

THE PLAN OF ALLOCATION

Settlement Class Members who purchased or acquired any of the fourteen issues of Merrill Lynch common stock or Preferred Securities listed below (collectively referred to as the “Merrill Securities”) during the Settlement Class Period (October 17, 2006 to December 31, 2008, inclusive) and who otherwise meet all of the requirements of this Plan of Allocation, are eligible to participate in this settlement. Defendants take no position on this Plan of Allocation.

List of Eligible Merrill Lynch Securities Covered by this Plan of Allocation		Symbol	CUSIP No.
1.	Merrill Lynch Common Stock	MER	590188108
Nos. 2 – 14 below are collectively referred to as the “Preferred Securities” in this Notice			
2.	Merrill Lynch Capital Trust III - 7% Preferred - MER D	MERPRD	5902 1F206
3.	Merrill Lynch Capital Trust IV - 7.12% Preferred - MER E	MERPRE	59021 G204
4.	Merrill Lynch Capital Trust V - 7.28% Preferred - MER F	MERPRF	5902 1K205
5.	Merrill Lynch Series 1 Floating Preferred - MER G	MERPRG	5902 1S703
6.	Merrill Lynch Series 2 Floating Preferred - MER H	MERPRH	59021S638
7.	Merrill Lynch Series 3 - 6.375% Preferred - MER I	MERPRI	59021V839
8.	Merrill Lynch Series 4 Floating Preferred - MER J	MERPRJ	59021V813
9.	Merrill Lynch Series 5 Floating Preferred - MER L	MERPRL	59022C178
10.	Merrill Lynch Series 6 - 6.70% Preferred - MER N	MERPRN	59022Y840
11.	Merrill Lynch Series 7 - 6.25% Preferred - MER O	MERPRO	59022Y832
12.	Merrill Lynch Capital Trust I - 6.45% Preferred - MER K	MERPRK	590199204
13.	Merrill Lynch Capital Trust II - 6.45% Preferred - MER M	MERPRM	59024T203
14.	Merrill Lynch Capital Trust III - 7.375% Preferred - MER P	MERPRP	59025D207

1. The Net Settlement Fund will be allocated among the Authorized Claimants in accordance with this “Plan of Allocation.” The amount so allocated to each Authorized Claimant constitutes, and is referred to in this Plan of Allocation as, the Authorized Claimant’s “Payable Claim.” The Plan of Allocation is based upon Co-Lead Counsel’s assessment of the merits and the relative strengths and weaknesses, including recoverable damages, of the claims of the members of the Settlement Class. In developing this Plan of Allocation, Co-Lead Counsel have consulted with their economic and damages expert and have considered, among other things, the following:

- (a) Lead Plaintiff alleges that Defendants inflated the prices of the Merrill Securities by failing to disclose properly Merrill Lynch’s financial condition and by issuing false and misleading statements about Merrill Lynch’s subprime mortgage and related assets, among other things. Lead Plaintiff further alleges that as a result, at least certain of the Merrill Securities traded at artificially inflated prices during the Settlement Class Period.
- (b) Co-Lead Counsel, in consultation with their economic and damages expert, have concluded that the artificial inflation associated with these misrepresentations was removed by partial disclosures in several steps, each of which caused a significant price decline in the prices of the Merrill Securities, thus causing a loss to Settlement Class Members. The losses occurred on the day of or following the disclosures listed below (collectively, the “Disclosure Dates”):
 - (1) On October 24, 2007, Merrill Lynch announced that it had written down the asset value of CDOs and U.S. subprime mortgages in its portfolio by \$7.9 billion in the third quarter of 2007;

