

Maiden Lane III LLC

*(A Special Purpose Vehicle Consolidated by the
Federal Reserve Bank of New York)*

*Financial Statements as of and for the Years Ended
December 31, 2012 and 2011, and
Independent Auditors' Report*

Maiden Lane III LLC

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FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Management's Report on Internal Control over Financial Reporting

To the Board of Directors of the
Federal Reserve Bank of New York:

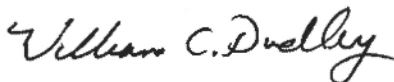
March 14, 2013

The management of Maiden Lane III LLC (ML III LLC) is responsible for the preparation and fair presentation of the Statements of Financial Condition as of December 31, 2012 and 2011, the Condensed Schedule of Investments as of December 31, 2011, and the Statements of Operations and the Statements of Cash Flows for the years ended December 31, 2012 and 2011 (the financial statements). The financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP), and, as such, include some amounts that are based on management judgments and estimates. To our knowledge, the financial statements are, in all material respects, fairly presented in conformity with GAAP and include all disclosures necessary for such fair presentation.

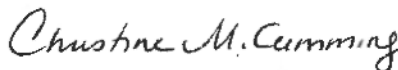
The management of ML III LLC is responsible for establishing and maintaining effective internal control over financial reporting as it relates to the financial statements. ML III LLC's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. ML III LLC's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of ML III LLC's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that ML III LLC's receipts and expenditures are being made only in accordance with authorizations of its management; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of ML III LLC's assets that could have a material effect on its financial statements.

Even effective internal control, no matter how well designed, has inherent limitations, including the possibility of human error, and therefore can provide only reasonable assurance with respect to the preparation of reliable financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

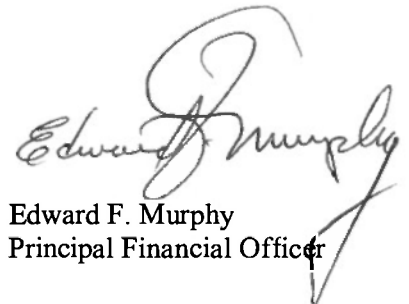
The management of ML III LLC assessed its internal control over financial reporting based upon the criteria established in the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we believe that ML III LLC maintained effective internal control over financial reporting.



William C. Dudley
President



Christine M. Cumming
First Vice President



Edward F. Murphy
Principal Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Managing Member of
Maiden Lane III LLC:

We have audited the accompanying financial statements of Maiden Lane III LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the "LLC"), which are comprised of the statements of financial condition as of December 31, 2012 and 2011, including the condensed schedule of investments as of December 31, 2011, and the related statements of operations and cash flows for the years ended December 31, 2012 and 2011, and the related notes to the financial statements. We also have audited the LLC's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility

The LLC's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The LLC's management is also responsible for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the LLC's internal control over financial reporting based on our audits. We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and we conducted our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the auditing standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of the financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the LLC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of the

financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition of Internal Control Over Financial Reporting

The LLC's internal control over financial reporting is a process designed by, or under the supervision of, the LLC's principal executive and principal financial officers, or persons performing similar functions, and effected by the LLC's Managing Member to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The LLC's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the LLC; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the LLC are being made only in accordance with authorizations of the Managing Member; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the LLC's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Control Over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maiden Lane III LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the LLC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Emphasis of Matter

As discussed in Note 1 to the financial statements, on September 10, 2012, the LLC was dissolved. Under Delaware law, upon dissolution of the LLC, its affairs may be wound up. Winding up requires the LLC to pay or make reasonable provision to pay all claims and obligations of the LLC before distributing its remaining assets. While its affairs are being wound up, the LLC is retaining certain assets to meet trailing expenses and other obligations as required by law. When winding up is complete, a final distribution of any remaining assets will be made in accordance with Delaware law and the LLC Agreement, and a certificate of cancellation will be filed in the office of the Delaware Secretary of State. The LLC expects the wind up process to be concluded during 2013. Our opinions are not modified with respect to this matter.

