

Memorandum

**Central American Micro-Mortgage Lending Initiative
Credit Enhancement Mechanism**

Overview

Merrill Lynch is pleased to be working with UN-HABITAT and the Global Housing Foundation (“GHF”) on the Central American Micro-Mortgage Lending Initiative (the “Initiative”). Under the Initiative, GHF is bringing together local developers, financial institutions and municipalities to help families make the transition out of slums and into affordable homes. These houses must meet minimum standards for quality habitable homes, such as clean running water, electricity and a waste system. Please refer to Appendix C for a diagram of the loan origination process and Appendix D for GHF’s selection criteria for local banks and developers.

As a part of this Initiative, Merrill Lynch has signed a letter of intent to provide a US\$250 million facility to help finance the origination of the micro-mortgages. A critical component of this facility is the credit enhancement that is to be provided by UN-HABITAT that will result in the lowest possible mortgage loan rate for the low income borrowers participating in the Initiative.

The Initiative contemplates UN-HABITAT or an affiliate providing up to US\$50 million in credit enhancement in the form of a cash collateral account (“CCA”). These funds would be deposited in a segregated trust account that would be managed by Merrill Lynch. Withdrawals from this account would only be made to the extent necessary to cover losses on the mortgage portfolio that exceed 20% of the original mortgage pool balance. Local banks will be responsible for the first 20% of losses. As the portfolio pays down, a portion of the funds in the CCA will be released to UN-HABITAT based on a predetermined schedule. At the maturity of the financing, any funds still on deposit in the CCA will be released back to UN-HABITAT.

We have explored a number of different credit enhancement mechanisms in order to ensure that we are able to maximize the impact of the support of UN-HABITAT by providing low income borrowers the most attractive terms while establishing a sustainable housing program that can be replicated in other jurisdictions.

Credit Enhancement

In an effort to facilitate the launching of the financing program, GHF has agreed to accept the initial credit enhancement deposit from UN-HABITAT in the form of a non-recourse loan to GHF. The initial loan to GHF that would have the following terms:

Size:	US\$500,000
Borrower:	GHF
Type of Loan:	Non-Recourse
Term:	up to 22 years
Coupon:	Floating rate consistent with reinvestment rate
Current Coupon Rate:	~2.00%¹
Interest Payments:	Current pay if sufficient funds available, if not interest will be capitalized
Principal Payments:	Loan will amortize over time consistent with the amortization of the mortgage pool as long as target enhancement level is maintained

¹ Current rate for Merrill Lynch Government Fund

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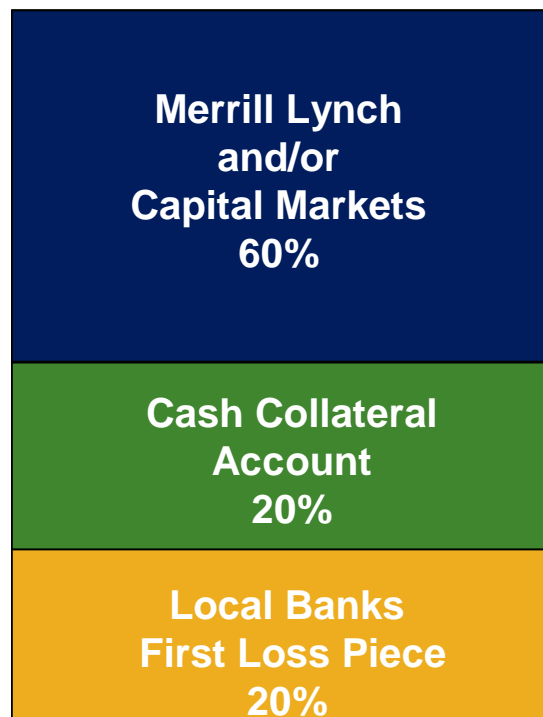
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Credit Enhancement (continued)

The proceeds from the loan and subsequent deposits from UN-HABITAT will be placed in the CCA, a segregated trust account that will be invested in conservative investments such as the Merrill Lynch Government Fund. This fund only invests in U.S. government securities or other similar instruments. A more detailed description of this fund is included in Appendix E. The interest on the loan will match the interest paid on the CCA in order to avoid any basis risk and/or shortfall in case the interest earned on the CCA falls below the interest rate due on the loan.

The proposed credit enhancement structure has the local banks assuming most of the credit default risk by (i) requiring these institutions to hold the loans as least twelve months before funding is made available, (ii) the local banks would be responsible for all losses during this seasoning period, (iii) the local banks would also retain any loans that do not meet the program's eligibility criteria at the time of funding (i.e. after the seasoning period) and (iv) these banks are required to retain the first loss piece of the funded portfolio which would absorb the first 20% of the funded portfolio's losses. In other words, the CCA will not cover any losses unless they exceed 20% of the funded portfolio's original balance. Merrill Lynch or the ultimate investors will be responsible for any remaining losses after the CCA has been exhausted. The proposed capital structure is presented below. Please note that Merrill Lynch would advance 80% of the funded portfolio but its risk is limited to 60% due to the 20% enhancement provided by the CCA.

**Proposed Capital
Structure
% of Risk Allocation**



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Credit Enhancement Example

The following is an example of how losses would be allocated for a hypothetical mortgage portfolio. Please note for the sake of simplicity, in this example we assume that (a) the mortgages do not amortize over time and (b) there are no recoveries once a loan defaults (i.e. 100% severity).

