



## Information Circular: Merrill Lynch & Co., Inc. STEPs

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**To:** Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

**From:** BX Listing Qualifications Department

**DATE:** January 15, 2009

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Equity-Linked Notes	Symbol	CUSIP Number
Merrill Lynch & Co., Inc. STEP Income Securities Linked to the Common Stock of Qualcomm Incorporated	QKP	59023V308

### Information on the Notes

Merrill Lynch & Co., Inc. (the "Issuer") has issued STEP Income Securities ("STEPS") linked to the common stock of Qualcomm Incorporated ("Qualcomm"). The STEPs were priced at \$10 each and mature on June 4, 2009.

The STEPs are senior, unsecured debt securities of the Issuer that are designed for investors who seek quarterly interest payments on their investment and want the opportunity to receive an additional payment at maturity if the Ending Value of Qualcomm stock on the May 28, 2009 valuation date is at or above the Step Level (49.7856). If the Ending Value of Qualcomm stock on the Valuation Date is below the Step Level (49.7856), the amount investors receive on the maturity date will not be greater than the \$10 original public offering price per STEP and will be based on the direction of and percentage change in the level of Qualcomm stock from the Starting Value (46.0551), to the Ending Value, as determined on the valuation date.

Investors must be willing to accept a payment of principal that may be less, and potentially significantly less, than the \$10 original public offering price of the STEPs. Investors should also be willing to accept that no payment will be payable on the maturity date if the closing level of Qualcomm stock is below the Step Level (49.7856) and be willing to lose a portion of their principal if the Ending Value is below the Threshold Level (41.4496).

At maturity, investors will receive interest on the STEPs at a rate of 8.10% per year, payable quarterly in arrears computed on the basis of a 360-day year of twelve 30-day months. In addition to any interest due and payable, on the maturity date investors will be entitled to receive the redemption amount, a payment per unit calculated as follows:

- (1) If the Ending Value is greater than or equal to the Step Level (49.7856):  
\$10 + Step Payment
- (2) If the Ending Value is greater than or equal to the Threshold Value (41.4496) but less than the Step Level (49.7856):  
\$10
- (3) If the Ending Value is less than the Threshold Value (41.4496):  
 $\$10 + [\$10 \times ((\text{Starting Level} - \text{Ending Value}) / \text{Threshold Level}) \times 100\%]$

Investors should be aware that they will not receive a Step Payment at maturity unless the Ending Value is greater than or equal to the Step Level on the valuation date. Also, an investment in STEPs may result in a loss. Investors return is limited and will not reflect the return of a direct investment in Qualcomm stock.

Since all payments which may be due to holders of STEPs are the sole responsibility of the Issuer, it is the credit of Merrill Lynch & Co., Inc. which stands behind the STEPS.

It is expected that the market value of the STEPs will depend substantially on the value of Qualcomm and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of Qualcomm stock, the time remaining to maturity, the dividend yield of Qualcomm stock, and the credit ratings of the Issuer.

Investors should note that Qualcomm is not involved in the subject offering and has no obligation with respect to these securities whatsoever, including any obligations with respect to the principal amount to be paid at maturity, or to take the needs of the Issuer or holders of STEPs into consideration. Any dividends or distributions to the underlying common stock will not be paid to holders of STEPs.

The Trustee for the securities is The Bank of New York.

Trading in the STEPs on BX is on a UTP basis and is subject to BX equity trading rules. The STEPs will trade from 8:00 a.m. until 7:00 p.m. Eastern Time. Additional risks may exist with respect to trading the STEPs during BX's Pre-Market and Post-Market sessions.

Trading of the STEPs on BX is subject to the provisions of BX Rule 2310. Members recommending transactions in the STEPs to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the BX Conduct Rules.

Members also should review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

**This Information Circular is not a statutory prospectus. BX members should consult the registration statement or prospectus for the STEPs for additional information.**

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Inquiries regarding this Information Circular should be directed to:

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