

Finance Committee 7/22/07
Meeting Summary for BOD

The July 22nd meeting of the Finance Committee took place last evening. We held a 2 and a half hour meeting, covering a broad range of topics. In addition to regular updates on the Balance Sheet and Funding, as well as Capital Management, this particular meeting included an update on Collateralized Debt Obligations, Sub-Prime activities and Bear Stearns Asset Management funds.

REDACTED

We also had our update review of Risk Management, with a focus this session on Credit Risk (last meeting the focus was on Liquidity Risk and prior to that meeting, Market Risk). In addition, we received an update on Lending related assets.

REDACTED

MERRILL LYNCH & CO., INC.

Minutes of Meeting of the Finance Committee

July 22, 2007

A meeting of the Finance Committee (the "Committee") of Merrill Lynch & Co., Inc. (the "Corporation") was held at the St. Regis Hotel, Two East 55th Street, New York, New York on the 22nd day of July, 2007 at 4:00 P.M.

Present: Charles O. Rossotti, Chairman
Alberto Cribiore
John Finnegan
Ann N. Reese

constituting the entire membership of the Committee. All Committee members attended the meeting in person.

Also present, in person, at the meeting were the following employees of the Corporation: E. Stanley O'Neal; Rosemary T. Berkery, Ahmass L. Fakahany, Gregory J. Fleming, Jeffrey N. Edwards, Christopher B. Hayward, Laurence A. Tosi, Edmond Moriarty, Eric C. Heaton, Peter J. Kelly and David A. Winecoff.

Mr. Rossotti, as Chairman of the Committee, presided at the meeting and Mr. Kelly, as Secretary of the Committee, recorded and reported that notice of the meeting had been duly provided.

The minutes of the regular meeting of the Committee held on April 26, 2007 were submitted and approved and the minutes of the special meetings of the Committee held on each of April 11, 2007 and June 13, 2007 were also submitted and approved.

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

The Chairman then requested Osman Semerci, Senior Vice President and Global Head of Fixed Income, Commodities and Currencies (FICC) and Dale Lattanzio, Co-head of Americas FICC, to join the meeting for the purpose of updating the Committee on the Corporation's CDO business, its sub-prime business and market & developments related thereto, particularly the events surrounding the recent collapse of two Bear Stearns sponsored hedge funds which had material exposure to the sub-prime market.

Mr. Semerci began by briefly introducing Mr. Lattanzio and providing a brief summary of his career at the Corporation, noting that he had been with the firm for over fifteen years and had served the firm in a number of roles within FICC both in New York and abroad.

Mr. Lattanzio began by briefly describing CDOs (Collateral Debt Obligations) and how they are formed, structured and distributed. He noted that the firm was well suited to offer CDOs, as it was a product that required significant distribution capacity. Mr. Lattanzio explained that in a CDO structure, various asset classes (included in these asset classes were certain sub-prime assets) are combined into a pool and tranced (from super senior to equity), with purchasing investors receiving a return commensurate with the risk. In creating such pools, firms need to maintain the constituent assets on the balance sheet in anticipation of distribution. As a result, the Corporation maintained a significant exposure to these assets on the balance sheet.

Mr. Lattanzio explained that in anticipation of recent market events and the deterioration of the sub-prime market, he, along with Mr. Semerci, decided in the beginning of this year to significantly reduce exposure to lower rated assets in the sub-prime asset class and instead migrate exposure to senior and super senior tranches. Mr. Lattanzio noted that, as a result, the Corporation had exposure to approximately \$32 billion in CDO related assets (with essentially all of these assets being rated AAA) and the Corporation's exposure to loss in the lower-rated asset class had been significantly reduced. Discussion ensued, with the Committee members asking a variety of questions.

Mr. Lattanzio also explained other risk mitigation techniques, highlighting the strategy of shorting the ABX index and lower rated CDO tranches as a way of hedging CDO risk. Referencing the materials, he demonstrated how these hedges and hedging techniques had to date effectively offset most of the losses in the second quarter CDO space. Further discussion ensued.

Mr. Lattanzio then went on to explain the recent issues arising from the collapse of two Bear Stearns sponsored hedge funds, explaining how the Corporation was collateralized, how the funds defaulted and the steps taken by the Corporation to protect itself. After further discussion, the Chairman thanked Messrs. Semerci and Lattanzio for their presentation.

REDACTED

REDACTED

REDACTED

REDACTED

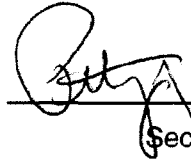
The Chairman then requested Mr. Edwards and Mr. Moriarty, Senior Vice President and head of Credit, to provide the regular update on risk, focusing on Credit and Credit Commitments.

Mr. Moriarty began by briefly discussing the state of the overall credit market and the leveraged finance market in particular, noting that the market had been experiencing signs of dislocation. Mr. Moriarty noted a variety of transactions that had received some publicity for

being difficult to launch or place and pointed out that management had been carefully monitoring the market and had determined that nine months ago, to moderate its exposure. While at all times attempting to remain relevant to the market, he explained, the Corporation did decide to pass on a number of transactions, many of which were experiencing difficulty in the marketplace at present.

Mr. Moriarty went on to briefly explain the Corporation's material credit exposures and exposures based on sector. Discussion ensued.

Thereafter, there being no further business, on motion duly made, seconded and unanimously carried, the meeting adjourned.



Secretary