Scenario C

- 1.) Bank A originates a mortgage portfolio of 110 loans with a balance of \$1 for each loan.
- 2.) During the first twelve months (“Seasoning Period”) 10 obligors default or do not meet other eligibility criteria for the program, such as delinquency status, incomplete documentation, etc.... Bank A would retain ineligible mortgages and it would also be responsible for any losses incurred on the mortgages during the Seasoning Period. **\$10 in losses allocated to Bank A (if mortgages are ineligible due to defaults)**
- 3.) After the Seasoning Period, Bank A finances the remaining portfolio of performing loans in the facility. Merrill Lynch and/or investors would advance \$80 to Bank A. At the same time, UN-HABITAT makes a loan to GHF for \$20, and these funds are deposited in the CCA.
- 4.) Twelve months after the loans were funded in the facility (24 months after origination) an additional 15 loans default. Bank A would also be responsible for the entire loss since it has not exceeded 20% of the pool balance. **additional \$15 in losses allocated to Bank A**
- 5.) Six months later, an additional 6 loans default. At this point Bank A would only be responsible for \$5 in losses since their exposure is limited to 20% in aggregate losses and \$1 in losses would be covered by the CCA (i.e. UN-HABITAT) **additional \$5 in losses allocated to Bank A and \$1 to CCA/UN-HABITAT**
- 6.) Twelve months later, an additional 20 loans default. The CCA/UN-HABITAT would be responsible for \$19 in losses and Merrill Lynch and/or investors would be allocated \$1 in losses. **additional \$19 in losses allocated to CCA/UN-HABITAT and \$1 to Merrill Lynch/Investors**

	Scenario A	Scenario B	Scenario C
Mortgage Portfolio Originated:	\$110	\$110	\$110
Ineligible Mortgages ² :	\$10	\$10	\$10
Mortgage Portfolio Financed:	\$100	\$100	\$100
Advance Amount:	\$80	\$80	\$80
Gross Losses After Seasoning Period:	\$15	\$21	\$41
Bank A:	\$15	\$20	\$20
CCA/UN-HABITAT:	N/A	\$1	\$20
Merrill Lynch/Investors:	N/A	N/A	\$1

² Mortgages must meet program eligibility criteria in order to be financed after the conclusion of the Seasoning Period. Please note that 100% of losses during Seasoning Period are allocated to the local bank.

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Credit Enhancement Alternatives

We have recommended the capital structure presented above after exploring a number of different alternatives, because we believe it is a viable structure that maximizes the benefit of the UN-HABITAT support. Alternatives where the UN-HABITAT credit enhancement is more senior in the capital structure or in which Merrill Lynch and/or investors share the risk on a pari passu basis are not viable for the following reasons:

1.) New Asset Class

Low income mortgages are a new asset class in the region. Banks have never originated these types of loans before so there is no performance history available. Even though we believe that the mortgages will perform in line with other micro credits in other markets, it is difficult to quantify expected losses on the first portfolio. For this reason, many investors as well as our internal credit committee will take a conservative approach that will focus on the worst case scenario for defaults. This would result in lower advance rates for banks resulting in reduced origination volume and it would also result in higher pricing (see "2" below).

2.) Pricing of Mortgage Loans

One of the primary goals of the Initiative is to provide an affordable mortgage to first time home buyers. Having the UN-HABITAT support at the second loss level is critical in order to achieve this goal. Given the lack of history of the loans and the current state of the capital markets, if Merrill Lynch and/or investors are asked to take additional risk by sharing losses on a pro rata basis with UN-HABITAT, the additional cost of this risk premium would be passed along to the borrowers. Investors would look at this investment in terms of seed capital funding for a start up that is focused on the low income sector in the developing world. We estimate that this risk premium could push mortgage rates above 20% for the borrowers.

3.) Marketability

This securitization will be the first of its kind and it would benefit a great deal from the UN-HABITAT support at the second loss level. Over the last year, investors worldwide have dramatically reduced their exposure to the mortgage sector. Selling the first low income mortgage securitization out of Central America will be a challenge even when placing the senior bonds. Having UN-HABITAT support the program at a subordinate level, along with having the originating banks retain the first loss piece will be a major selling point. While Merrill Lynch is willing to take down a senior position before selling it to investors, given the lack of demand for mezzanine or subordinated mortgage risk in the market, Merrill Lynch would not be in the position to do the same with the second loss piece.

After the first issuance, there may be more flexibility in the structure to change the allocation of risk. However for this initial transaction, it is vital to have UN-HABITAT's support in the second loss position in order to provide the best pricing to the borrowers and to reduce execution risk. As performance history for micro-mortgages becomes available, investors, when evaluating subsequent deals, are likely to become more comfortable taking the mezzanine/subordinated risk at a more reasonable level.