- (2) On November 2, 2007, industry analysts concluded that Merrill Lynch would have to write-down the asset value of CDOs and U.S. subprime mortgages in its portfolio by an additional \$10 billion;
 - (3) On January 17, 2008, in connection with its release of fourth quarter financial results, Merrill Lynch announced an additional write-down of mortgage-related assets of \$16 billion;
 - (4) On March 28, 2008, industry analysts concluded that Merrill Lynch would have to write down the asset value of CDOs and U.S. subprime mortgages in its portfolio by an additional \$6 billion in the first quarter of 2008;
 - (5) On July 9, 2008, Fitch ratings announced that it had placed Merrill Lynch debt on credit watch, due to the cumulative real estate asset write-downs to date, and anticipated future asset write-downs;
 - (6) On July 14, 2008, it was reported that the SEC might require Merrill Lynch to buy back billions of dollars worth of securities that Merrill Lynch allegedly sold to its clients as relatively liquid and secure fixed income securities that allegedly had become illiquid or declined in value;
 - (7) On July 28, 2008, Merrill Lynch announced that in the second quarter of 2008 it would record \$5.7 billion of additional write-downs in connection with sales of CDOs; and
 - (8) On August 7, 2008, Merrill Lynch followed announcements by other major brokerage firms and announced that it had agreed to buy back at full par value up to \$12 billion of certain securities that Merrill Lynch allegedly sold to its clients as relatively liquid and secure fixed income securities that had allegedly become illiquid or declined in value.
- (c) According to the economic and damages expert retained by Co-Lead Counsel, following each of the eight announcements described in paragraph 1(b) above, one or more of the Merrill Securities declined in value, net of market factors, by a significant amount. The calculation of the portion of these significant declines (the Recognized Loss per share) for each issue of Merrill Securities, appears in the tables included in Appendix A to this Notice. (See pages 16 and 17 below.)
- (d) Under the federal securities laws, persons who purchased Merrill Securities may recover, in general, only for losses proximately caused by disclosures correcting Defendants' prior misleading statements, and may not recover for any price declines caused by general market factors or by disclosures of other negative information not alleged to have corrected prior misstatements. Similarly, persons who both purchased and sold Merrill Securities prior to a corrective disclosure or between corrective disclosures may not have recoverable damages resulting from those transactions.
- (e) Accordingly, only those Settlement Class Members who purchased or otherwise acquired Merrill Securities during the Settlement Class Period and held these Merrill Securities until after the next Disclosure Date identified in paragraph 1(b) above and in Appendix A, and who meet the other conditions of this Plan of Allocation, will be eligible to qualify as Authorized Claimants entitled to receive distributions from the Net Settlement Fund. For the same reasons, Settlement Class Members will be ineligible to receive distributions from the Net Settlement Fund for those transactions in which they: (i) purchased or acquired their Merrill Securities during the Settlement Class Period and also sold the same Merrill Securities before October 24, 2007 (the first identified Disclosure Date identified above); (ii) purchased or acquired their Merrill Securities after any one of the Disclosure Dates identified above and then sold these Merrill Securities before the next Disclosure Date; or (iii) purchased or acquired their Merrill Securities on or after August 7, 2008 (the last Disclosure Date). Whether or not a Settlement Class Member qualifies as an Authorized Claimant, he, she or it will be bound by the settlement and the releases in this action (described in the answer to Question 11 above) unless he, she or it opts out as set forth in the answer to Question 12 above.

2. The Payable Claim will be calculated so that each Authorized Claimant shall receive, on a proportionate basis, that share of the Net Settlement Fund that the Authorized Claimant's Recognized Loss (as defined below) bears to the total Recognized Losses of all Authorized Claimants, subject to the further provisions of this Plan

of Allocation set forth below.

3. An Authorized Claimant's recognized loss ("Recognized Loss") is determined by the date(s) the Authorized Claimant purchased and sold Merrill Securities, as set forth below and in the tables appearing in Appendix A.

4. The "Recognized Loss" shall be calculated for those who purchased any of the Merrill Securities in the Settlement Class Period and held those Merrill Securities through one or more Disclosure Dates identified above and in Appendix A on which a significant decline occurred in the price of the Merrill Security due to a relevant corrective disclosure.

5. The tables in Appendix A list for each Merrill Security: the relevant Disclosure Dates and the maximum amount of the Recognized Loss per share of each Merrill Security attributed to each Disclosure, if any. For those Merrill Securities that were not trading prior to a specific Disclosure Date, or where there was no corrective price decline attributed to a specific Disclosure Date, the tables in Appendix A show either "N/A" or "\$0.00" as the amount of the Recognized Loss per share for the relevant Disclosure Date.

6. A Claimants' Recognized Loss for Merrill Securities held through one or more significant price declines attributed to the Disclosure Dates identified above shall be calculated as follows:

- (a) If you have an overall net market gain (sales proceeds exceed purchase cost) on all of your transactions in the 14 issues of Merrill Securities during the Settlement Class Period, you should not file a claim because you will not be eligible to receive a recovery from this settlement. Before computing Recognized Losses, the Claims Administrator will first determine if the Claimant has an overall net market gain on all of its transactions during the Settlement Class Period. In computing such net market gains or net market losses, the Claims Administrator: (i) will offset market gains in any one or more of the 14 issues of Merrill Securities against market losses in any other of the 14 Merrill Securities, and (ii) will treat any Merrill Security retained at the end of the Settlement Class Period as if it were sold for the closing price on December 31, 2008. If there is such an overall net market gain, the claim will be rejected and not allowed to share in the Net Settlement Fund. If there is an overall market loss from purchases of Merrill Securities, the Claims Administrator will compute the Recognized Loss, if any, on such purchases as indicated in subparagraphs 6(b) through 6(i) below.
- (b) For any purchase of Merrill Securities for which there is a market loss, the Recognized Loss is the smaller of: (i) price paid to purchase the Merrill Securities less the closing price for the relevant issue of Merrill Securities on the date of the last Disclosure Date identified above through which the Claimant held his, her or its Merrill Securities, as shown in the relevant column in Appendix A; or (ii) the total of the Maximum Recognized Loss per share figures set forth in the relevant column in Appendix A for each of the Disclosure Dates identified above through which the Claimant held his, her or its Merrill Securities.
- (c) In computing Recognized Losses, shares of common stock acquired through Merrill Lynch's acquisition of First Republic Bank are deemed to have a purchase price of \$75.02 per share. Preferred Securities acquired through the First Republic acquisition are deemed to have a purchase price of \$25 per share.
- (d) Any Merrill Securities purchased at any time in the Settlement Class Period that were later sold during the Settlement Class Period for a gain or that would have a gain if they were sold at the end of the Settlement Class Period at the closing price on December 31, 2008, will have no Recognized Loss, regardless of whether the sale occurred after one or more of the Disclosure Dates.
- (e) If Merrill Securities are sold on the day of a significant price decline attributed to a Disclosure Date identified in paragraph 1(b) above and in Appendix A, the Recognized Loss attributed to that Disclosure Date shall be the lesser of: (i) the closing price for that issue of Merrill Securities on the day before the Disclosure Date less the selling price received, or (ii) the appropriate maximum Recognized

Loss per share figure set out on the tables appearing in Appendix A for that Disclosure Date.

- (f) In the tables appearing in Appendix A, the maximum Recognized Losses per share of Merrill Securities held through any of the Disclosure Dates between October 17, 2006 and January 16, 2008, are equal to 100% of the significant price declines net of market and industry factors computed by the economic and damages expert consulted by Co-Lead Counsel.
- (g) In the tables appearing in Appendix A, the Recognized Losses per share of Merrill common stock held through any of the Disclosure Dates between January 17, 2008 and December 31, 2008 are equal to 10% of the significant price declines, net of market and industry factors, computed by the economic and damages expert consulted by Co-Lead Counsel. This discount reflects the relative weight assigned to claims relating to purchases of Merrill Securities on or after January 17, 2008 – following the January 16, 2008 end of the original class period alleged in the Amended Complaint.
- (h) In the tables appearing in Appendix A, the maximum Recognized Loss per share of common stock issued pursuant to the First Republic acquisition, the maximum Recognized Loss per share of Preferred Securities that were offered for sale in initial public offerings during the Settlement Class Period or that were issued in exchange for First Republic securities, and the maximum Recognized Loss per common share purchased in a secondary stock offering of Merrill Lynch common stock on July 29, 2008 are equal to 125% of the weighted significant price declines, net of market and industry factors, computed by the economic and damages expert consulted by Co-Lead Counsel and as weighted under the terms of paragraphs 6(f) and 6(g) above. Investors in these categories have claims under the Securities Act of 1933 that have a lower threshold of proof than claims alleging fraud, and may be considered, therefore, stronger claims than the fraud claims of other Settlement Class Members.
- (i) Any purchase of Merrill Securities on or after August 7, 2008, will have no Recognized Loss.

7. To conserve administrative costs, no claim will be paid unless the Authorized Claimant is entitled to at least \$50 from the Net Settlement Fund.

8. For purposes of determining which Merrill Securities purchased during the Settlement Class Period were sold at any time either during or retained at the close of the Settlement Class Period, purchases and sales of the same issue of Merrill Securities are matched, on a “first-in, first-out” (“FIFO”) basis, by matching the first Merrill Securities sold against any position of the same issue of Merrill Securities held as of the day prior to the start of the Settlement Class Period, and then on a FIFO basis against any additional shares of the same issue of Merrill Securities purchased during the Settlement Class Period based on the assumption that the first share purchased was the first share sold. The matching under FIFO will be applied to Merrill Securities irrespective of the different accounts in which the Merrill Securities were purchased and sold unless the title or beneficial ownership of the accounts differed.

