are part of a large global financial institution and have many financial products and contracts outstanding at any given time. When purchasing the warrants, you will be relying upon the issuer's and the guarantor's creditworthiness and of no one else.

Warrants may not be offered, sold, resold or delivered within the United States or to or for the account of U.S. persons. See "Purchase and Sale – No ownership by U.S. Persons" on page 26 of the base listing document.

This Supplemental Listing Document is dated 10 June 2009

IMPORTANT

If you are in doubt as to the contents of this supplemental listing document, you should obtain independent professional advice.

We, the issuer of the warrants, are publishing this supplemental listing document in order to obtain a listing of the warrants on the Stock Exchange. You should read:

- this supplemental listing document; and
- our **base listing document** dated 5 May 2009,

(together, the "**listing documents**") to understand the offer before deciding whether to buy the warrants.

You must read the listing documents in conjunction with the latest publicly available financial report of the guarantor, being the guarantor's quarterly report in Form 10-Q for the quarterly period ended 31 March 2009, filed with the U.S. Securities and Exchange Commission. The guarantor's quarterly report has been set out in the Annex.

We cannot give you investment advice; you must decide for yourself, after seeking professional advice, whether the warrants meet your investment needs.

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THE WARRANTS AT A GLANCE

You should read the "Terms and Conditions of the Cash-Settled Stock Warrants" set out in our base listing document together with the specific terms in this supplemental listing document before deciding whether to buy the warrants.

Issuer: Merrill Lynch International & Co. C.V.

Guarantor: Merrill Lynch & Co., Inc.

Guarantor's current long-term debt ratings:

A — Standard and Poor's Rating Services, a division of the McGraw-Hill Companies Inc.

(with stable outlook)

A+ — Fitch Ratings Ltd.

(with stable outlook)

A2 — Moody's Investors Service, Inc.

(with stable outlook)

Manager: Merrill Lynch Far East Limited

Liquidity Provider: Merrill Lynch Far East Limited

Stock Code:	17359	17360	17362
Type of Warrants:	200,000,000 European cash-settled call warrants	200,000,000 European cash-settled call warrants	200,000,000 European cash-settled call warrants
Underlying Asset:	Shares	Shares	Shares
Shares:	Existing issued ordinary shares of HK$5.00 each of Hang Seng Bank Limited	Existing issued ordinary shares of HK$0.25 each of Hutchison Whampoa Limited	Existing issued ordinary H shares of RMB1.00 each of Industrial and Commercial Bank of China Limited
Website of company issuing the underlying asset:	www.hangseng.com	www.hutchison-whampoa.com	www.icbc-ltd.com

Information in relation to this company which issues the underlying asset may also be found on the Stock Exchange's website at www.hkex.com.hk.

Issue Price:	HK$0.194 per warrant	HK$0.155 per warrant	HK$0.161 per warrant
Launch Date:	4 June 2009	4 June 2009	4 June 2009
Issue Date:	10 June 2009	10 June 2009	10 June 2009
Dealing Commencement Date on the Stock Exchange:	Expected to be 11 June 2009	Expected to be 11 June 2009	Expected to be 11 June 2009
Expiry Date:	28 December 2009	18 July 2011	6 December 2010

If such day is not a Business Day, the immediately succeeding Business Day.

Business Day: A day (other than a Saturday) on which the Stock Exchange is open for dealings in Hong Kong and banks are open for business in Hong Kong.

Board Lot:	10,000 warrants	10,000 warrants	10,000 warrants

Exercise Price:	HK$109.990 per one hundred warrants	HK$58.890 per one hundred warrants	HK$3.890 per ten warrants
Exercise Amount:	One board lot or integral multiples	One board lot or integral multiples	One board lot or integral multiples
Form:	Global registered form	Global registered form	Global registered form

Automatic Exercise: The warrants will automatically be exercised, without notice, at 10:00 a.m. Hong Kong time on the expiry date if the cash settlement amount on the expiry date is greater than zero.

Cash Settlement Amount: For each board lot of warrants exercised, we will pay the warrantholder no later than 3 business days after the expiry date, the cash settlement amount (in Hong Kong dollars) subject to a minimum of zero, calculated as follows:

For a call warrant:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement x (Average Price* – Exercise Price) x one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

* When we refer to "Average Price", we mean the average Closing Price of one share over the 5 consecutive stock exchange business days immediately preceding the expiry date.

You should note that if the cash settlement amount on the expiry date is less than or equal to zero, you will lose the entire value of your investment in the warrants.

Closing Price: For each stock exchange business day, closing price of the Shares as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any capitalisation, rights issue, distribution or the like.

Number of Warrant(s) per Entitlement:	One hundred warrants	One hundred warrants	Ten warrants
Entitlement:	1 share	1 share	1 share
Maximum number of shares to which the warrants relate to:	2,000,000	2,000,000	20,000,000

Exercise Expenses: If any expenses are incurred in relation to the exercise of the warrants, we will deduct such amount from the cash settlement amount. If any such expense is not deducted from the cash settlement amount, you undertake to pay us any unpaid expenses upon our demand.

Transfers of the warrants: The warrants may only be transferred in board lots or integral multiples of board lots in accordance with the rules of the Central Clearing and Settlement System ("**CCASS**"). Currently, any transfer of the warrants on the Stock Exchange must be made no later than 2 trading days after the dealing is entered into.

Ranking of the warrants: The warrants will rank equally with all our other present and future unsecured and unsubordinated obligations.

Guarantee: Our obligations under the warrants will be unconditionally and irrevocably guaranteed by the guarantor, Merrill Lynch & Co., Inc. The obligations of the guarantor under its guarantee are direct, unconditional, unsubordinated and unsecured, ranking *pari passu* amongst themselves and with all its other outstanding, unsecured and unsubordinated obligations.

Listing:	We have made an application to the Listing Committee of the Stock Exchange for listing of and permission to deal in the warrants and the Listing Committee has agreed in principle to grant listing of and permission to deal in the warrants. The issue of the warrants is conditional upon such listing approval being granted. Currently, we do not intend to apply for a listing of the warrants on any other stock exchange.
Our Dealings in the warrants:	Following the launch of the warrants, we will place all of the warrants with a related party. If there are any dealings in the warrants by us or any of our subsidiaries or associated companies from the launch date to the listing date, we will report those dealings to the Stock Exchange on the dealing commencement date to be released over the Stock Exchange's website. We and/or any of our affiliates may repurchase the warrants at any time, and sell the warrants on-market or via over-the-counter market or otherwise, at prevailing market prices or in negotiated transactions. You should not make any assumption as to the number of warrants in issue at any time.
Terms and Conditions:	See pages 213 to 222 of the base listing document and page 6 of this supplemental listing document.
Governing Law:	The laws of the Hong Kong Special Administrative Region of the People's Republic of China

Some of the terms which we have used in this summary will have precise definitions, or could be subject to change as provided in the legal documentation. For example: the date on which the cash settlement amount is paid and each valuation date for determining the average price for cash settlement amount calculation will be determined on the basis of days on which the Stock Exchange is open for trading and banks are open in Hong Kong for business.

A valuation date for determining the average price for the cash settlement amount calculation could be postponed if there is a market disruption event. See Condition 4 of the master terms and conditions for more details about these possible postponements and situations where the agent may need to estimate in good faith the closing price of shares affected by such postponement.

The legal terms and conditions of the warrants are constituted by the master terms and conditions found in the base listing document, as those terms are supplemented by this supplemental listing document. The exercise price and number of shares to which the warrants relate (entitlement) could be adjusted for various corporate or extraordinary events which could affect the shares underlying the warrants. See Condition 9 of the master terms and conditions for more details about these events.

TERMS AND CONDITIONS OF THE WARRANTS

The Conditions are set out in the section headed "Terms and Conditions of the Cash-Settled Stock Warrants" in Annex 1 to the base listing document. For the purposes of these Conditions, the following terms shall have the following meanings:

Stock Code:	17359	17360	17362
Board Lot:	10,000 Warrants	10,000 Warrants	10,000 Warrants
Company:	Hang Seng Bank Limited	Hutchison Whampoa Limited	Industrial and Commercial Bank of China Limited
Dealing Commencement Date:	Expected to be 11 June 2009	Expected to be 11 June 2009	Expected to be 11 June 2009
Exercise Price:	HK$109.990 per One Hundred Warrants, subject to adjustment in accordance with Condition 6	HK$58.890 per One Hundred Warrants, subject to adjustment in accordance with Condition 6	HK$3.890 per Ten Warrants, subject to adjustment in accordance with Condition 6
Exercise Amount:	One Board Lot or integral multiples thereof	One Board Lot or integral multiples thereof	One Board Lot or integral multiples thereof
Expiry Date:	28 December 2009	18 July 2011	6 December 2010
	If such day is not a Business Day, the immediately succeeding Business Day		
Shares:	Existing issued ordinary shares of HK$5.00 each of Hang Seng Bank Limited	Existing issued ordinary shares of HK$0.25 each of Hutchison Whampoa Limited	Existing issued ordinary H shares of RMB1.00 each of Industrial and Commercial Bank of China Limited
Entitlement:	1 Share	1 Share	1 Share
	This is subject to adjustment in accordance with Condition 6.		
Number of Warrant(s) per Entitlement:	One Hundred Warrants	One Hundred Warrants	Ten Warrants
Warrants:	200,000,000 European cash-settled call warrants relating to existing issued ordinary shares of HK$5.00 each of Hang Seng Bank Limited in Global Registered Form 2009	200,000,000 European cash-settled call warrants relating to existing issued ordinary shares of HK$0.25 each of Hutchison Whampoa Limited in Global Registered Form 2009/2011	200,000,000 European cash-settled call warrants relating to existing issued ordinary H shares of RMB1.00 each of Industrial and Commercial Bank of China Limited in Global Registered Form 2009/2010
Issue Date:	10 June 2009	10 June 2009	10 June 2009

Who should buy the warrants? Are they suitable for everyone?

The warrants are designed for investors who:

- are bullish (for call warrants)/bearish (for put warrants) on the price performance of the underlying asset over the life of the warrants;
- can accept the risks associated with the warrants described in pages 10 to 11 of this supplemental listing document and are prepared to lose the entire value of their investment;
- understand that they have no rights in the underlying asset; and
- realise that prices of warrants fluctuate and the liquidity of the warrants may be limited.

Who will determine the issue price, cash settlement amount and adjustments (if any) to the exercise price etc?

We have appointed Merrill Lynch Far East Limited as the agent to make all determinations in connection with the warrants on our behalf. The agent has sole and absolute discretion in making its determinations under the legal documentation and any decision they make is final and binding on you and on us. The agent is our agent: it owes no duties to you as investors in the warrants.

Who are responsible for the listing documents?

We and the guarantor accept full responsibility for the accuracy of the information contained in the listing documents.

We have included references to websites to guide you to sources of freely available information. The information on these websites does not form part of our listing documents. Neither we nor the guarantor accept any responsibility for information on these websites.

The guarantor has filed on 7 May 2009, its quarterly report in Form 10-Q for the quarterly period ended 31 March 2009, filed with the U.S. Securities and Exchange Commission. The guarantor's quarterly report has been set out in the Annex.

Our base listing document (taken together with, and as updated by, any addendum and the guarantor's quarterly report in Form 10-Q, this supplemental listing document) is accurate at the date of this supplemental listing document. You must not assume, however, that information in our listing documents is accurate at any time after the date of this supplemental listing document.

The manager and the liquidity provider are not responsible in any way to ensure the accuracy of our listing documents.

What are our and the guarantor's credit ratings?

Neither the warrants nor we are rated. The guarantor's long-term debt ratings (as of the day immediately preceding the date of this supplemental listing document) are as set out on page 3 of this supplemental listing document.

You may visit http://ir.ml.com/creditratings.cfm to obtain information about the guarantor's credit ratings. Rating agencies usually receive a fee from the companies that they rate.

When evaluating our and the guarantor's creditworthiness, you should not solely rely on the guarantor's credit ratings because:

(a) a credit rating is not a recommendation to buy, sell or hold the warrants;

(b) ratings of companies may involve difficult-to quantify factors such as market competition, the success or failure of new products and markets and managerial competence; and

(c) a high credit rating is not necessarily indicative of low risk.

The guarantor's credit ratings as of the day immediately preceding the date of this supplemental listing document are for reference only. Any subsequent changes to the guarantor's ratings may result in changes to the value of the warrants.

Is the issuer or guarantor regulated by the Hong Kong Monetary Authority, an overseas regulatory authority or the Securities and Futures Commission of Hong Kong (the "SFC")?

Neither we nor the guarantor is regulated by any of the bodies referred to in Rule 15A.13(2) or (3) of the Stock Exchange's Listing Rules. The guarantor is a corporation organised under the laws of the State of Delaware, and certain of its affiliates are registered as broker dealers and investment advisers with the United States Securities and Exchange Commission (the "**US SEC**").

Where can I find more information about the issuer, the guarantor and the warrants?

Information on the warrants is described in the listing documents. Please read all of the listing documents together carefully before you decide whether to buy the warrants. Our base listing document as supplemented by any addendum and the guarantor's quarterly report in Form 10-Q contains important information, including information about:

- Merrill Lynch International & Co. C.V. as issuer of the warrants;
- Merrill Lynch & Co., Inc. as guarantor;
- investment risks associated with buying the warrants;
- Hong Kong and Netherlands Antilles taxation issues in relation to the warrants;
- the arrangements for holding and transferring the warrants in CCASS and how we make payments and give notices; and
- the legally binding terms and conditions of our warrant.

The guarantor files reports, statements and other information with the US SEC from time to time. Additional information regarding the guarantor may be available through the life of the warrants on the website of the US SEC at www.sec.gov. You are cautioned that this information (if available) will be of a general nature and cannot be relied upon as being accurate or correct and will not have been prepared for the purposes of the warrants.

We have not authorised anyone to give you any information about the warrants other than the information in the listing documents. You should not rely on any other information.

When were the warrants authorised?

The issue of the warrants was authorised by a consent in writing of the partners of the issuer in lieu of meeting on 30 April 1998.

Where can I read copies of the documentation relating to the warrants?

This supplemental listing document contains only a summary description about us, the guarantor and the warrants. To find out more, you can read copies of the documents set out below by going to the offices of Merrill Lynch Far East Limited, 15th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong. These offices are open only during normal business hours and not on Saturdays, Sundays or public holidays.

These are the documents, copies of which may be inspected upon request until the expiry date of the warrants:

(a) our by-laws;

(b) the guarantor's Restated Certificate of Incorporation and Restated By-laws;

(c) our 2006 and 2007 (and, as they become available, our 2009 and 2008) annual reports and financial statements;

(d) the annual reports in Form 10-K for the fiscal years ended 28 December 2007 and 26 December 2008 of the guarantor;

(e) as they become available, the quarterly reports in Form 10-Q of the guarantor and each current report described in this supplemental listing document;

(f) the guarantee dated 5 May 2009;

(g) the consent letter from Deloitte LLP (formerly Deloitte & Touche LLP), London consenting to the reproduction of its audit report in our base listing document;

(h) the consent letter from Deloitte & Touche LLP, New York, New York, consenting to the reproduction of its audit report in the base listing document;

(i) the Instrument pertaining to the issue of structured products dated 5 May 2009;

(j) the registrar and agency agreement dated 5 May 2009 between the issuer, the guarantor and Merrill Lynch Far East Limited; and

(k) our current base listing document and this supplemental listing document (together with a Chinese translation of each of these documents).

While the warrants are in issue, you may take photocopies of any of these documents but you will be charged a reasonable fee.

Do I have to pay stamp duty or other levies on the warrants?

There is no stamp duty on issue or transfer of our cash-settled warrants. The levy for the investor compensation fund is currently suspended.

However, the SFC charges a transaction levy at the aggregate rate of 0.004 per cent. on the value of the transaction of your warrants and this amount is payable by each of the buyer and seller. Additionally, the Stock Exchange charges a trading fee on every purchase and sale of listed securities calculated at a rate of 0.005 per cent. of the amount of the transaction and is payable by each of the buyer and seller.

How do I hold my warrants?

The warrants will be issued in global registered form, represented by a global warrant certificate in the name of a nominee for HKSCC (currently HKSCC Nominees Limited).

We have made all necessary arrangements to enable the warrants to be admitted for deposit, clearing and settlement in CCASS. We will not issue any definitive certificates for the warrants. The warrants will be deposited within CCASS on or about the date of this document.

If you are a CCASS investor participant, you may hold your warrants in your account with CCASS. If you do not have a CCASS account, your broker (as a CCASS participant) will arrange to hold your warrants for you in an account at CCASS. We or the guarantor will make all payments on the warrants to CCASS: you will have to check your CCASS account or rely on your broker to ensure that payments on your warrants are credited to your account with your broker. Once we have made any payments in this way to CCASS, you will have no further rights against us for that payment, even if CCASS or your broker fails to transmit to you your share of the payment or if it was transmitted late. Any notices that we or the guarantor gives in relation to the warrants will be given in the same way: you will have to rely on CCASS and/or your broker to ensure that those notices reach you.

Please read the "Risk Factors" section of the base listing document before dealing in the warrants. This section highlights only some of the risks of dealing in the warrants but their inclusion in this document does not mean these are the only significant or relevant risks of dealing in the warrants.

There are risks associated with investing in the warrants

Your investment in the warrants involves risks, including those inherent in any investment. Before investing in any of the warrants, you should consider whether the warrants are suitable for you in light of your own financial circumstances and investment objectives. Not all of these risks can be described in the base listing document or this supplemental listing document. The warrants are structured financial instruments, their value may fall as rapidly as they may rise and you may sustain a total loss in your investment. You should consider taking independent professional advice prior to making an investment in the warrants.

You must rely on our and the guarantor's creditworthiness

The warrants are not secured on any assets. The warrants represent our general contractual obligations and will rank *pari passu* with our other general unsecured obligations. The number of warrants outstanding at any given time may be substantial. When purchasing the warrants, you will be relying upon our and the guarantor's creditworthiness and of no one else. Any downgrading of the guarantor's rating (if any) by a rating agency could result in a reduction in the value of the warrants. There is no assurance of protection against a default by us in respect of our obligations under the warrants or a default by the guarantor in respect of its obligations under the guarantee. You may lose all or substantially all of your investment if we and/or the guarantor become insolvent or if we default on our obligations under the warrants or the guarantor defaults on its obligations under the guarantee.

Our obligations are not deposit liability or debt obligations

We do not intend to create upon ourselves a deposit liability or a debt obligation by issue of warrants.

The trading market for the warrants may be very limited

We cannot predict if and to what extent a secondary market may develop for the warrants or whether that market will be liquid or illiquid. The fact that a particular issue of warrants is listed does not necessarily lead to greater liquidity.

Also, if the warrants are exercised or closed out prior to expiry or maturity, the number of warrants of that issue outstanding will decrease, resulting in a potential lessening of the liquidity of those warrants. If the secondary market for the warrants becomes illiquid, the liquidity provider may be the only source of demand for those warrants. The liquidity provider will quote bid and ask prices for the warrants if it can, but under circumstances outside our control or the control of the liquidity provider, its ability to make a market may be limited and/or restricted. In those circumstances, we will use our best endeavours to make alternative arrangements to provide liquidity for the affected issue of warrants.

The implied volatility of the warrants may not reflect the actual volatility of the underlying asset

The market price of the warrants is determined among other factors by the supply and demand of the warrants. This price "implies" a level of volatility in the underlying asset in the sense that such level of volatility would give a theoretical value for the warrants which is equal to that price; but such level of volatility may not be equal to the actual level of volatility of the underlying asset in the past or future.

You have no rights in the underlying assets

The warrants are structured financial instruments: during the investment term you have no rights under the warrants against any company

or trust which issues or comprises the underlying assets of the relevant issue of warrants. Buying the warrants is not the same as buying the underlying assets or having a direct investment in the underlying assets.

The trading price of the warrants fluctuates and it depends on many factors, not just on the price of the underlying assets

Generally speaking, before expiry, the intrinsic value of any warrant at a particular time (i.e. what the "cash settlement amount" of the warrants would have been if the warrants are exercised at that time) is expected to be less than the trading price of such warrants at that time. The difference between the trading price and the intrinsic value of any warrant reflects, among other things, a "time value" for such warrant. The "time value" of a warrant will depend on, among other factors:

- length of the time to run to expiry
- price of the underlying assets
- exercise price
- dividend expectations
- prevailing interest rates and
- expected volatility of the underlying assets over the remaining time to expiry of the warrants.

Therefore, since the "time value" of a warrant may fluctuate from time to time, an increase in the price of the underlying assets may not lead to an increase in the trading price of the warrants of the same amount or even any increase at all.

In addition, the trading price of the warrants will fluctuate depending on a number of other factors including our and the guarantor's financial condition and results from operations, the market's view of our and the guarantor's credit quality and the market for similar securities. You should recognise the complexities of utilising the warrants to hedge against the market risk associated with investing in an underlying asset.

There could be conflicts of interest arising out of our other activities which may affect the warrants

We, the guarantor and its subsidiaries and affiliates may engage in transactions involving, as well as provide investment banking and other services to, any company or to any trustee or manager of a trust underlying the warrants or their securities and those transactions may have a positive or negative impact on the value of the warrants. We, the guarantor and its subsidiaries and affiliates may have officers who serve as directors of any of the companies underlying the warrants. We or the guarantor may issue other competing financial products which may affect the value of the warrants. You should also note that potential conflicts of interest may arise from the different roles played by us, the guarantor and its subsidiaries and affiliates in connection with the warrants and the economic interests in each role may be adverse to your interests in the warrants. We or the guarantor owe no duty to you to avoid such conflicts.

Risks relating to the guarantor

Please refer to the section "Risk factors" in Part 1, Item 1A of the guarantor's Annual Report on Form 10-K for the fiscal year ended 26 December 2008 reproduced in the base listing document on pages 62 to 69 for a description of additional risks relating to the guarantor.

LIQUIDITY PROVIDER

Who will act as liquidity provider for the warrants?

We are required under the Listing Rules to provide liquidity for the warrants. We have appointed our affiliate, Merrill Lynch Far East Limited (Broker ID Number: 9527) acting in the capacity of an agent, as the liquidity provider for the warrants. Merrill Lynch Far East Limited is an indirect subsidiary of the guarantor. The liquidity provider is a Stock Exchange participant (Exchange Participant) and its conduct is regulated by the Stock Exchange and the SFC.

What will the liquidity provider do?

The liquidity provider has agreed to take into account its obligations as an Exchange Participant to conduct market making activities for the warrants by responding to requests for bid and offer quotes. These market making activities will provide liquidity in the market for the warrants and facilitate the purchase and sale of warrants. You may request a quote from the liquidity provider by calling the telephone number 3602 1600. The liquidity provider will respond to such request within 10 minutes from the request.

All quotes will be displayed on the relevant stock page for the warrants in the Stock Exchange's trading system. The liquidity provider will only make a market for a minimum of ten board lots of warrants.

In determining any bid or offer price for the warrants, we and/or the liquidity provider on our behalf may take into account factors such as:

- price of the underlying assets
- dividend expectations
- exercise price
- time to expiry
- prevailing interest rates and
- expected volatility of the underlying assets over the remaining time to expiry of the warrants.

The warrants prices displayed by the liquidity provider will be calculated by a mathematical model, taking into account any or all of the above factors.

Except for the circumstances listed below, the liquidity provider will commit to display prices no greater than 25 tick spread between the bid and offer prices of the warrants, adjusted (if necessary) for the entitlement, for a minimum of ten board lots. However, under normal market conditions, the liquidity provider expects to display quotes significantly better than this maximum spread.

The Liquidity Provider may not be able to, and shall not be obliged to, quote prices for the warrants in any of the following circumstances:

(i) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on any business day;

(ii) during each pre-opening session or each closing auction session (if any) or under any other circumstances as prescribed by the Stock Exchange from time to time;

(iii) from the 5th business day immediately preceding the expiry date of the warrants;

(iv) if the underlying shares, units or the warrants are suspended from trading in accordance with the conditions;

(v) if we, at our sole and absolute determination, determine that the liquidity provider does not have sufficient warrants to conduct effective market making activities (however, in such circumstances, we expect the liquidity provider to continue to display bid prices). Warrants held by us or any of our affiliates in a fiduciary or agency capacity are not warrants available for market making;

(vi) if we, at our sole and absolute determination, determine that the theoretical bid/offer price is less than the minimum price that can be entered into the AMS Terminal;

(vii) if the liquidity provider's relevant system(s) are disrupted in a way that hinders its ability to continue market making activities (however, in such circumstances, we will try to appoint an alternate liquidity provider or use our best endeavours to make alternate arrangements to provide liquidity);

(viii) when we, at our sole and absolute determination, determine that it is unduly burdensome for us or our affiliates to enter into an effective hedge for the warrants. For example, the existence of any laws, regulations, rules or any other restrictions or circumstances that restrict our or our affiliate's ability to borrow, lend, buy or sell the underlying shares or units or any other rules or regulations relating to the short selling of securities, such as the Stock Exchange's "uptick rule"; or

(ix) under any circumstances outside of our or the liquidity provider's control that make it unduly burdensome for the liquidity provider to conduct effective market making activities including, but not limited to, where the nominal price of the shares is highly volatile over a short period of time or where a change in the applicable law or the rules or practice of the Stock Exchange makes it illegal for the liquidity provider to continue its market making activities.

You should note that neither we, the guarantor nor the liquidity provider will repurchase the warrants if the value of the warrants falls below HK$0.01.

OTHER INFORMATION ABOUT US AND THE GUARANTOR AS REQUIRED BY THE STOCK EXCHANGE'S LISTING RULES

Statutory consents

Pursuant to the laws of State of Delaware, the guarantor is empowered to give guarantees. Each issue of warrants will have the benefit of the guarantee.

Save as disclosed in the listing documents, none of our directors or the guarantor's directors is or will be materially interested in any contract or arrangement subsisting at the date of this supplemental listing document which is significant in the context of the warrants.

No material adverse change and litigation

Save as disclosed in the base listing document (as supplemented by this supplemental listing document and the guarantor's quarterly report in Form 10-Q), there has been no material adverse change in the financial position of the guarantor since 26 December 2008, being the date of the most recently published audited financial statements of the guarantor or its subsidiaries on a consolidated basis, as the case may be, that would have a material adverse effect on the guarantor's ability to perform its obligations in the context of the guarantee in respect of any series of warrants.

Save as disclosed in the base listing document (as supplemented by this supplemental listing document and the guarantor's quarterly report in Form 10-Q), to the best of our and of the guarantor's knowledge and belief, neither we nor any member of the issuer's group are involved in, or has pending or threatened against it, any litigation, claims, or arbitration proceedings that could have (taking into consideration the amounts involved and the likelihood of success of such proceedings), a material adverse effect on its ability to perform its obligations in the context of the issue of any series of warrants.

Financial information about the issuer and the guarantor

Deloitte LLP (formerly Deloitte & Touche LLP), London has given and has not withdrawn its written consent to the inclusion of its report dated 7 April 2008 attached to the accounts of the issuer, in the form and context in which it is included.

Deloitte & Touche LLP, New York, New York has given and have not withdrawn their written consent to the inclusion of their reports dated 23 February 2009 related to the consolidated financial statements of the guarantor and its subsidiaries and the effectiveness of internal control over financial reporting appearing in and incorporated by reference in the Annual Report on Form 10-K of the guarantor for the year ended 26 December 2008 in the form and context in which they are included.

Neither the report of Deloitte LLP (formerly Deloitte & Touche LLP), London nor the report of Deloitte & Touche LLP, New York, New York were prepared for inclusion in the base listing document.

Neither Deloitte LLP (formerly Deloitte & Touche LLP), London nor Deloitte & Touche LLP, New York, New York have any shareholding in us or the guarantor or any of the subsidiaries of the guarantor nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of the issuer or the guarantor or any of the subsidiaries of the guarantor.

ANNEX

GUARANTOR'S QUARTERLY REPORT IN FORM 10-Q FOR THE FISCAL QUARTER ENDED 31 MARCH 2009

The information set out in the following pages consists of the latest quarterly report of the guarantor on Form 10-Q dated 7 May 2009, for the fiscal period ended 31 March 2009 as filed by the guarantor with the United States Securities and Exchange Commission. A copy of this quarterly report will be available for inspection at the offices of Merrill Lynch (Asia Pacific) Limited at 15th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong. The page numbers of such current report appear above the page numbers of this supplemental listing document.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009
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Item 1. Financial Statements

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

(dollars in millions, except per share amounts)	Successor Company	Predecessor Company	
	Three Months Ended March 31, 2009	For the Period from December 27, 2008 to December 31, 2008	Three Months Ended March 28, 2008
Revenues			
Principal transactions	$5,778	$ (280)	$ (2,418)
Commissions	1,243	22	1,889
Managed accounts and other fee-based revenues	1,103	22	1,455
Investment banking	606	12	917
Earnings from equity method investments	40	-	431
Other	260	19	(1,449)
Subtotal	9,030	(205)	825
Interest and dividend revenues	4,379	34	11,861
Less interest expense	3,455	-	9,752
Net interest profit	924	34	2,109
Revenues, net of interest expense	9,954	(171)	2,934
Non-interest expenses			
Compensation and benefits	3,142	64	4,196
Communications and technology	397	-	555
Occupancy and related depreciation	255	-	309
Brokerage, clearing, and exchange fees	252	10	387
Advertising and market development	105	-	176
Professional fees	99	-	242
Office supplies and postage	40	-	57
Other	419	-	313
Total non-interest expenses	4,709	74	6,235
Pre-tax earnings/(loss) from continuing operations	5,245	(245)	(3,301)
Income tax expense/(benefit)	1,585	(92)	(1,332)
Net earnings/(loss) from continuing operations	3,660	(153)	(1,969)
Discontinued operations:			
Pre-tax (loss) from discontinued operations	-	-	(25)
Income tax (benefit)	-	-	(32)
Net earnings from discontinued operations	-	-	7
Net earnings/(loss)	3,660	(153)	(1,962)
Preferred stock dividends	15	-	174
Net earnings/(loss) applicable to common stockholders	$3,645	$ (153)	$ (2,136)
Basic (loss) per common share from continuing operations	N/A	$ (0.10)	$ (2.20)
Basic earnings per common share from discontinued operations	N/A	-	0.01
Basic (loss) per common share	N/A	$ (0.10)	$ (2.19)
Diluted (loss) per common share from continuing operations	N/A	$ (0.10)	$ (2.20)
Diluted earnings per common share from discontinued operations	N/A	-	0.01
Diluted (loss) per common share	N/A	$ (0.10)	$ (2.19)
Dividend paid per common share	-	$ -	$ 0.35
Average shares used in computing (losses)/earnings per common share			
Basic	N/A	1,600.3	974.1
Diluted	N/A	1,600.3	974.1

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions, except per share amounts)	Successor Company March 31, 2009	Predecessor Company December 26, 2008
ASSETS		
Cash and cash equivalents	$ 35,837	$ 68,403
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	28,798	32,923
Securities financing transactions		
Receivables under resale agreements (includes $41,462 in 2009 and $62,146 in 2008 measured at fair value in accordance with SFAS No. 159)	55,628	93,247
Receivables under securities borrowed transactions (includes $799 in 2009 and $853 in 2008 measured at fair value in accordance with SFAS No. 159)	40,337	35,077
	95,965	128,324
Trading assets, at fair value (includes securities pledged as collateral that can be sold or repledged of $16,277 in 2009 and $18,663 in 2008):		
Derivative contracts	83,330	89,477
Corporate debt and preferred stock	25,437	30,829
Equities and convertible debentures	20,808	26,160
Non-U.S. governments and agencies	9,782	6,107
Mortgages, mortgage-backed, and asset-backed	9,386	13,786
U.S. Government and agencies	3,500	5,253
Municipals, money markets and physical commodities	5,908	3,993
	158,151	175,605
Investment securities (includes $2,418 in 2009 and $2,770 in 2008 measured at fair value in accordance with SFAS No. 159) (includes securities pledged as collateral that can be sold or repledged of $0 in 2009 and $2,557 in 2008)	47,048	57,007
Securities received as collateral, at fair value	7,792	11,658
Receivables from Bank of America	17,507	-
Other receivables		
Customers (net of allowance for doubtful accounts of $0 in 2009 and $143 in 2008)	23,454	51,131
Brokers and dealers	5,075	12,410
Interest and other	29,115	26,331
	57,644	89,872
Loans, notes, and mortgages (net of allowances for loan losses of $10 in 2009 and $2,072 in 2008) (includes $6,570 in 2009 and $979 in 2008 measured at fair value in accordance with SFAS No. 159)	88,197	69,190
Equipment and facilities (net of accumulated depreciation and amortization of $190 in 2009 and $5,856 in 2008)	2,751	2,928
Goodwill and other intangible assets	10,631	2,616
Other assets	19,502	29,017
Total Assets	$569,823	$667,543

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

(dollars in millions, except per share amounts)	Successor Company March 31, 2009	Predecessor Company December 26, 2008
LIABILITIES		
Securities financing transactions		
Payables under repurchase agreements (includes $27,905 in 2009 and $32,910 in 2008 measured at fair value in accordance with SFAS No. 159)	$ 54,531	$ 92,654
Payables under securities loaned transactions	16,287	24,426
	70,818	117,080
Short-term borrowings (includes $946 in 2009 and $3,387 in 2008 measured at fair value in accordance with SFAS No. 159)	4,680	37,895
Deposits	97,288	96,107
Trading liabilities, at fair value		
Derivative contracts	55,757	71,363
Equities and convertible debentures	9,467	7,871
Non-U.S. governments and agencies	5,687	4,345
Corporate debt and preferred stock	963	1,318
U.S. Government and agencies	538	3,463
Municipals, money markets and other	962	1,111
	73,374	89,471
Obligation to return securities received as collateral, at fair value	7,792	11,658
Payables to Bank of America	25,213	-
Other payables		
Customers	37,103	44,924
Brokers and dealers	10,283	12,553
Interest and other (includes $999 in 2009 measured at fair value in accordance with SFAS No. 159)	36,673	32,918
	84,059	90,395
Long-term borrowings (includes $36,132 in 2009 and $49,479 in 2008 measured at fair value in accordance with SFAS No. 159)	162,869	199,678
Junior subordinated notes (related to trust preferred securities)	3,536	5,256
Total Liabilities	529,629	647,540
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred Stockholders' Equity (liquidation preference of $100,000 per share; issued: 2009 — 17,000 shares; issued: 2008 — 115,000 shares)	1,541	8,605
Common Stockholders' Equity		
Common stock (par value $1.33⅓ per share; authorized: 3,000,000,000 shares; issued: 2009 — 1,000 shares; issued: 2008 — 2,031,995,436 shares)	-	2,709
Paid-in capital	34,632	47,232
Accumulated other comprehensive income/(loss) (net of tax)	376	(6,318)
Retained earnings/(Accumulated deficit)	3,645	(8,603)
	38,653	35,020
Less: Treasury stock, at cost (2009 — None; 2008 — 431,742,565 shares)	-	23,622
Total Common Stockholders' Equity	38,653	11,398
Total Stockholders' Equity	40,194	20,003
Total Liabilities and Stockholders' Equity	$569,823	$667,543

See Notes to Condensed Consolidated Financial Statements.