APPENDIX A

The Global Housing Foundation's Commitment

- Global Housing Foundation (“GHF”) was launched in 1999 when its late founder, René Frank, took up a challenge from the United Nations Commission on Human Settlements (UNCHS) as to why the private real estate industry did not do more to help solve housing crises around the world. For his efforts, Mr. Frank received the 2002 UN-Habitat Scroll of Honour Award.
- To this day, GHF continues to bring the vision of its founder into focus by expanding its board of directors to ensure it has the financial and real estate expertise and connectivity necessary to complete its mission.
- GHF, as a non-profit organization, relies on donations to cover its costs of operations. Board members donate their time and expertise as well as leverage off of their professional, political and philanthropic relationships. In addition to covering their travel and other out of pocket expenses, 100% of the board members consistently contribute to cover the operating costs of GHF.
- GHF has led the effort to create a mortgage loan securitization program to help facilitate UN-Habitat achieve its agenda as well as the UN Millennium Development Goals, in particular Target 11 of Goal #7 (achieve significant improvement in the lives of 100 million slum dwellers by 2020) and Goal #3 (promote gender equality and empower women).
- Under the securitization program, GHF will review and approve local developers and lending institutions, and will ensure their ongoing compliance with the program requirements.
- Under the securitization program, GHF, along with Merrill Lynch, will lend its expertise in the development and structuring of affordable, sustainable housing design and construction, loan origination and consolidation, financial literacy education, loan securitization and ultimately, access to the worldwide capital markets.
- In an effort to launch the financing program, GHF will accept UN-HABITAT's request that the first US\$500,000 of UN credit enhancement be structured as a non-recourse loan to GHF (see “Credit Enhancement Mechanism” above).

APPENDIX B

ML Responsible Citizenship

Merrill Lynch makes investments in communities around the world in several ways:

- Global Philanthropy
- Community Development
- Investing in Girls and Women

Merrill Lynch Global Philanthropy

Just as ML's business is helping millions of clients create and manage wealth – and become more self reliant as a result – our philanthropy is helping young people leverage their education as a critical instrument for wealth creation and for improving the quality of life in their communities. Through the ML education programs –Investing Pays Off[®], Young Entrepreneurs, and Global Ambassadors – ML gives young people practical exposure to valuable life skills, cultivates their business know-how, engages them in global issues, provides access to role models and mentors, and creates a pipeline for a diverse future workforce.

Investing Pays Off[®]

Overview

- IPO helps young people gain the knowledge, experience and skills essential for personal and financial success.
- IPO supports innovative programs for underserved youth, including stock market games, financial plan competitions, career development workshops, savings vehicles such as IDAs, and visits to financial institutions and landmarks.
- IPO provides students hands-on training, introduces them to Wall Street, and simulates careers in the financial industry. Incentives include college savings accounts, scholarships, internships, investment games, field trips and camps.

Program Framework

- IPO has a broad demographic reach (racial, ethnic, gender, age) and flexible delivery models. Its impact can be tracked and measured, and it features long-term partnerships with global, national, and local NGOs, schools, universities, associations, and individuals.
- IPO encourages collaboration of grassroots and established organizations and the involvement of ML volunteers serving as classroom presenters, competition judges, mentors, field trip hosts, board members and team organizers.
- Through the *IPO: It's Never Too Early To Start* curriculum created by ML and NFTE and the *Talking Cents* curriculum created by ML and Sesame Workshop, kids of all ages learn about value, planning ahead, budgeting, saving, investing, philanthropy, and more.
- These award-winning curricula include complementary video series are easily adapted and translated into other languages, and easily implemented and in any setting, from community centers to churches to ML offices.

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Program Framework (continued)

- Nonprofit organizations, schools, educators and parents are invited to download the material in any of the languages they need, free of charge, from <http://philanthropy.ml.com/ipo>, and use it in the setting of their choice. They can also request the assistance of ML volunteers at <http://philanthropy.ml.com/getinvolved>, subject to their availability geographically.

Results

- To date, IPO has exceeded 660 million media impressions, reaching 3.2 million children in 69 countries and 50 US states, 3,694 ML volunteers, 7,668 school programs (627 university, 3,972 high school, 1106 middle school, 490 elementary school, 139 home school), 2,154 nonprofit programs, 398,707 website visitors, and 30+ million TV viewers (video series).
- IPO curriculum downloads reached 27,528 and adaptations include English; Chinese; Portuguese; Japanese; Spanish; Arabic; Hindi; English; Russian (Talking Cents only).

Global Programs

- In Latin America/Caribbean, numerous projects included the IPO curriculum, such as ML and the International Youth Foundation's program in Brazil to provide personal financial and entrepreneurial training to underprivileged youth.
- Efforts are underway to expand the curriculum to schools/nonprofits working with underserved youth in Mexico, Argentina, Columbia, and Uruguay.
- In Japan, ML's *Kids Market Camp*, an annual three-day event using Japanese-language materials patterned after IPO, was praised by Japan's Finance Minister.
- Similarly in the UK, former Prime Minister Tony Blair commended ML's efforts to teach high-school students to save for the future through the ML *Enterprise and Entrepreneurship* program, which uses the adapted IPO curriculum.
- In Asia, ML volunteers from Hong Kong, Singapore, India, Korea and Indonesia visit local charities to teach underprivileged children about finance and planning for the future and also invite them to ML offices and trading floors.

US Programs

- ML volunteers have taught IPO lessons to public school students (K-12) throughout the country and to Girl Scout troops in many cities, including Atlanta, Chicago, Philadelphia, NYC, and Los Angeles (Daisies, Brownies, Girl Scouts can earn IPO patch for financial education).
- Investment Challenges with the NJ Nets, Phoenix Suns and LA Lakers also engage ML volunteers and complement their efforts with the Stock Market Game, which introduces public high school students to personal finance while teaching basic academic skills.
- ML's biennial national survey of youth financial education with Jump\$tart Coalition highlights the need for financial educational standards and practical, relevant programs such as IPO.