Deloitte & Touche LLP

March 14, 2013

Maiden Lane III LLC

Statements of Financial Condition

As of December 31, 2012 and 2011

(Amounts in thousands, except contributed capital data)

| | 2012 | 2011 |
|---|------------------|----------------------|
| Assets | | |
| Investments, at fair value (cost of \$0 and \$21,882,868, respectively) | \$ - | \$ 17,734,504 |
| Cash and cash equivalents | 22,133 | 54,635 |
| Principal and interest receivable | - | 30,688 |
| Total assets | <u>\$ 22,133</u> | <u>\$ 17,819,827</u> |
| Liabilities and members' equity | | |
| Senior Loan, at fair value | \$ 14,780 | \$ 11,467,363 |
| Equity Contribution, at fair value | 7,280 | 6,349,940 |
| Professional fees payable and accrued | 73 | 2,524 |
| Total liabilities | <u>22,133</u> | <u>17,819,827</u> |
| Members' equity (\$100 contributed capital) | <u>-</u> | <u>-</u> |
| Total liabilities and members' equity | <u>\$ 22,133</u> | <u>\$ 17,819,827</u> |

The accompanying notes are an integral part of these financial statements.

Maiden Lane III LLC

Condensed Schedule of Investments

As of December 31, 2011

(Amounts in thousands, except percentage data)

| <u>2011</u> | <u>Face value</u> | <u>Fair value</u> | <u>Percentage of total investments</u> |
|--|-------------------|----------------------|--|
| ABS CDOs: | | | |
| High-grade ABS CDOs : | | | |
| TRIAX 2006-2A A1B2 | \$ 1,283,943 | \$ 913,991 | 5.1% |
| TRIAX 2006-2A A1A | 321,018 | 228,521 | 1.3% |
| Other ¹ | | 10,093,817 | 56.9% |
| Total high-grade ABS CDOs (cost \$14,792,814) | | <u>11,236,329</u> | <u>63.3%</u> |
| Mezzanine ABS CDOs ¹ (cost \$2,323,394) | | <u>1,453,477</u> | <u>8.2%</u> |
| Commercial real estate CDOs : | | | |
| MAX 2007-1 A1 | 2,096,537 | 1,162,320 | 6.6% |
| MAX 2008-1 A1 | 5,403,463 | 2,995,680 | 16.9% |
| Other ¹ | | 625,778 | 3.5% |
| Total commercial real estate CDOs (cost \$4,520,807) | | <u>4,783,778</u> | <u>27.0%</u> |
| RMBS, CMBS, & other (cost \$245,853) | | <u>260,920</u> | <u>1.5%</u> |
| Total investments (cost \$21,882,868) | | <u>\$ 17,734,504</u> | <u>100.0%</u> |

¹Includes all securities or CDO issuers that, individually, represent less than 5% of total investments.

The accompanying notes are an integral part of these financial statements.

Maiden Lane III LLC

Statements of Operations

For the years ended December 31, 2012 and 2011

(Amounts in thousands)

| | 2012 | 2011 |
|--|------------------|--------------------|
| Investment income | | |
| Interest income | \$ 1,023,872 | \$ 2,012,034 |
| Expenses | | |
| Interest expense | 143,060 | 322,226 |
| Professional fees | 10,797 | 19,809 |
| Total expenses | <u>153,857</u> | <u>342,035</u> |
| Net investment income | <u>870,015</u> | <u>1,669,999</u> |
| Realized and unrealized gains (losses) | | |
| Realized gains on investments, net | 1,357,330 | 746 |
| Unrealized gains (losses) on investments, net | 4,148,364 | (3,363,112) |
| Realized losses on Senior Loan | (5,898,266) | - |
| Unrealized gains on Senior Loan, net | 1,626,541 | 1,133,886 |
| Realized losses on Equity Contribution | (2,905,116) | - |
| Unrealized gains on Equity Contribution, net | <u>801,132</u> | <u>558,481</u> |
| Net realized and unrealized losses | <u>(870,015)</u> | <u>(1,669,999)</u> |
| Net change in members' equity resulting from operations | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

Maiden Lane III LLC

Statements of Cash Flows

For the years ended December 31, 2012 and 2011
(Amounts in thousands)