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

(dollars in millions)	Successor Company Three Months Ended March 31, 2009	Predecessor Company Three Months Ended March 28, 2008
Cash flows from operating activities:		
Net earnings/(loss)	$ 3,660	$ (1,962)
Adjustments to reconcile net earnings/(loss) to cash provided by operating activities		
Depreciation and amortization	303	217
Share-based compensation expense	248	799
Deferred taxes	1,268	608
Earnings from equity method investments	(40)	(226)
Other	2,815	1,429
Changes in operating assets and liabilities:		
Trading assets	11,320	2,586
Cash and securities segregated for regulatory purposes or deposited with clearing organizations	3,499	(2,834)
Receivables from Bank of America	(17,507)	-
Receivables under resale agreements	48,119	9,298
Receivables under securities borrowed transactions	(5,260)	(2,198)
Customer receivables	11,371	(14,145)
Brokers and dealers receivables	7,329	(2,966)
Proceeds from loans, notes, and mortgages held for sale	3,015	6,923
Other changes in loans, notes, and mortgages held for sale	(1,573)	(2,127)
Trading liabilities	(15,935)	1,285
Payables under repurchase agreements	(32,623)	(3,228)
Payables under securities loaned transactions	(8,139)	(12)
Payables to Bank of America	25,213	-
Customer payables	(7,821)	15,974
Brokers and dealers payables	(2,270)	3,530
Trading investment securities	298	(1,933)
Other, net	(2,520)	3,572
Cash provided by operating activities	24,770	14,590
Cash flows from investing activities:		
Proceeds from (payments for):		
Maturities of available-for-sale securities	2,095	2,012
Sales of available-for-sale securities	2,329	11,633
Purchases of available-for-sale securities	(279)	(13,773)
Proceeds from the sale of discontinued operations	-	12,581
Equipment and facilities, net	(13)	(280)
Loans, notes, and mortgages held for investment	(2,418)	(1,977)
Other investments	2,218	(528)
Cash provided by investing activities	3,932	9,668
Cash flows from financing activities:		
Proceeds from (payments for):		
Commercial paper and short-term borrowings	(33,215)	(3,945)
Issuance and resale of long-term borrowings	1,602	23,754
Settlement and repurchases of long-term borrowings	(19,887)	(33,010)
Capital contributions from Bank of America	6,850	-
Deposits	(819)	832
Derivative financing transactions	16	750
Issuance of common stock	-	2,486
Issuance of preferred stock, net	-	6,610
Other common stock transactions	-	(866)
Excess tax benefits related to share-based compensation	-	35
Dividends	(15)	(538)
Cash (used for) financing activities	(45,468)	(3,892)
(Decrease) increase in cash and cash equivalents	(16,766)	20,366
Cash and cash equivalents, beginning of period[1]	52,603	41,346
Cash and cash equivalents, end of period	$ 35,837	$ 61,712
Supplemental Disclosure of Cash Flow Information:		
Income taxes paid	$ 193	$ 372
Interest paid	4,273	10,371

Non-cash investing and financing activities:

In connection with the acquisition of Merrill Lynch by Bank of America, Merrill Lynch recorded purchase accounting adjustments in the quarter ended March 31, 2009, which were recorded as non-cash capital contributions. See Note 2.

(1) Amount for Successor Company is as of January 1, 2009.

See Notes to Condensed Consolidated Financial Statements.

Merrill Lynch & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income/(Loss) (Unaudited)

	Successor Company	Predecessor Company
(dollars in millions)	Three Months Ended March 31, 2009	Three Months Ended March 28, 2008
Net earnings/(loss)	$3,660	$(1,962)
Other comprehensive income/(loss), net of tax:		
Foreign currency translation adjustment	229	(8)
Net unrealized gain/(loss) on investment securities available-for-sale	106	(2,276)
Net deferred gain on cash flow hedges	39	49
Defined benefit pension and postretirement plans	2	5
Total other comprehensive income/(loss), net of tax	376	(2,230)
Comprehensive income/(loss)	$4,036	$(4,192)

See Notes to Condensed Consolidated Financial Statements.

Note 1. Summary of Significant Accounting Policies

Description of Business

Merrill Lynch & Co. Inc. ("ML & Co.") and together with its subsidiaries ("Merrill Lynch"), provide investment, financing, insurance, and related services to individuals and institutions on a global basis through its broker, dealer, banking and other financial services subsidiaries. For a complete discussion of significant accounting policies, refer to the Audited Consolidated Financial Statements included in Merrill Lynch's Annual Report on Form 10-K for the year-ended December 26, 2008 (the "2008 Annual Report").

Bank of America Acquisition

On January 1, 2009, Merrill Lynch (the "Predecessor Company") was acquired by Bank of America Corporation ("Bank of America") through the merger of a wholly-owned subsidiary of Bank of America with and into ML & Co. with ML & Co. (the "Successor Company") continuing as the surviving corporation and a wholly owned subsidiary of Bank of America. Upon completion of the acquisition, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of Bank of America common stock. As of the completion of the acquisition, ML & Co. Series 1 through Series 8 preferred stock were converted into Bank of America preferred stock with substantially identical terms to the corresponding series of Merrill Lynch preferred stock (except for additional voting rights provided to the Bank of America securities). The Merrill Lynch 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 2, and 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 3 that was outstanding immediately prior to the completion of the acquisition remained issued and outstanding subsequent to the acquisition, but are now convertible into Bank of America common stock.

Bank of America's cost of acquiring Merrill Lynch has been pushed down to form a new accounting basis for Merrill Lynch. Accordingly, the accompanying Condensed Consolidated Financial Statements are presented for two periods, Predecessor and Successor, which respectively correspond to the periods preceding and succeeding the date of acquisition. The Predecessor and Successor periods have been separated by a vertical line on the face of the Condensed Consolidated Financial Statements to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting. The components of the Predecessor Company's shareholders' equity (with the exception of $1.5 billion of convertible preferred stock discussed above) were reclassified to paid-in-capital on January 1, 2009.

Effective January 1, 2009, Merrill Lynch adopted calendar quarter-end and year-end reporting periods to coincide with those of Bank of America. The intervening period between Merrill Lynch's previous fiscal year end (December 26, 2008) and the beginning of the current quarter (January 1, 2009) (the "stub period") is presented separately on the accompanying Condensed Consolidated Statements of Earnings / (Loss).

Basis of Presentation

The Condensed Consolidated Financial Statements include the accounts of Merrill Lynch. The Condensed Consolidated Financial Statements are presented in accordance with U.S. Generally Accepted Accounting Principles. Intercompany transactions and balances within Merrill Lynch have

been eliminated. Transactions and balances with Bank of America have not been eliminated. The interim Condensed Consolidated Financial Statements for the three month periods and the stub period are unaudited; however, all adjustments necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the 2008 Annual Report, while recognizing that two different bases of accounting are presented. The nature of Merrill Lynch's business is such that the results of any interim period are not necessarily indicative of results for a full year. Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation. In addition, certain changes have been made to classifications in the financial statements as of and for the quarter ended March 31, 2009 to conform to Bank of America's presentation of similar transactions. These changes include:

- The reclassification of bifurcated embedded derivatives from the balance sheet classification of the host instrument (e.g., long-term borrowings for structured notes) to derivative contracts within trading assets and liabilities;

- The reclassification of derivatives that had been used for asset and liability management hedging from other assets and other payables-interest and other to derivative contracts within trading assets and trading liabilities;

- The reclassification of certain loans designated as held for trading, held for sale or held for investment to either held for sale or held for investment; and

- The reclassification of the financing provided to Bloomberg, Inc. in connection with the sale of Merrill Lynch's interest in Bloomberg, L.P. from investment securities to loans, notes and mortgages.

Merrill Lynch did not make any significant changes to its Predecessor Company accounting policies in order to conform with the accounting policies utilized by Bank of America.

Consolidation Accounting Policies

The Condensed Consolidated Financial Statements include the accounts of Merrill Lynch, whose subsidiaries are generally controlled through a majority voting interest. In certain cases, Merrill Lynch subsidiaries may also be consolidated based on a risks and rewards approach. Merrill Lynch does not consolidate those special purpose entities that meet the criteria of a qualified special purpose entity ("QSPE").

Merrill Lynch determines whether it is required to consolidate an entity by first evaluating whether the entity qualifies as a voting rights entity ("VRE"), a variable interest entity ("VIE"), or a QSPE.

VREs — VREs are defined to include entities that have both equity at risk that is sufficient to fund future operations and have equity investors with decision making ability that absorb the majority of the expected losses and expected returns of the entity. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 94, *Consolidation of All Majority-Owned Subsidiaries,* Merrill Lynch generally consolidates those VREs where it holds a controlling financial interest. For investments in limited partnerships and certain limited liability corporations that Merrill Lynch does not control, Merrill Lynch applies Emerging Issues Task Force ("EITF") Topic D-46, *Accounting for Limited Partnership Investments*, which requires use of the equity method of accounting for investors that have more than a minor influence, which is typically defined as an investment of greater than 3% of the outstanding equity in the entity. For more traditional corporate structures, in accordance with Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, Merrill Lynch applies the equity method of accounting where it has significant

influence over the investee. Significant influence can be evidenced by a significant ownership interest (which is generally defined as a voting interest of 20% to 50%), significant board of director representation, or other contracts and arrangements.

VIEs — Those entities that do not meet the VRE criteria are generally analyzed for consolidation as either VIEs or QSPEs. Merrill Lynch consolidates those VIEs in which it absorbs the majority of the variability in expected losses and/or the variability in expected returns of the entity as required by FIN 46(R), *Consolidation of Variable Interest Entities* ("FIN 46(R)"). Merrill Lynch relies on a qualitative and/or quantitative analysis, including an analysis of the design of the entity, to determine if it is the primary beneficiary of the VIE and therefore must consolidate the VIE. Merrill Lynch reassesses whether it is the primary beneficiary of a VIE upon the occurrence of a reconsideration event.

QSPEs — QSPEs are passive entities with significantly limited permitted activities. QSPEs are generally used as securitization vehicles and are limited in the type of assets that they may hold, the derivatives into which they can enter and the level of discretion that they may exercise through servicing activities. In accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* ("SFAS No. 140"), and FIN 46(R), Merrill Lynch does not consolidate QSPEs.

Securitization Activities

In the normal course of business, Merrill Lynch securitizes commercial and residential mortgage loans; municipal, government, and corporate bonds; and other types of financial assets. Merrill Lynch may retain interests in the securitized financial assets through holding tranches of the securitization. In accordance with SFAS No. 140, Merrill Lynch recognizes transfers of financial assets where it relinquishes control as sales to the extent of cash and any proceeds received. Control is considered to be relinquished when all of the following conditions have been met:

- The transferred assets have been legally isolated from the transferor even in bankruptcy or other receivership;

- The transferee has the right to pledge or exchange the assets it received, or if the entity is a QSPE the beneficial interest holders have the right to pledge or exchange their beneficial interests; and

- The transferor does not maintain effective control over the transferred assets (e.g. the ability to unilaterally cause the holder to return specific transferred assets).

Revenue Recognition

Principal transactions revenues include both realized and unrealized gains and losses on trading assets and trading liabilities, investment securities classified as trading investments and fair value changes associated with structured debt. These instruments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Gains and losses are recognized on a trade date basis.

Commissions revenues include commissions, mutual fund distribution fees and contingent deferred sales charge revenue, which are all accrued as earned. Commissions revenues also include mutual fund redemption fees, which are recognized at the time of redemption. Commissions revenues earned from certain customer equity transactions are recorded net of related brokerage, clearing and exchange fees.

Managed accounts and other fee-based revenues primarily consist of asset-priced portfolio service fees earned from the administration of separately managed accounts and other investment accounts for retail investors, annual account fees, and certain other account-related fees.

Investment banking revenues include underwriting revenues and fees for merger and acquisition advisory services, which are accrued when services for the transactions are substantially completed. Underwriting revenues are presented net of transaction-related expenses. Transaction-related expenses, primarily legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related revenue from the investment banking transaction to match revenue recognition.

Earnings from equity method investments include Merrill Lynch's pro rata share of income and losses associated with investments accounted for under the equity method.

Other revenues include gains/(losses) on investment securities, including sales and other-than-temporary-impairment losses associated with certain available-for-sale securities, gains/(losses) on private equity investments and gains/(losses) on loans and other miscellaneous items.

Contractual interest and dividends received and paid on trading assets and trading liabilities, excluding derivatives, are recognized on an accrual basis as a component of interest and dividend revenues and interest expense. Interest and dividends on investment securities are recognized on an accrual basis as a component of interest and dividend revenues. Interest related to loans, notes, and mortgages, securities financing activities and certain short- and long-term borrowings are recorded on an accrual basis with related interest recorded as interest revenue or interest expense, as applicable. Contractual interest, if any, on structured notes is recorded as a component of interest expense.

Use of Estimates

In presenting the Condensed Consolidated Financial Statements, management makes estimates regarding:

- Valuations of assets and liabilities requiring fair value estimates;
- The allowance for credit losses;
- Determination of other-than-temporary impairments for available-for-sale investment securities;
- The outcome of litigation;
- Assumptions and cash flow projections used in determining whether VIEs should be consolidated and the determination of the qualifying status of QSPEs;
- The realization of deferred taxes and the recognition and measurement of uncertain tax positions;
- The carrying amount of goodwill and intangible assets;
- The amortization period of intangible assets with definite lives;
- Incentive-based compensation accruals and valuation of share-based payment compensation arrangements; and
- Other matters that affect the reported amounts and disclosure of contingencies in the financial statements.

Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates and could have a material impact on the Condensed Consolidated Financial Statements, and it is possible that such changes could occur in the near term.

Fair Value Measurement

Merrill Lynch accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Merrill Lynch accounts for certain financial assets and liabilities at fair value under various accounting literature, including SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS No. 115"), SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133"), and SFAS No. 159, *Fair Value Option for Certain Financial Assets and Liabilities* ("SFAS No. 159"). Merrill Lynch also accounts for certain assets at fair value under applicable industry guidance, namely broker-dealer and investment company accounting guidance.

SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157") defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

Fair values for over-the-counter ("OTC") derivative financial instruments, principally forwards, options, and swaps, represent the present value of amounts estimated to be received from or paid to a marketplace participant in settlement of these instruments (i.e., the amount Merrill Lynch would expect to receive in a derivative asset assignment or would expect to pay to have a derivative liability assumed). These derivatives are valued using pricing models based on the net present value of estimated future cash flows and directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services, while taking into account the counterparty's creditworthiness, or Merrill Lynch's own creditworthiness, as appropriate. Determining the fair value for OTC derivative contracts can require a significant level of estimation and management judgment.

New and/or complex instruments may have immature or limited markets. As a result, the pricing models used for valuation often incorporate significant estimates and assumptions that market participants would use in pricing the instrument, which may impact the results of operations reported in the Condensed Consolidated Financial Statements. For instance, on long-dated and illiquid contracts extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. This enables Merrill Lynch to mark to fair value all positions consistently when only a subset of prices are directly observable. Values for OTC derivatives are verified using observed information about the costs of hedging the risk and other trades in the market. As the markets for these products develop, Merrill Lynch continually refines its pricing models to correlate more closely to the market price of these instruments. The recognition of significant inception gains and losses that incorporate unobservable inputs is reviewed by management to ensure such gains and losses are derived from observable inputs and/or incorporate reasonable assumptions about the unobservable component, such as implied bid-offer adjustments.

Certain financial instruments recorded at fair value are initially measured using mid-market prices which results in gross long and short positions marked-to-market at the same pricing level prior to the application of position netting. The resulting net positions are then adjusted to fair value representing the exit price as defined in SFAS No. 157. The significant adjustments include liquidity and counterparty credit risk.

Liquidity

Merrill Lynch makes adjustments to bring a position from a mid-market to a bid or offer price, depending upon the net open position. Merrill Lynch values net long positions at bid prices and net short positions at offer prices. These adjustments are based upon either observable or implied bid-offer prices.

Counterparty Credit Risk

In determining fair value, Merrill Lynch considers both the credit risk of its counterparties, as well as its own creditworthiness. Merrill Lynch attempts to mitigate credit risk to third parties by entering into netting and collateral arrangements. Net counterparty exposure (counterparty positions netted by offsetting transactions and both cash and securities collateral) is then valued for counterparty creditworthiness and this resultant value is incorporated into the fair value of the respective instruments. Merrill Lynch generally calculates the credit risk adjustment for derivatives on observable market credit spreads.

SFAS No. 157 also requires that Merrill Lynch consider its own creditworthiness when determining the fair value of certain instruments, including OTC derivative instruments. The approach to measuring the impact of Merrill Lynch's credit risk on an instrument is done in the same manner as for third party credit risk. The impact of Merrill Lynch's credit risk is incorporated into the fair value, even when credit risk is not readily observable, of an instrument such as in OTC derivatives contracts. OTC derivative liabilities are valued based on the net counterparty exposure as described above.

Legal Reserves

Merrill Lynch is a party in various actions, some of which involve claims for substantial amounts. Amounts are accrued for the financial resolution of claims that have either been asserted or are deemed probable of assertion if, in the opinion of management, it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In many cases, 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 case is close to resolution, in which case no accrual is made until that time. Accruals are subject to significant estimation by management with input from outside counsel.

Income Taxes

Merrill Lynch provides for income taxes on all transactions that have been recognized in the Condensed Consolidated Financial Statements in accordance with SFAS No. 109, *Accounting for Income Taxes* ("SFAS No. 109"). Accordingly, deferred taxes are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws, are recognized in net earnings in the period during which such changes are enacted. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Pursuant to SFAS No. 109, Merrill Lynch may assess various sources of evidence in the conclusion as to the necessity of valuation allowances to reduce deferred tax assets to amounts more-likely-than-not to be realized including the following: 1) past and projected earnings, including losses, of Merrill Lynch and Bank of America, as certain tax attributes such as U.S. net operating losses ("NOLs"), U.S. capital loss carryforwards and foreign tax credit carryforwards can be utilized by Bank of America in certain income tax returns, 2) tax carryforward periods, and 3) tax planning strategies and other factors of the legal entities, such as the intercompany tax-allocation policy. Included within

Merrill Lynch's net deferred tax assets are carryforward amounts generated in the U.S. and U.K. that are deductible in the future as NOLs. Merrill Lynch has concluded that these deferred tax assets are more-likely-than-not to be fully utilized prior to expiration, based on the projected level of future taxable income of Merrill Lynch and Bank of America, which is relevant due to the tax-allocation policy. For this purpose, future taxable income was projected based on forecasts and historical earnings after adjusting for the past market disruptions and the anticipated impact of the differences between pre-tax earnings and taxable income.

Merrill Lynch recognizes and measures its unrecognized tax benefits in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). Merrill Lynch estimates the likelihood, based on their technical merits, that tax positions will be sustained upon examination considering the facts and circumstances and information available at the end of each period. Merrill Lynch adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. In accordance with Bank of America's policy, any new or subsequent change in an unrecognized tax benefit related to a Bank of America state consolidated, combined or unitary return in which Merrill Lynch is a member will not be reflected in Merrill Lynch's balance sheet. However, upon Bank of America's resolution of the unrecognized state tax benefit, any material impact deemed to be attributable to Merrill Lynch will be reflected in Merrill Lynch's balance sheet. Merrill Lynch accrues income-tax-related interest and penalties, if applicable, within income tax expense.

Beginning with the 2009 tax year, Merrill Lynch's results of operations are included in the U.S. federal income tax return and certain state income tax returns of Bank of America. The method of allocating income tax expense is determined under the tax allocation policy of Bank of America. This allocation policy specifies that income tax expense will be computed for all Bank of America subsidiaries generally on a separate company method, taking into account the tax position of the consolidated group and the pro forma Merrill Lynch group. Under the policy, tax benefits associated with net operating losses (or other tax attributes) of Merrill Lynch are payable to Merrill Lynch upon the earlier of the utilization in the filing of Bank of America's returns or the utilization in Merrill Lynch's pro forma returns. See Note 15 for further discussion of income taxes.

Securities Financing Transactions

Merrill Lynch enters into repurchase and resale agreements and securities borrowed and loaned transactions to accommodate customers and earn interest rate spreads (also referred to as "matched-book transactions"), obtain securities for settlement and finance inventory positions.

Resale and repurchase agreements are accounted for as collateralized financing transactions and may be recorded at their contractual amounts plus accrued interest or at fair value under the fair value option election in SFAS No. 159. Resale and repurchase agreements recorded at fair value are generally valued based on pricing models that use inputs with observable levels of price transparency.

Where the fair value option has been elected, changes in the fair value of resale and repurchase agreements are reflected in principal transactions revenues and the contractual interest coupon is recorded as interest revenue or interest expense, respectively. For further information refer to Note 6. Resale and repurchase agreements recorded at their contractual amounts plus accrued interest approximate fair value, as the fair value of these items is not materially sensitive to shifts in market interest rates because of the short-term nature of these instruments and/or variable interest rates or to credit risk because the resale and repurchase agreements are fully collateralized.

Merrill Lynch's policy is to obtain possession of collateral with a market value equal to or in excess of the principal amount loaned under resale agreements. To ensure that the market value of the underlying

collateral remains sufficient, collateral is generally valued daily and Merrill Lynch may require counterparties to deposit additional collateral or may return collateral pledged when appropriate.

Substantially all repurchase and resale activities are transacted under master repurchase agreements that give Merrill Lynch the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty. Merrill Lynch offsets certain repurchase and resale agreement balances with the same counterparty on the Condensed Consolidated Balance Sheets.

Merrill Lynch may use securities received as collateral for resale agreements to satisfy regulatory requirements such as Rule 15c3-3 of the SEC.

Securities borrowed and loaned transactions may be recorded at the amount of cash collateral advanced or received plus accrued interest or at fair value under the fair value option election in SFAS No. 159. Securities borrowed transactions require Merrill Lynch to provide the counterparty with collateral in the form of cash, letters of credit, or other securities. Merrill Lynch receives collateral in the form of cash or other securities for securities loaned transactions. For these transactions, the fees received or paid by Merrill Lynch are recorded as interest revenue or expense. On a daily basis, Merrill Lynch monitors the market value of securities borrowed or loaned against the collateral value, and Merrill Lynch may require counterparties to deposit additional collateral or may return collateral pledged, when appropriate. The carrying value of these instruments approximates fair value as these items are not materially sensitive to shifts in market interest rates because of their short-term nature and/or their variable interest rates.

All firm-owned securities pledged to counterparties where the counterparty has the right, by contract or custom, to sell or repledge the securities are disclosed parenthetically in trading assets or, if applicable, in investment securities on the Condensed Consolidated Balance Sheets.

In transactions where Merrill Lynch acts as the lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the Condensed Consolidated Balance Sheets carried at fair value, representing the securities received (securities received as collateral), and a liability for the same amount, representing the obligation to return those securities (obligation to return securities received as collateral). The amounts on the Condensed Consolidated Balance Sheets result from non-cash transactions.

Trading Assets and Liabilities

Merrill Lynch's trading activities consist primarily of securities brokerage and trading; derivatives dealing and brokerage; commodities trading and futures brokerage; and securities financing transactions. Trading assets and trading liabilities consist of cash instruments (e.g., securities and loans) and derivative instruments used for trading purposes or for managing risk exposures in other trading inventory. Trading assets and trading liabilities also include commodities inventory. See Note 5 for additional information on derivative instruments.

Trading assets and liabilities are generally recorded on a trade date basis at fair value. Included in trading liabilities are securities that Merrill Lynch has sold but did not own and will therefore be obligated to purchase at a future date ("short sales"). Commodities inventory is recorded at the lower of cost or market value. Changes in fair value of trading assets and liabilities (i.e., unrealized gains and losses) are recognized as principal transactions revenues in the current period. Realized gains and losses and any related interest amounts are included in principal transactions revenues and interest revenues and expenses, depending on the nature of the instrument.

Investment Securities

Investment securities consist of marketable investment securities and non-qualifying investments. Refer to Note 7.

Marketable Investments

ML & Co. and certain of its non-broker-dealer subsidiaries, including Merrill Lynch banks, follow the guidance in SFAS No. 115 when accounting for investments in debt and publicly traded equity securities. Merrill Lynch classifies those debt securities that it does not intend to sell as held-to-maturity securities. Held-to-maturity securities are carried at cost unless a decline in value is deemed other-than-temporary, in which case the carrying value is reduced. For Merrill Lynch, the trading classification under SFAS No. 115 generally includes those securities that are bought and held principally for the purpose of selling them in the near term, securities that are economically hedged, or securities that may contain a bifurcatable embedded derivative as defined in SFAS No. 133. Securities classified as trading are marked to fair value through earnings. All other qualifying securities are classified as available-for-sale and held at fair value with unrealized gains and losses reported in accumulated other comprehensive income/(loss).

Realized gains and losses on investment securities are included in current period earnings. For purposes of computing realized gains and losses, the cost basis of each investment sold is based on the specific identification method.

Merrill Lynch regularly (at least quarterly) evaluates each held-to-maturity and available-for-sale security whose value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. A decline in a debt security's fair value is considered to be other-than-temporary if it is probable that all amounts contractually due will not be collected or Merrill Lynch either plans to sell the security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. Beginning in 2009, for unrealized losses on debt securities that are deemed other-than-temporary, the credit component of an other-than-temporary impairment is recognized in earnings and the noncredit component in other comprehensive income ("OCI") when Merrill Lynch does not intend to sell the security and it is more likely than not that Merrill Lynch will not be required to sell the security prior to recovery. Prior to January 1, 2009, unrealized losses (both the credit and non-credit components) on available-for-sale debt securities that were deemed other-than-temporary were included in current period earnings.

Merrill Lynch's impairment review generally includes:

- Identifying securities with indicators of possible impairment;
- Analyzing individual securities with fair value less than amortized cost for specific factors including:
    - The estimated length of time to recover from fair value to amortized cost;
    - The severity and duration of the fair value decline from amortized cost;
    - Deterioration in the financial condition of the issuer;
- Discussing evidential matter, including an evaluation of the factors that could cause individual securities to have an other-than-temporary impairment;
- Determining whether Merrill Lynch intends to sell the security or if it is more likely than not that Merrill Lynch will be required to sell the security before recovery of its amortized cost; and
- Documenting the analysis and conclusions.

Non-Qualifying Investments

Non-qualifying investments are those investments that are not within the scope of SFAS No. 115 and primarily include private equity investments accounted for at fair value and securities carried at cost or under the equity method of accounting.

Private equity investments that are held for capital appreciation and/or current income are accounted for under the American Institute of Certified Public Accountants' ("AICPA") Accounting and Auditing Guide, *Investment Companies* (the "Investment Company Guide") and carried at fair value. Additionally, certain private equity investments that are not accounted for under the Investment Company Guide may be carried at fair value under the fair value option election in SFAS No. 159. The carrying value of private equity investments reflects expected exit values based upon market prices or other valuation methodologies including expected cash flows and market comparables of similar companies.

Merrill Lynch has non-controlling investments in the common shares of corporations and in partnerships that do not fall within the scope of SFAS No. 115 or the Investment Company Guide. Merrill Lynch accounts for these investments using either the cost or the equity method of accounting based on management's ability to influence the investees. See the Consolidation Accounting Policies section of this Note for more information.

For investments accounted for using the equity method, income is recognized based on Merrill Lynch's share of the earnings or losses of the investee. Dividend distributions are generally recorded as reductions in the investment balance. Impairment testing is based on the guidance provided in APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, and the investment is reduced when an impairment is deemed other-than-temporary.

For investments accounted for at cost, income is recognized as dividends are received. Impairment testing is based on the guidance provided in FASB Staff Positions Nos. SFAS 115-2 and SFAS 124-2, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, and the cost basis is reduced when an impairment is deemed other-than-temporary.

Loans, Notes, and Mortgages, Net

Merrill Lynch's lending and related activities include loan originations, syndications and securitizations. Loan originations include corporate and institutional loans, residential and commercial mortgages, asset-based loans, and other loans to individuals and businesses. Merrill Lynch also engages in secondary market loan trading (see the Trading Assets and Liabilities section within this Note) and margin lending. Loans included in loans, notes, and mortgages are classified for accounting purposes as loans held for investment and loans held for sale. Upon completion of the acquisition of Merrill Lynch by Bank of America, certain loans carried by Merrill Lynch were subject to the requirements of AICPA Statement of Position No. 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* ("SOP 03-3"). See Note 9.

Loans held for investment are carried at amortized cost, less an allowance for loan losses. The provision for loan losses is based on management's estimate of the amount necessary to maintain the allowance for loan losses at a level adequate to absorb probable incurred loan losses and is included in interest revenue in the Condensed Consolidated Statements of Earnings/(Loss). Management's estimate of loan losses is influenced by many factors, including adverse situations that may affect the borrower's ability to repay, current economic conditions, prior loan loss experience, and the estimated fair value of any underlying collateral. The fair value of collateral is generally determined by third-party appraisals

in the case of residential mortgages, quoted market prices for securities, or other types of estimates for other assets.

Management's estimate of loan losses includes judgment about collectibility based on available information at the balance sheet date, and the uncertainties inherent in those underlying assumptions.

While management has based its estimates on the best information available, future adjustments to the allowance for loan losses may be necessary as a result of changes in the economic environment or variances between actual results and the original assumptions.