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Young Entrepreneurs

Overview

Small businesses are the backbone of the economy. Moreover, youngsters who know successful entrepreneurs and who are confident of their business skills are more likely to engage in entrepreneurial activities during their lives. Young Entrepreneurs programs aim to level the playing field and cultivate individual economic prosperity through business development and the pursuit of new and enterprising ideas.

Program Framework

Young Entrepreneurs introduces young people at an early age to the excitement and opportunities of entrepreneurship. The program provides support for

- mentorship between students and successful business leaders
 - micro-enterprise initiatives and access to seed money
 - business start-up and enhancement programs
 - business plan competitions
 - collaborations with peers
 - trade fairs for student-run trade businesses
 - technology training
 - studies on best practices in the field
- Partners are leaders in providing youth practical business skills and an entrepreneurial spirit, including ML volunteers who assist as business plan advisors, judges, speakers and mentors.

Global Programs

- ML established *Growing Up CEO* in 2004 in partnership with Harvard Business School, Michael Porter and ICIC, to identify the world's top inner-city entrepreneurs ages 13-20 and expose them to successful adult entrepreneurs, government officials, dignitaries, celebrities, ML business experts, and their peers during a two-day program at Harvard that is designed to enhance business practices and results. Through the efforts of ML's global offices, youth entrepreneurs around the world are encouraged each year to apply. In 2008, ML selected 36 CEOs ages 13 to 20 from the US, Panama, Namibia, Belize, India, and UK.
- Also to support youth entrepreneurs around the world, ML partners with the *National Foundation for Teaching Entrepreneurship* on *ML-NFTE Business Plan Competitions* in the US, UK and India, whereby students are challenged to write or refine their business plan and present the plan to a group of professionals who offer feedback, guidance, and evaluation. Winners receive cash prizes to invest in their business or education, and an all-expenses paid trip to New York to compete for NFTE's International Entrepreneur of the Year award.
- Merrill Lynch also partners with Virtual Enterprises International to support the Global Business Challenge, in which international teams representing Austria, Belgium, Brazil, Bulgaria, China, Finland, Italy, Lithuania, Romania, and other countries collaborate in multinational teams to devise solutions for complex global business issues.

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Global Programs (continued)

- ML's BizWorld program is being translated into Spanish, Japanese and Chinese for 3rd-8th grade students around the world to engage in hands-on, practical, fun lessons in entrepreneurship, business development, and finance.

US Programs

- ML-NFTE Regional Business Plan Competitions conducted in Miami, LA and San Francisco underscore ML's leadership in the area of youth entrepreneurship by engaging students in competitions for seed money, with local media exposure, featuring ML volunteer judges.
- ML-VE National Business Plan Competition reaches thousands of public school students in 400 schools across the US who spend the school year as employees of a simulated business then present a plan for prizes of \$25,000.
- ML-Baruch Entrepreneurship Competition engages ML bankers, executives and board members as mentors to student teams representing NYC's public high schools competing for seed money to "bring their ideas to market."

Global Ambassadors

Overview

- In today's interdependent world, it is essential for young people to appreciate and understand different cultures, perspectives, governments and global issues.
- Global Ambassadors engages young people with the world beyond their borders and exposes them to new ideas that will help them transform their communities and shape the world.

Program Framework

- Programs include workshops on globalization, trade, and development, Model UN simulations, global exchanges, leadership programs, and visits to international financial/political institutions.
- Opportunities for children to learn, embody, and act on the traits of a global citizen are offered through leadership programs, service learning projects, and online content that connects children safely to others around the world.
- ML volunteers are workshop speakers, student visit hosts, international student delegation nominators, curriculum advisors, and Model UN conference opening speakers and staff.
- Partners include NGOs, diplomats and UN officials, Fulbright Commission, US State Department, Peking University, Lebanese American University, iTunes, PBS KidSprout, iEARN, UN Cyber Schoolbus, UNICEF, UNA, Asia Society, Curriki; Girl Scouts, Children for Children, Oxfam, UK's Education Ministry, HK's British Council and Ed Exchange, Mexico's Conaculta and Japan's Future Kids.
- Advocates include UN Secretary General Ban Ki-Moon, US Secretary of State Condoleezza Rice, Ambassador to the UN Zalmay Khalilzad, Former Deputy Secretary to the UN Akashi, Actress and Goodwill Ambassador Whoopi Goldberg, Mexico's First Lady Zapata, Actress and Goodwill Ambassador Angelina Jolie, and Actress and Goodwill Ambassador Julia Ormond.

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Results

- ML's Model UN programs have reached 88,100 students since 2005. In 2007 alone, 1,423 teachers, 813 schools, 21 cities, and 12 countries have taken part in the program, with the support of 200 ML volunteers.
- www.panwapa.com currently features 150,000 registered "Panwapa Kids." The site attracts 15,000 unique visitors per week from 110 countries (average visit lasts eight minutes). Panwapa has been a feature presentation at the World Conference on Educational Multi-media, Hypermedia and Telecommunications, Vienna, Austria; Programs in International Educational Resources at Yale University; Putting the World into World-Class Education: Asia Society's Forum for Policymakers in Washington DC; China's Olympic Committee; and others.