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities | | |
| Net change in members' equity resulting from operations | \$ - | \$ - |
| Adjustments to reconcile net change in members' equity resulting from operations to net cash provided by operating activities: | | |
| Unrealized (gains) losses on investments, net | (4,148,364) | 3,363,112 |
| Unrealized gains on Senior Loan, net | (1,626,541) | (1,133,886) |
| Unrealized gains on Equity Contribution, net | (801,132) | (558,481) |
| (Decrease) increase in capitalized and accrued interest on Senior Loan | (691,804) | 146,281 |
| (Decrease) increase in capitalized and accrued interest on Equity Contribution | (541,528) | 175,945 |
| Decrease (increase) in principal and interest receivable | 30,688 | (1,826) |
| Decrease in professional fees payable and accrued | (2,451) | (1,635) |
| Payments for purchase of investments | (1,911) | - |
| Proceeds from principal paydowns on investments | 947,624 | 1,874,538 |
| Proceeds from sale of investments | 22,294,485 | 2,448 |
| Realized gains on investments, net | (1,357,330) | (746) |
| Realized losses on Senior Loan | 5,898,266 | - |
| Realized losses on Equity Contribution | 2,905,116 | - |
| Net cash flow provided by operating activities | <u>22,905,118</u> | <u>3,865,750</u> |
| Cash flows from financing activities | | |
| Repayments of Senior Loan | (9,134,238) | (4,391,296) |
| Repayments of Equity Contribution | (5,000,000) | - |
| Payments of Contingent Interest on Senior Loan | (5,898,266) | - |
| Payments of Excess Amounts on Equity Contribution | (2,905,116) | - |
| Net cash flow used in financing activities | <u>(22,937,620)</u> | <u>(4,391,296)</u> |
| Net decrease in cash and cash equivalents | (32,502) | (525,546) |
| Beginning cash and cash equivalents | 54,635 | 580,181 |
| Ending cash and cash equivalents | <u>\$ 22,133</u> | <u>\$ 54,635</u> |
| Supplemental disclosures | | |
| Non-cash operating and financing activities: | | |
| Accrued and capitalized interest on Senior Loan and Equity Contribution | <u>\$ 143,060</u> | <u>\$ 322,226</u> |
| Cash paid during the year for: | | |
| Interest | <u>\$ 1,376,392</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

1. Organization and Nature of Business

Maiden Lane III LLC (the “LLC”), a special purpose vehicle consolidated by the Federal Reserve Bank of New York (“FRBNY” or the “Managing Member”), is a Delaware limited liability company that was formed to acquire asset-backed security collateralized debt obligations (“ABS CDOs”) from certain third-party counterparties of AIG Financial Products Corp. (“AIGFP”). In connection with the acquisitions, the third-party counterparties agreed to terminate their related credit derivative contracts with AIGFP.

During the period ended December 31, 2008, the LLC borrowed approximately \$24.3 billion from FRBNY through two separate extensions of credit (collectively the “Senior Loan”) and American International Group, Inc. (“AIG”), the parent company of AIGFP, provided capital of \$5 billion to the LLC (the “Equity Contribution”). These proceeds were used to purchase ABS CDOs with a fair value of \$29.6 billion, determined as of October 31, 2008. The counterparties received \$26.8 billion net of principal and interest received and finance charges paid on the ABS CDOs. The LLC also made a payment to AIGFP of \$2.5 billion representing the over collateralization previously posted by AIGFP and retained by counterparties in respect of terminated credit default swaps (“CDS”) as compared to the LLC’s fair value acquisition prices calculated as of October 31, 2008. The aggregate amount of principal and interest proceeds from CDOs received after the announcement date, but prior to the settlement dates, net of financing costs, amounted to approximately \$0.3 billion and therefore reduced the amount of funding required at settlement by \$0.3 billion, from \$29.6 billion to \$29.3 billion.

FRBNY is the managing member and controlling party of the assets of the LLC and will remain as such as long as FRBNY retains an economic interest in the LLC. FRBNY and AIG and any permitted AIG assignees (the “Equity Investor”) are the sole members of the LLC. FRBNY has contributed \$100 and owns all managing member interests of the LLC. AIG has contributed the Equity Contribution, and FRBNY and AIG and any permitted AIG assignees own the equity interests in the LLC. The Senior Loan is collateralized by all the assets of the LLC through a pledge to The Bank of New York Mellon (“BNYM”) as collateral agent. The Equity Contribution is accounted for as a liability by the LLC, as described in Note 2D.

BlackRock Financial Management, Inc. (the “Investment Manager” or “BlackRock”) manages the investment portfolio of the LLC under a multi-year contract with FRBNY that includes provisions governing termination. BNYM provides administrative services and has been appointed to serve as collateral agent under multi-year contracts with FRBNY that include provisions governing termination.

In 2012, the LLC sold its remaining portfolio assets through a series of competitive auctions. Proceeds from these sales were subsequently used to fully repay the Senior Loan plus interest and the Equity Contribution plus interest. Additional distributions were made to FRBNY as Contingent Interest and to AIG as Excess Amounts in accordance with the priority of payment explained in Note 4.