9. The date of purchase or sale is the “contract” or “trade” date as distinguished from the “settlement” date.

10. The restrictions on computing Recognized Losses set out in the following four subparagraphs apply to all claims. As a practical matter, however, they apply primarily to certain transactions engaged in by sophisticated traders or certain corporate or institutional claimants:

- (a) “Short” sales shall not be recognized for any amount of loss on the cover or purchase transaction, and no Recognized Loss will be computed for any such covering purchase transaction.
- (b) No Recognized Loss will be computed for any transactions the Merrill Securities engaged in by market makers or specialists as those terms are defined in the federal securities laws and SEC regulations.
- (c) No Recognized Loss will be computed for any option premium paid or received where the shares of Merrill Securities were purchased or sold by reason of having exercised or been assigned an option.
- (d) No Recognized Loss will be computed for that portion of the purchase price of any shares of Merrill

Securities not acquired on the open market and at prices above the market prices on the day(s) of such transactions (for example, as part of an exchange for non-cash consideration). This provision does not apply to shares of Merrill Securities acquired in the merger with First Republic or in initial public offerings as indicated in paragraph 6(i) of this Plan of Allocation above.

11. If you inherited or received a gift of Merrill Securities during the Settlement Class Period, that inheritance or gift is not considered a purchase unless your ancestor or donor was the actual purchaser of Merrill Securities during the Settlement Class Period. You, as a recipient of a gift or inheritance, and the original purchaser may not both file a claim with regard to the same Merrill Securities. If both you and the donor (or you and your ancestor's estate) make such a claim, only the claim filed by the recipient (or heir) will be honored.

12. Merrill Securities "transferred into," "delivered into" or "received into" the Claimant's account shall NOT be considered as a purchase of Merrill Securities unless the Claimant submits documents supporting that the original purchase of the Merrill Securities occurred during the Settlement Class Period. Also, Merrill Securities purchased and subsequently "transferred out" or "delivered out" of Claimant's account will NOT be considered part of Claimant's claim, as the right to file for those Merrill Securities belongs to the person or party receiving the Merrill Securities.

13. Nothing in this Plan of Allocation represents an admission by any of the Defendants that there is liability or damage of any kind as a result of the allegations in the Amended Complaint or that the dollar amounts set forth in this Plan of Allocation reflect actual or potential damages to the Settlement Class.

14. Payment in the manner set forth above will be deemed conclusive compliance with the Settlement Stipulation against all Authorized Claimants.

15. All Settlement Class Members who fail to submit valid and timely Proofs of Claim will be barred from participating in the distribution of the Net Settlement Fund but otherwise will be bound by all of the terms of the Settlement Stipulation, including the terms of any final orders or judgments entered and the releases given to Defendants and others.

16. The finality of the settlement is not conditioned upon the Court approving the Plan of Allocation. Any rulings pertaining to the Plan of Allocation shall not operate to terminate the settlement or affect or delay the settlement from becoming effective, assuming the settlement is approved by the Court. The Net Settlement Fund shall not be distributed to any Settlement Class Member until the Court approves the Plan of Allocation.

17. No Authorized Claimant shall have any claim against the Settlement Fund, Lead Plaintiff, Plaintiffs, Co-Lead Counsel, the Claims Administrator, Defendants, Defendants' Counsel, the Released Parties, or any other agent designated by Co-Lead Counsel based on the distributions made substantially in accordance with the Settlement Stipulation, the Plan of Allocation, and further orders of the Court. In addition, in the interest of achieving substantial justice, Co-Lead Counsel shall have the right, but not the obligation, to waive what they deem to be formal or technical defects in any Proofs of Claim filed.

Appendix A -Table of Eligible Securities, Stock Symbols, Disclosure Dates and Maximum Recognized Loss per Share