In general, loans are evaluated for impairment when they are greater than 90 days past due or exhibit credit quality weakness. Loans are considered impaired when it is probable that Merrill Lynch will not be able to collect the contractual principal and interest due from the borrower. All payments received on impaired loans are applied to principal until the principal balance has been reduced to a level where collection of the remaining recorded investment is not in doubt. Typically, when collection of principal on an impaired loan is not in doubt, contractual interest will be credited to interest income when received.

Loans held for sale are carried at lower of cost or fair value. The fair value option in SFAS No. 159 has been elected for certain held for sale loans, notes and mortgages. Estimation is required in determining these fair values. The fair value of loans made in connection with commercial lending activity, consisting mainly of senior debt, is primarily estimated using the market value of publicly issued debt instruments or discounted cash flows. Merrill Lynch's estimate of fair value for other loans, notes, and mortgages is determined based on the individual loan characteristics. For certain homogeneous categories of loans, including residential mortgages, automobile loans, and home equity loans, fair value is estimated using a whole loan valuation or an "as-if" securitized price based on market conditions. An "as-if" securitized price is based on estimated performance of the underlying asset pool collateral, rating agency credit structure assumptions and market pricing for similar securitizations previously executed. Declines in the carrying value of loans held for sale and loans accounted for at fair value under the fair value option are included in other revenues in the Condensed Consolidated Statements of Earnings/(Loss).

Nonrefundable loan origination fees, loan commitment fees, and "draw down" fees received in conjunction with held for investment loans are generally deferred and recognized over the contractual life of the loan as an adjustment to the yield. If, at the outset, or any time during the term of the loan, it becomes probable that the repayment period will be extended, the amortization is recalculated using the expected remaining life of the loan. When the loan contract does not provide for a specific maturity date, management's best estimate of the repayment period is used. At repayment of the loan, any unrecognized deferred fee is immediately recognized in earnings. If the loan is accounted for as held for sale, the fees received are deferred and recognized as part of the gain or loss on sale in other revenues. If the loan is accounted for under the fair value option, the fees are included in the determination of the fair value and included in other revenue.

New Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, ("FSP FAS 157-4"). FSP FAS 157-4 provides guidance for determining whether a market is inactive and a transaction is distressed in order to apply the existing fair value measurement guidance in SFAS No. 157. Merrill Lynch elected to early adopt FSP FAS 157-4 effective January 1, 2009. The adoption did not have a material impact on the Condensed Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, ("FSP FAS 115-2 and FAS 124-2"). This FSP requires an entity to recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the noncredit component in other comprehensive income ("OCI") when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery. FSP FAS 115-2 and FAS 124-2 also require expanded disclosures. Merrill Lynch elected to early adopt FSP FAS 115-2 and FAS 124-2 effective January 1, 2009 and the adoption did not have a material impact on the Condensed Consolidated Financial Statements, as any OCI that Merrill Lynch previously recorded was eliminated upon Bank of America's acquisition of Merrill Lynch. FSP FAS 115-2 and FAS 124-2 do not change the recognition of other-than-temporary impairment for equity securities.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB Opinion 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP FAS 107-1"). FSP FAS 107-1 requires expanded disclosures for all financial instruments as defined by SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* such as loans that are not measured at fair value through earnings. The expanded disclosure requirements for FSP FAS 107-1 are effective for Merrill Lynch's quarterly financial statements for the three months ending June 30, 2009. Since FSP FAS 107-1 only requires certain additional disclosures, it will not affect Merrill Lynch's consolidated financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, ("FSP FAS 141(R)-1") whereby assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing guidance. FSP 141(R)-1 is effective for new acquisitions consummated on or after January 1, 2009. Bank of America applied FSP 141(R)-1 to its January 1, 2009 acquisition of Merrill Lynch, and the effects of the adoption were not material to these Condensed Consolidated Financial Statements.

In September 2008, the FASB released exposure drafts that would amend SFAS No. 140 and FIN 46(R). As written, the proposed amendments would, among other things, eliminate the concept of a QSPE and change the standards for consolidation of VIEs. The changes would be effective for both existing and newly-created entities as of January 1, 2010. If adopted as written, the amendments would likely result in the consolidation of certain QSPEs and VIEs that are not currently recorded on the Condensed Consolidated Balance Sheet of Merrill Lynch (e.g., certain mortgage and municipal bond securitizations). Merrill Lynch is continuing to evaluate the impact that the exposure drafts would have on its financial condition and results of operations if adopted as written.

In March 2008, the FASB issued SFAS No. 161, *Disclosure about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133* ("SFAS No. 161"). SFAS No. 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of SFAS No. 133. It also applies to non-derivative hedging instruments and all hedged items designated and qualifying as hedges under SFAS No. 133. SFAS No. 161 amends the current qualitative and quantitative disclosure requirements for derivative instruments and hedging activities set forth in SFAS No. 133 and generally increases the level of disaggregation that will be required in an entity's financial statements. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk related contingent features in derivative agreements.

Merrill Lynch adopted SFAS No. 161 on January 1, 2009, effective prospectively. Since SFAS No. 161 only requires certain additional disclosures, it did not have an effect on Merrill Lynch's consolidated financial position, results of operations or cash flows. See Note 5 for further information regarding these disclosures.

In February 2008, the FASB issued FSP FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* ("FSP FAS 140-3"). Under the guidance in FSP FAS 140-3, there is a presumption that the initial transfer of a financial asset and subsequent repurchase financing involving the same asset are considered part of the same arrangement (i.e. a linked transaction) under SFAS No. 140. However, if certain criteria are met, the initial transfer and repurchase financing will be evaluated as two separate transactions under SFAS No. 140. FSP FAS 140-3 is effective for new transactions entered into in fiscal years beginning after November 15, 2008. Early adoption was prohibited. The adoption of FSP FAS 140-3 did not have a material impact on the Condensed Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51* ("SFAS No. 160"). SFAS No. 160 requires noncontrolling interests in subsidiaries (formerly known as "minority interests") initially to be measured at fair value and classified as a separate component of equity. Under SFAS No. 160, gains or losses on sales of noncontrolling interests in subsidiaries are not recognized, instead sales of noncontrolling interests are accounted for as equity transactions. However, in a sale of a subsidiary's shares that results in the deconsolidation of the subsidiary, a gain or loss is recognized for the difference between the proceeds of that sale and the carrying amount of the interest sold and a new fair value basis is established for any remaining ownership interest. SFAS No. 160 is effective for Merrill Lynch beginning in 2009; earlier application is prohibited. SFAS No. 160 is required to be adopted prospectively, with the exception of certain presentation and disclosure requirements (e.g., reclassifying noncontrolling interests to appear in equity), which are required to be adopted retrospectively. The adoption of SFAS No. 160 did not have a material impact on the Condensed Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS No. 141(R)"), which significantly changes the financial accounting and reporting for business combinations. SFAS No. 141(R) requires, for example: (i) more assets and liabilities to be measured at fair value as of the acquisition date, (ii) liabilities related to contingent consideration to be remeasured at fair value in each subsequent reporting period with changes reflected in earnings and not goodwill, and (iii) all acquisition-related costs to be expensed as incurred by the acquirer. Bank of America applied SFAS No. 141(R) to its January 1, 2009 acquisition of Merrill Lynch, the effects of which are included in these Condensed Consolidated Financial Statements.

Note 2. Acquisition and Subsequent Transactions with Bank of America Corporation

As a result of the acquisition of Merrill Lynch by Bank of America, Merrill Lynch recorded the following preliminary purchase accounting adjustments:

(dollars in billions)	
Purchase Price	
Merrill Lynch common shares exchanged (in millions)	**1,600**
Exchange ratio	0.8595
Bank of America's common stock issued	1,375
Purchase price per share of Bank of America's common stock(1)	$ 14.08
Total value of Bank of America's common stock and cash exchanged for fractional shares	$ 19.4
Merrill Lynch preferred stock(2)	8.6
Fair value of outstanding employee stock awards	1.1
Total purchase price	**$ 29.1**
Preliminary allocation of the purchase price	
Merrill Lynch stockholders' equity	$ 19.9
Merrill Lynch goodwill and intangible assets	(2.6)
Pre-tax adjustments to reflect acquired assets and liabilities at fair value:	
Securities and derivatives	(1.1)
Loans	(6.4)
Intangible assets(3)	5.7
Other assets	(1.4)
Long-term borrowings	15.5
Pre-tax total adjustments	12.3
Deferred income taxes	(5.5)
After-tax total adjustments	6.8
Fair value of net assets acquired	$ 24.1
Preliminary goodwill resulting from the acquisition by Bank of America	**$ 5.0**

(1) The value of the shares of common stock exchanged with Merrill Lynch shareholders was based upon the closing price of Bank of America's common stock at December 31, 2008, the last trading day prior to the date of acquisition.

(2) Represents Merrill Lynch's preferred stock exchanged for Bank of America preferred stock having substantially identical terms and also includes $1.5 billion of convertible preferred stock.

(3) Consists of trade name of $1.2 billion and customer relationship and core deposit intangibles of $4.5 billion. The amortization life is 10 years for the customer relationship and core deposit intangibles, which will be primarily amortized on a straight-line basis.

Subsequent to the Bank of America acquisition, certain assets and liabilities were transferred at fair value between Merrill Lynch and Bank of America. These transfers were made in connection with efforts to manage risk in a more effective and efficient manner at the consolidated Bank of America level. The assets and liabilities transferred related to sales and trading activities and included positions associated with the rates and currency, equity and mortgage products trading businesses. These transfers included approximately $47 billion each of assets and liabilities transferred from Merrill Lynch to Bank of America, primarily U.S. matched book repurchase positions and mortgage positions. In addition, approximately $2 billion of commercial mortgage-backed securities were transferred to Bank of America. Approximately $16 billion of assets were transferred from Bank of America to Merrill Lynch, primarily equity-related positions. See Note 19 for additional information on related party transactions.

Note 3. Segment and Geographic Information

Segment Information

Prior to the acquisition by Bank of America, Merrill Lynch's operations were organized and reported as two operating segments in accordance with the criteria in SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information* ("SFAS No. 131"): Global Markets and Investment Banking ("GMI") and Global Wealth Management ("GWM").

As a result of the acquisition by Bank of America, Merrill Lynch reevaluated the provisions of SFAS No. 131 in the first quarter of 2009. Pursuant to SFAS No. 131, operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. Based upon how the chief operating decision maker of Merrill Lynch reviews results in terms of allocating resources and assessing performance, it was determined that Merrill Lynch does not contain any identifiable operating segments under SFAS No. 131. As a result, the financial information of Merrill Lynch is presented as a single segment.

Geographic Information

Merrill Lynch conducts its business activities through offices in the following five regions:

- United States;
- Europe, Middle East, and Africa ("EMEA");
- Pacific Rim;
- Latin America; and
- Canada.

The principal methodologies used in preparing the geographic information below are as follows:

- Revenues and expenses are generally recorded based on the location of the employee generating the revenue or incurring the expense without regard to legal entity;
- Pre-tax earnings or loss from continuing operations include the allocation of certain shared expenses among regions; and
- Intercompany transfers are based primarily on service agreements.

The information that follows, in management's judgment, provides a reasonable representation of each region's contribution to the consolidated net revenues and pre-tax earnings/(loss) from continuing operations:

	Successor Company	Predecessor Company
(dollars in millions)	Three Months Ended March 31, 2009	Three Months Ended March 28, 2008
Net revenues		
Europe, Middle East, and Africa	$1,935	$ 1,006
Pacific Rim	806	839
Latin America	235	459
Canada	52	72
Total Non-U.S.	3,028	2,376
United States[(1)]	6,926	558
Total net revenues	$9,954	$ 2,934
Pre-tax earnings from continuing operations[(2)]		
Europe, Middle East, and Africa	$1,257	$ (340)
Pacific Rim	319	202
Latin America	85	159
Canada	26	13
Total Non-U.S.	1,687	34
United States[(1)]	3,558	(3,335)
Total pre-tax earnings/(loss) from continuing operations[(2)]	$5,245	$(3,301)

(1) U.S. results for the three months ended March 31, 2009 included gains of $2.2 billion, which resulted from the widening of Merrill Lynch's credit spreads on the carrying values of certain long-term liabilities. The U.S. results for the three months ended March 28, 2008 include write-downs of $6.4 billion related to U.S. ABS CDOs, U.S. sub-prime and Alt-A residential mortgage positions, leveraged finance commitments, and credit valuation adjustments related to hedges with financial guarantors. These losses were partially offset by gains of $2.1 billion that resulted from the widening of Merrill Lynch's credit spreads on the carrying values of certain long-term debt liabilities.

(2) See Note 17 for further information on discontinued operations.

Note 4. Fair Value

Fair Value Measurements

Fair Value Hierarchy

In accordance with SFAS No. 157, Merrill Lynch has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities recorded on the Condensed Consolidated Balance Sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that Merrill Lynch has the ability to access (examples include active exchange-traded equity securities, exchange-traded derivatives, U.S. Government securities, and certain other sovereign government obligations).

Level 2. Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

a) Quoted prices for similar assets or liabilities in active markets (examples include restricted stock and U.S. agency securities);

b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage-related assets, including loans, securities and derivatives).

Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, certain residential and commercial mortgage-related assets (including loans, securities and derivatives), and long-dated or complex derivatives (including certain equity and currency derivatives and long-dated options on gas and power)).

As required by SFAS No. 157, when the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. For example, a Level 3 fair value measurement may include inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Therefore gains and losses for such assets and liabilities categorized within the Level 3 table below may include changes in fair value that are attributable to both observable inputs (Levels 1 and 2) and unobservable inputs (Level 3). Further, the following tables do not take into consideration the effect of offsetting Level 1 and 2 financial instruments entered into by Merrill Lynch that economically hedge certain exposures to the Level 3 positions.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Level 3 gains and losses represent amounts incurred during the period in which the instrument was classified as Level 3. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the quarter in which the reclassifications occur. Refer to the recurring and non-recurring sections within this Note for further information on net transfers in and out.

Recurring Fair Value

The following tables present Merrill Lynch's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 and December 26, 2008, respectively.

	Fair Value Measurements on a Recurring Basis Successor Company as of March 31, 2009				
(dollars in millions)	**Level 1**	**Level 2**	**Level 3**	**Netting Adj(1)**	**Total**
Assets:					
Securities segregated for regulatory purposes or deposited with clearing organizations:					
Mortgages, mortgage-backed and asset-backed	$ -	$ 8,528	$ -	$ -	$ 8,528
Corporate debt	-	127	-	-	127
Non-U.S. governments and agencies	-	715	-	-	715
U.S. government and agencies	-	1,687	-	-	1,687
Municipals and money markets	53	-	-	-	53
Total securities segregated for regulatory purposes or deposited with clearing organizations	53	11,057	-	-	11,110
Receivables under resale agreements	-	41,462	-	-	41,462
Receivables under securities borrowed transactions	-	799	-	-	799
Trading assets, excluding derivative contracts:					
Equities	12,525	4,757	379	-	17,661
Convertible debentures	-	3,147	-	-	3,147
Mortgages, mortgage-backed and asset-backed	-	1,987	7,399	-	9,386
Corporate debt	-	13,012	5,499	-	18,511
Preferred stock	160	7	6,759	-	6,926
Non-U.S. governments and agencies	7,734	1,447	601	-	9,782
U.S. government and agencies	3,062	438	-	-	3,500
Municipals and money markets	316	4,162	1,046	-	5,524
Commodities and related contracts	-	384	-	-	384
Total trading assets, excluding derivative contracts	23,797	29,341	21,683	-	74,821
Derivative contracts	8,702	1,208,490	31,733	(1,165,595)	83,330
Investment securities trading:					
Equities	-	15	-	-	15
Mortgages, mortgage-backed and asset-backed	-	27	38	-	65
Corporate debt	-	225	146	-	371
Non-U.S. governments and agencies	410	89	-	-	499
Municipals and money markets	92	403	-	-	495
Total investment securities trading	502	759	184	-	1,445
Investment securities available-for-sale:					
Mortgage-backed securities — agency collateralized mortgage obligations	-	12,628	-	-	12,628
Mortgage-backed securities — non-agency MBSs	-	6,209	3,193	-	9,402
Corporate/agency bonds	-	151	-	-	151
Other taxable securities	-	55	-	-	55
Total investment securities available-for-sale	-	19,043	3,193	-	22,236
Investment securities non-qualifying	1,138	2,907	2,494	-	6,539
Total investment securities	1,640	22,709	5,871	-	30,220
Securities received as collateral	7,587	205	-	-	7,792
Loans, notes and mortgages	-	523	6,144	-	6,667

(dollars in millions)	Fair Value Measurements on a Recurring Basis Successor Company as of March 31, 2009				
	Level 1	Level 2	Level 3	Netting Adj[1]	Total
Liabilities:					
Payables under repurchase agreements	$ -	$ 27,905	$ -	$ -	$27,905
Short-term borrowings	-	946	-	-	946
Trading liabilities, excluding derivative contracts:					
Equities	8,345	1,091	-	-	9,436
Convertible debentures		31	-	-	31
Mortgages, mortgage-backed and asset-backed	-	142	-	-	142
Corporate debt	-	963	-	-	963
Non-U.S. governments and agencies	5,048	313	326	-	5,687
U.S. government and agencies	493	45	-	-	538
Municipals and money markets	223	597	-	-	820
Total trading liabilities, excluding derivative contracts	14,109	3,182	326	-	17,617
Derivative contracts	9,879	1,202,192	27,865	(1,184,179)	55,757
Obligation to return securities received as collateral	7,587	205	-	-	7,792
Other payables - interest and other	-	-	999	-	999
Long-term borrowings	-	28,083	8,049	-	36,132

(1) Represents counterparty and cash collateral netting.

Level 3 derivative contracts (assets) primarily relate to derivative positions on U.S. ABS CDOs of $4.7 billion, $20.7 billion of other credit derivatives that incorporate unobservable correlation, and $6.3 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have an unobservable model valuation input(s).

Level 3 non-qualifying investment securities primarily relate to private equity and principal investment positions.

Level 3 loans, notes and mortgages primarily relate to mortgage loans, corporate loans and leveraged loans whose fair value incorporates significant unobservable inputs.

Level 3 derivative contracts (liabilities) primarily relate to derivative positions on U.S. ABS CDOs of $4.6 billion, $18.2 billion of other credit derivatives that incorporate unobservable correlation, and $5.1 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have unobservable correlation.

Level 3 other payables - interest and other relate to loan commitments whose fair value incorporates significant unobservable inputs.

Level 3 long-term borrowings primarily relate to equity-linked structured notes of $5.9 billion that are long-dated and/or have unobservable correlation.

(dollars in millions)

	Fair Value Measurements on a Recurring Basis Predecessor Company as of December 26, 2008				
	Level 1	**Level 2**	**Level 3**	**Netting Adj[(1)]**	**Total**
Assets:					
Securities segregated for regulatory purposes or deposited with clearing organizations	$ 1,421	$ 10,156	$ -	$ -	$11,577
Receivables under resale agreements	-	62,146	-	-	62,146
Receivables under securities borrowed transactions	-	853	-	-	853
Trading assets, excluding derivative contracts	30,106	33,902	22,120	-	86,128
Derivative contracts	8,538	1,239,225	37,325	(1,195,611)	89,477
Investment securities	2,280	29,254	3,279	-	34,813
Securities received as collateral	9,430	2,228	-	-	11,658
Loans, notes and mortgages	-	690	359	-	1,049
Other assets[(2)]	-	8,046	-	-	8,046
Liabilities:					
Payables under repurchase agreements	-	32,910	-	-	32,910
Short-term borrowings	-	3,387	-	-	3,387
Trading liabilities, excluding derivative contracts	14,098	4,010	-	-	18,108
Derivative contracts	8,438	1,254,158	35,018	(1,226,251)	71,363
Obligation to return securities received as collateral	9,430	2,228	-	-	11,658
Long-term borrowings[(3)]	-	41,575	7,480	-	49,055
Other payables - interest and other[(2)]	10	741	-	(79)	672

(1) Represents counterparty and cash collateral netting.

(2) Primarily represents certain derivatives used for non-trading purposes.

(3) Includes bifurcated embedded derivatives carried at fair value.

Level 3 trading assets primarily include U.S. asset-backed collateralized debt obligations ("U.S. ABS CDOs") of $9.4 billion, corporate bonds and loans of $5.0 billion and auction rate securities of $3.9 billion.

Level 3 derivative contracts (assets) primarily relate to derivative positions on U.S. ABS CDOs of $5.8 billion, $23.6 billion of other credit derivatives that incorporate unobservable correlation, and $7.9 billion of equity, currency, interest rate and commodity derivatives that are long-dated and/or have unobservable correlation.

Level 3 investment securities primarily relate to certain private equity and principal investment positions of $2.6 billion.

Level 3 derivative contracts (liabilities) primarily relate to derivative positions on U.S. ABS CDOs of $6.1 billion, $22.3 billion of other credit derivatives that incorporate unobservable correlation, and $4.8 billion of equity derivatives that are long-dated and/or have unobservable correlation.

Level 3 long-term borrowings primarily relate to structured notes with embedded equity derivatives of $6.3 billion that are long-dated and/or have unobservable correlation.

(dollars in millions)

Level 3 Financial Assets and Liabilities
Successor Company
Three Months Ended March 31, 2009

	Beginning Balance	Total Realized and Unrealized Gains or (Losses) included in Income: Principal Transactions	Other Revenue	Interest	Total Realized and Unrealized Gains or (Losses) included in Income	Unrealized Gains to OCI	Purchases, Issuances and Settlements	Transfers in (out)	Ending Balance
Assets:									
Trading assets, excluding derivative contracts:									
Equities	$ 231	$ (18)	$ -	$ -	$ (18)	$ -	$ 184	$ (18)	$ 379
Mortgages, mortgage-backed and asset-backed	7,568	(250)	-	-	(250)	-	(589)	670	7,399
Corporate debt	10,149	(475)	-	-	(475)	-	(394)	(3,781)	5,499
Preferred stock	3,344	(109)	-	-	(109)	-	3,419	105	6,759
Non-U.S. governments and agencies	30	(15)	-	-	(15)	-	(1)	587	601
Municipals and money markets	798	64	-	-	64	-	197	(13)	1,046
Total trading assets, excluding derivative contracts	22,120	(803)	-	-	(803)	-	2,816	(2,450)	21,683
Derivative contracts, net	2,307	913	-	-	913	-	441	207	3,868
Investment securities trading:									-
Mortgages, mortgage-backed and asset-backed	22	(11)	-	-	(11)	-	(2)	29	38
Corporate debt	146	(9)	-	-	(9)	-	-	9	146
Total investment securities trading	168	(20)	-	-	(20)	-	(2)	38	184
Investment securities available-for-sale:									
Mortgage-backed securities - non-agency MBSs	350	-	-	178	178	649	(92)	2,108	3,193
Total investment securities available-for-sale	350	-	-	178	178	649	(92)	2,108	3,193
Investment securities non-qualifying	2,761	-	(179)	-	(179)	-	(23)	(65)	2,494
Total investment securities	3,279	(20)	(179)	178	(21)	649	(117)	2,081	5,871
Loans, notes and mortgages	359	-	(466)	-	(466)	-	266	5,985	6,144
Liabilities:									
Trading liabilities, excluding derivative contracts:									
Non-U.S. governments and agencies	-	22	-	-	22	-	-	348	326
Total trading liabilities, excluding derivative contracts	-	22	-	-	22	-	-	348	326
Other payables - interest and other	-	-	392	-	392	-	54	1,337	999
Long-term borrowings	7,480	(499)	7	-	(492)	-	403	(326)	8,049

Net gains in principal transactions related to net derivative contracts were primarily due to $1.2 billion of gains on credit derivatives that incorporate unobservable correlation.

Increases in purchases, issuances and settlements of preferred stock were primarily attributable to the purchase of auction rate securities.

Net transfers out for corporate debt primarily relates to the reclassification of certain loans from trading assets to loans, notes and mortgages held for investment, which are not measured at fair value. Net transfers in for available-for-sale mortgage-backed securities - non-agency MBSs is the result of reduced price transparency. Net transfers in for loans, notes, and mortgages relate to the fair value option election for certain mortgage loans,corporate loans and leveraged loans by Merrill Lynch as a result of the acquisition by Bank of America. Net transfers in for other payables - interest and other relates to the fair value option election for certain loan commitments by Merrill Lynch as a result of the acquisition by Bank of America.

(dollars in millions)

	Level 3 Financial Assets and Liabilities Predecessor Company Three Months Ended March 28, 2008							
		Total Realized and Unrealized Gains or (Losses) included in Income						
	Beginning Balance	Principal Transactions	Other Revenue	Interest	Total Realized and Unrealized Gains or (Losses) included in Income	Purchases, Issuances and Settlements	Transfers in (out)	Ending Balance
Assets:								
Securities segregated for regulatory purposes or deposited with clearing organizations	$ 84	$ -	$ -	$ 1	$ 1	$ 1	$ (6)	$ 80
Trading assets	9,773	(423)	-	44	(379)	8,265	566	18,225
Derivative contracts, net	(9,069)	65	-	5	70	7,994	(1,998)	(3,003)
Investment securities	5,491	(405)	(57)	-	(462)	151	(248)	4,932
Loans, notes and mortgages	63	-	2	-	2	131	9	205
Liabilities:								
Long-term borrowings	4,765	(448)	-	-	(448)	1,065	1,840	8,118

Net losses in principal transactions were due primarily to $3.2 billion of write-downs related to U.S. ABS CDOs that are classified as Level 3, offset by $1.0 billion in gains on credit derivatives on corporate and other non-mortgage underlyings that incorporate unobservable correlation.

The increase in Level 3 trading assets due to purchases, issuances and settlements was primarily attributable to the recording of assets for which the exposure was previously recognized as derivative liabilities (total return swaps) at December 28, 2007. In the first quarter of 2008, Merrill Lynch recorded certain of these positions as trading assets as a result of consolidating certain SPEs that held the underlying assets on which the total return swaps were referenced. As a result of the consolidation of the SPEs the total return swaps were eliminated in consolidation. The decrease in Level 3 derivative contracts due to purchases, issuances and settlements is attributable to the decrease in derivative liabilities discussed above as well as payments made to reduce ABS CDO derivative liabilities.

The net transfers on Level 3 derivative contracts include the impact of the counterparty credit valuation adjustments to ABS CDO positions. The net transfers on Level 3 long-term borrowings were primarily due to decreased observability of inputs on certain equity linked notes.

The following tables provide the portion of gains or losses included in income for the three months ended March 31, 2009 and March 28, 2008 attributable to unrealized gains or losses relating to those Level 3 assets and liabilities held at March 31, 2009 and March 28, 2008, respectively.

(dollars in millions)

	Unrealized Gains or (Losses) for Level 3 Assets and Liabilities Still Held			
	Successor Company			
	Three Months Ended March 31, 2009			
	Principal Transactions	**Other Revenue**	**Interest**	**Total**
Assets:				
Trading assets, excluding derivative contracts:				
Equities	$ (18)	$ -	$ -	$ (18)
Mortgages, mortgage-backed and asset-backed	(267)	-	-	(267)
Corporate debt	(478)	-	-	(478)
Preferred stock	(109)	-	-	(109)
Non-U.S. governments and agencies	(15)	-	-	(15)
Municipals and money markets	64	-	-	64
Total trading assets, excluding derivative contracts	(823)	-	-	(823)
Derivative contracts, net	991	-	-	991
Investment securities trading:				
Mortgages, mortgage-backed and asset-backed	(11)	-	-	(11)
Corporate debt	(9)	-	-	(9)
Total investment securities trading	(20)	-	-	(20)
Investment securities available-for-sale:				
Mortgage-backed securities - non-agency MBSs	-	-	178	178
Total investment securities available-for-sale	-	-	178	178
Investment securities non-qualifying	-	(179)	-	(179)
Total investment securities	(20)	(179)	178	(21)
Loans, notes and mortgages	-	(466)	-	(466)
Liabilities:				
Trading liabilities, excluding derivative contracts:				
Non-U.S. governments and agencies	22	-	-	22
Total trading liabilities, excluding derivative contracts	22	-	-	22
Other payables - interest and other	-	392	-	392
Long-term borrowings	(533)	7	-	(526)

Net unrealized gains in principal transactions related to net derivative contracts were primarily due to $1.2 billion of gains on credit derivatives that incorporate unobservable correlation.

(dollars in millions)

	Unrealized Gains or (Losses) for Level 3 Assets and Liabilities Still Held			
	Predecessor Company			
	Three Months Ended March 28, 2008			
	Principal Transactions	Other Revenue	Interest	Total
Assets:				
Securities segregated for regulatory purposes or deposited with clearing organizations	$ -	$ -	$ 1	$ 1
Trading assets	(424)	-	44	(380)
Derivative contracts, net	94	-	5	99
Investment securities	(405)	(57)	-	(462)
Other assets	-	-	-	-
Loans, notes, and mortgages	-	6	-	6
Liabilities:				
Trading liabilities	-	-	-	-
Long-term borrowings	(448)	-	-	(448)

Total net unrealized losses were primarily due to $3.2 billion of write-downs related to U.S. ABS CDOs that are classified as Level 3, offset by $1.0 billion in gains on credit derivatives on corporate and other non-mortgage underlyings that incorporate unobservable correlation.

Non-recurring Fair Value

Certain assets and liabilities are measured at fair value on a non-recurring basis and are not included in the tables above. These assets and liabilities primarily include loans and loan commitments held for sale and reported at lower of cost or fair value and loans held for investment that were initially measured at cost and have been written down to fair value as a result of an impairment. The following table shows the fair value hierarchy for those assets and liabilities measured at fair value on a non-recurring basis as of March 31, 2009 and December 26, 2008, respectively.

(dollars in millions)

	Non-Recurring Basis				Gains/(Losses)	Gains/(Losses)
	Successor Company as of March 31, 2009				Three Months Ended	Three Months Ended
	Level 1	Level 2	Level 3	Total	Mar. 31, 2009	Mar. 28, 2008
Assets:						
Loans, notes, and mortgages	$ -	914	$3,728	$4,642	$(226)	(1,091)
Other assets	-	-	-	-	-	(15)
Liabilities:						
Other payables - interest and other	-	-	57	57	-	(66)

(dollars in millions)

	Predecessor Company as of December 26, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Loans, notes, and mortgages	$ -	$4,386	$6,727	$11,113
Liabilities:				
Other payables - interest and other	-	1,258	67	1,325

Loans, notes, and mortgages includes held for sale loans that are carried at the lower of cost or fair value and for which the fair value was below the cost basis at March 31, 2009 and December 26, 2008. It also includes certain impaired held for investment loans where an allowance for loan losses has been calculated based upon the fair value of the loans or collateral. Level 3 assets as of March 31, 2009 primarily relate to residential and commercial real estate loans that are classified as held for sale where there continues to be significant illiquidity in the loan trading and securitization markets. The fair value of certain Level 3 loans was calculated primarily by a fundamental cash flow valuation analysis. This cash flow analysis includes cumulative loss and prepayment assumptions derived from multiple inputs including mortgage remittance reports, property prices and other market data. In addition, independent third party bids received on loans are also considered for valuation purposes. Level 3 assets as of December 26, 2008 primarily related to U.K. and other European residential and commercial real estate loans that are classified as held for sale of $4.6 billion.

Other payables - interest and other include amounts recorded for loan commitments at lower of cost or fair value where the funded loan will be held for sale.

Fair Value Option

SFAS No. 159 provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. SFAS No. 159 permits the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. As discussed above, certain of Merrill Lynch’s financial instruments are required to be accounted for at fair value under SFAS No. 115 and SFAS No. 133, as well as industry level guidance. For certain financial instruments that are not accounted for at fair value under other applicable accounting guidance, the fair value option has been elected.

The following tables provide information about where in the Condensed Consolidated Statements of Earnings/(Loss) changes in fair values of assets and liabilities, for which the fair value option has been elected, are included for the three months ended March 31, 2009 and March 28, 2008, respectively.

