

OFFICE OF THRIFT SUPERVISION

Approval of Operating Subsidiary Application

Order No.: 2007-22
Date: May 29, 2007
Re: OTS No. 14460

Merrill Lynch Bank & Trust Co., FSB, New York, New York (Association) has applied for Office of Thrift Supervision (OTS) approval, pursuant to 12 C.F.R. Part 559, to establish an operating subsidiary to engage in structured lending. The proposed operating subsidiary, ML Private Finance, LLC, New York, New York (MLPF), is currently a wholly owned subsidiary of the Association's affiliate, Merrill Lynch Bank USA, Salt Lake City, Utah (MLBUSA). The foregoing filing is referred to herein as the Application.

The Parties

The Association is a federally chartered, Deposit Insurance Fund (DIF)-insured, stock savings bank. MLBUSA is a DIF-insured, Utah-chartered industrial loan company that is regulated by the Utah Department of Financial Institutions and by the Federal Deposit Insurance Corporation. MLPF is a Delaware limited liability company. Both the Association and MLBUSA are wholly owned subsidiaries of Merrill Lynch Group, Inc., New York, New York (Holding Company).

The Proposed Transaction

MLBUSA proposes to transfer all of the membership interests of MLPF to the Holding Company, by means of a dividend. Immediately after receiving the dividend, the Holding Company will contribute the membership interests in MLPF to the Association. As a result of the proposed transactions, MLPF will become a wholly owned operating subsidiary of the Association.

Operating Subsidiary Notice

An operating subsidiary must engage only in activities permissible for a federal savings association to engage in directly. In addition, the federal savings association must own, directly or indirectly, more than 50 percent of the voting shares of the operating subsidiary, and no person or entity other than the federal savings association may exercise operating control over the operating subsidiary. OTS may, at any time, limit or refuse to permit any activities of an operating subsidiary, for supervisory, legal, or safety or soundness reasons.

The Association will hold 100 percent of MLPF's ownership interests, and no party other than the Association will have operating control of MLPF. With respect to the regulatory criterion that the operating subsidiary engages only in activities permissible for federal associations, federal savings associations and their operating subsidiaries have the legal authority under the Home Owners' Loan Act to engage in mortgage lending and secured and unsecured lending. MLPF is a limited liability company. OTS has concluded that an operating subsidiary may be organized as a non-corporate operating subsidiary.¹

OTS has no objection to the Application on supervisory grounds. There are no proposed changes in senior executive officers or directors of the Association or in the officers of MLPF. Two managers of MLPF, the President and Chief Lending Officer, have over 40 years of collective experience in structured lending and credit issues. The proposed transaction will not have a material impact on the Association's financial statements.

Conclusion

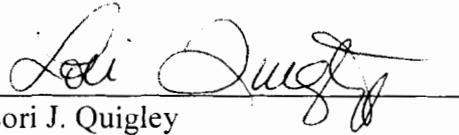
OTS concludes that the Application satisfies the applicable approval standards, provided the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated within 120 calendar days from the date of this Order. The Regional Director may, for good cause, extend this time period for up to 120 calendar days.
2. On the business day prior to the consummation of the proposed transaction, the chief financial officers of the Association and MLPF must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Association and MLPF as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Association, MLPF or OTS since the date of the financial statements submitted with the Application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction; and

¹ See OTS Order No.: 2003-54 (October 21, 2003).

3. The activities of MLPF must be conducted in accordance with the representations made in the Application.

By order of the Director of the Office of Thrift Supervision, or his designee,
effective May 29, 2007.



Lori J. Quigley
Managing Director
Examinations and Supervision - Operations