Plan of Allocation Paragraph Reference	Disclosure Dates	Common Stock			Merrill Lynch Preferred Capital Trusts (Cumulative Preferred)			Merrill Lynch Capital Trusts		
		Shares Purchased on NYSE	Shares Received 9/21/07 from First Republic Acquisition	Shares Purchased in 7/29/08 New Offering	Merrill Lynch Preferred Cap. Tr. III - 7% Cum. Preferred (Issued 1/12/98)	Merrill Lynch Preferred Cap. Tr. IV - 7.12% Cum. Preferred (Issued 6/16/98)	Merrill Lynch Preferred Cap. Tr. V - 7.28% Cum. Preferred (Issued 10/29/98)	Merrill Lynch Capital Trust I - 6.45% Preferred (Issued 12/6/06)	Merrill Lynch Capital Trust II - 6.45% Preferred (Issued 4/25/07)	Merrill Lynch Capital Trust III - 7.375% Preferred (Issued 8/15/07)
		MER	MER	MER	MER PRD	MER PRE	MER PRF	MER PRK	MER PRM	MER PRP
¶¶ 1(b)(1) & 6(f)	10/24/07	\$3.130	\$3.913	N/A	\$0.000	\$0.000	\$0.180	\$0.588	\$0.338	\$0.375
¶¶ 1(b)(2) & 6(f)	11/02/07	\$2.910	\$3.638	N/A	\$0.520	\$0.890	\$0.670	\$0.500	\$0.725	\$1.013
¶¶ 1(b)(3) & 6(f)	01/17/08	\$3.530	\$4.413	N/A	\$0.160	\$0.130	\$0.030	\$0.625	\$0.300	\$0.000
¶¶ 1(b)(4) & 6(g)	03/28/08	\$0.130	\$0.163	N/A	\$0.044	\$0.037	\$0.052	\$0.025	\$0.064	\$0.054
¶¶ 1(b)(5) & 6(g)	07/09/08	\$0.105	\$0.131	N/A	\$0.013	\$0.011	\$0.041	\$0.011	\$0.006	\$0.000
¶¶ 1(b)(6) & 6(g)	07/14/08	\$0.028	\$0.035	N/A	\$0.140	\$0.150	\$0.195	\$0.103	\$0.101	\$0.216
¶¶ 1(b)(7) & 6(g)	07/28/08	\$0.192	\$0.240	N/A	\$0.000	\$0.015	\$0.025	\$0.034	\$0.000	\$0.063
¶¶ 1(b)(8) & 6(g)	08/07/08	\$0.154	\$0.193	\$0.193	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
¶ 6(i)	Purchased on or after 08/07/08	\$0.000	N/A	N/A	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Total Maximum Recognized Loss/Share If Purchased Before 1st Event & Held Past 8/6/08		\$10.179	\$12.726	\$0.193	\$0.877	\$1.233	\$1.193	\$1.886	\$1.534	\$1.721

Appendix A - Table of Eligible Securities, Stock Symbols, Disclosure Dates and Maximum Recognized Loss per Share

Plan of Allocation Paragraph Reference	Disclosure Dates	Merrill Lynch Floating Rate Preferred (Non-Cumulative)				Merrill Lynch Fixed Rate Preferred (Non-Cumulative)		
		Series 1 Floating Preferred (Issued 11/1/04)	Series 2 Floating Preferred (Issued 3/14/05 & 4/4/05)	Series 4 Floating Preferred (Issued 11/17/05 & 2/28/06)	Series 5 Floating Preferred (Issued 3/20/07)	Series 3 (Issued 11/17/05 & 12/8/05)	Series 6 (Issued 9/21/07 with First Republic Acq.)	Series 7 (Issued 9/21/07 with First Republic Acq.)
		MER PRG	MER PRH	MER PRJ	MER PRL	6.375% Preferred MER PRI	6.70% Preferred MER PRN	6.25% Preferred MER PRO
¶¶ 1(b)(1) & 6(f)	10/24/07	\$0.340	\$0.480	\$0.290	\$0.000	\$0.000	\$0.000	\$0.000
¶¶ 1(b)(2) & 6(f)	11/02/07	\$1.080	\$0.750	\$0.510	\$1.663	\$2.080	\$0.000	\$0.000
¶¶ 1(b)(3) & 6(f)	01/17/08	\$0.560	\$0.220	\$0.570	\$0.000	\$0.160	\$0.000	\$0.000
¶¶ 1(b)(4) & 6(g)	03/28/08	\$0.032	\$0.025	\$0.050	\$0.041	\$0.023	\$0.000	\$0.059
¶¶ 1(b)(5) & 6(g)	07/09/08	\$0.000	\$0.000	\$0.125	\$0.000	\$0.031	\$0.000	\$0.000
¶¶ 1(b)(6) & 6(g)	07/14/08	\$0.098	\$0.105	\$0.000	\$0.101	\$0.093	\$0.231	\$0.000
¶¶ 1(b)(7) & 6(g)	07/28/08	\$0.008	\$0.025	\$0.045	\$0.030	\$0.030	\$0.150	\$0.000
¶¶ 1(b)(8) & 6(g)	08/07/08	\$0.000	\$0.030	\$0.000	\$0.000	\$0.000	\$0.078	\$0.000
¶ 6(i)	Purchased on or after 08/07/08	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	N/A	N/A
Total Maximum Recognized Loss/Share If Purchased Before 1st Event & Held Past 8/6/08		\$2.118	\$1.635	\$1.590	\$1.835	\$2.417	\$0.459	\$0.059