Global Programs

- Global Ambassadors programs are in China, the UK, Spain, Germany, Israel, India, Lebanon, South Africa, Japan, Mexico, Brazil, and US (Boston, Chicago, Detroit, Houston, LA, Miami, Minneapolis, NY, Puerto Rico, Tampa, DC)
- There are two major ML initiatives – Model UN and Panwapa

Model UN

- ML partnered with the United Nations Association in 2005 to bring the Model United Nations experience into public high schools and middle schools around the world.
- With a goal of reaching 29 cities in 14 countries by 2010, we are enabling students to interact as U.N. ambassadors and grapple with the most pressing world issues today.
- Diplomacy, UN protocols, alliance building across nations, presentation skills and decision-making are just a few of the valuable skills that students develop as part of the program.
- ML and UNA are launching a new curriculum, the *Economics of Globalization*, with support provided by ML Research, international agencies (IMF, World Bank, etc) and global educational institutions. Currently in pilot in NYC public schools, the curriculum is scheduled to launch at the end of 2008.

Panwapa

- ML's partnership with Sesame Workshop through which a new team of muppets prepare children ages 4-8 to become responsible global citizens.
- Multimedia materials in Arabic, Spanish, English, Japanese and Chinese enable educators, parents, and ML volunteers to help kids become aware of the wider world, appreciate similarities and differences, take responsibility for their behavior, participate in their communities, and understand and respond to economic disparity.
- 200,000 Panwapa educational kits are being distributed by Ministries of Education, ML volunteers, nonprofit organizations around the world
- Additionally, broadcast partners are showing the Panwapa videos on television and the Internet, while digital partners are driving traffic to www.panwapa.com, a free, noncommercial, safe website for kids.

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Community Development

Merrill Lynch is committed to community development both domestically and internationally through the Merrill Lynch Community Development Company (MLCDC), a for-profit subsidiary of Merrill Lynch created in 2001 with the mission of expanding access to capital for impoverished and traditionally underserved communities. Since inception, MLCDC has provided more than \$1 billion in financing to underserved communities throughout the United States through loans and investments to support programs and projects that benefit low- and moderate-income individuals. MLCDC initiatives support affordable housing; education; child care; health care; workforce development, economic development; microfinance; small, minority and women-owned business development; and environmental sustainability.

One of MLCDC's primary goals is to strike a balance between financial return and social impact. We have financed the production of more than 25,000 units of affordable housing; 400,000 sq. ft. of community healthcare facilities, providing more than 1.3 million patient visits annually; 450,000 sq. ft. of charter schools that serve 15,000 students in low-income communities. Our work has also led to the creation of 25,000 construction jobs, nearly 5,000 permanent jobs and job training for thousands of low- and moderate-income people.

MLCDC's focus on socially responsible investing directly and indirectly serves to improve the lives of adolescent girls and young women. For instance, much of the affordable housing we finance provides shelter for battered and abused women or single parent households headed by women. MLCDC also provides health care, child-care, after school programs and educational opportunities for young women and girls living in poverty. Finally, much of the small business and microfinance lending directly benefits businesses run by women.

Investing in Girls and Women

As a socially responsible company, we are committed to contributing to global economic and ecological health. Last fall, we launched our Environmental Sustainability Initiative which encourages us to find pragmatic working solutions to the environmental issues the company faces and to capitalize on the business opportunities developing as alternative energy, green technology and carbon trading markets evolve.

In broadening Merrill Lynch's socially responsible agenda, we expanded our focus in March 2008 to address the root causes behind the economic and social stagnation of women and girls in emerging markets. Research conducted by Nobel Laureate in Economics Amartya Sen has demonstrated that gender inequality is a primary cause of economic underdevelopment since it negatively effects not only the development of girls and women but of boys and men.

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Investing in Girls and Women (continued)

Merrill Lynch's initiative will empower girls and women in developing countries by providing tools and skills required to become active participants in the social and economic growth of their nations and communities. The initiative's goals include increasing access for young girls and women to education, financial literacy and entrepreneurial skills, while improving maternal health. Access to financial services is critical in these targeted regions. According to the United Nations Development Program, a mere 4 percent of the population in rural Africa has access to bank accounts and only one percent has obtained loans or other forms of credit from formal financial institutions.

The initial focus of the initiative is to create social development and investment opportunities in Asia, sub-Saharan Africa and Latin America, which are replicable, sustainable and scalable in other regions of the developing world. This will entail designing client investment vehicles to finance innovative, market-based financial product and service solutions allowing women to access capital and credit markets and meaningful opportunities for employment - empowering them as successful catalysts for economic growth.

Two current initiatives focused on investing in girls and women are highlighted below.

MLCDC \$10mm Loan to Calvert Foundation

The Merrill Lynch Community Development Company (MLCDC) has invested \$10 million in a program to support women entrepreneurs in Africa, India, and Latin America through Calvert Social Investment Foundation's innovative Community Investment Note program. With more than \$200 million in assets, Calvert Foundation focuses on using investment capital, rather than conventional philanthropy, to create a sustainable, scalable model that enables microfinance institutions, nonprofit organizations, and social enterprises to address critical social problems.

MLCDC's investment provides capital to microfinance organizations that extend small loans - averaging \$500, and as small as \$100 in some cases. By providing these micro-loans, business training and other financial services to poor women who start their own businesses, micro-credit organizations help women work their own way up the economic ladder with dignity and pride. With a small amount of capital, women entrepreneurs can grow their own businesses, earning enough to afford basics: running water, better food and education for their children. Thirteen microfinance organizations (MFIs) will receive Merrill Lynch capital and are expected to provide micro-loans to more than 25,000 micro-enterprises (over 90% of loans which will be for women-owned businesses); expanding income and assets for the women entrepreneurs (and their families) in Africa, India, and Central and South America.