(dollars in millions)

	Successor Company			Predecessor Company		
	Changes in Fair Value for the Three Months Ended March 31, 2009, for Items Measured at Fair Value Pursuant to Fair Value Option			Changes in Fair Value for the Three Months Ended March 28, 2008, for Items Measured at Fair Value Pursuant to Fair Value Option		
	Gains/ (losses) Principal Transactions	Gains/ (losses) Other Revenues	Total Changes in Fair Value	Gains/ (losses) Principal Transactions	Gains/ (losses) Other Revenues	Total Changes in Fair Value
Assets:						
Receivables under resale agreements	$ (168)	$ -	$ (168)	$ (31)	$ -	$ (31)
Investment securities	5	(103)	(98)	(330)	(38)	(368)
Loans, notes and mortgages	-	(412)	(412)	(8)	12	4
Liabilities:						
Payables under repurchase agreements	92	-	92	(15)	-	(15)
Short-term borrowings	(16)	6	(10)	(197)	-	(197)
Other payables — interest and other	-	392	392	-	-	-
Long-term borrowings[1]	2,104	7	2,111	3,246	499	3,745

(1) Other revenues primarily represent fair value changes on non-recourse long-term borrowings issued by consolidated SPEs.

The following describes the rationale for electing to account for certain financial assets and liabilities at fair value, as well as the impact of instrument-specific credit risk on the fair value.

Resale and repurchase agreements:

Merrill Lynch elected the fair value option for certain resale and repurchase agreements. The fair value option election was made based on the tenor of the resale and repurchase agreements, which reflects the magnitude of the interest rate risk. The majority of resale and repurchase agreements collateralized by U.S. government securities were excluded from the fair value option election as these contracts are generally short-dated and therefore the interest rate risk is not considered significant. Amounts loaned under resale agreements require collateral with a market value equal to or in excess of the principal amount loaned resulting in minimal credit risk for such transactions.

Securities borrowed transactions:

Merrill Lynch elected the fair value option for certain Japanese government bond borrowing transactions during the second quarter of 2008. Fair value changes related to such transactions were immaterial for the first three months of 2009.

Investment securities:

Investment securities primarily represents non-marketable convertible preferred shares for which Merrill Lynch has economically hedged a majority of the position with derivatives.

Loans, notes and mortgages and loan commitments:

Merrill Lynch elected the fair value option for automobile and certain corporate loans because the loans are risk managed on a fair value basis. Upon the acquisition of Merrill Lynch by Bank of America, Merrill Lynch also elected the fair value option for certain mortgage loans, corporate loans, and leveraged loans and loan commitments. The change in the fair value of loans, notes and mortgages and loan commitments for which the fair value option was elected was primarily attributable to changes in borrower-specific credit risk for the three months ended March 31, 2009. The change in the fair value of loans, notes and mortgages for which the fair value option was elected that was attributable to changes in borrower-specific credit risk was not material for the three months ended March 28, 2008.

For those loans, notes and mortgages for which the fair value option has been elected, the aggregate fair value of loans that are 90 days or more past due and in non-accrual status is not material to the Condensed Consolidated Financial Statements.

Short-term and long-term borrowings:

Merrill Lynch elected the fair value option for certain short-term and long-term borrowings that are risk managed on a fair value basis, including structured notes, and for which hedge accounting under SFAS No. 133 had been difficult to obtain. The majority of the fair value changes on long-term borrowings is from structured notes with coupon or repayment terms that are linked to the performance of debt and equity securities, indices, currencies or commodities. Except for gains related to changes in Merrill Lynch's credit spreads, the majority of gains for the three months ended March 31, 2009 and March 28, 2008 are offset by losses on derivatives that economically hedge these borrowings and that are accounted for at fair value under SFAS No. 133. The changes in the fair value of liabilities for which the fair value option was elected that were attributable to changes in Merrill Lynch credit spreads were gains of approximately $2.2 billion and $2.1 billion for the three months ended March 31, 2009 and March 28, 2008, respectively. Changes in Merrill Lynch specific credit risk are derived by isolating fair value changes due to changes in Merrill Lynch's credit spreads as observed in the secondary cash market.

The fair value option was also elected for certain non-recourse long-term borrowings issued by consolidated SPEs. The fair value of these long-term borrowings is unaffected by changes in Merrill Lynch's creditworthiness.

The following tables present the difference between fair values and the aggregate contractual principal amounts of receivables under resale agreements, receivables under securities borrowed transactions, loans, notes, and mortgages and long-term borrowings for which the fair value option has been elected as of March 31, 2009 and December 26, 2008, respectively.

(dollars in millions)

	Successor Company		
	Fair Value at March 31, 2009	**Principal Amount Due Upon Maturity**	**Difference**
Assets:			
Receivables under resale agreements	$41,462	$40,953	$ 509
Receivables under securities borrowed transactions	799	799	-
Loans, notes and mortgages	6,570	11,291	(4,721)
Liabilities:			
Long-term borrowings[(1)]	36,132	50,521	(14,389)

(1) *The majority of the difference relates to the impact of the widening of Merrill Lynch's credit spreads, the change in fair value of non-recourse debt, and zero coupon notes issued at a substantial discount from the principal amount.*

(dollars in millions)

	Predecessor Company		
	Fair Value at December 26, 2008	**Principal Amount Due Upon Maturity**	**Difference**
Assets:			
Receivables under resale agreements	$62,146	$61,466	$ 680
Receivables under securities borrowed transactions	853	853	-
Loans, notes and mortgages	979	1,326	(347)
Liabilities:			
Long-term borrowings[1]	49,521	62,244	(12,723)

(1) *The majority of the difference relates to the impact of the widening of Merrill Lynch's credit spreads, the change in fair value of non-recourse debt, and zero coupon notes issued at a substantial discount from the principal amount.*

Concentration of risk to the mortgage markets

At March 31, 2009, Merrill Lynch had sizeable exposure to the mortgage market through securities, derivatives, loans and loan commitments. This included:

- Net exposures of $33.0 billion in U.S. Prime residential mortgage-related positions and $2.4 billion in other residential mortgage-related positions, excluding Merrill Lynch's investment securities portfolio;

- Net exposure of $8.4 billion in Merrill Lynch's investment securities portfolio; and

- Net exposure of $7.0 billion in commercial real estate related positions, excluding First Republic, and $4.9 billion in First Republic commercial real estate related positions

In September 2008, Merrill Lynch sold $30.6 billion gross notional amount of U.S. super senior ABS CDOs (the "Portfolio") to an affiliate of Lone Star Funds for a sales price of $6.7 billion. In connection with this sale, Merrill Lynch provided financing to the purchaser for approximately 75% of the purchase price. The recourse on this loan is limited to the assets of the purchaser, which consist solely of the Portfolio. All cash flows and distributions from the Portfolio (including sale proceeds) will be applied in accordance with a specified priority of payments. The loan had a carrying value of $4.6 billion at March 31, 2009. Events of default under the loan are customary events of default, including failure to pay interest when due and failure to pay principal at maturity.

Valuation of these exposures will continue to be impacted by external market factors including default rates, rating agency actions, and the prices at which observable market transactions occur. Merrill Lynch's ability to mitigate its risk by selling or hedging its exposures is also limited by the market environment. Merrill Lynch's future results may continue to be materially impacted by the valuation adjustments applied to these positions.

Concentration of risk to financial guarantors

To economically hedge certain ABS CDO and U.S. sub-prime mortgage positions, Merrill Lynch entered into credit derivatives with various counterparties, including monolines and other financial guarantors. At March 31, 2009, the carrying value of our hedges with financial guarantors related to U.S. super senior ABS CDOs was $1.4 billion.

In addition to hedges with financial guarantors on U.S. super senior ABS CDOs, we also have hedges on certain long exposures related to corporate Collateralized Debt Obligations ("CDOs"), Collateralized Loan Obligations ("CLOs"), Residential Mortgage-Backed Securities ("RMBS") and Commercial Mortgage-Backed Securities ("CMBS"). At March 31, 2009, the carrying value of our hedges with financial guarantors related to these types of exposures was $8.3 billion.

Note 5. Derivatives

A derivative is an instrument whose value is derived from an underlying instrument or index, such as interest rates, equity security prices, currencies, commodity prices or credit spreads. Derivatives include futures, forwards, swaps, or option contracts, or other financial instruments with similar characteristics. Derivative contracts often involve future commitments to exchange interest payment streams or currencies based on a notional or contractual amount (e.g., interest rate swaps or currency forwards) or to purchase or sell other financial instruments at specified terms on a specified date (e.g., options to buy or sell securities or currencies).

SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts ("embedded derivatives") and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The fair value of all derivatives is recorded on a net-by-counterparty basis on the Condensed Consolidated Balance Sheets where management believes a legal right of setoff exists under an enforceable netting agreement. All derivatives, including bifurcated embedded derivatives within structured notes, are reported on the Condensed Consolidated Balance Sheets as trading assets and liabilities.

The accounting for changes in fair value of a derivative instrument depends on its intended use and if it is designated and qualifies as an accounting hedging instrument under SFAS No. 133.

Trading derivatives

Merrill Lynch enters into derivatives to facilitate client transactions, for proprietary trading and financing purposes, and to manage risk exposures arising from trading assets and liabilities. Changes in fair value for these derivatives are reported in current period earnings as principal transactions revenues.

Non-trading derivatives

Merrill Lynch also enters into derivatives in order to manage risk exposures arising from assets and liabilities not carried at fair value as follows:

1. Merrill Lynch's debt was issued in a variety of maturities and currencies to achieve the lowest cost financing possible. Merrill Lynch enters into derivative transactions to hedge these liabilities. Derivatives used most frequently include swap agreements that:

   • Convert fixed-rate interest payments into variable payments;

   • Change the underlying interest rate basis or reset frequency; and

   • Change the settlement currency of a debt instrument.

Changes in the fair value of interest rate derivatives are reported in interest expense when hedge accounting is applied; otherwise changes in fair value are reported in other revenue. Changes in the fair value of foreign currency derivatives are reported in other revenue.

2. Merrill Lynch uses foreign-exchange forward contracts, foreign-exchange options, and currency swaps to hedge its net investments in foreign operations, as well as other foreign currency exposures (e.g., non-U.S. dollar denominated debt and expenses). These derivatives are used to mitigate the impact of changes in exchange rates. Changes in the fair value of these derivatives are reported in other revenue, unless net investment hedge accounting is applied.

3. Merrill Lynch enters into futures, swaps, options and forward contracts to manage the price risk of certain commodity inventory and forecasted commodity purchases and sales. Changes in fair value of these derivatives are reported in principal transaction revenues, unless cash flow hedge accounting is applied.

4. Merrill Lynch enters into credit default swaps to manage the credit risk on certain loans that are not part of trading activities. Changes in the fair value of these derivatives are reported in other revenue.

Derivatives that qualify as accounting hedges under the guidance in SFAS No. 133 are designated as one of the following:

1. A hedge of the fair value of a recognized asset or liability ("fair value hedge"). Changes in the fair value of derivatives that are designated and qualify as fair value hedges of interest rate risk, along with the gain or loss on the hedged liability that is attributable to the hedged risk, are recorded in current period earnings as interest expense. Changes in the fair value of derivatives that are designated and qualify as fair value hedges of commodity price risk, along with the gain or loss on the hedged asset that is attributable to the hedged risk, are recorded in current period earnings in principal transactions.

2. A hedge of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). Changes in the fair value of derivatives that are designated and qualify as effective cash flow hedges are recorded in accumulated other comprehensive income/(loss) until earnings are affected by the variability of cash flows of the hedged asset or liability. For commodity hedges, the amount is reclassified out of accumulated other comprehensive income/(loss) and recorded in principal transactions when the forecasted purchase or sale of the commodity occurs or when Merrill Lynch believes the forecasted transaction is not probable of occurring, in which case it is released over the life of the forecasted transaction.

3. A hedge of a net investment in a foreign operation. Changes in the fair value of derivatives that are designated and qualify as hedges of a net investment in a foreign operation are recorded in the foreign currency translation adjustment account within accumulated other comprehensive income/(loss). Changes in the fair value of the hedge instruments that are associated with the difference between the spot translation rate and the forward translation rate are recorded in current period earnings in other revenues.

Merrill Lynch formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives are highly effective in offsetting changes in fair value or cash flows of hedged items. Merrill Lynch uses regression analysis at the hedge's inception and for each reporting period thereafter to assess whether the derivative used in its hedging transaction is expected to be and has been highly effective in offsetting changes in the fair value or cash flows of the hedged item. When assessing hedge effectiveness on interest rate hedges and fair value hedges of commodity price risk, there are no attributes of the derivatives used to hedge the fair value exposure that are excluded from the assessment. For cash flow hedges of commodity price risk, the difference between the spot rate and the contracted forward rate which represents the time value of money is excluded from the assessment of hedge effectiveness and is recorded in principal transactions revenues. When it is determined that a derivative is not highly effective as a hedge, Merrill Lynch discontinues hedge accounting.

Hedge accounting activity for the period ended March 31, 2009 included the following:

Fair value hedges of interest rate risk on long-term borrowings

(dollars in millions)

	Account location	Amount
Gain/(loss) recognized in income on the derivative	Interest expense	$ (370)
Gain/(loss) recognized in income on the long-term borrowing	Interest expense	$ 245
Hedge ineffectiveness	Interest expense	$ (125)
Carrying value of hedging derivatives		
	Trading assets	$ 6,290
	Trading liabilities	$ -
Notional amount of hedging derivatives		
in an asset position		$47,687
in a liability position		$ 15

Fair value hedges of commodity price risk on commodity inventory

(dollars in millions)

	Account location	Amount
Gain/(loss) recognized in income on the derivative	Principal transactions	$ 55
Gain/(loss) recognized in income on the commodity inventory	Principal transactions	$ (57)
Gain/(loss) recognized in income due to hedge ineffectiveness	Principal transactions	$ (2)
Carrying value of hedging derivatives		
	Trading assets	$ 95
	Trading liabilities	$ 1
Notional amount of hedging derivatives		
in an asset position		$206
in a liability position		$ 3

Cash flow hedges of commodity price risk on forecasted purchases and sales

(dollars in millions)

	Account location	Amount
Gain/(loss) on the derivative deferred in equity	Accumulated other comprehensive income	$ 48
Gain/(loss) reclassified into earnings in the current period	Principal transactions	$ 3
Amount that is expected to be reclassified into earnings in the next 12 months	Principal transactions	$ 15
Amount recognized in income due to hedge ineffectiveness	Principal transactions	$ -
Carrying value of hedging derivatives		
	Trading assets	$132
	Trading liabilities	$113
Notional amount of hedging derivatives		
in an asset position		$515
in a liability position		$449

Net investment hedges of foreign operations

(dollars in millions)

	Account location	Amount
Gain/(loss) on the derivative and non-derivative hedges deferred in equity	Accumulated other comprehensive income	$ 718
Gain/(loss) recognized in income due to hedge ineffectiveness	Other revenue	$ (10)
Gain/(loss) recognized in income from the unused portion (time value) of the hedging derivative	Other revenue	$ (55)
Carrying value of hedging derivatives	Trading assets	$ 372
	Trading liabilities	$ 202
Carrying value of non-derivative hedges	Long-term borrowings	$ 532
Notional amount of hedging derivatives		
in an asset position		$10,914
in a liability position		$ 9,330

Gains and (losses) on non-trading derivatives not in SFAS No. 133 hedge relationships

(dollars in millions)

	Account location	Amount
Interest rate risk	Interest expense	$(460)
Foreign currency risk	Other revenue	$ 784
Credit risk	Other revenue	$ 69

The above amounts represent net gains on derivatives that are not used for trading purposes and are not used in SFAS No. 133 hedging relationships. Interest rate risk primarily relates to derivatives used to hedge long-term debt where SFAS No. 133 is not applied and derivatives with third parties that are recorded by Merrill Lynch and utilized by Bank of America at the consolidated level for hedge accounting purposes. As the hedged item is not held by Merrill Lynch, hedge accounting is not applied by Merrill Lynch. Foreign currency risk primarily relates to economic hedges of foreign currency denominated transactions that generate earnings upon remeasurement in accordance with SFAS No. 52, *Foreign Currency Translation*. As both the remeasurement of the foreign currency risk on the transaction and the changes in fair value of the derivative are recorded in earnings, hedge accounting is not applied. Credit risk relates to credit default swaps used to economically manage the credit risk on certain loans not included in trading activities.

Derivative balances by primary risk

Derivative instruments contain numerous market risks. In particular, most derivatives have interest rate risk, as they contain an element of financing risk which is affected by changes in interest rates. Additionally, derivatives expose Merrill Lynch to counterparty credit risk, although this is generally mitigated by collateral margining and netting arrangements. For disclosure purposes below, the primary risk of a derivative is largely determined by the business that is engaging in the derivative activity. For instance, a derivative that is initiated by an equities derivative desk will generally have equity price risk as its primary underlying market risk and is classified as such for the purposes of this disclosure, despite the fact that there may be other market risks that affect the value of the instrument.

The following table identifies the primary risk for derivative instruments at March 31, 2009. The primary risk is provided on a gross basis, prior to the application of the impact of counterparty and cash collateral netting.

(dollars in millions)

	Contract/ Notional[(1)]	Trading Assets- Derivative Contracts	Contract/ Notional[(1)]	Trading Liabilities- Derivative Contracts
Interest rate contracts				
Swaps	$12,835,755	$ 760,727	$11,682,252	$ 737,625
Futures and forwards	1,883,670	7,067	1,649,009	5,857
Written options	-	-	1,399,704	58,280
Purchased options	1,361,349	64,117	-	-
Foreign exchange contracts				
Swaps	118,126	17,677	127,653	21,928
Spot, futures and forwards	428,765	21,737	408,847	21,677
Written options	-	-	474,567	25,519
Purchased options	481,680	26,342	-	-
Equity contracts				
Swaps	24,233	3,263	18,044	1,974
Futures and forwards	970,648	6,200	87,588	5,016
Written options	-	-	431,967	43,069
Purchased options	210,084	29,899	-	-
Commodity contracts				
Swaps	66,665	36,017	57,471	32,932
Futures and forwards	719,428	12,139	781,882	11,447
Written options	-	-	66,957	12,924
Purchased options	139,285	13,275	-	-
Credit derivatives				
Purchased protection:				
Credit default swaps	1,806,048	243,788	143,515	4,761
Total return swaps	4,934	524	-	-
Other Credit Derivatives	12,411	138	287	8
Written protection:				
Credit default swaps	124,268	6,015	1,795,229	245,744
Total return swaps	-	-	24,439	11,088
Other Credit Derivatives	-	-	12,310	87
Gross derivative assets/liabilities	$21,187,349	$ 1,248,925	$19,161,721	$ 1,239,936
Less: Legally enforceable master netting		(1,123,693)		(1,123,693)
Less: Cash collateral applied		(41,902)		(60,486)
Total derivative assets and liabilities		$ 83,330		$ 55,757

(1) These amounts include trading derivatives, non-trading derivatives and bifurcated embedded derivatives, and exclude derivative contracts with Merrill Lynch affiliate entities within Bank of America.

Trading revenues

Merrill Lynch enters into trading derivatives and non-derivative cash instruments to facilitate client transactions, for proprietary trading purposes, and to manage risk exposures arising from trading assets and liabilities. The resulting risk from derivative and non-derivative cash instruments is managed on a portfolio basis as part of Merrill Lynch's sales and trading activities and the related revenue is recorded on different income statement line items including principal transactions, commissions, other revenues and net interest profit/(loss). The following table identifies the amounts in the income statement line items attributable to trading activities including both derivatives and non-derivative cash instruments categorized by primary risk for the three months ended March 31, 2009.

(dollars in millions)

For The Quarter Ended March 31, 2009	Principal Transactions	Commissions	Other Revenues	Net Interest Profit/(Loss)	Total
Interest Rate Risk	$1,362	$ 13	$ (2)	$203	$1,576
Foreign Exchange Risk	190	-	1	(12)	179
Equity Risk	826	753	24	92	1,695
Commodity Risk	598	-	1	(51)	548
Credit Risk	558	16	(110)	311	775
Total trading — related	$3,534	$ 782	$ (86)	$543	$4,773
Non-trading related	2,244	461	346	381	3,432
Total	$5,778	$1,243	$ 260	$924	$8,205

Non-trading amounts relate to activities in connection with principal investment, wealth management, and certain lending activities; economic hedging activity discussed in the *Non-trading derivatives* section above, and the impact of changes in Merrill Lynch's own creditworthiness on borrowings accounted for at fair value.

Derivatives as guarantees

Merrill Lynch enters into certain derivative contracts that meet the definition of a guarantee under FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 defines guarantees to include derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying (such as changes in the value of interest rates, security prices, currency rates, commodity prices, indices, etc.), that relate to an asset, liability or equity security of a guaranteed party. Derivatives that meet the FIN 45 definition of guarantees include certain written options (e.g., written interest rate and written currency options). Merrill Lynch does not track, for accounting purposes, whether its clients enter into these derivative contracts for speculative or hedging purposes. Accordingly, Merrill Lynch has disclosed information about all credit derivatives and certain types of written options that can potentially be used by clients to protect against changes in an underlying, regardless of how the contracts are actually used by the client.

Merrill Lynch's derivatives that act as guarantees at March 31, 2009 are summarized below:

(dollars in millions)

	Maximum Payout / Notional	Less than 1 year	1^+ - 3 years	3^+ - 5 years	Over 5 years	Carrying Value[1]
Derivative contracts:						
Credit derivatives:						
Investment grade[2]	$1,113,846	$ 56,038	$172,359	$511,748	$373,701	$108,206
Non-investment grade[2]	705,822	55,711	172,583	233,554	243,974	148,626
Total credit derivatives	1,819,668	111,749	344,942	745,302	617,675	256,832
Other derivatives	1,589,334	550,221	469,946	190,026	379,141	67,595
Total derivative contracts	$3,409,002	$661,970	$814,888	$935,328	$996,816	$324,427

(1) Derivative contracts are shown on a gross basis prior to cash collateral or counterparty netting.
(2) Refers to the creditworthiness of the underlying reference obligations.

Credit derivatives

Credit derivatives derive value based on an underlying third party referenced obligation or a portfolio of referenced obligations. Merrill Lynch is both a seller and a buyer of credit protection. A seller of credit protection is required to make payments to a buyer upon the occurrence of a predefined credit event. Such credit events generally include bankruptcy of the referenced credit entity and failure to pay under their credit obligations, as well as acceleration of indebtedness and payment repudiation or moratorium. Merrill Lynch considers credit derivatives to be guarantees where it is the seller of credit protection. For credit derivatives based on a portfolio of referenced credits or credit indices, Merrill Lynch as a seller of credit protection may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount.

For most credit derivatives, the notional value represents the maximum amount payable by Merrill Lynch as a seller of credit protection. However, Merrill Lynch does not exclusively monitor its exposure to credit derivatives based on notional value. Instead, a risk framework is used to define risk tolerances and establish limits to help to ensure that certain credit risk-related losses occur within acceptable, predefined limits. Merrill Lynch discloses internal categorizations (i.e., investment grade, non-investment grade) consistent with how risk is managed to evaluate the payment status of its freestanding credit derivative instruments.

Merrill Lynch economically hedges its exposure to credit derivatives by entering into a variety of offsetting derivative contracts and security positions. For example, in certain instances, Merrill Lynch purchases credit protection with identical underlying referenced names to offset its exposure. At March 31, 2009, the notional value and carrying value of credit protection purchased and credit protection sold by Merrill Lynch with identical underlying referenced names was:

(dollars in millions)

	Maximum Payout / Notional	Less than 1 year	1^+ - 3 years	3^+ - 5 years	Over 5 years	Carrying Value[1]
Credit derivatives purchased	$1,777,922	$110,803	$304,841	$774,968	$587,310	$237,813
Credit derivatives sold	1,783,509	110,315	337,253	745,152	590,789	235,549

(1) Derivative contracts are shown on a gross basis prior to cash collateral or counterparty netting.

Other derivative contracts

Other derivative contracts in the guarantees table above primarily represent written interest rate options and written currency options. For such contracts the maximum payout could theoretically be unlimited, because, for example, the rise in interest rates or changes in foreign exchange rates could theoretically be unlimited. Merrill Lynch does not monitor its exposure to derivatives based on the theoretical maximum payout because that measure does not take into consideration the probability of the occurrence. As such, rather than including the maximum payout, the notional value of these contracts has been included to provide information about the magnitude of involvement with these types of contracts. However, it should be noted that the notional value is not a reliable indicator of Merrill Lynch's exposure to these contracts. Instead, as previously noted, a risk framework is used to define risk tolerances and establish limits to help ensure that certain risk-related losses occur within acceptable, predefined limits.

As the fair value and risk of payment under these derivative contracts are based upon market factors, such as changes in interest rates or foreign exchange rates, the carrying values in the table above reflect the best estimate of Merrill Lynch's performance risk under these transactions at March 31, 2009. Merrill Lynch economically hedges its exposure to these contracts by entering into a variety of offsetting derivative contracts and security positions.

Credit risk management of derivatives

Merrill Lynch defines counterparty credit risk as the potential for loss that can occur as a result of an individual, counterparty, or issuer being unable or unwilling to honor its contractual obligations. Merrill Lynch mitigates its credit risk to counterparties through a variety of techniques, including, where appropriate, the right to require initial collateral or margin, the right to terminate transactions or to obtain collateral should unfavorable events occur, the right to call for collateral when certain exposure thresholds are exceeded, the right to call for third party guarantees, and the purchase of credit default protection.

Merrill Lynch enters into International Swaps and Derivatives Association, Inc. ("ISDA") master agreements or their equivalent ("master netting agreements") with almost all derivative counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset for accounting and risk management purposes. Netting agreements are generally negotiated bilaterally and can require complex terms. While Merrill Lynch makes reasonable efforts to execute such agreements, it is possible that a counterparty may be unwilling to sign such an agreement and, as a result, would subject Merrill Lynch to additional credit risk. The enforceability of master netting agreements under bankruptcy laws in certain countries or in certain industries is not free from doubt, and receivables and payables with counterparties in these countries or industries are accordingly recorded on a gross basis.

Where Merrill Lynch has entered into legally enforceable netting agreements with counterparties, it reports derivative assets and liabilities, and any related cash collateral, net in the Condensed Consolidated Balance Sheets in accordance with FIN No. 39, *Offsetting Amounts Related to Certain Contracts* ("FIN 39"). At March 31, 2009, cash collateral received of $41.9 billion and cash collateral paid of $60.5 billion was netted against derivative inventory.

Merrill Lynch considers the impact of counterparty credit risk on the valuation of derivative contracts. During the three months ended March 31, 2009, valuation adjustments of approximately $0.7 billion were recognized as losses in principal transactions for counterparty credit risk. At March 31, 2009, the cumulative counterparty credit risk valuation adjustment that was reflected in derivative assets was $10.0 billion. In addition, the fair value of derivative liabilities is adjusted to reflect the impact of

Merrill Lynch's credit quality. During the three months ended March 31, 2009, valuation adjustments of approximately $0.9 billion were recognized as gains in principal transactions for changes in Merrill Lynch's credit risk. At March 31, 2009, the cumulative credit risk valuation adjustment that was reflected in the derivative liabilities balance was $1.8 billion.

Credit-risk related contingent features

The majority of Merrill Lynch's derivative contracts contain credit-risk-related contingent features, primarily within the ISDA agreements, that help to reduce the credit risk of these instruments as compared to other obligations of the respective counterparty with whom Merrill Lynch has transacted (e.g., other debt or equity). These contingent features may be for the benefit of Merrill Lynch or may benefit Merrill Lynch's counterparties in respect of changes in Merrill Lynch creditworthiness. At March 31, 2009, Merrill Lynch posted collateral of $73.6 billion under derivative contracts that were in a liability position, of which $60.5 billion represented cash collateral, as noted above.

In connection with certain OTC derivatives transactions and other trading agreements, Merrill Lynch could be required to provide additional collateral to or terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of ML & Co. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount or an amount related to the market value of the exposure. At March 31, 2009, the amount of additional collateral and termination payments that would be required for such derivatives transactions and trading agreements was approximately $1.8 billion in the event of a downgrade to mid single-A by all credit agencies. A further downgrade of ML & Co.'s long-term senior debt credit rating to the BBB+ or an equivalent level would require approximately an additional $713 million.

Note 6. Securities Financing Transactions

Merrill Lynch enters into secured borrowing and lending transactions in order to meet customers' needs and earn residual interest rate spreads, obtain securities for settlement and finance trading inventory positions.

Under these transactions, Merrill Lynch either receives or provides collateral, including U.S. Government and agency securities, asset-backed, corporate debt, equity, and non-U.S. government and agency securities. Merrill Lynch receives collateral in connection with resale agreements, securities borrowed transactions, customer margin loans and other loans. Under most agreements, Merrill Lynch is permitted to sell or repledge the securities received (e.g., use the securities to secure repurchase agreements, enter into securities lending transactions, or deliver to counterparties to cover short positions). At March 31, 2009 and December 26, 2008, the fair value of securities received as collateral where Merrill Lynch is permitted to sell or repledge the securities was $243 billion and $327 billion, respectively, and the fair value of the portion that has been sold or repledged was $191 billion and $251 billion, respectively. Merrill Lynch may use securities received as collateral for resale agreements to satisfy regulatory requirements such as Rule 15c3-3 of the SEC.

Merrill Lynch additionally receives securities as collateral in connection with certain securities transactions in which Merrill Lynch is the lender. In instances where Merrill Lynch is permitted to sell or repledge securities received, Merrill Lynch reports the fair value of such securities received as collateral and the related obligation to return securities received as collateral in the Condensed Consolidated Balance Sheets.

The carrying value and classification of securities owned by Merrill Lynch that have been pledged to counterparties where those counterparties do not have the right to sell or repledge at March 31, 2009 and December 26, 2008 are as follows:

(dollars in millions)

	Successor Company March 31, 2009	Predecessor Company December 26, 2008
Trading asset category		
Corporate debt and preferred stock	$ 9,190	$15,024
Equities and convertible debentures	6,614	10,995
Mortgages, mortgage-backed, and asset-backed securities	5,859	12,462
U.S. Government and agencies	2,318	4,982
Non-U.S. governments and agencies	1,843	587
Municipals and money markets	-	1,320
Total	$25,824	$45,370

Additionally, Merrill Lynch has pledged approximately $14.7 billion and $18.6 billion of loans, and $4.3 billion and $4.4 billion of investment securities to counterparties at March 31, 2009 and December 26, 2008, respectively, where those counterparties do not have the right to sell or repledge those assets. In some cases, Merrill Lynch has transferred assets to consolidated VIEs where those restricted assets serve as collateral for the interests issued by the VIEs. These restricted assets are included in the amounts above. These transactions are also described in Note 8.

Generally, when Merrill Lynch transfers financial instruments that are not recorded as sales (i.e., secured borrowing transactions), the liability is recorded as either payables under repurchase agreements or payables under securities loaned transactions; however, in instances where Merrill Lynch transfers financial assets to a consolidated VIE, the liabilities of the consolidated VIE will be reflected in long or short term borrowings (see Note 8). In either case, at the time of transfer, the related liability is equal to the cash received in the transaction. In most cases the lenders in secured borrowing transactions have full recourse to Merrill Lynch (i.e., recourse beyond the assets pledged). Instances where the lenders do not have full recourse to Merrill Lynch are described in Note 8. These instances generally relate to failed securitization transactions where residential and commercial mortgages are transferred to VIEs that do not meet QSPE conditions (typically as a result of derivatives entered into by the VIE that pertain to interests held by Merrill Lynch).

Note 7. Investment Securities

Investment securities on the Condensed Consolidated Balance Sheets include:

- SFAS No. 115 investments held by ML & Co. and certain of its non-broker-dealer entities, including Merrill Lynch banks, and consist of:
  - Debt securities, including debt held-for-investment and liquidity and collateral management purposes that are classified as available-for-sale, debt securities held for trading purposes, and debt securities that Merrill Lynch intends to hold until maturity;
  - Marketable equity securities, which are generally classified as available-for-sale.