On September 10, 2012, the LLC was dissolved. Under Delaware law, upon dissolution of the LLC, its affairs may be wound up. Winding up requires the LLC to pay or make reasonable provision to pay all claims and obligations of the LLC before distributing its remaining assets. While its affairs are being wound up, the LLC is retaining certain assets to meet trailing expenses and other obligations as required by law. When winding up is complete, a final distribution of any remaining assets will be made in accordance with Delaware law and the LLC agreement, and a certificate of cancellation will be filed in the office of the Delaware Secretary of State. The LLC expects the wind up process to be concluded during 2013. The costs to wind up the LLC are not expected to be material.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

The LLC does not have any employees and therefore does not bear any employee-related costs.

2. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (“GAAP”), which require the Managing Member to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting period. Significant estimates include the fair value of investments, the Senior Loan, and Equity Contribution. Actual results could differ from those estimates.

The following is a summary of the significant accounting policies followed by the LLC:

A. Cash and Cash Equivalents

The LLC defines cash and cash equivalents as cash, money market funds, and other short-term, highly liquid investments with maturities of three months or less when acquired. Money market funds and other short-term investments are carried at fair value based on quoted prices in active markets for identical assets. All cash equivalents are classified as Level 1 under the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 (“ASC 820”), *Fair Value Measurement*. Refer to Note 5 for more information.

B. Valuation of Financial Assets and Liabilities

The LLC qualifies as a nonregistered investment company under the provisions of FASB ASC Topic 946 (“ASC 946”), *Financial Services - Investment Companies*, and therefore, all investments are recorded at fair value in accordance with ASC 820.

The LLC has elected the fair value option in accordance with FASB ASC Topic 825 (“ASC 825”), *Financial Instruments*, for the Senior Loan and the Equity Contribution. Under ASC 825, the LLC records the Senior Loan and the Equity Contribution, including related accrued and capitalized interest, at fair value in the LLC’s financial statements in accordance with ASC 820. The Managing Member believes that accounting for the Senior Loan and Equity Contribution at fair value appropriately reflects the LLC’s purpose and intent with respect to its financial assets and liabilities and most closely reflects the LLC’s obligations.

Fair Value Hierarchy

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that distinguishes between assumptions developed using market data obtained from independent sources (observable inputs) and the LLC’s assumptions developed using the best information available in the circumstances (unobservable inputs). The three levels established by ASC 820 are described as follows:

- Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect the LLC's estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

C. Investment Transactions and Investment Income

Investment transactions are accounted for at trade date. Interest income is recorded when earned and includes paydown gains and losses on investments. Realized gains or losses on investment transactions are determined on the identified cost basis.

D. Accounting for the Senior Loan and Equity Contribution

The Senior Loan and related accrued and capitalized interest, at fair value, are recorded as "Senior Loan, at fair value" in the Statements of Financial Condition and changes in fair value are recorded as "Unrealized gains on Senior Loan, net" in the Statements of Operations. The Equity Contribution and related accrued and capitalized interest, at fair value, are recorded as "Equity Contribution, at fair value" in the Statements of Financial Condition and changes in fair value are recorded as "Unrealized gains on Equity Contribution, net" in the Statements of Operations.

Distributions of Contingent Interest and Excess Amounts are recorded as "Realized losses on Senior Loan" and "Realized losses on Equity Contribution," respectively, in the Statements of Operations.

The Equity Contribution is reported as a liability in the Statement of Financial Condition in accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*, because the Equity Contribution is mandatorily redeemable before the liquidation of the LLC.

E. Professional Fees

Professional fees are primarily comprised of the fees charged by the Investment Manager and administrator.

F. Income Taxes

The LLC is a partnership for U.S. Federal, state, and local income tax purposes and makes no provision for such taxes as its taxable income and losses are taken into account by its members. The LLC qualified, and intends to continue to qualify, for tax purposes as a partnership.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

G. Recently Issued Accounting Standards

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update requires additional disclosures for fair value measurements categorized as Level 3, including quantitative information about the unobservable inputs and assumptions used in the fair value measurement, a description of the valuation policies and procedures, and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, disclosure of the amounts and reasons for all transfers in and out of Level 1 and Level 2 is required. This update is effective for the LLC for the year ended December 31, 2012, and the required disclosures are included in Note 5.

3. Senior Loan (including Contingent Interest) and Equity Contribution (including Excess Amounts)

The Senior Loan had a six-year term maturing on November 25, 2014. The interest rate on the Senior Loan was equal to the London interbank offered rate (“Libor”) for one-month deposits in U.S. dollars plus 100 basis points, while the interest rate on the Equity Contribution was equal to the Libor rate for one-month deposits in U.S. dollars plus 300 basis points. Interest on the Senior Loan and the Equity Contribution was capitalized monthly and accrued daily based on the amount of principal and capitalized interest outstanding on the first business day of each month.