"By financing women entrepreneurs via microfinance, we are helping to create additional paths out of poverty for women and their families. We are delighted by this opportunity to drive economic and social progress to improve the lives of girls and women and to demonstrate our ongoing commitment to our communities." said Greg Fleming, president and chief operating officer.

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Worldwide Fistula Fund (WFF)

As many as 3.5 million girls and women in Africa and South Asia suffer from obstetric fistulas, a catastrophic complication of childbirth that results in total incontinence and is usually coupled with devastating social consequences including profound loss of self-esteem, abandonment by husbands and families and ostracism from society. Obstetric fistulas are caused by prolonged obstructed labor, itself one of the major causes of maternal death. In nearly all cases of obstructed labor (90-95%), the fetus dies from asphyxiation.

Each year, there are at least 130,000 new fistula cases worldwide. Yet, unlike so many other critical health problems in developing countries, fistulas are curable: closure is possible in the vast majority of cases. This tragedy is two-fold:

- Surgical treatment to correct fistulas is unavailable to most afflicted women due to a shortage of both trained medical professionals and adequate facilities.
- Fistulas are completely preventable, but continue to develop because many pregnant women cannot get timely access to quality emergency obstetric services.

In February 2008, Merrill Lynch committed \$250,000 in financial support to the creation of a model women's maternal healthcare center that focuses on prevention and repair of obstetric fistula. The center will be built in Danja, Niger due to the fact that Niger has the highest birth rate in the world, yet has only 10 OB/GYNs for a population of nearly 6.5 million women.

APPENDIX C

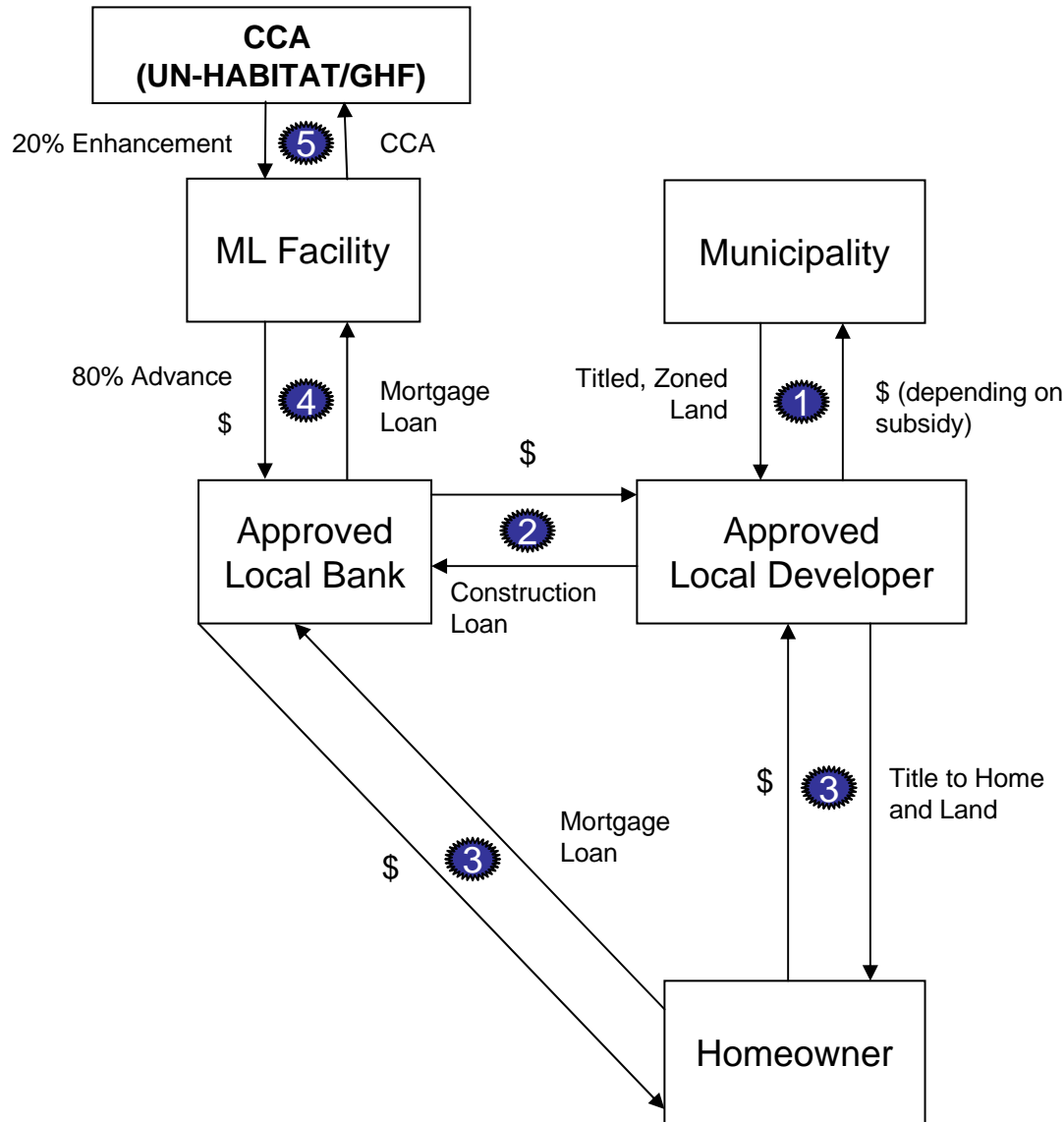
Central American Micro-Mortgage Initiative