- Non-qualifying investments are those that are not within the scope of SFAS No. 115 and consist principally of equity investments, including investments in partnerships and joint ventures. Included in equity investments are investments accounted for under the equity method of accounting, which consist of investments in (i) partnerships and certain limited liability corporations where Merrill Lynch has more than a minor influence (generally defined as greater than a three percent interest) and (ii) corporate entities where Merrill Lynch has the ability to exercise significant influence over the investee (generally defined as ownership and voting interest of 20% to 50%). Also included in equity investments are private equity investments that Merrill Lynch holds for capital appreciation and/or current income and which are accounted for at fair value in accordance with the Investment Company Guide, as well as private equity investments accounted for at fair value under the fair value option election in SFAS No. 159. The carrying value of such private equity investments reflects expected exit values based upon market prices or other valuation methodologies, including discounted expected cash flows and market comparables of similar companies.

Investment securities reported on the Condensed Consolidated Balance Sheets at March 31, 2009 and December 26, 2008 are as follows:

(dollars in millions)

	Successor Company March 31, 2009	Predecessor Company December 26, 2008
Investment securities		
Available-for-sale(1)	$30,764	$34,103
Trading	1,445	1,745
Held-to-maturity(2)	260	4,576
Non-qualifying(3)		
Equity investments(4)	21,741	24,306
Investments in trust preferred securities and other investments	1,366	1,432
Total	$55,576	$66,162

(1) At March 31, 2009 and December 26, 2008, includes $8.5 billion and $9.2 billion, respectively, of investment securities reported in cash and securities segregated for regulatory purposes or deposited with clearing organizations.

(2) The 2008 balance primarily relates to notes issued by Bloomberg, Inc. in connection with the sale of Merrill Lynch's 20% stake in Bloomberg L.P., which was reclassified to loans held for investment in 2009 pursuant to the acquisition by Bank of America.

(3) Non-qualifying for SFAS No. 115 purposes.

(4) Includes Merrill Lynch's investment in BlackRock, Inc.

As a result of the acquisition of Merrill Lynch by Bank of America, all SFAS No. 115 securities have a new cost basis as of January 1, 2009. There were no other-than-temporary impairments related to available-for-sale securities during the quarter ended March 31, 2009. In the quarter ended March 28, 2008, Merrill Lynch recorded an other-than-temporary impairment charge of $421 million, primarily related to certain mortgage and asset-backed securities. Refer to Note 1 for Merrill Lynch's accounting policies regarding other-than-temporary-impairment of investment securities.

Information regarding investment securities subject to SFAS No. 115 follows:

(dollars in millions)

	Successor Company March 31, 2009			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available-for-sale Securities				
Mortgage-backed securities:				
Agency collateralized mortgage obligations	$20,842	$ 365	$ (51)	$21,156
Non-agency	9,559	1,015	(1,172)	9,402
Corporate/Agency bonds	181	2	(32)	151
Other taxable securities	58	-	(3)	55
Total Available-for-sale Securities	$30,640	$1,382	$(1,258)	$30,764

As a result of the acquisition of Merrill Lynch by Bank of America, and the new cost bases established on January 1, 2009, there were no available-for-sale securities in an unrealized loss position for greater than one year. The following table presents fair value and unrealized losses, after hedges, for available-for-sale securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 26, 2008.

(dollars in millions)

	Less than 1 Year		More than 1 Year		Total	
Asset category	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Predecessor Company December 26, 2008						
Mortgage- and asset-backed	$8,449	$(4,132)	$22,291	$(5,910)	$30,740	$(10,042)
U.S. Government and agencies	3	-	-	-	3	-
Corporate debt	2	(2)	192	(78)	194	(80)
Total debt securities	8,454	(4,134)	22,483	(5,988)	30,937	(10,122)
Equity securities	1	(2)	55	(20)	56	(22)
Total temporarily impaired securities	$8,455	$(4,136)	$22,538	$(6,008)	$30,993	$(10,144)

The amortized cost and fair value of available-for-sale debt securities by expected maturity for mortgage-backed securities and contractual maturity for other debt securities at March 31, 2009 are as follows:

(dollars in millions)

	Available-for-Sale	
	Amortized Cost	**Fair Value**
Due in one year or less	$ 526	$ 493
Due after one year through five years	13,842	13,810
Due after five years through ten years	14,575	14,732
Due after ten years	1,697	1,729
Total[1]	$30,640	$30,764

(1) Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay their obligations with or without prepayment penalties.

The proceeds and gross realized gains/(losses) from the sale of available-for-sale securities during the three months ended March 31, 2009 are as follows:

(dollars in millions)	
Proceeds	$2,329
Gross realized gains	15
Gross realized losses	(40)

Note 8. Securitization Transactions and Transactions with Variable Interest Entities ("VIEs")

FSP FAS 140-4 and FIN 46(R)-8, which was adopted by Merrill Lynch on December 26, 2008, provides the disclosure requirements for transactions with VIEs or special purpose entities ("SPEs") and transfers of financial assets in securitizations or asset-backed financing arrangements. Under this guidance, Merrill Lynch is required to disclose information for consolidated VIEs, for VIEs in which Merrill Lynch is the sponsor as defined below or is a significant variable interest holder ("Sponsor/ Significant VIH") and for VIEs that are established for securitizations and asset-backed financing arrangements. FSP FAS 140-4 and FIN 46(R)-8 has expanded the population of VIEs for which disclosure is required.

Merrill Lynch has defined "sponsor" to include all transactions where Merrill Lynch has transferred assets to a VIE and/or structured the VIE, regardless of whether or not the asset transfer has met the sale conditions in SFAS No. 140. Merrill Lynch discloses all instances where continued involvement with the assets exposes it to potential economic gain/(loss), regardless of whether or not that continued involvement is considered to be a variable interest in the VIE.

Continued involvement includes:

- Retaining or holding an interest in the VIE,
- Providing liquidity or other support to the VIE or directly to the investors in the VIE. This includes liquidity facilities, guarantees, and derivatives that absorb the risk of the assets in the VIE, including total return swaps and written credit default swaps,
- Servicing the assets in the VIE, and
- Acting as counterparty to derivatives that do not absorb the risk of the assets in the VIE. These include derivatives that introduce risk into the VIE such as credit default swaps where the VIE takes credit risk (generally found in credit-linked note structures) or equity derivatives where the VIE takes equity risk (generally found in equity-linked note structures); however, Merrill Lynch excludes transactions where it only acts as counterparty to interest rate or foreign exchange derivatives.

Merrill Lynch has not provided financial support to any VIE beyond that which is contractually required. Quantitative information on contractually required support is reflected in the tables provided below and in Note 13.

Transactions with VIEs are categorized as follows:

Primary Beneficiary — Includes transactions where Merrill Lynch is the primary beneficiary and consolidates the VIE.

Sponsor/Significant VIH — Includes transactions where Merrill Lynch is the sponsor and has continued involvement with the VIE or is a significant variable interest holder in the VIE. This category excludes *most* transactions where Merrill Lynch transferred financial assets and the transfer was accounted for as a sale (these transactions are included in securitization transactions as described below). However, unconsolidated credit linked note VIEs (CLNs) and CDOs/CLOs are included in this category, regardless of whether or not Merrill Lynch transferred financial assets and accounted for the transfer as a sale.

Securitization transactions — Securitization transactions include transactions where Merrill Lynch transferred financial assets and accounted for the transfer as a sale (with the exception noted above). These transactions also include asset-backed financing arrangements. This category includes both QSPEs and non-QSPEs and is reflected in the securitization section of this Note. QSPEs are commonly used by Merrill Lynch in mortgage and municipal bond securitization transactions as described below. In accordance with SFAS No. 140 and FIN 46(R), Merrill Lynch does not consolidate QSPEs.

Merrill Lynch has entered into transactions with different types of VIEs which are described as follows:

Loan and Real Estate VIEs

- Merrill Lynch has involvement with VIEs that hold mortgage related loans or real estate. These VIEs include entities that are primarily designed to obtain exposure to mortgage related assets or invest in real estate for both clients and Merrill Lynch. Loan and real estate VIEs include failed securitization transactions where residential and commercial mortgages are transferred to VIEs that do not meet QSPE conditions (typically as a result of derivatives entered into by the VIE that pertain to interests held by Merrill Lynch) and loan VIEs that hold mortgage loans where Merrill Lynch holds most or all of the issued financing but does not have voting control. Loan and real estate VIEs are reported in the Consolidated VIEs table and the Sponsor/Significant VIH table. In addition, many loan VIEs, specifically those related to residential and commercial mortgages, are securitization VIEs that meet the QSPE criteria in SFAS No. 140. Transactions where Merrill Lynch is the transferor of loans to a VIE or QSPE and accounts for the transaction as a sale are reflected in the Securitization table of this Note.

- Merrill Lynch generally consolidates failed securitization VIEs where it retains the residual interests in the VIE and therefore absorbs the majority of the VIE's expected losses, gains or both. As a result of the illiquidity in the securitization markets, Merrill Lynch has been unable to sell certain securities, which has prohibited these VIEs from being considered QSPEs. Depending upon the liquidity in the securitization market, these transactions and future transactions could continue to fail QSPE status and may require consolidation and related disclosures. Given that these VIEs have been designed to meet the QSPE requirements, Merrill Lynch has no control over the assets held by these VIEs. These assets have been pledged to the noteholders in the VIEs, and these assets are included in the firm-owned assets pledged balance reported in Note 6. In most instances, the beneficial interest holders in these VIEs have no recourse to the general credit of Merrill Lynch; rather their investments are paid exclusively from the assets in the VIE. Securitization VIEs that hold loan assets are typically financed through the issuance of several classes of debt (i.e., tranches) with ratings that range from AAA to unrated residuals.

- Loan VIEs that hold mortgage loans and are not securitization VIEs are typically wholly owned or have a small amount of financing provided by investors (which may include the investment manager) through different classes of loans or securities. Where Merrill Lynch consolidates these VIEs, Merrill Lynch has the ability to use the assets to fund operations.

- Real estate VIEs that hold property are typically financed through the issuance of one or more classes of loans or securities (e.g. senior, junior, and mezzanine) and an equity tranche. The investors have recourse only to the real estate assets held by these VIEs. In most real estate entities, the equity tranche is considered sufficient to finance the activities of the entity, and the entity would meet the conditions to be considered a VRE. The real estate entities included in this disclosure are VIEs because generally they do not have sufficient equity to finance their activities.

Equity Funds

Merrill Lynch has made certain investments in equity funds that are VIEs. Merrill Lynch may be the primary beneficiary of these funds as a result of a majority investment in the fund. In instances where Merrill Lynch is not the primary beneficiary, it is considered the sponsor and generally has continued involvement through equity derivatives with these VIEs. VIEs where Merrill Lynch is the sponsor and has continued involvement are reflected in the Sponsor/ Significant VIH table. These VIEs are typically financed by a single tranche of limited life preferred shares or similar debt instruments that pass through the economics of the underlying assets and derivative contracts.

Merrill Lynch sponsors a limited number of equity funds that provide a guaranteed return to investors at the maturity of the fund. The guarantees may include a guarantee of the return of an initial investment or the initial investment plus an agreed upon return depending on the terms of the VIE. Investors in certain of these VIEs have recourse to Merrill Lynch to the extent that the value of the assets held by the VIEs at maturity is less than the guaranteed amount. In these instances, Merrill Lynch is the primary beneficiary and consolidates the VIEs. These VIEs are typically financed by a single tranche of limited life preferred shares or similar debt instruments that pass through the economics of the underlying assets and derivative contracts.

Credit-Linked Note and Other VIEs

Merrill Lynch has entered into transactions with VIEs where Merrill Lynch typically purchases credit protection from the VIE in the form of a credit default swap in order to provide investors exposure to a specific credit risk. These are commonly known as CLNs. Merrill Lynch may also enter into interest rate swaps and/or cross currency swaps with these CLNs. The assets held by the VIE provide collateral for the derivatives that Merrill Lynch has entered into with the VIE. Most CLNs issue a single credit-linked note, which is often held by a single investor. Typically the assets held by the CLNs can be substituted for other assets by the investors. For these transactions, Merrill Lynch generally transfers the financial assets to the VIE and accounts for that transfer as a sale.

In certain transactions Merrill Lynch takes exposure through total return swaps to the underlying collateral held in the CLNs, including super senior U.S. sub-prime ABS CDOs. Generally, the assets held by these VIEs were not transferred into these VIEs by Merrill Lynch. Unconsolidated CLN transactions are reported in the Sponsor/Significant VIH table.

Merrill Lynch is the primary beneficiary of two VIEs that invest in alternative investment funds which are controlled by third party fund managers. These entities are considered VIEs because the equity holders do not have control through voting rights.

Collateralized Debt Obligations/Collateralized Loan Obligations (CDO/CLOs)

Merrill Lynch has entered into transactions with CDOs, synthetic CDOs and CLOs. These entities are generally considered VIEs. CDOs hold pools of corporate debt or asset-backed securities and issue various classes of rated debt and an unrated equity tranche. Synthetic CDOs purchase assets and enter into a portfolio of credit default swaps to synthetically create exposure to corporate or asset-backed securities. CLOs hold pools of loans (corporate, commercial mortgages and residential mortgages) and issue various classes of rated debt and an unrated equity tranche. CDOs, synthetic CDOs and CLOs are typically managed by third party portfolio managers. Merrill Lynch transfers assets to these VIEs, holds interests in the issuances of the VIEs and may be derivative counterparty to the VIEs (including credit default swap counterparty for synthetic CDOs). Merrill Lynch typically owns less than half of any tranche issued by the VIE and is therefore not the primary beneficiary. Where Merrill Lynch holds more than half of any tranche issued by a VIE, a quantitative analysis is performed to determine whether or not Merrill Lynch is the primary beneficiary. Most transactions with these VIEs are reflected in the Sponsor/Significant VIH table. Transactions with CDO/CLOs where Merrill Lynch is the primary beneficiary are reported in the Consolidated VIEs table.

Municipal Bond Securitizations

Municipal Bond Securitizations are transactions where Merrill Lynch transfers municipal bonds to SPEs and those SPEs issue puttable floating rate instruments and a residual interest in the form of an inverse floater. These SPEs are QSPEs and are therefore not consolidated by Merrill Lynch. Merrill Lynch reports these SPEs in the securitization table below.

In the normal course of dealer market-making activities, Merrill Lynch acts as liquidity provider for municipal bond securitization SPEs. Specifically, the holders of beneficial interests issued by municipal bond securitization SPEs have the right to tender their interests for purchase by Merrill Lynch on specified dates at a specified price. Beneficial interests that are tendered are then sold by Merrill Lynch to investors through a best efforts remarketing where Merrill Lynch is the remarketing agent. If the beneficial interests are not successfully remarketed, the holders of beneficial interests are paid from funds drawn under a standby liquidity facility issued by Merrill Lynch.

In addition to standby liquidity facilities, Merrill Lynch also provides default protection or credit enhancement to investors in securities issued by certain municipal bond securitization SPEs. Interest and principal payments on beneficial interests issued by these SPEs are secured by a guarantee issued by Merrill Lynch. In the event that the issuer of the underlying municipal bond defaults on any payment of principal and/or interest when due, the payments on the bonds will be made to beneficial interest holders from an irrevocable guarantee by Merrill Lynch. Additional information regarding these commitments is provided in Note 13.

Variable Interest Entities

FIN 46(R) requires an entity to consolidate a VIE if that entity holds a variable interest that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. The entity required to consolidate a VIE is known as the primary beneficiary. VIEs are reassessed for consolidation when reconsideration events occur. Reconsideration events include, changes to the VIEs' governing documents that reallocate the expected losses/returns of the VIE between the primary beneficiary and other variable interest holders or sales and purchases of variable interests in the VIE. Refer to Note 1 for further information.

The table below provides the disclosure information required by FSP FAS 140-4 and FIN 46(R)-8 for VIEs that are consolidated by Merrill Lynch. The table excludes consolidated VIEs where Merrill Lynch also holds a majority of the voting interests in the entity unless the activities of the VIE are primarily related to securitization or other forms of asset-backed financings.

(dollars in millions)

Consolidated VIEs		**Assets after intercompany eliminations**		**Liabilities after intercompany eliminations**	**Recourse to Merrill Lynch**[(2)]
Type of VIE	**Total Assets**	**Unrestricted**	**Restricted**[(1)]		
Successor Company March 31, 2009					
Loan and real estate VIEs[(3)]	$7,908	$1,061	$2,949	$5,009	$3,471
Equity funds[(4)]	324	45	61	151	120
CLNs and other VIEs[(5)]	1,754	376	772	165	165
CDOs/CLOs[(6)]	570	-	346	449	223
Predecessor Company December 26, 2008					
Loan and real estate VIEs[(3)]	$9,080	$2,475	$2,680	$4,769	$3,479
Equity funds[(4)]	473	3	119	230	116
CLNs and other VIEs[(5)]	1,643	1,221	-	45	45
CDOs/CLOs[(6)]	693	-	360	489	237

(1) Assets are considered restricted when they cannot be freely pledged or sold by Merrill Lynch.

(2) This column reflects the extent to which investors have recourse to Merrill Lynch beyond the assets held by the VIE and assumes a total loss of the assets held by the VIE.

(3) For Loan and real estate VIEs, assets are primarily recorded in loans, notes and mortgages. Assets related to VIEs that hold real estate investments are included in other assets. Liabilities are primarily recorded in short-term borrowings. Recourse relates to derivative contracts entered into with the VIEs that provide the liability holders of the VIEs general recourse to Merrill Lynch.

(4) For Equity funds, assets are reflected in trading assets and liabilities are reflected in long-term borrowings. Recourse relates to Merrill Lynch's maximum exposure to loss associated with derivative contracts that provide a minimum return to investors.

(5) For CLNs and other VIEs, assets are reflected in trading assets and investment securities and liabilities are recorded in long-term borrowings.

(6) For CDOs/CLOs, assets are primarily recorded in loans, notes and mortgages and liabilities are recorded in long-term borrowings. Certain consolidated CDOs are established to provide full recourse secured financing to Merrill Lynch. The recourse associated with CDOs/CLOs relates to these consolidated transactions.

Merrill Lynch may also be a Sponsor/Significant VIH in VIEs. Where Merrill Lynch has involvement as a Sponsor/Significant VIH, it is required to disclose the size of the VIE, the assets and liabilities on its balance sheet related to transactions with the VIE, and its maximum exposure to loss as a result of its interest in the VIE.

The following table summarizes Merrill Lynch's involvement with Sponsor/Significant VIH VIEs as of March 31, 2009 and December 26, 2008.

(dollars in millions)

Sponsor/Significant VIH Type of VIE	Size of VIE[1]	Assets on Balance Sheet[2]	Liabilities on Balance Sheet[2]	Maximum Exposure to Loss[3]
Successor Company				
March 31, 2009				
Loan and real estate VIEs[4]	$ 1,717	$ 559	$ 89	$ 559
Equity funds[5]	2,688	371	448	371
CLNs and other VIEs[6]	12,627	6,853	1,004	10,416
CDOs/CLOs[7]	53,223	2,916	419	6,729
Predecessor Company				
December 26, 2008				
Loan and real estate VIEs[4]	$ 1,761	$ 712	$ 61	$ 712
Equity funds[5]	2,898	312	537	312
CLNs and other VIEs[6]	13,257	6,889	986	10,452
CDOs/CLOs[7]	59,475	3,584	344	8,155

(1) Size generally reflects the estimated principal of securities issued by the VIE or the principal of the underlying assets held by the VIE and serves to provide information on the relative size of the VIE as compared to Merrill Lynch's involvement with the VIE.

(2) Assets and Liabilities on Merrill Lynch's Balance Sheet reflect the effect of FIN 39 balance sheet netting, if applicable.

(3) The maximum exposure to loss includes: the assets held by Merrill Lynch — including the value of derivatives that are in an asset position, and the notional amount of liquidity and other support provided to VIEs generally through total return swaps over the assets of the VIE. The maximum exposure to loss for liquidity and other support assumes a total loss on the referenced assets held by the VIE.

(4) Loan and real estate VIE assets primarily include loans recorded in loans, notes and mortgages and derivatives recorded in trading assets. Liabilities include derivatives recorded in trading liabilities.

(5) Equity fund assets include cash instruments and derivatives recorded in trading assets. Liabilities are recorded in payables under repurchase agreements in instances where assets were transferred but the transfer did not meet the sale requirements of SFAS No. 140, or trading liabilities for derivatives.

(6) CLN and other VIE assets include derivatives and are recorded in trading assets. Liabilities are recorded in payables under repurchase agreements in instances where assets were transferred but the transfer did not meet the sale requirements of SFAS No. 140, or trading liabilities for derivatives. In certain transactions, Merrill Lynch enters into total return swaps over assets held by the VIEs. Maximum exposure to loss represents the sum of the notional amount of these derivatives and the value of any assets on Merrill Lynch's balance sheet.

(7) CDO/CLO assets and liabilities are primarily derivatives recorded in trading assets/liabilities.

Securitizations

In the normal course of business, Merrill Lynch securitizes commercial and residential mortgage loans, municipal, government, and corporate bonds, and other types of financial assets (as described above). In addition, Merrill Lynch sells financial assets to entities that are controlled and consolidated by third parties and provides financing to these entities under asset-backed financing arrangements (these transactions are reflected in Non-QSPEs Loans and real estate entities below). Merrill Lynch's involvement with VIEs that are used to securitize financial assets includes: structuring and/or establishing VIEs; selling assets to VIEs; managing or servicing assets held by VIEs; underwriting, distributing, and making loans to VIEs; making markets in securities issued by VIEs; engaging in derivative transactions with VIEs; owning notes or certificates issued by VIEs; and/or providing liquidity facilities and other guarantees to, or for the benefit of, VIEs. In many instances Merrill Lynch

has continued involvement with the transferred assets, including servicing, retaining or holding an interest in the issuances of the VIE, providing liquidity and other support to the VIEs or investors in the VIEs, and entering into derivative contracts with the VIEs.

The table below categorizes securitization transactions between QSPEs and non-QSPEs. Transactions with CLNs and CDO/CLOs, which have been accounted for as sales under SFAS No. 140 are reflected in the Sponsor/Significant VIH table above.

(dollars in millions)

Securitization Transactions Type of Entity	Size/Principal Outstanding[1]	Assets on Balance Sheet[2]	Liabilities on Balance Sheet[2]	Maximum Exposure to Loss[3]	Year-to-date (Loss) on Sale	Year-to-date Cash Flows
Successor Company						
March 31, 2009						
QSPEs:						
Residential mortgage loans[4]	$47,956	$1,278	$146	$1,286	$ -	$ 227
Municipal bonds[5]	8,153	1,291	583	7,901	-	111
Commercial loans and other[6]	9,640	271	4	307	-	5
Non-QSPEs:						
Loan and real estate entities[7]	10,106	6,650	-	6,696	-	114
Predecessor Company						
December 26, 2008						
QSPEs:						
Residential mortgage loans[4]	$78,162	$1,667	$207	$1,654	$ -	$10,141
Municipal bonds[5]	9,377	487	674	8,644	-	5,824
Commercial loans and other[6]	18,366	288	-	288	-	1,091
Non-QSPEs:						
Loan and real estate entities[7]	10,182	6,757	-	6,757	(22)	3,035

(1) Size/Principal Outstanding reflects the estimated principal of the underlying assets held by the VIE/SPEs.

(2) Assets and Liabilities on Merrill Lynch's Balance Sheet reflect the effect of FIN 39 balance sheet netting, if applicable.

(3) The maximum exposure to loss includes the following: the assets held by Merrill Lynch — including the value of derivatives that are in an asset position and retained interests in the VIEs/SPEs; and the notional amount of liquidity and other support generally provided through total return swaps. The maximum exposure to loss for liquidity and other support assumes a total loss on the referenced assets held by the VIE.

(4) Residential mortgage loan QSPE assets primarily include servicing advances recorded in other assets and derivatives recorded in trading assets. Liabilities include derivatives recorded in trading liabilities.

(5) Municipal bond QSPE assets include cash instruments recorded in trading assets and investment securities. Liabilities include derivatives recorded in trading liabilities. At March 31, 2009 and December 26, 2008, the carrying value of the liquidity and other support related to these transactions was $583 million and $674 million, respectively.

(6) Commercial loans and other QSPEs primarily include commercial mortgage securitizations. Assets include cash instruments and derivatives, primarily recorded in trading assets. Liabilities include derivatives recorded in trading liabilities.

(7) Loan and real estate entity assets are recorded in loans, notes and mortgages and relate to asset-backed financing arrangements, which include the sale of U.S. super senior ABS CDOs in 2008 to an affiliate of Lone Star Funds.

In certain instances, Merrill Lynch retains interests in the senior tranche, subordinated tranche, and/or residual tranche of securities issued by VIEs that are created to securitize assets. The gain or loss on the sale of the assets is determined with reference to the previous carrying amount of the financial assets transferred, which is allocated between the assets sold and the retained interests, if any, based on their relative fair values at the date of transfer.

Generally, retained interests and contracts that are used to provide support to the VIE or the investors are recorded in the Condensed Consolidated Balance Sheets at fair value. To obtain fair values, observable market prices are used if available. Where observable market prices are unavailable, Merrill Lynch generally estimates fair value based on the present value of expected future cash flows using management's best estimates of credit losses, prepayment rates, forward yield curves, and discount rates, commensurate with the risks involved. Retained interests are either held as trading assets, with changes in fair value recorded in the Condensed Consolidated Statements of Earnings/(Loss), or as investment securities available-for-sale, with changes in fair value included in accumulated other comprehensive income/(loss).

Retained interests held as available-for-sale securities are reviewed periodically for impairment. In certain cases liquidity facilities are accounted for as guarantees under FIN 45 (refer to Note 13 for more information) and a liability is recorded at fair value at the inception of the transaction.

Retained interests in securitized assets were approximately $1.5 billion and $1.8 billion at March 31, 2009 and December 26, 2008, respectively, which primarily relates to municipal bond securitization transactions. Retained interests in securitized assets do not include loans made to entities under asset-backed financing arrangements.

The following table presents information on retained interests excluding the offsetting benefit of financial instruments used to hedge risks, held by Merrill Lynch as of March 31, 2009,which arise from Merrill Lynch's municipal bond securitization transactions. The pre-tax sensitivities of the current fair value of the retained interests to immediate 10% and 25% favorable and adverse changes in assumptions and parameters are also shown.

(dollars in millions)

	Municipal Bonds
Retained interest amount	$1,291
Weighted average credit losses (rate per annum)[1]	0%
Impact on fair value of 10% favorable change	-
Impact on fair value of 25% favorable change	-
Impact on fair value of 10% adverse change	-
Impact on fair value of 25% adverse change	-
Weighted average discount rate	6.9%
Impact on fair value of 10% favorable change	$ 35
Impact on fair value of 25% favorable change	$ 97
Impact on fair value of 10% adverse change	$ (21)
Impact on fair value of 25% adverse change	$ (82)
Weighted average life (in years)	8.5
Weighted average prepayment speed (CPR)[2]	0%
Impact on fair value of 10% favorable change	$ -
Impact on fair value of 25% favorable change	$ 1
Impact on fair value of 10% adverse change	$ -
Impact on fair value of 25% adverse change	$ (1)

CPR=Constant Prepayment Rate

(1) Credit losses are computed only on positions for which expected credit loss is either a key assumption in the determination of fair value or is not reflected in the discount rate.

(2) Relates to select securitization transactions where assets are prepayable.

The preceding sensitivity analysis is hypothetical and should be used with caution. In particular, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independent of changes in any other assumption; in practice, changes in one factor may result in

changes in another, which might magnify or counteract the sensitivities. Further, changes in fair value based on a 10% or 25% variation in an assumption or parameter generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the sensitivity analysis does not include the offsetting benefit of financial instruments that Merrill Lynch utilizes to hedge risks, including credit, interest rate, and prepayment risk, that are inherent in the retained interests. These hedging strategies are structured to take into consideration the hypothetical stress scenarios above, such that they would be effective in principally offsetting Merrill Lynch's exposure to loss in the event that these scenarios occur.

Note 9. Loans, Notes, Mortgages and Related Commitments to Extend Credit

Loans, notes, mortgages and related commitments to extend credit include:

- Consumer loans, which are substantially secured, including residential mortgages, home equity loans, and other loans to individuals for household, family, or other personal expenditures; and
- Commercial loans including corporate and institutional loans (including corporate and financial sponsor, non-investment grade lending commitments), commercial mortgages, asset-based loans, small- and middle-market business loans, and other loans to businesses.

Loans, notes, mortgages and related commitments to extend credit at March 31, 2009 and December 26, 2008, are presented below. This disclosure includes commitments to extend credit that, if drawn upon, will result in loans held for investment or loans held for sale.

(dollars in millions)

	Loans		Commitments(1)	
	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	March 31, 2009	December 26, 2008	March 31, 2009(2)(3)	December 26, 2008(3)
Consumer:				
Mortgages	$27,845	$29,397	$ 9,477	$ 8,269
Other	16,922	1,360	235	2,582
Commercial and small- and middle-market business:				
Investment grade	19,132	17,321	24,146	28,269
Non-investment grade	24,308	23,184	13,103	9,291
	88,207	71,262	46,961	48,411
Allowance for loan losses	(10)	(2,072)	-	-
Reserve for lending-related commitments(4)	-	-	(1,896)	(2,471)
Total, net	$88,197	$69,190	$45,065	$45,940

(1) Commitments are outstanding as of the date the commitment letter is issued and are comprised of closed and contingent commitments. Closed commitments represent the unfunded portion of existing commitments available for draw down. Contingent commitments are contingent on the borrower fulfilling certain conditions or upon a particular event, such as an acquisition. A portion of these contingent commitments may be syndicated among other lenders or replaced with capital markets funding.

(2) See Note 13 for a maturity profile of these commitments.

(3) In addition to the loan origination commitments included in the table above, at March 31, 2009, Merrill Lynch entered into agreements to purchase $458 million of loans that, upon settlement of the commitment, will be classified in loans held for investment and loans held for sale. See Note 13 for additional information.

(4) Amounts are included within other payables on the Condensed Consolidated Balance Sheets.

Activity in the allowance for loan losses is presented below:

(dollars in millions)

	Successor Company	Predecessor Company
	Three Months Ended March 31, 2009	Three Months Ended March 28, 2008
Allowance for loan losses, at beginning of period[1]	$ -	$533
Provision for loan losses	12	106
Charge-offs	—	(23)
Recoveries	2	3
Net recoveries (charge-offs)	2	(20)
Other	(4)	3
Allowance for loan losses, at end of period	$10	$622

(1) The allowance for loan losses as of December 26, 2008 was eliminated as of January 1, 2009 as a result of purchase accounting adjustments.

Consumer loans, which are substantially secured, consisted of approximately 350,000 individual loans at March 31, 2009. Commercial loans consisted of approximately 11,000 separate loans. The principal balance of non-accrual loans was $3.0 billion at March 31, 2009 and $2.5 billion at December 26, 2008. The investment grade and non-investment grade categorization is determined using the credit rating agency equivalent of internal credit ratings. Non-investment grade counterparties are those rated lower than the BBB- category. In some cases Merrill Lynch enters into single name and index credit default swaps to mitigate credit exposure related to funded and unfunded commercial loans. The notional value of these swaps totaled $12.8 billion and $13.2 billion at March 31, 2009 and December 26, 2008, respectively.

The above amounts include $8.4 billion and $11.5 billion of loans held for sale at March 31, 2009 and December 26, 2008, respectively. Loans held for sale are loans that management expects to sell prior to maturity. At March 31, 2009, such loans consisted of $3.7 billion of consumer loans, primarily residential mortgages and automobile loans, and $4.7 billion of commercial loans, approximately 12% of which are to investment grade counterparties. At December 26, 2008, such loans consisted of $4.0 billion of consumer loans, primarily residential mortgages and automobile loans, and $7.5 billion of commercial loans, approximately 15% of which were to investment grade counterparties.

Effect of the Acquisition of Merrill Lynch by Bank of America

Upon completion of the acquisition of Merrill Lynch by Bank of America, Merrill Lynch adjusted the carrying value of its loans to fair value. Certain of these loans were subject to the requirements of SOP 03-3, which addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans if those differences are attributable, at least in part, to credit quality. SOP 03-3 requires impaired loans to be recorded at estimated fair value and prohibits "carrying over" or the creation of valuation allowances in the initial accounting for loans acquired in a transfer that are within the scope of this SOP.