Loan Origination Process

Diagram

Central American Micro-Mortgage Lending Initiative

Loan Origination Process



Loan Origination Process:

- 1.) Municipality (or other local benefactor) donates (or sells) titled, zoned land parcels to approved Developer.
- 2.) Developer obtains construction financing from approved Lender (including funds to acquire land if necessary) and proceeds to build houses according to approved specifications.
- 3.) Qualified prospective homeowners obtain mortgage financing from Lender and buy properties (house and land) from Developer. GHF receives a predetermined fee from homeowners at the time of mortgage loan origination. Developer uses proceeds to repay a portion of the construction loan and retains a predetermined profit (2).
- 4.) Lender sells eligible mortgage loans to ML facility (eligibility criteria include 12 months of seasoning, clean pay history and a minimum aggregate loan balance) and buys back a subordinated interest in the pool (approximately 20% of the initial pool principal balance). Lender continues to service mortgage loans and receive a servicing fee.
- 5.) UN-HABITAT/GHF fund a cash collateral account ("CCA") that provides 20% credit enhancement to the ML facility

APPENDIX D

Central American Micro-Mortgage Initiative

Local Bank Selection Criteria

Developer Selection Criteria

Local Banks

Selection Criteria

- Established in the local community
- Willing to originate and service “micro mortgages”
- Able to generate at least USD\$1,000,000 of loans annually
- Willing to write loans in US Dollars
- Ability to offer competitive interest rates on loans
- Able to service, collect and if necessary foreclose on loans

Approved Banks

- Banco de Finanzas (Nicaragua)

Developers

Selection Criteria

- Established in the local community
- Able to qualify for construction loans to build at least 500 homes
- Clear backgrounds and references
- Willing to enter into and comply with the terms of the GHF Developer Agreement
- Willing to agree to set profit margins, UN audits, and meet ongoing transparency requirements
- Able to promote the program and use agreed upon promotional materials

Approved Developers

- Lacayo Fiallos Constructions
- Gonzalez & Magnoli
- Proyecto de Ingenieria S.A. (Prinsa)
- Bosque Hogar S.A.
- Delosa

APPENDIX E

Merrill Lynch Government Fund

Fact Sheet

July 2008

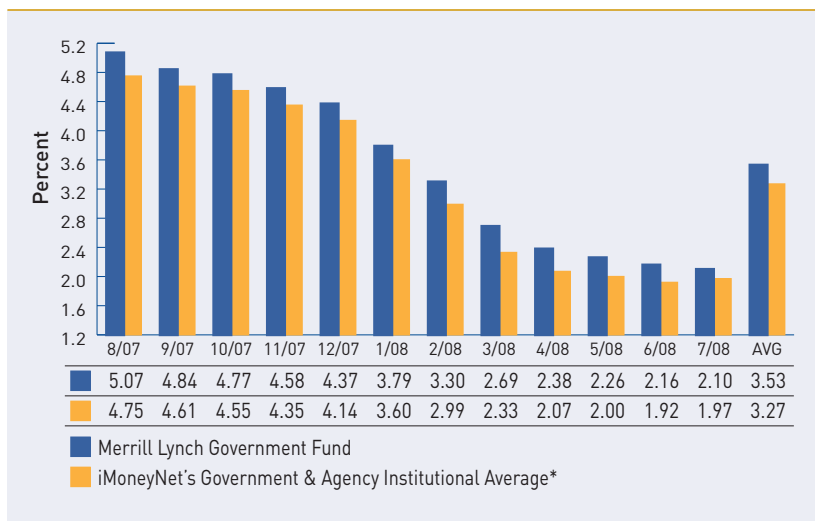
Merrill Lynch Government Fund

JULY 2008

Investment strategy

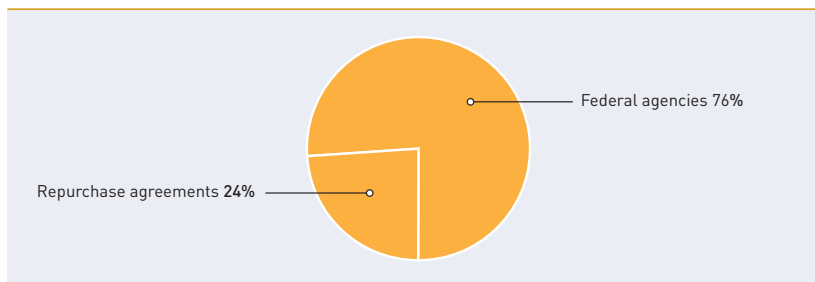
The fund seeks to achieve its objective by investing in U.S. government securities, U.S. government agency securities, U.S. government sponsored enterprise securities and securities guaranteed by the U.S. government, U.S. government agencies, and U.S. government sponsored enterprises. The fund may enter into repurchase agreements and forward commitments to purchase securities. The fund will also invest in securities issued by international organizations that are supported by the U.S. government, such as the International Bank for Reconstruction and Development.

Performance vs. benchmark (7-day Yields %)



* Source: iMoneyNet, Inc. Benchmark consists of all government institutional funds. Performance is based on a 7-day annualized yield.

Portfolio investments³



An investment in the fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. Performance data represents past performance and does not guarantee future results. Yields will vary. Current performance may be lower or higher than the performance data quoted. Please call 800-225-1576 or log-on to mlffi.com to obtain performance data current to the most recent month-end.