The estimated fair values for loans within the scope of SOP 03-3 are determined by discounting cash flows expected to be collected using an observable discount rate for similar instruments with adjustments that management believes a market participant would consider in determining fair value. Cash flows expected to be collected at acquisition are estimated using internal prepayment, interest rate and credit risk models that incorporate management's best estimate of certain key assumptions, such as

default rates, loss severity and prepayment speeds. All other loans were remeasured at the present value of contractual payments discounted to the prevailing interest rates on the date of acquisition.

Under SOP 03-3, the excess of cash flows expected at acquisition over the estimated fair value at purchase is referred to as the accretable yield and is recognized in interest income over the remaining life of the loans. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either affect the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to expected principal cash flows will result in a charge to provision for credit losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. All changes in expected interest cash flows will result in reclassifications to/from nonaccretable differences.

In connection with Merrill Lynch's acquisition by Bank of America, loans within the scope of SOP 03-3 had an unpaid principal balance of $5.6 billion ($2.7 billion consumer and $2.9 billion commercial) and a carrying value of $4.4 billion ($2.3 billion consumer and $2.1 billion commercial) as of January 1, 2009. These loans had an unpaid principal balance of $5.5 billion ($2.6 billion consumer and $2.9 billion commercial) and a carrying value of $4.4 billion ($2.3 billion consumer and $2.1 billion commercial) as of March 31, 2009. The following table provides details of these loans.

SOP 03-3 LOANS

(dollars in millions)	**As of January 1, 2009**
Contractually required payments including interest	$ 6,205
Less: Nonaccretable difference	(1,158)
Cash flows expected to be collected[1]	5,047
Less: Accretable yield	(627)
Fair value of loans acquired	$ 4,420

(1) Represents undiscounted expected principal and interest cash flows at the acquisition date (January 1, 2009).

The following table provides activity for the accretable yield of loans within the scope of SOP 03-3 for the three months ended March 31, 2009.

(dollars in millions)	**Three Months Ended March 31, 2009**
Accretable yield, January 1, 2009	$627
Accretions	(56)
Disposals	(5)
Accretable yield, March 31, 2009	$566

Note 10. Goodwill and Intangible Assets

In connection with the acquisition of Merrill Lynch by Bank of America, the carrying value of Merrill Lynch's goodwill as of December 26, 2008 was eliminated. New goodwill was recorded on January 1, 2009. In addition, as of January 1, 2009, certain intangible assets were adjusted to their fair value and new intangible assets (e.g. trade name) were recorded. Refer to Note 2 for further information.

Goodwill

Goodwill is the cost of an acquired company in excess of the fair value of identifiable net assets at acquisition date. Goodwill is tested annually (or more frequently under certain conditions) for impairment at the reporting unit level in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. If the fair value of the reporting unit exceeds the carrying value, goodwill is not deemed to be impaired. If the fair value is less than the carrying value, a further analysis is required to determine the amount of impairment, if any.

The following table sets forth the carrying amount of Merrill Lynch's goodwill:

(dollars in millions)	
Predecessor Company - Goodwill, December 26, 2008[(1)]	$2,221
Successor Company - Goodwill, March 31, 2009[(2)]	$5,044

(1) Predecessor Company goodwill as of December 26, 2008 was eliminated as of January 1, 2009 as a result of purchase accounting adjustments.
(2) Refer to Note 2 for further information.

Intangible Assets

Intangible assets with definite lives at March 31, 2009 and December 26, 2008 consist primarily of value assigned to customer relationships and core deposits. Intangible assets with definite lives are tested for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, ("SFAS No. 144") whenever certain conditions exist which would indicate the carrying amounts of such assets may not be recoverable. Intangible assets with definite lives are amortized over their respective estimated useful lives. Intangible assets with indefinite lives consist of value assigned to the Merrill Lynch brand and are tested for impairment in accordance with SFAS No. 142. Intangible assets with indefinite lives are not amortized.

The gross carrying amounts of intangible assets with definite lives were $4.5 billion and $611 million as of March 31, 2009 and December 26, 2008, respectively. Accumulated amortization of intangible assets amounted to $113 million and $216 million at March 31, 2009 and December 26, 2008, respectively. The gross carrying amounts of intangible assets with indefinite lives were $1.2 billion as of March 31, 2009.

Amortization expense for the three months ended March 31, 2009 was $113 million compared with $24 million for the three months ended March 28, 2008. Aggregate amortization expense is expected to be approximately $450 million per year for each of the next five years through 2014.

Note 11. Borrowings and Deposits

Prior to Merrill Lynch's acquisition by Bank of America, ML & Co. was the primary issuer of all of Merrill Lynch's debt instruments. For local tax or regulatory reasons, debt was also issued by certain subsidiaries. ML & Co. is no longer a primary issuer of new unsecured borrowings under the Bank of America platform.

Following the completion of Bank of America's acquisition of Merrill Lynch, ML & Co. became a subsidiary of Bank of America and established intercompany lending and borrowing arrangements to facilitate centralized liquidity management. Included in these intercompany agreements is an initial $75 billion one year, revolving unsecured line of credit that allows ML & Co. to borrow funds from Bank of America for operating requirements. Immediately following the acquisition, Merrill Lynch placed a substantial portion of its excess operating cash with Bank of America under an intercompany lending agreement. During the first quarter of 2009, ML & Co. continued to place excess operating cash with Bank of America and did not borrow against the line of credit.

The value of Merrill Lynch's debt instruments as recorded on the Condensed Consolidated Balance Sheets does not necessarily represent the amount that will be repaid at maturity. This is due to the following:

- As a result of the acquisition by Bank of America, all debt instruments were adjusted to their fair value on January 1, 2009;
- Certain debt issuances are accounted for at fair value and incorporate changes in Merrill Lynch's creditworthiness as well as other underlying risks (see Note 4);
- Certain structured notes whose coupon or repayment terms are linked to the performance of debt and equity securities, indices, currencies or commodities reflect the fair value of those risks; and
- Certain debt issuances are adjusted for the impact of fair value hedge accounting (see Note 5).

Total borrowings at March 31, 2009 and December 26, 2008, which are comprised of short-term borrowings, long-term borrowings and junior subordinated notes (related to trust preferred securities), consisted of the following:

(dollars in millions)

	Successor Company	Predecessor Company
	March 31, 2009	December 26, 2008
Senior debt issued by ML & Co.	$ 96,524	$140,615
Senior debt issued by subsidiaries — guaranteed by ML & Co.	8,179	11,598
Senior structured notes issued by ML & Co.	30,018	34,541
Senior structured notes issued by subsidiaries — guaranteed by ML & Co.	16,795	24,048
Subordinated debt issued by ML & Co.	10,137	13,317
Junior subordinated notes (related to trust preferred securities)	3,536	5,256
Other subsidiary financing — non-recourse[1] and/or not guaranteed by ML & Co.	5,896	13,454
Total	$171,085	$242,829

(1) Other subsidiary financing — non-recourse is primarily attributable to collateralized borrowings of subsidiaries.

Borrowings and deposits at March 31, 2009 and December 26, 2008, are presented below:

(dollars in millions)

	Successor Company	Predecessor Company
	March 31, 2009	December 26, 2008
Short-term borrowings		
Commercial paper[1]	$ 40	$ 20,104
Secured short-term borrowings	3,521	14,137
Other unsecured short-term borrowings	1,119	3,654
Total	$ 4,680	$ 37,895
Long-term borrowings[2]		
Fixed-rate obligations[3]	$ 82,352	$101,403
Variable-rate obligations[4][5]	80,396	96,511
Zero-coupon contingent convertible debt (LYONs®)	2	1,599
Other Zero-coupon obligations	119	165
Total	$162,869	$199,678
Deposits		
U.S.	$ 82,408	$ 79,528
Non-U.S.	14,880	16,579
Total	$ 97,288	$ 96,107

(1) The decrease in commercial paper reflects the repayment of borrowings under the Federal Reserve's liquidity backstop for U.S. issuers of commercial paper and the FDIC's Temporary Liquidity Guarantee Program.

(2) Excludes junior subordinated notes (related to trust preferred securities).

(3) Fixed-rate obligations are generally swapped to floating rates.

(4) Variable interest rates are generally based on rates such as LIBOR, the U.S. Treasury Bill Rate, or the Federal Funds Rate.

(5) Includes structured notes.

The weighted-average interest rates for borrowings at March 31, 2009 and December 26, 2008 (excluding structured notes) were as follows:

	Successor Company	Predecessor Company
	March 31, 2009	December 26, 2008
Short-term borrowings	2.50%	2.95%
Long-term borrowings	4.09	4.65
Junior subordinated notes (related to trust preferred securities)	6.93	6.83

Merrill Lynch also obtains standby letters of credit from issuing banks to satisfy various counterparty collateral requirements, in lieu of depositing cash or securities collateral. Such standby letters of credit aggregated $1.5 billion and $2.6 billion at March 31, 2009 and December 26, 2008, respectively.

Long-Term Borrowings

At March 31, 2009, long-term borrowings mature as follows (dollars in millions):

(dollars in millions)		
Less than 1 year	$ 41,538	25%
1 – 2 years	17,381	11
2^+ – 3 years	19,266	12
3^+ – 4 years	15,318	9
4^+ – 5 years	17,696	11
Greater than 5 years	51,670	32
Total	$162,869	100%

Certain long-term borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the holder ("put" options) at specified dates prior to maturity. These borrowings are reflected in the above table as maturing at their put dates, rather than their contractual maturities. Management believes, however, that a portion of such borrowings will remain outstanding beyond their earliest redemption date.

Certain structured notes whose coupon or repayment terms are linked to the performance of debt and equity securities, indices, currencies or commodities maturities may be accelerated based on the value of a referenced index or security, in which case Merrill Lynch may be required to immediately settle the obligation for cash or other securities. These notes are included in the portion of long-term debt maturing in less than a year.

Senior and subordinated debt obligations issued by ML & Co. and senior debt issued by subsidiaries and guaranteed by ML & Co. did not contain provisions that could, upon an adverse change in ML & Co.'s credit rating, financial ratios, earnings, cash flows, trigger a requirement for an early payment, additional collateral support, changes in terms, acceleration of maturity, or the creation of an additional financial obligation, except for an immaterial amount of Floating Rate LYONs®.

Floating Rate LYONs

The completion of Bank of America's acquisition of Merrill Lynch on January 1, 2009, constituted a change in control event under the terms of the LYONs. This required Merrill Lynch to offer to repurchase the LYONs at the accreted price of $1,095.98 for each $1,000 original principal amount. During the quarter ended March 31, 2009, Merrill Lynch repurchased $1.6 billion original principal amount of LYONs for an aggregate price of approximately $1.75 billion. At March 31, 2009, $2.3 million of original principal amount of the LYONs remained outstanding.

Committed Credit Facilities

Prior to the Bank of America acquisition, Merrill Lynch maintained committed unsecured and secured credit facilities to cover regular and contingent funding needs. Following the completion of Bank of America's acquisition of Merrill Lynch on January 1, 2009, certain sources of liquidity were centralized. During the quarter ended March 31, 2009, ML & Co. repaid all outstanding amounts and terminated all of its external committed unsecured and secured credit facilities.

See Note 9 of the 2008 Annual Report for additional information on Borrowings.

Note 12. Stockholders' Equity and Earnings Per Share

Preferred Equity

As of the completion of the acquisition of Merrill Lynch by Bank of America, ML & Co. Series 1 through Series 8 preferred stock that were outstanding as of December 26, 2008 were converted into Bank of America preferred stock with substantially identical terms of the corresponding series of ML & Co. preferred stock (except for additional voting rights provided to the Bank of America securities).

Mandatory Convertible

On July 28, 2008 Merrill Lynch issued an aggregate of 12,000 shares of newly issued 9% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 2, par value $1.00 per share and liquidation preference $100,000 per share (the "Series 2 convertible preferred stock"). On July 29, 2008 Merrill Lynch issued an aggregate of 5,000 shares of newly issued 9% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 3, par value $1.00 per share and liquidation preference $100,000 per share (the "Series 3 convertible preferred stock" and, together with the Series 2 convertible preferred stock, the "new convertible preferred stock"). The new convertible preferred stock remained issued and outstanding subsequent to the acquisition by Bank of America, but is now convertible into Bank of America common stock. Each share of the Series 2 and Series 3 convertible preferred stock will be converted on October 15, 2010 into a maximum of 2,605 shares and 3,820 shares, respectively, of Bank of America's common stock; however, they are optionally convertible prior to that date into 2,227 shares and 3,265 shares, respectively, of Bank of America's common stock.

Common Stock

As of the completion of the acquisition of Merrill Lynch by Bank of America, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of Bank of America common stock. Since January 1, 2009, there have been 1,000 shares of ML & Co. common stock outstanding, all of which are owned by Bank of America.

Earnings Per Share

Basic EPS is calculated by dividing earnings applicable to common stockholders by the weighted-average number of common shares outstanding. Diluted EPS is similar to basic EPS, but adjusts for the effect of the potential issuance of common shares. The following table presents the computations of basic and diluted EPS for 2008. For 2009, such amounts are not presented as Merrill Lynch is now a wholly-owned subsidiary of Bank of America.

dollars in millions, except per share amounts)

	Successor Company	Predecessor Company
	Three Months Ended March 31, 2009	Three Months Ended March 28, 2008
Net earnings/(loss) from continuing operations	$3,660	$ (1,969)
Net earnings from discontinued operations	-	7
Preferred stock dividends	(15)	(174)
Net (loss)/earnings applicable to common shareholders — for basic EPS	N/A	$ (2,136)
Net (loss)/earnings applicable to common shareholders — for diluted EPS	N/A	$ (2,136)
(shares in thousands)		
Weighted-average basic shares outstanding[1]	N/A	974,058
Effect of dilutive instruments:		
Employee stock options[2]	N/A	-
FACAAP shares[2]	N/A	-
Restricted shares and units[2]	N/A	-
Convertible LYONs®[3]	N/A	-
ESPP shares[2]	N/A	-
Dilutive potential common shares	N/A	-
Diluted Shares[4]	N/A	974,058
Basic EPS from continuing operations	N/A	$ (2.20)
Basic EPS from discontinued operations	N/A	0.01
Basic EPS	N/A	$ (2.19)
Diluted EPS from continuing operations	N/A	$ (2.20)
Diluted EPS from discontinued operations	N/A	0.01
Diluted EPS	N/A	$ (2.19)
Common shares outstanding at period end	1,000	985,128

N/A Earnings per share data is not provided for the three months ended March 31, 2009, as Merrill Lynch was a wholly-owned subsidiary of Bank of America during that period.

(1) Includes shares exchangeable into common stock in 2008.

(2) See Note 13 of the 2008 Annual Report for a description of these items.

(3) See Note 11 for additional information on LYONs®.

(4) Due to the net loss for the three months ended March 28, 2008, the diluted EPS calculation excludes 300 million equity-related instruments as they were antidilutive.

Basic and diluted loss per common share for the period from December 27, 2008 to December 31, 2008 were both $(0.10) per common share. The related weighted average shares outstanding used to compute both basic and diluted loss per common share was 1,600.3 million shares.

Note 13. Commitments, Contingencies and Guarantees

Litigation

Merrill Lynch has been named as a defendant in various 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, *Accounting for Contingencies*, Merrill Lynch will accrue a liability when it is probable of being incurred and the amount of the loss can be reasonably estimated. In many lawsuits and arbitrations, including almost all of the class action lawsuits, 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 case 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 or estimate what the eventual loss or range of loss related to such matters will be. Merrill Lynch continues to assess these cases 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 Condensed 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.

Commitments

At March 31, 2009, Merrill Lynch's commitments had the following expirations:

(dollars in millions)

		Commitment expiration			
	Total	Less than 1 year	1^{+} - 3 years	3^{+} - 5 years	Over 5 years
Lending commitments	$ 46,961	$ 13,959	$13,005	$13,563	$6,434
Purchasing and other commitments	5,864	2,125	719	1,539	1,481
Operating leases	3,574	658	1,193	861	862
Commitments to enter into forward dated resale and securities borrowing agreements	58,286	58,286	-	-	-
Commitments to enter into forward dated repurchase and securities lending agreements	58,911	58,911	-	-	-
Total	$173,596	$133,939	$14,917	$15,963	$8,777

Lending Commitments

Merrill Lynch enters into commitments to extend credit, predominantly at variable interest rates, in connection with corporate finance, corporate and institutional transactions and asset-based lending transactions. Clients may also be extended loans or lines of credit collateralized by first and second mortgages on real estate, certain liquid assets of small businesses, or securities. These commitments usually have a fixed expiration date and are contingent on certain contractual conditions that may require payment of a fee by the counterparty. Once commitments are drawn upon, Merrill Lynch may require the counterparty to post collateral depending upon creditworthiness and general market conditions. See Note 9 for additional information.

The contractual amounts of these commitments represent the amounts at risk should the contract be fully drawn upon, the client defaults, and the value of the existing collateral becomes worthless. The total amount of outstanding commitments may not represent future cash requirements, as commitments may expire without being drawn.

For lending commitments where the loan will be classified as held for sale upon funding, liabilities associated with unfunded commitments are calculated at the lower of cost or fair value, capturing declines in the fair value of the respective credit risk. For loan commitments where the loan will be classified as held for investment upon funding, liabilities are calculated considering both market and historical loss rates. Loan commitments held by entities that apply broker-dealer industry level accounting are accounted for at fair value.

Purchasing and Other Commitments

In the normal course of business, Merrill Lynch enters into institutional and margin-lending transactions, some of which are on a committed basis, but most of which are not. Margin lending on a committed basis only includes amounts where Merrill Lynch has a binding commitment. There were no binding margin lending commitments outstanding at March 31, 2009 or December 26, 2008.

Merrill Lynch had commitments to purchase partnership interests, primarily related to private equity and principal investing activities, of $1.1 billion and $1.3 billion at March 31, 2009 and December 26, 2008, respectively. Merrill Lynch also has entered into agreements with providers of market data, communications, systems consulting, and other office-related services. At March 31, 2009 and December 26, 2008, minimum fee commitments over the remaining life of these agreements totaled $2.1 billion and $2.2 billion, respectively. Merrill Lynch entered into commitments to purchase loans of $2.1 billion (which upon settlement of the commitment will be included in trading assets, loans held for investment or loans held for sale) at March 31, 2009. Such commitments totaled $3.9 billion at December 26, 2008. Other purchasing commitments amounted to $0.6 billion and $0.7 billion at March 31, 2009 and December 26, 2008, respectively.

In the normal course of business, Merrill Lynch enters into commitments for underwriting transactions. Settlement of these transactions as of March 31, 2009 would not have a material effect on the Condensed Consolidated Balance Sheets of Merrill Lynch.

In connection with trading activities, Merrill Lynch enters into commitments to enter into resale and securities borrowing and also repurchase and securities lending agreements.

Operating Leases

Merrill Lynch has entered into various non-cancelable long-term lease agreements for premises that expire through 2024. Merrill Lynch has also entered into various non-cancelable short-term lease agreements, which are primarily commitments of less than one year under equipment leases.

Guarantees

Merrill Lynch issues various guarantees to counterparties in connection with certain leasing, securitization and other transactions. In accordance with FIN 45 and FSP FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* ("FSP FAS 133-1 and FIN 45-4"), Merrill Lynch is required to disclose information for guarantee arrangements such as the maximum potential amount of future payments under the guarantee, the term and carrying value of the guarantee, the nature of any collateral or recourse provisions and the current payment status of the guarantee. Merrill Lynch's guarantee arrangements and their expiration at March 31, 2009 are summarized as follows (see Note 5 for information related to derivative financial instruments within the scope of FIN 45):

(dollars in millions)

		Expiration				
	Maximum Payout	Less than 1 year	1^{+} - 3 years	3^{+} - 5 years	Over 5 years	Carrying Value
Standby liquidity facilities	$ 6,907	$4,069	$ -	$2,838	$ -	$644
Auction rate security guarantees	1,022	1,022	-	-	-	74
Residual value guarantees	738	322	96	320	-	8
Standby letters of credit and other guarantees	36,841	2,556	1,138	627	32,520	726

Standby Liquidity Facilities

Merrill Lynch provides standby liquidity facilities to certain municipal bond securitization SPEs. In these arrangements, Merrill Lynch is required to fund these standby liquidity facilities if the fair value of the assets held by the SPE declines below par value and certain other contingent events take place. In those instances where the residual interest in the securitized trust is owned by a third party, any payments under the facilities are offset by economic hedges entered into by Merrill Lynch. In those instances where the residual interest in the securitized trust is owned by Merrill Lynch, any requirement to pay under the facilities is considered remote because Merrill Lynch, in most instances, will purchase the senior interests issued by the trust at fair value as part of its dealer market-making activities. However, Merrill Lynch will have exposure to these purchased senior interests. In certain of these facilities, Merrill Lynch is required to provide liquidity support within seven days, while the remainder have third-party liquidity support for between 30 and 364 days before Merrill Lynch is required to provide liquidity. A portion of the facilities where Merrill Lynch is required to provide liquidity support within seven days are "net liquidity" facilities where upon draw Merrill Lynch may direct the trustee for the SPE to collapse the SPE trusts and liquidate the municipal bonds, and Merrill Lynch would only be required to fund any difference between par and the sale price of the bonds. "Gross liquidity" facilities require Merrill Lynch to wait up to 30 days before directing the trustee to

liquidate the municipal bonds. Details of these liquidity facilities as of March 31, 2009, are illustrated in the table below:

(dollars in millions)

	Merrill Lynch Liquidity Facilities Can Be Drawn:				
	In 7 Days with "Net Liquidity"	**In 7 Days with "Gross Liquidity"**	**After 7 and Up to 364 Days[(1)]**	**Total**	**Municipal Bonds to Which Merrill Lynch Has Recourse if Facilities Are Drawn**
Merrill Lynch provides standby liquidity facilities	$2,713	$1,041	$2,855	$6,609	$7,370

(1) Initial liquidity support is provided by third parties within seven days, to be reimbursed by Merrill Lynch within 364 days.

Refer to Note 8 for further information.

Auction Rate Security ("ARS") Guarantees

Under the terms of its announced purchase program, as augmented by the global agreement reached with the New York Attorney General, the Securities and Exchange Commission, the Massachusetts Securities Division and other state securities regulators, Merrill Lynch agreed to purchase ARS at par from its retail clients, including individual, not-for-profit, and small business clients. Certain retail clients with less than $4 million in assets with Merrill Lynch as of February 13, 2008 were eligible to sell eligible ARS to Merrill Lynch starting on October 1, 2008. Other eligible retail clients meeting specified asset requirements were eligible to sell ARS to Merrill Lynch beginning on January 2, 2009. The final date of the ARS purchase program is January 15, 2010. Under the ARS purchase program, the eligible ARS held in accounts of eligible retail clients at Merrill Lynch as of March 31, 2009 was $1.0 billion. As of March 31, 2009, Merrill Lynch had purchased $7.5 billion of ARS from eligible clients. In addition, under the ARS purchase program, Merrill Lynch has agreed to purchase ARS from retail clients who purchased their securities from Merrill Lynch and transferred their accounts to other brokers prior to February 13, 2008. Payment risk related to ARS guarantees is based largely upon the client's overall financial objectives. At March 31, 2009, a liability of $74 million has been recorded for the difference between the fair value and par value of all outstanding ARS that are subject to this guarantee.

Residual Value Guarantees

At March 31, 2009, residual value guarantees of $738 million include amounts associated with the Hopewell, NJ campus, aircraft leases and certain power plant facilities. Payments under these guarantees would only be required if the fair value of such assets declined below their guaranteed value. As of March 31, 2009, no payments have been made under this guarantee, as Merrill Lynch believes that the estimated fair value of such assets was in excess of their guaranteed value.

Standby Letters of Credit and Other FIN 45 Guarantees

Merrill Lynch provides guarantees to certain counterparties in the form of standby letters of credit in the amount of $2.7 billion. Payment risk is evaluated based upon historical payment activity. At March 31, 2009 Merrill Lynch held marketable securities of $396 million as collateral to secure these guarantees and a liability of $111 million was recorded on the Condensed Consolidated Balance Sheets.

Further, in conjunction with certain third party sponsored mutual funds, Merrill Lynch guarantees the return of principal investments or distributions as contractually specified. At March 31, 2009, Merrill Lynch's maximum potential exposure to loss with respect to these guarantees is $272 million assuming that the funds are invested exclusively in other general investments (i.e., the funds hold no risk-free assets), and that those other general investments suffer a total loss. As such, this measure significantly overstates Merrill Lynch's exposure or expected loss at March 31, 2009. Payment under these guarantees would only be required if, based on the current market value of the investments, there were a substantial one day decline in value for any of these funds below their guaranteed value. Based on the current market value of the guaranteed funds, the risk of payment under these guarantees is deemed remote at March 31, 2009. These transactions meet the SFAS No. 133 definition of a derivative and, as such, are carried as a liability with a fair value of approximately $0.4 million at March 31, 2009.

In connection with residential mortgage loan and other securitization transactions, Merrill Lynch typically makes representations and warranties about the underlying assets. If there is a material breach of such representations and warranties, Merrill Lynch may have an obligation to repurchase the assets or indemnify the purchaser against any loss. For residential mortgage loan and other securitizations, the maximum potential amount that could be required to be repurchased is the current outstanding asset balance. Specifically related to First Franklin activities, there is currently approximately $32 billion (including loans serviced by others) of outstanding loans that First Franklin sold in various asset sales and securitization transactions where management believes we may have an obligation to repurchase the asset or indemnify the purchaser against the loss if claims are made and it is ultimately determined that there has been a material breach related to such loans. The risk of repurchase under the First Franklin representations and warranties is evaluated by management based on an analysis of the unpaid principal balance on the loans sold along with historical payment experience and general market conditions. Merrill Lynch has recognized a repurchase reserve liability of approximately $610 million at March 31, 2009 arising from these First Franklin residential mortgage sales and securitization transactions.

See Note 11 of the 2008 Annual Report for additional information on guarantees.

Note 14. Employee Benefit Plans

Merrill Lynch provides pension and other postretirement benefits to its employees worldwide through defined contribution pension, defined benefit pension and other postretirement plans. These plans vary based on the country and local practices. Merrill Lynch reserves the right to amend or terminate these plans at any time. Refer to Note 12 of the 2008 Annual Report for a complete discussion of employee benefit plans.

Effective January 1, 2009, Merrill Lynch's employee benefit plans were assumed by Bank of America.

Defined Benefit Pension Plans

Pension cost for the three months ended March 31, 2009 and March 28, 2008, for Merrill Lynch's defined benefit pension plans, included the following components:

(dollars in millions)

	Successor Company			Predecessor Company		
	Three Months Ended March 31, 2009			Three Months Ended March 28, 2008		
	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Service cost	$ -	$ 6	$ 6	$ -	$ 7	$ 7
Interest cost	25	17	42	24	21	45
Expected return on plan assets	(37)	(17)	(54)	(29)	(22)	(51)
Amortization of net (gains)/losses, prior service costs and other	-	-	-	-	4	4
Total defined benefit pension cost	$(12)	$ 6	$ (6)	$ (5)	$ 10	$ 5

Merrill Lynch disclosed in its 2008 Annual Report that it expected to pay $1 million of benefit payments to participants in the U.S. non-qualified pension plan and Merrill Lynch expected to contribute $120 million and $55 million respectively to its U.S. and non-U.S. defined benefit pension plans in 2009. Merrill Lynch does not expect contributions to differ significantly from amounts previously disclosed.

Postretirement Benefits Other Than Pensions

Other postretirement benefit cost for the three months ended March 31, 2009 and March 28, 2008 were $4 million and $3 million, respectively. Approximately 93% of the postretirement benefit cost components for the period relate to the U.S. postretirement plan.

Note 15. Income Taxes

Merrill Lynch is under examination by the Internal Revenue Service ("IRS") and other tax authorities in countries and states in which Merrill Lynch has significant business operations. The tax years under examination vary by jurisdiction. The IRS audits for the years 2005 and 2006 may be completed in 2009. Adjustments are expected for two issues which Merrill Lynch will challenge. The issues involve eligibility for the dividend received deduction and foreign tax credits with respect to certain transactions. The IRS proposed adjustments for these two issues in the audit for the year 2004. During 2008, Japan tax authorities completed the audit of the fiscal tax years April 1, 2003 through March 31, 2007. An assessment reflecting the Japanese tax authorities' view that certain income on which Merrill Lynch previously paid income tax to other international jurisdictions, primarily the U.S., should have been allocated to Japan was issued and paid in 2008. Similar to the Japan tax assessment received in 2005, Merrill Lynch is in the process of obtaining clarification from international authorities (Competent Authority) on the appropriate allocation of income among multiple jurisdictions to prevent double taxation. The audits in the U.K. for the tax year 2006 and in Germany for the tax year 2007 are also in progress and may be completed during 2009. The Canadian tax authorities completed the audit for the tax years 2004 and 2005 during the first quarter of 2009. New York State and New York City audits are in progress for the years 2002 through 2006.

Depending on the outcomes of multi-jurisdictional global audits and the ongoing Competent Authority proceeding with respect to the Japan assessments, it is reasonably possible Merrill Lynch's unrecognized tax benefits may be reduced during the next 12 months, either because Merrill Lynch's

tax positions are sustained on audit or Merrill Lynch agrees to settle certain issues. Merrill Lynch's unrecognized tax benefits may decrease by as much as $320 million during that period since resolved items would be removed from the unrecognized tax benefit balance whether their resolution resulted in payment or recognition.

On March 31, 2009, Merrill Lynch's net deferred tax asset was approximately $18 billion. This balance included the January 1, 2009 impact of measuring Merrill Lynch's deferred tax assets and liabilities under the acquisition method of accounting in accordance with SFAS No. 141(R). This measurement process resulted in an adjustment to certain deferred tax assets and liabilities, including a $1 billion reduction to valuation allowances primarily associated with the U.S. federal capital losses and foreign tax credit carryforwards. The remeasured net deferred tax asset includes carryforward amounts generated in the U.S. and U.K. that are deductible in the future as net operating losses ("NOLs"). The U.K. NOL deferred tax asset of approximately $10 billion has an unlimited carryforward period but, due to change-in-control limitations in the three years prior to and following the change in ownership, can be jeopardized by certain major changes in the nature or conduct of the U.K. businesses. The U.S. federal NOL of $12 billion, which is represented by a deferred tax asset of approximately $4 billion, can be carried forward against future tax periods of Bank of America until 2028. Merrill Lynch has concluded that no valuation allowances are necessary to reduce NOL deferred tax assets since estimated future taxable income will more likely than not be sufficient to utilize the assets prior to expiration.

Note 16. Regulatory Requirements

Prior to its acquisition by Bank of America, Merrill Lynch was 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, Merrill Lynch computed allowable capital and risk allowances consistent with Basel II capital standards; permitted the SEC to examine the books and records of ML & Co. and any affiliate that did not have a principal regulator; and had various additional SEC reporting, record-keeping, and notification requirements.

As a wholly-owned subsidiary of Bank of America, a bank holding company that is also a financial holding company, Merrill Lynch is subject to the oversight of, and inspection by, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board" or "FRB").

Certain U.S. and non-U.S. subsidiaries are subject to various securities and banking regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These regulatory restrictions may impose regulatory capital requirements and limit the amounts that these subsidiaries can pay in dividends or advance to Merrill Lynch. Merrill Lynch's principal regulated subsidiaries are discussed below.

Securities Regulation

As a registered broker-dealer, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 ("the Rule"). Under the alternative method permitted by the Rule, the minimum required net capital, as defined, shall be the greater of 2% of aggregate debit items ("ADI") arising from customer transactions or $500 million in accordance with Appendix E of the Rule. At March 31, 2009, MLPF&S's regulatory net capital of $4.4 billion was approximately 43% of ADI, and its regulatory net capital in excess of the SEC minimum required was $3.8 billion.

As a futures commission merchant, MLPF&S is also subject to the capital requirements of the Commodity Futures Trading Commission ("CFTC"), which requires that minimum net capital should not be less than 8% of the total customer risk margin requirement plus 4% of the total non-customer risk margin requirement. MLPF&S regulatory net capital of $4.4 billion exceeded the CFTC minimum requirement of $565 million by $3.8 billion.

Merrill Lynch International ("MLI"), a U.K. regulated investment firm, is subject to capital requirements of the Financial Services Authority ("FSA"). Financial resources, as defined, must exceed the total financial resources requirement set by the FSA. At March 31, 2009, MLI's financial resources were $15.8 billion, exceeding the minimum requirement by $3.9 billion.

Merrill Lynch Japan Securities Co., Ltd. ("MLJS"), a Japan-based regulated broker-dealer, is subject to capital requirements of the Japanese Financial Services Agency ("JFSA"). Net capital, as defined, must exceed 120% of the total risk equivalents requirement of the JFSA. At March 31, 2009, MLJS's net capital was $1.4 billion, exceeding the minimum requirement by $815 million.

Merrill Lynch Government Securities Inc. ("MLGSI") was a primary dealer in U.S. Government securities. As a result of the Bank of America acquisition of Merrill Lynch, MLGSI was delisted as a primary U.S. Government securities dealer in February 2009.

Banking Regulation

Merrill Lynch Bank USA ("MLBUSA") is a Utah-chartered industrial bank, regulated by the Federal Deposit Insurance Corporation ("FDIC") and the State of Utah Department of Financial Institutions ("UTDFI"). Merrill Lynch Bank & Trust Co., FSB ("MLBT-FSB") is a full service thrift institution regulated by the Office of Thrift Supervision ("OTS"), whose deposits are insured by the FDIC. Both MLBUSA and MLBT-FSB are required to maintain capital levels that at least equal minimum capital levels specified in federal banking laws and regulations. Failure to meet the minimum levels will result in certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on the banks. The following table illustrates the actual capital ratios and capital amounts for MLBUSA and MLBT-FSB as of March 31, 2009.

(dollars in millions)

	Well Capitalized Minimum	MLBUSA Actual Ratio	MLBUSA Actual Amount	MLBT-FSB Actual Ratio	MLBT-FSB Actual Amount
Tier 1 leverage	5%	8.72%	$5,554	8.78%	$3,050
Tier 1 capital	6%	14.58%	5,554	12.81%	3,050
Total capital	10%	14.59%	5,558	12.84%	3,057

As a result of its ownership of MLBT-FSB, ML & Co. is registered with the OTS as a savings and loan holding company ("SLHC") and is subject to regulation and examination by the OTS as a SLHC. As a result of the Bank of America acquisition, ML & Co. has requested that it be deregistered as a SLHC.

Merrill Lynch International Bank Limited ("MLIB"), an Ireland-based regulated bank, is subject to the capital requirements of the Irish Financial Services Regulatory Authority ("IFSRA"). MLIB is required to meet minimum regulatory capital requirements under the European Union ("EU") banking law as implemented in Ireland by the IFSRA. At March 31, 2009, MLIB's financial resources were $13.7 billion, exceeding the minimum requirement by $2.6 billion.

Note 17. Discontinued Operations

During the three months ended March 28, 2008, Merrill Lynch recorded pre-taxes losses of $25 million and net earnings of $7 million within discontinued operations. Such results were associated with Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York, which were sold in 2007, and Merrill Lynch Capital, which was sold in 2008.

Note 18. Restructuring Charge

Merrill Lynch recorded a pre-tax restructuring charge of approximately $486 million during 2008. This charge was comprised of severance costs of $348 million and expenses related to the accelerated amortization of previous granted equity-based compensation awards of $138 million.

During 2008, Merrill Lynch made cash payments, primarily severance related, of $331 million, resulting in a remaining liability balance of $17 million as of December 26, 2008. During the first quarter of 2009, Merrill Lynch made cash payments, primarily severance related, of $7 million, resulting in a remaining liability balance of $10 million as of March 31, 2009. This liability is recorded in other payables on the Condensed Consolidated Balance Sheets.

Note 19. Related Party Transactions

Merrill Lynch has entered into various transactions with Bank of America, primarily in connection with certain sales and trading and financing activities. Details on amounts receivable from and payable to Bank of America as of March 31, 2009 are presented below:

Receivables from Bank of America are comprised of:

(dollars in millions)	
Cash and cash equivalents	$ 7,518
Cash and securities segregated for regulatory purposes	1,010
Receivables under securities borrrowed transactions	28
Trading assets	1,136
Other receivables	54
Loans, notes and mortgages	7,761
Total	$17,507

Payables to Bank of America are comprised of:

(dollars in millions)	
Payables under repurchase agreements	$18,690
Payables under securities loaned transactions	5,759
Trading liabilities	497
Other payables	267
Total	$25,213

Revenues and expenses related to transactions with Bank of America were not material for the three months ended March 31, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results Of Operations

Forward-Looking Statements and Non-GAAP Financial Measures

We have included certain statements in this report which may be considered forward-looking, including those about management expectations and intentions, the impact of off-balance sheet exposures, significant contractual obligations and anticipated results of litigation and regulatory investigations and proceedings. These forward-looking statements represent only Merrill Lynch & Co., Inc.'s ("ML & Co." and, together with its subsidiaries, "Merrill Lynch", the "Company", the "Corporation", "we", "our" or "us") beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond our control, which affect our operations, performance, business strategy and results and could cause our actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, actions and initiatives taken by both current and potential competitors and counterparties, general economic conditions, market conditions, the effects of current, pending and future legislation, regulation and regulatory actions, the actions of rating agencies and the other risks and uncertainties detailed in this report. See "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 26, 2008 (the "2008 Annual Report"). Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. The reader should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

From time to time, we may also disclose financial information on a non-GAAP basis where management uses this information and believes this information will be valuable to investors in gauging the quality of our financial performance, identifying trends in our results and providing more meaningful period-to-period comparisons.

Introduction

Merrill Lynch was formed in 1914 and became a publicly traded company on June 23, 1971. In 1973, we created the holding company, ML & Co., a Delaware corporation that, through its subsidiaries, is one of the world's leading capital markets, advisory and wealth management companies. We are a leading global trader and underwriter of securities and derivatives across a broad range of asset classes, and we serve as a strategic advisor to corporations, governments, institutions and individuals worldwide. In addition, as of March 31, 2009, we owned approximately half of the economic interest of BlackRock, Inc. ("BlackRock"), one of the world's largest publicly traded investment management companies with approximately $1.3 trillion in assets under management at March 31, 2009.

Bank of America Acquisition

On January 1, 2009, Merrill Lynch was acquired by Bank of America Corporation ("Bank of America") through the merger of a wholly owned subsidiary of Bank of America with and into ML & Co. with ML & Co. continuing as the surviving corporation and a wholly owned subsidiary of Bank of America. Upon completion of the acquisition, each outstanding share of ML & Co. common stock was converted into 0.8595 shares of Bank of America common stock. As of the completion of the acquisition, ML & Co. Series 1 through Series 8 preferred stock were converted into Bank of America preferred stock with substantially identical terms to the corresponding series of Merrill Lynch preferred stock (except for additional voting rights provided to the Bank of America securities). The Merrill Lynch 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 2, and

9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 3 that was outstanding immediately prior to the completion of the acquisition remained issued and outstanding subsequent to the acquisition, but are now convertible into Bank of America common stock.

Bank of America's cost of acquiring Merrill Lynch has been pushed down to form a new accounting basis for Merrill Lynch. Accordingly, the Condensed Consolidated Financial Statements appearing in Part I, Item 1 of this Form 10-Q are presented for Merrill Lynch for periods occurring prior to the acquisition by Bank of America (the "Predecessor Company") and subsequent to the January 1, 2009 acquisition (the "Successor Company"). The Predecessor Company and Successor Company periods have been separated by a vertical line on the face of the Condensed Consolidated Financial Statements to highlight the fact that the financial information for such periods has been prepared under two different cost bases of accounting.

Effective January 1, 2009, Merrill Lynch adopted calendar quarter-end and year-end reporting periods to coincide with those of Bank of America. As a result, the following discussion of the results of operations for the first quarter of 2009 refers to the period from January 1, 2009 through March 31, 2009, while the first quarter of 2008 refers to the period from December 29, 2007 through March 28, 2008. The intervening period between Merrill Lynch's previous fiscal year end (December 26, 2008) and the beginning of the current quarter (January 1, 2009) is presented separately on the Condensed Consolidated Statements of Earnings / (Loss).

In connection with our acquisition by Bank of America, we evaluated the provisions of Statement of Financial Accounting Standards ("SFAS") No. 131, *"Disclosures about Segments of an Enterprise and Related Information*" ("SFAS No. 131"), in the first quarter of 2009. Pursuant to SFAS No. 131, operating segments represent components of an enterprise for which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. Based upon how the chief operating decision maker of Merrill Lynch reviews our results, it was determined that Merrill Lynch does not contain any identifiable operating segments under SFAS No. 131. As a result, the financial information of Merrill Lynch is presented as a single segment.

As a result of the acquisition of Merrill Lynch by Bank of America, certain information is not required in this Form 10-Q as permitted by general Instruction H of Form 10-Q. We have also abbreviated Management's Discussion and Analysis of Financial Condition and Results of Operations as permitted by general Instruction H.

Company Results

We reported net income from continuing operations for the three months ended March 31, 2009 of $3.7 billion, compared with a net loss from continuing operations of $2.0 billion for the three months ended March 28, 2008. Revenues, net of interest expense ("net revenues") for the three months ended March 31, 2009 were $10.0 billion, compared with $2.9 billion in the prior-year period, while the pre-tax gain from continuing operations was $5.2 billion for the three months ended March 31, 2009 compared with a pre-tax loss of $3.3 billion for the three months ended March 28, 2008.

Net revenues and net earnings during the first three months of 2009 reflected improved sales and trading results, including solid revenues from rates and currencies, which benefited from increased volatility during the quarter, and commodities, which were up primarily as a result of trading in the power and natural gas markets. Revenues from mortgage products also increased due to lower net write-downs on mortgage exposures as compared with the prior year period. The quarter's results also included a $2.2 billion gain due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of Merrill Lynch's long-term debt liabilities. These increases were partially offset by lower investment banking revenues and lower revenues from our global wealth management activities.

In the prior-year period, net revenues and earnings were adversely affected by net losses within our fixed income trading business, which included write-downs of $1.5 billion related to U.S. asset-backed collateralized debt obligations ("ABS CDOs") and $3.0 billion of credit valuation adjustments related to hedges with financial guarantors, most of which related to U.S. super senior ABS CDOs. The write-downs were partially offset by a net gain of $2.1 billion due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of Merrill Lynch's long-term debt liabilities.

Transactions with Bank of America

Subsequent to the Bank of America acquisition, certain assets and liabilities were transferred at fair value between Merrill Lynch and Bank of America. These transfers were made in connection with efforts to manage risk in a more effective and efficient manner at the consolidated Bank of America level. The assets and liabilities transferred related to sales and trading activities and included positions associated with the rates and currency, equity and mortgage products trading businesses. These transfers included approximately $47 billion of both assets and liabilities transferred from Merrill Lynch to Bank of America, primarily U.S. matched book repurchase positions and mortgage positions. In addition, approximately $2 billion of commercial mortgage-backed securities were transferred to Bank of America. Approximately $16 billion of assets were transferred from Bank of America to Merrill Lynch, primarily equity related positions. In the future, Merrill Lynch and Bank of America may continue to transfer certain assets and liabilities to (and from) each other.

Other Events

On January 16, 2009, due to larger than expected fourth quarter losses at Merrill Lynch, the U.S. government and Bank of America entered into an agreement in principle in which the U.S. government would provide protection against the possibility of unusually large losses on a pool of Bank of America's financial instruments. As of the time of filing this document, Bank of America has not entered into a binding agreement with the U.S. government.

RESULTS OF OPERATIONS

(dollars in millions, except per share amounts)

	Successor Company	Predecessor Company		
	Three Months Ended March 31, 2009	For the Period December 27, 2008 to December 31, 2008	Three Months Ended March 28, 2008	% Change[1]
Revenues				
Principal transactions	$5,778	$ (280)	$ (2,418)	N/M%
Commissions	1,243	22	1,889	(34)
Managed account and other fee-based revenues	1,103	22	1,455	(24)
Investment banking	606	12	917	(34)
Earnings from equity method investments	40	-	431	(91)
Other	260	19	(1,449)	N/M
Subtotal	9,030	(205)	825	N/M
Interest and dividend revenues	4,379	34	11,861	(63)
Less interest expense	3,455	-	9,752	(65)
Net interest profit	924	34	2,109	(56)
Revenues, net of interest expense	9,954	(171)	2,934	N/M
Non-interest expenses:				
Compensation and benefits	3,142	64	4,196	(25)
Communications and technology	397	-	555	(28)
Brokerage, clearing, and exchange fees	252	10	387	(35)
Occupancy and related depreciation	255	-	309	(17)
Professional fees	99	-	242	(59)
Advertising and market development	105	-	176	(40)
Office supplies and postage	40	-	57	(30)
Other	419	-	313	34
Total non-interest expenses	4,709	74	6,235	(24)
Pre-tax earnings/(loss) from continuing operations	5,245	(245)	(3,301)	N/M
Income tax expense/(benefit)	1,585	(92)	(1,332)	N/M
Net earnings/(loss) from continuing operations	3,660	(153)	(1,969)	N/M
Discontinued operations:				
Pre-tax (loss) from discontinued operations	-	-	(25)	N/M
Income tax (benefit)	-	-	(32)	N/M
Net earnings from discontinued operations	-	-	7	N/M
Net earnings/(loss)	3,660	(153)	(1,962)	N/M
Preferred stock dividends	15	-	174	N/M
Net earnings/(loss) applicable to common stockholders	$3,645	$ (153)	$ (2,136)	N/M
Basic (loss) per common share from continuing operations	N/A	$(0.10)	$ (2.20)	N/M
Basic earnings per common share from discontinued operations	N/A	-	0.01	N/M
Basic (loss) per common share	N/A	$(0.10)	$ (2.19)	N/M
Diluted (loss) per common share from continuing operations	N/A	$(0.10)	$ (2.20)	N/M
Diluted earnings per common share from discontinued operations	N/A	-	0.01	N/M
Diluted (loss) per common share	N/A	$(0.10)	$ (2.19)	N/M

Note: Certain prior period amounts have been reclassified to conform to the current period presentation.
N/M = Not meaningful.
N/A = Earnings per share information is not applicable to the Successor Company period since Merrill Lynch is now a wholly-owned subsidiary of Bank of America.
(1) Percentages refer to the changes between the three months ended March 31, 2009 and the three months ended March 28, 2008.

Consolidated Results of Operations

Our net income from continuing operations for the three months ended March 31, 2009 was $3.7 billion compared with a net loss from continuing operations of $2.0 billion for the three months ended March 28, 2008. Net revenues for the three months ended March 31, 2009 were $10.0 billion compared with $2.9 billion for the prior year period. The results in 2009 primarily reflected improved performance from our rates and currencies, commodities and credit products businesses. The quarter's results also included a $2.2 billion gain due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities. The net losses for the quarter ended March 28, 2008 were primarily driven by our credit and structured finance and investment businesses. These businesses were impacted by the deterioration of the credit markets that occurred during that period, resulting in net losses on our U.S. ABS CDO, sub-prime, Alt-A, and Non-U.S. residential mortgage positions and leveraged finance commitments.

Principal transactions revenues include both realized and unrealized gains and losses on trading assets and trading liabilities and investment securities classified as trading investments. Principal transactions revenues were $5.8 billion for the three months ended March 31, 2009 compared with negative $2.4 billion for the three months ended March 28, 2008. The results for 2009 reflected strong revenues from our rates and currencies business due to increased volatility in the interest rate markets, leading to wider spreads; the flight to safety to U.S. Treasuries and Agencies; and good customer flow. Commodities revenues also increased, reflecting higher revenues from trading in the power and natural gas markets. Revenues from mortgage products increased due to lower net write-downs on mortgage exposures as compared with the prior year period. Equity trading revenues also increased, reflecting improved results from equity derivatives and convertible bond trading. The quarter's results also included net gains due to the impact of the widening of Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities. The negative principal transaction revenues in the first quarter of 2008 were driven primarily by net losses in our credit and structured finance and investment businesses, which includes our U.S. ABS CDO and residential mortgage-related businesses. The difficult credit environment that existed during the first quarter of 2008, evidenced by widening credit spreads, forced liquidations, high volatility, lack of market liquidity for many credit products, and the U.S. housing market downturn, all contributed to the decline in revenues from these businesses. These losses were partially offset by net gains from the widening of Merrill Lynch's credit spreads on the carrying value of certain of our long-term debt liabilities.

Net interest profit is a function of (i) the level and mix of total assets and liabilities, including trading assets owned, deposits, financing and lending transactions, and trading strategies associated with our businesses, and (ii) the prevailing level, term structure and volatility of interest rates. Net interest profit is an integral component of trading activity. In assessing the profitability of our client facilitation and trading activities, we view principal transactions and net interest profit in the aggregate as net trading revenues. Changes in the composition of trading inventories and hedge positions can cause the mix of principal transactions and net interest profit to fluctuate from period to period. Net interest profit was $924 million for the three months ended March 31, 2009 as compared with $2.1 billion in the prior year period. The decline was primarily due to decreased interest revenues generated as a result of lower asset levels and stated interest rates on those assets, partially offset by lower interest expense associated with reduced funding levels and lower interest rates on such funding in our sales and trading businesses.

Commissions revenues primarily arise from agency transactions in listed and OTC equity securities and commodities, insurance products and options. Commissions revenues also include distribution fees for promoting and distributing mutual funds. Commissions revenues were $1.2 billion for the three months ended March 31, 2009, down 34% from the prior year period, driven primarily by lower revenues from our global cash equity trading business resulting from lower transaction volumes. Commission revenues

from our global wealth management activities also declined as compared with the prior year as challenging market conditions resulted in reduced transaction volume for certain products.

Managed accounts and other fee-based revenues primarily consist of asset-priced portfolio service fees earned from the administration of separately managed and other investment accounts for retail investors, annual account fees, and certain other account-related fees. Managed accounts and other fee-based revenues were $1.1 billion for the three months ended March 31, 2009, a decrease of 24% from the prior year period. The decline was primarily associated with lower fee-based revenues from our global wealth management activities, reflecting lower fee-based asset levels as a result of difficult market conditions, including a decline in equity valuations.

Investment banking revenues include (i) origination revenues representing fees earned from the underwriting of debt, equity and equity-linked securities, as well as loan syndication and commitment fees and (ii) strategic advisory services revenues including merger and acquisition and other investment banking advisory fees. Investment banking revenues were $606 million for the three months ended March 31, 2009, down 34% from the prior year period. As a result of Bank of America's acquisition of Merrill Lynch, beginning in 2009, certain debt origination activities that were formerly conducted by Merrill Lynch are now being conducted within the Bank of America platform, while certain equity origination activities that were formerly conducted by Bank of America are now being conducted within the Merrill Lynch platform.

Earnings from equity method investments include our pro rata share of income and losses associated with investments accounted for under the equity method of accounting. Earnings from equity method investments were $40 million for the three months ended March 31, 2009, down from $431 million for the three months ended March 28, 2008. The decrease primarily reflected lower revenues from certain investments, including alternative investment management companies. The prior year quarter included revenues associated with our investment in Bloomberg, L.P., which was sold in July 2008. Refer to Note 5 of the 2008 Annual Report for further information on equity method investments.

Other revenues include gains and losses on investment securities, including certain available-for-sale securities, gains and losses on private equity investments, and gains and losses on loans and other miscellaneous items. Other revenues were $260 million for the three months ended March 31, 2009, compared with negative $1.4 billion in the prior year period. Other revenues in 2009 were primarily associated with an increase in the value of certain loans that are accounted for under the fair value option in accordance with SFAS No. 159, *Fair Value Option for Certain Financial Assets and Liabilities*. The negative revenues for 2008 primarily reflected write-downs of approximately $900 million on leveraged finance commitments and other-than-temporary impairment charges on available for sale securities of approximately $400 million.

Compensation and benefits expenses were $3.1 billion for the three months ended March 31, 2009 and $4.2 billion in the prior year period. The year over year decrease primarily reflects lower compensation costs as a result of reduced headcount levels. In addition, amortization expense associated with prior year stock-based compensation awards decreased as a result of the revaluation of these awards due to purchase accounting adjustments that were recorded in connection with the acquisition of Merrill Lynch by Bank of America.

Non-compensation expenses were $1.6 billion for the quarter ended March 31, 2009, down 23% from 2008. Brokerage, clearing and exchange fees were $252 million, down 35%, primarily associated with decreased transaction volumes. Professional fees were $99 million, down 59% primarily due to lower legal fees. Other expenses were $419 million, an increase of 34% from the prior year, primarily reflecting the amortization of intangible assets that were recorded in connection with the acquisition of Merrill Lynch by Bank of America.

Income taxes from continuing operations for the first quarter of 2009 were $1.6 billion. The effective tax rate for the first quarter of 2009 was 30.2% compared with 40.4% for the prior-year period. The decrease in the effective tax rate reflected changes in Merrill Lynch's geographic mix of earnings.

The majority of the income of certain foreign subsidiaries is not currently subject to U.S. income tax as a result of deferral provisions applicable to active financing income. These provisions are scheduled to expire for taxable years beginning on or after January 1, 2010. Absent an extension of these provisions, active financing income earned by foreign subsidiaries after expiration will be subject to a tax provision that considers the incremental U.S. tax. Merrill Lynch does not expect the impact, which will depend upon the amount and geographic mix of future earnings, to drive Merrill Lynch's effective tax rate higher than the U.S. statutory tax rates for 2010.

U.S. ABS CDO and Other Mortgage-Related Activities

Capital markets showed signs of improvement in the first quarter of 2009. Market dislocations that occurred throughout 2008 continued to impact our results in the first quarter of 2009, but to a lesser extent in comparison with the losses we incurred on CDOs and other mortgage related products in the first quarter of 2008.

Residential Mortgage-Related Activities (excluding the Investment Securities *Portfolio)*

U.S. Prime: We had net exposures of $33 billion at March 31, 2009, which consisted primarily of prime mortgage whole loans, including approximately $30 billion of prime loans originated with clients of our global wealth management business.

In addition to our U.S. prime related net exposures, we also had net exposures related to other residential mortgage-related activities. Significant activities consisted of the following:

U.S. Sub-prime: We had net exposures of $(504) million at March 31, 2009, compared with $195 million at December 26, 2008. As of March 31, 2009, our U.S. Sub-prime exposures consisted mainly of secondary trading exposures related to our residential mortgage-backed securities business, which consist of trading activity including credit default swaps ("CDS") on single names and indices. We value residential mortgage-backed securities based on observable prices and where prices are not observable, values are based on modeling the present value of projected cash flows that we expect to receive, based on the actual and projected performance of the mortgages underlying a particular securitization. Key determinants affecting our estimates of future cash flows include estimates for borrower prepayments, delinquencies, defaults and loss severities.

Non-U.S.: We had net exposures of $2.9 billion at March 31, 2009, which consisted primarily of residential mortgage whole loans originated in the U.K., as well as through mortgage originators in the Pacific Rim and asset-based lending facilities backed by residential whole loans. Non-U.S. net exposures decreased 15% during the first three months of 2009 due primarily to sales and foreign exchange revaluations. For loans carried at fair value, given the significant illiquidity in the securitization market, values are based on modeling the present value of projected cash flows that we expect to receive, based on the actual and projected performance of the mortgages. Key determinants affecting our estimates of future cash flows include estimates for borrower prepayments, delinquencies, defaults, and loss severities.

The following table provides a summary of our residential mortgage-related net exposures and losses, excluding net exposures to residential mortgage-backed securities held in our investment securities portfolio, which are described in the *Investment Securities Portfolio* section below.

(dollars in millions)

	Predecessor Company			Successor Company
	Net exposures as of Dec. 26, 2008	Net gains/(losses) reported in income	Other net changes in net exposures[1]	Net exposures as of Mar. 31, 2009
Residential Mortgage-Related (excluding the investment securities portfolio):				
U.S. Prime[2]	**$34,799**	**$167**	**$(1,986)**	**$32,980**
Other Residential:				
U.S. Sub-prime	$ 195	$ 21	$ (720)	$ (504)
U.S. Alt-A	27	1	1	29
Non-U.S.	3,380	8	(519)	2,869
Total Other Residential[3]	**$ 3,602**	**$ 30**	**$(1,238)**	**$ 2,394**

(1) Change in U.S. Prime exposure is primarily associated with a reclassification of approximately $2 billion of loans from U.S. Prime — Residential to Commercial Real Estate. See the Commercial Real Estate table below.

(2) As of March 31, 2009, net exposures include approximately $30.1 billion of prime loans originated with clients of our global wealth management business (of which $13.1 billion were originated by First Republic Bank).

(3) Includes warehouse lending, whole loans and residential mortgage-backed securities.

U.S. ABS CDO Activities

In addition to our U.S. sub-prime residential mortgage-related exposures, we have exposure to U.S. ABS CDOs, which are securities collateralized by a pool of asset-backed securities (“ABS”), for which the underlying collateral is primarily sub-prime residential mortgage loans.

We engaged in the underwriting and sale of U.S. ABS CDOs, which involved the following steps: (i) determining investor interest or responding to inquiries or mandates received; (ii) engaging a collateralized debt obligation (“CDO”) collateral manager who is responsible for selection of the ABS securities that will become the underlying collateral for the U.S. ABS CDO securities; (iii) obtaining credit ratings from one or more rating agencies for U.S. ABS CDO securities; (iv) securitizing and pricing the various tranches of the U.S. ABS CDO at representative market rates; and (v) distributing the U.S. ABS CDO securities to investors or retaining them for Merrill Lynch. As a result of the continued deterioration in the sub-prime mortgage market, we did not underwrite any U.S. ABS CDOs in 2008 or 2009.

Our U.S. ABS CDO net exposure primarily consists of our super senior ABS CDO portfolio, as well as secondary trading exposures related to our ABS CDO business.

Super senior positions represent our exposure to the senior most tranche in an ABS CDO’s capital structure. This tranche’s claims have priority to the proceeds from liquidated cash ABS CDO assets.

At March 31, 2009, net exposures to U.S. super senior ABS CDOs were $562 million, down from $708 million at December 26, 2008. The remaining net exposure is predominantly comprised of U.S. super senior ABS CDOs based on mezzanine underlying collateral.

At March 31, 2009, the super senior ABS CDO long exposure was hedged with an aggregate of $704 million of short exposure, which was down from $1.1 billion at December 26, 2008. This reduction primarily reflected $326 million of mark-to-market gains

The following table provides an overview of changes to our U.S. super senior ABS CDO net exposures from December 26, 2008 to March 31, 2009.

U.S. Super Senior ABS CDO Exposure (dollars in millions)	Long	Short[(1)]	Net
Predecessor Company — December 26, 2008	$1,805	$(1,097)	$708
1Q09 Gains / (Losses)	(414)	326	(88)
1Q09 Liquidations/Amortization	(125)	34	(91)
1Q09 Terminations	-	33	33
Successor Company — March 31, 2009	$1,266	$ (704)	$562

(1) Hedges are affected by a variety of factors that impact the degree of their effectiveness. These factors may include differences in attachment point, timing of cash flows, control rights, limited recourse to counterparties and other basis risks.

In September 2008, we sold $30.6 billion gross notional amount of U.S. super senior ABS CDOs (the "Portfolio") to an entity owned and controlled by Lone Star Funds ("Lone Star") for a sales price of $6.7 billion. We provided a financing loan to the purchaser for approximately 75% of the purchase price. The recourse on this loan, which is not included in the table above, is limited to the assets of the purchaser, which consist solely of the Portfolio. All cash flows and distributions from the Portfolio (including sale proceeds) will be applied in accordance with a specified priority of payments. The loan had a carrying value of $4.6 billion at March 31, 2009. Events of default under the loan are customary events of default, including failure to pay interest when due and failure to pay principal at maturity. As of March 31, 2009, all scheduled payments on the loan have been received.

Monoline Financial Guarantors

We hedge a portion of our long exposures of U.S. super senior ABS CDOs with various market participants, including financial guarantors. We define financial guarantors as monoline insurance companies that provide credit support for a security either through a financial guaranty insurance policy on a particular security or through an instrument such as a credit default swap ("CDS"). Under a CDS, the financial guarantor generally agrees to compensate the counterparty to the swap for the deterioration in the value of the underlying security upon an occurrence of a credit event, such as a failure by the underlying obligor on the security to pay principal and/or interest.

We hedged a portion of our long exposures to U.S. super senior ABS CDOs with certain financial guarantors through the execution of CDS that are structured to replicate standard financial guaranty insurance policies, which provide for timely payment of interest and/or ultimate payment of principal at their scheduled maturity date. CDS gains and losses are based on the fair value of the referenced ABS CDOs. Depending upon the creditworthiness of the financial guarantor hedge counterparties, we may record credit valuation adjustments in estimating the fair value of the CDS.

At March 31, 2009, the carrying value of our hedges with financial guarantors related to U.S. super senior ABS CDOs was $1.4 billion, a decrease of $30 million from December 26, 2008.

The following table provides a summary of our total financial guarantor exposures for U.S. super senior ABS CDOs from December 26, 2008 to March 31, 2009.

(dollars in millions)

Credit Default Swaps with Financial Guarantors on U.S. Super Senior ABS CDOs	Notional of CDS	Net Exposure	Mark-to-Market Prior to Credit Valuation Adjustments	Life-to-Date Credit Valuation Adjustments	Carrying Value
Predecessor Company — December 26, 2008	$(2,831)	$(479)	$2,352	$ (894)	$1,458
Q109 Activity	2	223	221	(251)	(30)
Successor Company — March 31, 2009	$(2,829)	$(256)	$2,573	$(1,145)	$1,428

In addition to hedges with financial guarantors on U.S. super senior ABS CDOs, we also have hedges on certain long exposures related to corporate CDOs, Collateralized Loan Obligations ("CLOs"), Residential Mortgage-Backed Securities ("RMBS") and Commercial Mortgage-Backed Securities ("CMBS"). At March 31, 2009, the carrying value of our hedges with financial guarantors related to these types of exposures was $8.3 billion, of which approximately 31% pertains to CLOs and various high grade basket trades. The other 69% relates primarily to CMBS and RMBS in the U.S. and Europe.

The following table provides a summary of our total financial guarantor exposures to other referenced assets, as described above, other than U.S. super senior ABS CDOs, as of March 31, 2009.

(dollars in millions)

Credit Default Swaps with Financial Guarantors (Excluding U.S. Super Senior ABS CDOs)	Notional of CDS(1)	Net Exposure(2)	Mark-to-Market Prior to Credit Valuation Adjustments	Life-to-Date Credit Valuation Adjustments	Carrying Value(4)
By counterparty credit quality(3)					
AAA	$(17,340)	$(13,230)	$ 4,110	$(1,217)	$2,893
A	(1,182)	(889)	293	(102)	191
BBB	(22,499)	(15,391)	7,108	(2,974)	4,134
Non-investment grade or unrated	(8,814)	(6,186)	2,628	(1,569)	1,059
Total financial guarantor exposures	$(49,835)	$(35,696)	$14,139	$(5,862)	$8,277

(1) Represents the gross notional amount of CDS purchased as protection to hedge predominantly Corporate CDO, CLO, RMBS & CMBS exposure. Amounts do not include exposure with financial guarantors on U.S. super senior ABS CDOs which are reported separately above.

(2) Represents the notional of the total CDS, net of gains prior to credit valuation adjustments.

(3) Represents S&P rating band as of March 31, 2009.

(4) The total carrying value as of December 26, 2008 was $7,770 million.

Investment Securities Portfolio

The investment securities portfolio had historically consisted of investment securities comprising various asset classes held by Merrill Lynch Bank USA ("MLBUSA") and MLBT-FSB (the "Investment Securities Portfolio"). During the fourth quarter of 2008, in order to manage capital at MLBUSA, certain investment securities were transferred from MLBUSA to a consolidated non-bank entity. This transfer had no impact on how the investment securities were valued or the subsequent accounting

treatment. As of March 31, 2009, the net exposure of this portfolio was $8.4 billion. The cumulative balances in other comprehensive income/(loss) as of December 26, 2008 associated with this portfolio were eliminated as of January 1, 2009 as a result of purchase accounting adjustments recorded in connection with the acquisition of Merrill Lynch by Bank of America. We regularly (at least quarterly) evaluate each security whose value has declined below amortized cost to assess whether the decline in fair value is other-than-temporary. We value RMBS based on observable prices and where prices are not observable, values are based on modeling the present value of projected cash flows that we expect to receive, based on the actual and projected performance of the mortgages underlying a particular securitization. Key determinants affecting our estimates of future cash flows include estimates for borrower prepayments, delinquencies, defaults, and loss severities.