Providing competitive performance and outstanding service in institutional money market funds

Investment objective

The Fund's objective is to seek maximum current income consistent with liquidity and security of principal by investing in a portfolio of securities issued or guaranteed by the U.S. government, its agencies or instrumentalities.

Fund facts

Symbol	MLGXX
Size	\$7.0 billion
Inception	September 6, 1977
Minimum investment	\$100,000
Trading deadline	5 p.m. (Eastern)
Average maturity	41 days
NAIC ⁴ approved	Yes
Standard and Poors	AAAm

⁴National Association of Insurance Commissioners

Historical fund performance

Annualized 7-day yields¹

	7-day
Jul 08	2.10%
Jun 08	2.16
May 08	2.26
Apr 08	2.38
Mar 08	2.69
Feb 08	3.30
Jan 08	3.79
Dec 07	4.37
Nov 07	4.58
Oct 07	4.77
Sep 07	4.84
Aug 07	5.07

Average annual total return ²	Period ending 6/30/08
1 year	3.93%
3 year	4.35
5 year	3.18
10 year	3.61

Market Commentary

The Federal Open Market Committee (FOMC) was not scheduled to meet during the month of July, but the minutes of the June FOMC meeting were released on July 16. The general tone of the minutes was hawkish, but there was increasing disagreement among committee members regarding the timing of any change in monetary policy. Debates of this nature are expected to continue as the uncertainty surrounding the outlook for both economic activity and inflation persist. In his Monetary Policy Report to Congress, Federal Reserve Chairman Ben Bernanke stated that "the possibility of higher energy prices, tighter credit conditions, and a still-deeper contraction in housing markets all represent significant downside risks to the outlook for growth" and that the "upside risks to the inflation outlook have intensified." This is a reversal of the June 25th FOMC statement which noted that "downside risks to growth diminished somewhat." On July 30, President Bush signed the Housing and Economic Recovery Act of 2008 into law, which contained various measures to support the financial condition of Fannie Mae and Freddie Mac. The slope of the LIBOR curve stood at a positive 79 basis points at the end of the July, compared with 85 basis points at the end of June. Contracts for Federal funds futures were priced for at least one increase of 25 basis points by the end of the year.

The Bank of England (BOE) maintained its key rate at 5.00%, but the European Central Bank (ECB) raised its rate by 25 bps to 4.25% in response to "increasing upside risks to price stability over the medium term." There has been a decidedly hawkish tone to recent communications, with the BOE asserting that maintaining price stability is its current primary objective; yield curves remained priced for future rate increases.

In the Treasury bill sector, the yield curve was steep for most of the month. Bill issuance was projected to remain elevated due to unanticipated financing needs and lower than expected tax receipts. Indeed, bill issuance did increase, particularly in the four-week and one year-bill. With the signing of the Housing and Economic Recovery Act of 2008 and the additional bill issuances, the yield curve flattened towards month-end. On the financing front, yields on repurchase agreements exceeded the Federal funds target rate for most of the month.

In the municipal sector, money market funds typically see some of their largest cash inflows in early July. These inflows directly impacted levels on various types of tax-exempt securities. For example, the Securities Industry and Financial Markets Association's index of 7-day variable rate demand notes (VRDNs) reset to 1.40% at the beginning of July. Levels recovered slightly by mid-month as ratios had fallen too low to maintain demand. As inventories of VRDNs started to build towards month-end, yields spiked to 2.35%, representing over 90% of one-month LIBOR. In contrast general market notes due in one-year were consistently priced in the 1.50% to 1.55% range throughout the month. Such levels were well below historic averages relative to one-year LIBOR. The yield curve from one-week out to one-year was positively sloped for most of the month, but became inverted as levels on weekly VRDNs increased at month-end. Nevertheless demand remained strong for one-year notes given the seasonal nature of issuance. Such obligations also provide an opportunity for funds to diversify their holdings.

For a current prospectus of the Merrill Lynch Government Fund (part of the Merrill Lynch Funds For Institutions Series), which contains more complete information, please call 800-626-1960. Before investing, consider the investment objectives, risks and expenses of the fund carefully. This and other information can be found in the fund's prospectus. Read the prospectus carefully before you invest or send money.

www.mlffi.com

Important Notes

LIBOR is the London Interbank Offered Rate, an interest rate benchmark that represents a short-term rate that international banks dealing in Eurodollars charge each other for large loans.

The analysis and opinions contained in this Market Commentary are those of BlackRock Institutional Management Corporation, the investment advisor to the Merrill Lynch Funds For Institutions, and are based on information obtained by BlackRock from sources that are believed to be reliable. Such information is provided as of the date indicated and BlackRock assumes no duty to update such information. BlackRock provides no assurance as to the completeness or accuracy of the information contained in this Market Commentary. The views expressed should not be considered investment advice and are not intended to predict or depict the performance of any security or fund. Index performance is not illustrative of any particular investment. An investment cannot be made in an index. Prepared by BlackRock Investments, Inc. BlackRock is a registered trademark of BlackRock, Inc.

- 1 Annualized 7-day yields are based on net investment income for the period shown. Yields will fluctuate, and are based on each fund's total net investment income during the period.
- 2 The fund's current yield more closely reflects the current earnings of the fund than the total return quotations.
- 3 The fund's current portfolio holdings are subject to change.