A decline in a debt security's fair value is considered to be other-than-temporary if it is probable that not all amounts contractually due will be collected. In assessing whether it is probable that all amounts contractually due will not be collected, we consider the following:

- The period of time over which it is estimated that the fair value will increase from the current level to at least the amortized cost level, or until principal and interest is estimated to be received;
- The period of time a security's fair value has been below amortized cost;
- The amount by which the security's fair value is below amortized cost;
- The financial condition of the issuer; and
- Management's intention to sell the security or if it is more likely than not that Merrill Lynch will be required to sell the security before the recovery of its amortized cost

Refer to Note 1 to the Condensed Consolidated Financial Statements for additional information.

The following table provides a summary of the Investment Securities Portfolio's net exposures and losses.

(dollars in millions)

	Predecessor Company					Successor Company
	Net exposures as of Dec. 26, 2008	Net purchase price adjustments	Net gains/(losses) reported in income	Unrealized gains/(losses) included in OCI (pre-tax)	Other net changes in net exposures[(1)]	Net exposures as of Mar. 31, 2009
Investment Securities Portfolio:						
Sub-prime residential mortgage-backed securities	$ 2,013	$ 24	$(19)	$(246)	$ (42)	$1,730
Alt-A residential mortgage-backed securities	2,295	(91)	-	444	(56)	2,592
Commercial mortgage-backed securities	3,125	149	-	(116)	(1,662)	1,496
Prime residential mortgage-backed securities	1,845	(76)	1	(12)	(146)	1,612
Non-residential asset-backed securities	626	(12)	-	(42)	1	573
Non-residential CDOs	329	(3)	(7)	(71)	(30)	218
Agency residential asset-backed securities and other	198	14	-	(30)	(35)	147
Total	**$10,431**	**$ 5**	**$(25)**	**$ (73)**	**$(1,970)**	**$8,368**

(1) Primarily represents principal paydowns, sales and hedges. The activity for commercial mortgage-backed securities was primarily associated with the sale of securities to Bank of America.

Commercial Real Estate

As of March 31, 2009, net exposures related to commercial real estate, excluding First Republic, totaled approximately $7.0 billion, down 28% from December 26, 2008. Net exposures related to First Republic were $4.9 billion at March 31, 2009 and $3.1 billion at the end of 2008.

The following table provides a summary of our Commercial Real Estate portfolio net exposures from December 26, 2008 to March 31, 2009.

(dollars in millions)

	Predecessor Company			Successor Company
	Net exposures as of Dec. 26, 2008	**Net gains/(losses) reported in income**	**Other net changes in net exposures(1)**	**Net exposures as of Mar. 31, 2009**
Commercial Real Estate:				
Whole Loans/Conduits	$3,845	$109	$ (431)	$3,523
Securities and Derivatives	174	74	(672)	(424)
Real Estate Investments(2)	5,685	(2)	(1,811)	3,872
Total Commercial Real Estate, excluding First Republic Bank	**$9,704**	**$181**	**$(2,914)**	**$6,971**
First Republic Bank(3)	**$3,119**	**$ 50**	**$ 1,775**	**$4,944**

(1) Includes sales, paydowns and foreign exchange revaluations. The changes in Real Estate Investments result primarily from purchase price adjustments recorded in connection with the acquisition of Merrill Lynch by Bank of America.

(2) The Company makes equity and debt investments in entities whose underlying assets are real estate. The Company consolidates those entities in which we are the primary beneficiary in accordance with FIN No. 46(R), Consolidation of Variable Interest Entities (revised December 2003) — an interpretation of ARB No. 51. The Company does not consider itself to have economic exposure to the total underlying assets in those entities. The amounts presented are the Company's net investment and therefore exclude the amounts that have been consolidated but for which the Company does not consider itself to have economic exposure.

(3) Change in First Republic Bank's exposure is primarily associated with a reclassification of approximately $2 billion of loans from U.S. Prime - Residential to Commercial Real Estate. See the Residential Mortgage-related table above.

OFF-BALANCE SHEET EXPOSURES

As a part of our normal operations, we enter into various off-balance sheet arrangements that may require future payments. The table and discussion below outline our significant off-balance sheet arrangements, as well as their future expirations, as of March 31, 2009. Refer to Note 13 to the Condensed Consolidated Financial Statements for further information:

(dollars in millions)

		Expiration			
	Total	**Less than 1 Year**	**1 - 3 Years**	**3^{+} - 5 Years**	**Over 5 Years**
Standby liquidity facilities	$ 6,907	$4,069	$ -	$2,838	$ -
Auction rate security guarantees	1,022	1,022	-	-	-
Residual value guarantees	738	322	96	320	-
Standby letters of credit and other guarantees	36,841	2,556	1,138	627	32,520

Standby Liquidity Facilities

Merrill Lynch provides standby liquidity facilities to certain municipal bond securitization special purpose entities ("SPEs"). In these arrangements, Merrill Lynch is required to fund these standby liquidity facilities if the fair value of the assets held by the SPE declines below par value and certain other contingent events take place. In those instances where the residual interest in the securitized trust is owned by a third party, any payments under the facilities are offset by economic hedges entered into by Merrill Lynch. In those instances where the residual interest in the securitized trust is owned by Merrill Lynch, any requirement to pay under the facilities is considered remote because Merrill Lynch, in most instances, will purchase the senior interests issued by the trust at fair value as part of its dealer market-making activities. However, Merrill Lynch will have exposure to these purchased senior interests. Refer also to Note 8 to the Condensed Consolidated Financial Statements for further information.

Auction Rate Security ("ARS") Guarantees

Under the terms of its announced purchase program as augmented by the global agreement reached with the New York Attorney General, the Securities and Exchange Commission, the Massachusetts Securities Division and other state securities regulators, Merrill Lynch agreed to purchase ARS at par from its retail clients, including individual, not-for-profit, and small business clients. Certain retail clients with less than $4 million in assets with Merrill Lynch as of February 13, 2008 were eligible to sell eligible ARS to Merrill Lynch starting on October 1, 2008. Other eligible retail clients meeting specified asset requirements were eligible to sell ARS to Merrill Lynch beginning on January 2, 2009. The final date of the ARS purchase program is January 15, 2010. Under the ARS purchase program, the eligible ARS held in accounts of eligible retail clients at Merrill Lynch as of March 31, 2009 was $1.0 billion. As of March 31, 2009 Merrill Lynch had purchased $7.5 billion of ARS from eligible clients. In addition, under the ARS purchase program, Merrill Lynch has agreed to purchase ARS from retail clients who purchased their securities from Merrill Lynch and transferred their accounts to other brokers prior to February 13, 2008. At March 31, 2009, a liability of $74 million has been recorded for our estimated exposure related to this guarantee.

Residual Value Guarantees

At March 31, 2009, residual value guarantees of $738 million included amounts associated with the Hopewell, NJ campus, aircraft leases and certain power plant facilities.

Standby Letters of Credit and Other FIN 45 Guarantees

Merrill Lynch provides guarantees to certain counterparties in the form of standby letters of credit in the amount of $2.7 billion. At March 31, 2009, Merrill Lynch held marketable securities of $396 million as collateral to secure these guarantees.

In conjunction with certain third party sponsored mutual funds, Merrill Lynch guarantees the return of principal investments or distributions as contractually specified. At March 31, 2009, Merrill Lynch's maximum potential exposure to loss with respect to these guarantees is $272 million assuming that the funds are invested exclusively in other general investments (i.e., the funds hold no risk-free assets), and that those other general investments suffer a total loss. As such, this measure significantly overstates Merrill Lynch's exposure or expected loss at March 31, 2009.

In connection with residential mortgage loan and other securitization transactions, Merrill Lynch typically makes representations and warranties about the underlying assets. If there is a material breach of such representations and warranties, Merrill Lynch may have an obligation to repurchase the assets or indemnify the purchaser against any loss. For residential mortgage loan and other securitizations, the maximum potential amount that could be required to be repurchased is the current outstanding asset balance. Specifically related to First Franklin activities, there is currently approximately $32 billion (including loans serviced by others) of outstanding loans that First Franklin sold in various asset sales and securitization transactions where management believes we may have an obligation to repurchase the asset or indemnify the purchaser against the loss if claims are made and it is ultimately determined that there has been a material breach related to such loans. Merrill Lynch has recognized a repurchase reserve liability of approximately $610 million at March 31, 2009 arising from these First Franklin residential mortgage sales and securitization transactions.

Derivatives

We record all derivative transactions at fair value on our Condensed Consolidated Balance Sheets. We do not monitor our exposure to derivatives based on the notional amount because that amount is not a relevant indicator of our exposure to these contracts, as it is not indicative of the amount that we would owe on the contract. Instead, a risk framework is used to define risk tolerances and establish limits to help to ensure that certain risk-related losses occur within acceptable, predefined limits. Since derivatives are recorded on the Condensed Consolidated Balance Sheets at fair value and the disclosure of the notional amounts is not a relevant indicator of risk, notional amounts are not provided for the off-balance sheet exposure on derivatives. Derivatives that meet the definition of a guarantee under FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indebtedness of Others*, and credit derivatives are included in Note 5 to the Condensed Consolidated Financial Statements.

Involvement with SPEs

We transact with SPEs in a variety of capacities, including those that we help establish as well as those initially established by third parties. Our involvement with SPEs can vary and, depending upon the accounting definition of the SPE (i.e., voting rights entity ("VRE"), variable interest entity ("VIE") or qualified special purpose entity ("QSPE")), we may be required to reassess prior consolidation and disclosure conclusions. An interest in a VRE requires reconsideration when our equity interest or management influence changes, an interest in a VIE requires reconsideration when an event occurs that was not originally contemplated (e.g., a purchase of the SPE's assets or liabilities), and an interest in a QSPE requires reconsideration if the entity no longer meets the definition of a QSPE. Refer to Note 1 to the Condensed Consolidated Financial Statements for a discussion of our consolidation accounting policies. Types of SPEs with which we have historically transacted include:

- **Municipal bond securitization SPEs:** SPEs that issue medium-term paper, purchase municipal bonds as collateral and purchase a guarantee to enhance the creditworthiness of the collateral.

- **Asset-backed securities SPEs:** SPEs that issue different classes of debt, from super senior to subordinated, and equity and purchase assets as collateral, including residential mortgages, commercial mortgages, auto leases and credit card receivables.

- **ABS CDOs:** SPEs that issue different classes of debt, from super senior to subordinated, and equity and purchase asset-backed securities collateralized by residential mortgages, commercial mortgages, auto leases and credit card receivables.

- **Synthetic CDOs:** SPEs that issue different classes of debt, from super senior to subordinated, and equity, purchase high-grade assets as collateral and enter into a portfolio of credit default swaps to synthetically create the credit risk of the issued debt.

- **Credit-linked note SPEs:** SPEs that issue notes linked to the credit risk of a company, purchase high-grade assets as collateral and enter into credit default swaps to synthetically create the credit risk to pay the return on the notes.

- **Tax planning SPEs:** SPEs are sometimes used to legally isolate transactions for the purpose of obtaining a particular tax treatment for our clients as well as ourselves. The assets and capital structure of these entities vary for each structure.

- **Trust preferred security SPEs:** These SPEs hold junior subordinated debt issued by ML & Co. or our subsidiaries, and issue preferred stock on substantially the same terms as the junior subordinated debt to third party investors. We also provide a parent guarantee, on a junior subordinated basis, of the distributions and other payments on the preferred stock to the extent that the SPEs have funds legally available. The debt we issue into the SPE is classified as long-term borrowings on our Condensed Consolidated Balance Sheets. The ML & Co. parent guarantees of its own subsidiaries are not required to be recorded in the Condensed Consolidated Financial Statements.

- **Conduits:** Generally, entities that issue commercial paper and subordinated capital, purchase assets, and enter into total return swaps or repurchase agreements with higher-rated counterparties, particularly banks. The Conduits generally have a liquidity and/or credit facility to further enhance the credit quality of the commercial paper issuance. A single seller conduit will execute total return swaps, repurchase agreements, and liquidity and credit facilities with one financial institution. A multi-seller Conduit will execute total return swaps, repurchase agreements, and liquidity and credit facilities with numerous financial institutions.

Our involvement with SPEs includes off-balance sheet arrangements discussed above, as well as the following activities:

- **Holder of Issued Debt and Equity:** Merrill Lynch invests in debt of third party securitization vehicles that are SPEs and also invests in SPEs that we establish. In Merrill Lynch formed SPEs, we may be the holder of debt and equity of an SPE. These holdings will be classified as trading assets, loans, notes and mortgages or investment securities. Such holdings may change over time at our discretion and rarely are there contractual obligations that require us to purchase additional debt or equity interests. Significant obligations are disclosed in the off-balance sheet arrangements table above.

- **Warehousing of Loans and Securities:** Warehouse loans and securities represent amounts maintained on our balance sheet that are intended to be sold into a trust for the purposes of securitization. We may retain these loans and securities on our balance sheet for the benefit of a CDO managed by a third party. Warehoused loans are carried as held for sale and warehoused securities are carried as trading assets.

- **Securitizations:** In the normal course of business, we securitize: commercial and residential mortgage loans; municipal, government, and corporate bonds; and other types of financial assets. Securitizations involve the selling of assets to SPEs, which in turn issue debt and equity securities ("tranches") with those assets as collateral. We may retain interests in the securitized financial assets through holding tranches of the securitization. See Note 8 to the Condensed Consolidated Financial Statements.

Funding

We fund our assets primarily with a mix of secured and unsecured liabilities through a globally coordinated funding strategy. We fund a portion of our trading assets with secured liabilities, including repurchase agreements, securities loaned and other short-term secured borrowings, which are less sensitive to our credit ratings due to the underlying collateral. Refer to Note 11 to the Condensed Consolidated Financial Statements for additional information regarding our borrowings.

Credit Ratings

Our credit ratings affect the cost and availability of our unsecured funding, and it is our objective to maintain high quality credit ratings. In addition, credit ratings are important when we compete in certain markets and when we seek to engage in certain long-term transactions, including OTC derivatives. Following the acquisition by Bank of America, the major credit rating agencies have indicated that the primary drivers of Merrill Lynch's credit ratings are Bank of America's credit ratings. The rating agencies have also noted that Bank of America's credit ratings currently reflect significant support from the U.S. government. In addition to Bank of America's credit ratings, other factors that influence our credit ratings include rating agencies' assessment of the general operating environment, our relative positions in the markets in which we compete, our reputation, our liquidity position, the level and volatility of our earnings, our corporate governance and risk management policies, and our capital management practices. Management maintains an active dialogue with the rating agencies.

The following table sets forth ML & Co.'s unsecured credit ratings as of May 5, 2009:

Rating Agency	Senior Debt Ratings	Subordinated Debt Ratings	Trust Preferred Ratings	Commercial Paper Ratings	Long-Term Debt Ratings Outlook
Dominion Bond Rating Service Ltd.	A	A (low)	A (low)	R-1 (middle)	Stable
Fitch Ratings	A+	A	BB	F1+	Stable
Moody's Investors Service, Inc.	A2	A3	Baa3	P-1	Stable
Rating & Investment Information, Inc. (Japan)	A+	A	Not rated	a-1	Negative
Standard & Poor's Ratings Services	A	A-	B	A-1	Credit Watch Negative

In connection with certain OTC derivatives transactions and other trading agreements, we could be required to provide additional collateral to or terminate transactions with certain counterparties in the event of a downgrade of the senior debt ratings of ML & Co. The amount of additional collateral required depends on the contract and is usually a fixed incremental amount and/or the market value of the exposure. At March 31, 2009, the amount of additional collateral and termination payments that would be required for such derivatives transactions and trading agreements was approximately $1.8 billion in the event of a downgrade to A- by all credit agencies. A further downgrade of ML & Co.'s long-term senior debt credit rating to the BBB+ or equivalent level would require approximately an additional $713 million. Our liquidity risk analysis considers the impact of additional collateral outflows due to changes in ML & Co. credit ratings, as well as for collateral that is owed by us and is available for payment, but has not been called for by our counterparties.

Liquidity Risk

Following the completion of Bank of America's acquisition of Merrill Lynch, ML & Co. became a subsidiary of Bank of America and established intercompany lending and borrowing arrangements to facilitate centralized liquidity management. Included in these intercompany agreements is an initial $75 billion one year, revolving unsecured line of credit that allows ML & Co. to borrow funds from Bank of America for operating requirements. Immediately following the acquisition, we placed a substantial portion of ML & Co.'s excess operating cash with Bank of America under an intercompany lending agreement. During the first quarter of 2009, ML & Co. continued to place excess operating cash with Bank of America and did not borrow against the line of credit.

We may also maintain excess liquidity, primarily in the form of cash and cash equivalents and unencumbered government securities, at our largest U.S. and international broker-dealer subsidiaries.

Unencumbered Loans and Securities

At March 31, 2009, unencumbered liquid assets were $58 billion, in the form of unencumbered investment grade asset-backed securities and prime residential mortgages were available at our regulated bank subsidiaries to meet potential deposit obligations, business activity demands and stressed liquidity needs of the bank subsidiaries. These unencumbered assets are generally restricted from transfer and unavailable as a liquidity source to ML & Co. and other non-bank subsidiaries.

At March 31, 2009, our non-bank subsidiaries, including broker-dealer subsidiaries, maintained $57 billion of unencumbered securities, including $9 billion of customer margin securities. These unencumbered securities are an important source of liquidity for broker-dealer activities and other individual subsidiary financial commitments, and are generally restricted from transfer and therefore unavailable to support liquidity needs of ML & Co. or other subsidiaries. Proceeds from encumbering customer margin securities are further limited to supporting qualifying customer activities.

Committed Credit Facilities

Prior to Merrill Lynch's acquisition by Bank of America, we maintained committed unsecured and secured credit facilities to cover regular and contingent funding needs. Following the completion of Bank of America's acquisition of Merrill Lynch on January 1, 2009, certain sources of liquidity were centralized. During the quarter ended March 31, 2009, ML & Co. repaid all outstanding amounts and terminated all of its external committed unsecured and secured credit facilities.

U.S. Government Liquidity Facilities

The U.S. Government created several temporary programs to enhance liquidity and provide stability to the financial markets following the deterioration of the credit markets in 2008. Merrill Lynch participated in a number of these programs. Following the completion of Bank of America's acquisition of Merrill Lynch and resulting integration activities, Merrill Lynch is no longer eligible to directly access certain liquidity facilities. In response, we established intercompany arrangements with Bank of America to ensure access to liquidity in the event of contingent funding requirements.

In March 2008, the Federal Reserve expanded its securities lending program to promote liquidity in the financing markets for Treasury securities and other collateral. Under the Term Securities Lending Facility ("TSLF"), the Federal Reserve lends Treasury securities to primary dealers secured for a term of 28 days by a pledge of other securities, including U.S. Treasuries and Agencies and a range of

investment grade corporate securities, municipal securities, mortgage-backed securities, and asset-backed securities.

Also in March 2008, the Federal Reserve established a Primary Dealer Credit Facility ("PDCF") to provide overnight funding to primary dealers in exchange for any tri-party eligible collateral.

We repaid all borrowings under the TSLF and PDCF during the first quarter of 2009. Merrill Lynch is no longer eligible to directly access the TSLF and PDCF following the removal of Merrill Lynch Government Securities Inc. from the Federal Reserve Bank of New York's primary U.S. government dealer list.

In October 2008, the Federal Reserve established the Commercial Paper Funding Facility ("CPFF") to provide a liquidity backstop to U.S. issuers of commercial paper. Also in October 2008, the FDIC established the Temporary Liquidity Guarantee Program ("TLGP"), to guarantee newly issued senior unsecured debt of banks, thrifts, and certain holding companies.

During the first quarter of 2009, we repaid substantially all borrowings under the CPFF and TLGP programs, which are reflected in the reduction of our outstanding commercial paper to $40 million at March 31, 2009 from $20.1 billion at December 26, 2008. Merrill Lynch is no longer eligible to issue under either program.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required pursuant to Instruction H(2).

Item 4. Controls and Procedures

Material Weaknesses Previously Disclosed

As discussed in Item 9A of our Annual Report on Form 10-K for the year ended December 26, 2008, we identified two material weaknesses in the design and operation of our internal controls. The first is related to the accounting for certain intercompany swaps with affiliates entered into by our parent company ML & Co., and the second involved the contemporaneous documentation and fair value hedge effectiveness requirements of SFAS No. 133 for a single material hedge relationship entered into in the fourth quarter of 2008. Additional change management and escalation controls and procedures have been put in place to remediate the material weakness related to certain intercompany swaps. However, there was an insufficient sample of events in the first quarter for us to test that these new procedures are operating effectively. The material weakness related to the contemporaneous documentation and fair value hedge effectiveness requirements of SFAS No. 133 has been fully remediated.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report and pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness and design of the Corporation's disclosure controls and procedures (as that term is defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation and solely due to the insufficient sample of events to validate the operating effectiveness of the Corporation's internal controls described above, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were not effective, as of the end of the period covered by this report, in recording, processing, summarizing and reporting information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act, within the time periods specified in the Securities and Exchange Commission's rules and forms. As a result of this conclusion, the financial statements for the period covered by this report were prepared with particular attention to the unremediated material weakness previously disclosed. Accordingly, management believes that the Condensed Consolidated Financial Statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented.

Changes in Internal Control over Financial Reporting

During the first quarter of fiscal 2009, as part of our plan to address the aforementioned material weaknesses, we put in place additional change management and escalation controls and procedures for certain intercompany swap transactions. In addition, the contemporaneous documentation and fair value hedge effectiveness requirements of SFAS No. 133 are now compliant with the Bank of America policies and procedures. These actions have strengthened our internal controls over financial reporting.

PART II — Other Information

Item 1. *Legal Proceedings*

Legal and Regulatory Matters

The following information supplements the discussion in Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 26, 2008.

Aquedotto Pugliese SpA v. Merrill Lynch International

In 2008, Merrill Lynch International ("MLI") was sued in Bari, Italy by Aquedotto Pugliese SpA ("AQP") in relation to the 2004 structuring and placement of a £165 million bond issue and related swap transactions designed to hedge that bond. AQP claimed that the bond/swap structure was not suitable for its needs. In March 2009, MLI and AQP reached an agreement in principle to resolve the litigation.

Auction Rate Litigation

In Re Merrill Lynch Auction Rate Securities Litigation (previously referenced as Burton and Stanton): On February 27, 2009, defendants filed a motion to dismiss the consolidated amended complaint.

Benistar

Gail A. Cahaly, et al. v. Benistar Property Exchange Trust Company, Inc, et al.: In a matter pending in the Superior Court of the Commonwealth of Massachusetts, Suffolk County, plaintiffs allege that Merrill Lynch Pierce Fenner & Smith Incorporated ("MLPF&S") aided and abetted a fraud and breach of fiduciary duty allegedly perpetrated by Benistar, a former client of Merrill Lynch. In 2002, following a trial, a jury rendered a verdict requiring Merrill Lynch to pay plaintiffs $8.6 million in compensatory damages. After the court granted Merrill Lynch's motion to vacate the verdict, the court granted plaintiffs' motion for a new trial. The parties' motions for summary judgment are pending and trial is scheduled to begin in June 2009. Plaintiffs seek $8.6 million in compensatory damages as well as unspecified punitive damages, consequential damages and attorney's fees. Plaintiffs have notified Merrill Lynch that they intend to file a motion for discovery-related sanctions.

Enron Litigation

Newby v. Enron Corp. et al.: On March 5, 2009, the U.S. District Court for the Southern District of Texas granted Merrill Lynch's motion for summary judgment and dismissed the claims against Merrill Lynch with prejudice.

IndyMac

IBEW Local 103 v. IndyMac MBS et al.: On January 20, 2009, MLPF&S, along with IndyMac MBS, IndyMac ABS, and other underwriters and individuals, were named as defendants in a putative class action complaint, entitled *IBEW Local 103 v. Indymac MBS et al.*, filed in the Superior Court of the State of California, County of Los Angeles, by purchasers of IndyMac mortgage pass-through certificates. The complaint alleges, among other things, that the mortgage loans underlying these

securities were improperly underwritten and failed to comply with the guidelines and processes described in the applicable registration statements and prospectus supplements, in violation of Sections 11 and 12 of the Securities Act of 1933, and seeks unspecified compensatory damages and rescission, among other relief.

In re Initial Public Offering Securities Litigation

On April 2, 2009, the parties executed a settlement agreement, which has been submitted to the U.S. District Court for the Southern District of New York for approval. If the District Court grants final approval to the settlement and the decision survives any appeals that may be brought, the settlement will resolve the claims of all settlement class members (as defined in the settlement agreement) who do not opt out.

MBIA Insurance Corporation CDO Litigation

MBIA Insurance Corporation and LaCrosse Financial Products, LLC v. Merrill Lynch Pierce Fenner and Smith Inc., and Merrill Lynch International: On April 30, 2009, MBIA Insurance Corporation and LaCrosse Financial Products, LLC filed a complaint in New York State Supreme Court, New York County, against MLPF&S and MLI. The complaint relates to certain credit default swap agreements and insurance agreements by which plaintiffs provided credit protection to the Merrill Lynch entities and other parties on certain collateralized debt obligation ("CDO") securities held by them. Plaintiffs claim that the Merrill Lynch entities did not adequately disclose the credit quality and other risks of the CDO securities and underlying collateral. The complaint alleges claims for fraud, negligent misrepresentation and breach of contract, among other claims, and seeks rescission and unspecified compensatory and punitive damages, among other relief.

Municipal Derivatives Litigation

By decision and order dated April 29, 2009, the United States District Court for the Southern District of New York granted the joint motion of Merrill Lynch and certain other defendants to dismiss the Consolidated Amended Complaint in *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950 (Master Docket No. 08-2516). The court gave plaintiffs twenty days to file an amended complaint.

Short Term Interest Rate Trading (STIRT) Matter

In February 2009, the positions of a trader who largely traded Scandinavian currencies and related interest rate indices and cross currency basis swaps on the Merrill Lynch International Bank's Short Term Interest Rate Trading desk were reviewed and subsequently marked down. Bank of America is cooperating with various regulatory authorities who are investigating the matter, both in the United States and in other countries.

Subprime Related Matters

In re Merrill Lynch & Co., Inc. Securities, Derivative, and ERISA Litigation: On March 3, 2009, the U.S. District Court for Southern District of New York preliminarily approved the Securities Action settlement and scheduled a fairness hearing on July 27, 2009 to determine whether it will grant final approval to the settlement. On March 17, 2009, the court preliminarily approved the ERISA Action settlement and scheduled a fairness hearing on July 27, 2009 to determine whether it will grant final approval to the settlement.

Louisiana Sheriffs' Pension & Relief Fund v. Conway, et al.: On April 21, 2009, the parties reached an agreement in principle to settle the case and dismiss all claims with prejudice. The settlement is subject to court approval.

Wyoming State Treasurer v. Merrill Lynch, et. al: On April 3, 2009, a putative class action complaint was filed against Merrill Lynch and certain affiliated entities in the U.S. District Court for the Southern District of New York on behalf of persons who purchased Merrill Lynch Mortgage Trust Certificates ("Mortgage Trust Certificates") pursuant or traceable to registration statements filed by Merrill Lynch Mortgage Investors dated August 5, 2005, December 21, 2005, and February 2, 2007. The complaint alleges that the registration statements misrepresented or omitted material facts regarding the quality of the mortgage loans underlying the Mortgage Trust Certificates, the appraisals of the properties secured by the mortgages, and the credit ratings assigned to the Mortgage Trust Certificates in violation of Sections 11 and 12 of the Securities Act of 1933. Plaintiffs seek unspecified compensatory damages, among other relief.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Annual Report on Form 10-K for the year ended December 26, 2008, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing Merrill Lynch. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6. Exhibits

An exhibit index has been filed as part of this report and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERRILL LYNCH & CO., INC.
(Registrant)

By: /s/ NEIL A. COTTY

Neil A. Cotty
Chief Financial Officer

By: /s/ THOMAS W. PERRY

Thomas W. Perry
Chief Accounting Officer and Controller

Date: May 7, 2009

EXHIBIT INDEX

Exhibit	Description
2.1	Agreement and Plan of Merger, dated as of September 15, 2008, by and between Merrill Lynch & Co., Inc. and Bank of America Corporation (incorporated by reference to Exhibit 2.1 to Merrill Lynch's Current Report on Form 8-K dated September 19, 2008).
3.1	Certificate of Merger merging MER Merger Corporation with and into Merrill Lynch & Co., Inc. (incorporated by reference to Exhibit 3.1 to 8-K dated January 2, 2009).
3.2	Certificate of Amendment to Certificate of Designations of 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 2 of ML & Co. (incorporated by reference to Exhibit 3.2 to 8-K dated January 2, 2009).
3.3	Certificate of Amendment to Certificate of Designations of 9.00% Non-Voting Mandatory Convertible Non-Cumulative Preferred Stock, Series 3 of Merrill Lynch & Co., Inc. (incorporated by reference to Exhibit 3.3 to 8-K dated January 2, 2009).
3.4	By-Laws of Merrill Lynch & Co., Inc. as of January 1, 2009 (incorporated by reference to Exhibit 3.4 to 8-K dated January 2, 2009).
12*	Statement re: computation of ratios.
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer.
32.1*	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* *Filed herewith*

MERRILL LYNCH & CO., INC. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(dollars in millions)

	Successor Company	Predecessor Company				
	Three Months Ended March 31,	Year Ended Last Friday in December				
	2009	2008 (52 weeks)	2007 (52 weeks)	2006 (52 weeks)	2005 (52 weeks)	2004 (53 weeks)
Pre-tax earnings/(loss)[(a)]	$5,237	$(45,438)	$(13,723)	$ 9,313	$ 6,335	$ 5,106
Add: Fixed charges (excluding capitalized interest and preferred security dividend requirements of subsidiaries)	3,519	29,641	51,683	35,719	21,764	10,591
Pre-tax earnings/(loss) before fixed charges	8,756	(15,797)	37,960	45,032	28,099	15,697
Fixed charges:						
Interest	3,455	29,349	51,425	35,499	21,549	10,387
Other[(b)]	64	292	258	220	215	204
Total fixed charges	3,519	29,641	51,683	35,719	21,764	10,591
Preferred stock dividend requirements	21	4,356	401	259	99	54
Total combined fixed charges and preferred stock dividends	$3,540	$ 33,997	$ 52,084	$35,978	$21,863	$10,645
Ratio of earnings to fixed charges	2.49	*	*	1.26	1.29	1.48
Ratio of earnings to combined fixed charges and preferred stock dividends	2.47	*	*	1.25	1.29	1.47

(a) Excludes undistributed earnings (loss) from equity investments and earnings from discontinued operations.

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

* *The earnings for the years ended 2008 and 2007 were inadequate to cover total fixed charges and total fixed charges and preferred stock dividends. The coverage deficiencies for total fixed charges for the years ended 2008 and 2007 were $45,438 and $13,723, respectively. The coverage deficiencies for total fixed charges and preferred stock dividends for the years ended 2008 and 2007 were $49,794 and $14,124, respectively.*

Exhibit 31.1

CERTIFICATION

I, Brian T. Moynihan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2009 of Merrill Lynch & Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2009

/s/ BRIAN T. MOYNIHAN

Brian T. Moynihan
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Neil A. Cotty, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended March 31, 2009 of Merrill Lynch & Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2009

/s/ NEIL A. COTTY

Neil A. Cotty
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch & Co., Inc. (the "Company") on Form 10-Q for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian T. Moynihan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2009

/s/ BRIAN T. MOYNIHAN

Brian T. Moynihan
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Merrill Lynch & Co., Inc. (the "Company") on Form 10-Q for the period ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil A. Cotty, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2009

/s/ NEIL A. COTTY

Neil A. Cotty
Chief Financial Officer

PARTIES

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Netherlands Antilles

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