In June 2012, the LLC repaid in full the outstanding principal and interest on the Senior Loan to FRBNY (other than Contingent Interest). In July 2012, the LLC repaid the outstanding Equity Contribution and related interest to AIG. In addition to these repayments, distributions of \$5.9 billion and \$2.9 billion were made to FRBNY as Contingent Interest and AIG as Excess Amounts, respectively.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

The following table presents a reconciliation of the Senior Loan and Equity Contribution as of December 31, 2012 and 2011 (in thousands):

| | Senior Loan ³ | Equity Contribution ⁴ | Total |
|----------------------------------|--------------------------|----------------------------------|---------------|
| Fair value, December 31, 2010 | \$ 16,846,264 | \$ 6,732,476 | \$ 23,578,740 |
| <i>2011 Activity:</i> | | | |
| Accrued and capitalized interest | 146,281 | 175,945 | 322,226 |
| Repayments ¹ | (4,391,296) | - | (4,391,296) |
| Unrealized gains | (1,133,886) | (558,481) | (1,692,367) |
| Fair value, December 31, 2011 | 11,467,363 | 6,349,940 | 17,817,303 |
| <i>2012 Activity:</i> | | | |
| Accrued and capitalized interest | 45,507 | 97,553 | 143,060 |
| Repayments ² | (15,769,815) | (8,544,197) | (24,314,012) |
| Unrealized gains | (1,626,541) | (801,132) | (2,427,673) |
| Realized losses | 5,898,266 | 2,905,116 | 8,803,382 |
| Fair value, December 31, 2012 | \$ 14,780 | \$ 7,280 | \$ 22,060 |

¹ Includes payments on the Senior Loan of \$4,391,296 of principal.

² Includes payments on the Senior Loan of \$9,134,238 of principal, \$737,311 of interest, and \$5,898,266 of Contingent Interest and on the Equity Contribution of \$5,000,000 of principal, \$639,081 of interest, and \$2,905,116 of Excess Amounts.

³ The outstanding principal and accrued interest balances of the Senior Loan were \$0 and \$9,826,042 (principal of \$9,134,238 and interest of \$691,804) as of December 31, 2012 and 2011, respectively.

⁴ The outstanding principal and accrued interest balances of the Equity Contribution were \$0 and \$5,541,528 (principal of \$5,000,000 and interest of \$541,528) as of December 31, 2012 and 2011, respectively.

The weighted-average interest rates on the Senior Loan and Equity Contribution for the year ended December 31, 2012 were 1.26 percent and 3.25 percent, respectively. The weighted-average interest rates on the Senior Loan and Equity Contribution for the year ended December 31, 2011 were 1.24 percent and 3.24 percent, respectively.

4. Distribution of Proceeds

Prior to September 10, 2012, in accordance with the Master Investment and Credit Agreement, amounts available in the accounts of the LLC were distributed monthly in the following order of priority:

first, to pay any costs and expenses then due and payable;

second, to pay any amounts due and payable to any counterparty to any permitted hedging transactions as of the payment cut-off date;

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

third, to fund the expense reimbursement sub-account until the balance thereof is equal to an amount specified by FRBNY (\$0 and \$500,000 as of December 31, 2012 and 2011, respectively);

fourth, to fund the investment reserve sub-account until the balance thereof is equal to an amount specified by FRBNY (\$0 as of December 31, 2012 and 2011);

fifth, to pay all or a portion of the outstanding principal amount of the Senior Loan;

sixth, so long as the entire outstanding principal amount of the Senior Loan shall have been paid in full in cash, to pay all or any portion of the accrued and unpaid interest outstanding on the Senior Loan;

seventh, so long as the entire outstanding principal amount of, and all accrued and unpaid interest outstanding on, the Senior Loan shall have been paid in full in cash, to release to the LLC, for distribution to the Equity Investor or its permitted assignees, the lesser of (a) all remaining amounts and (b) the undistributed balance of the Equity Contribution amount;

eighth, so long as (i) the entire outstanding principal amount of, and all accrued and unpaid interest outstanding on, the Senior Loan shall have been paid in full in cash, (ii) all other remaining secured obligations outstanding shall have been paid in full in cash, and (iii) the Equity Contribution amount shall have been decreased to zero because cash has been released to the LLC for distribution to the Equity Investor or its permitted assignees, the lesser of (a) all remaining amounts and (b) the accrued but unpaid accrued interest in respect of the equity interest;

ninth, so long as (i) the entire outstanding principal amount of, and all accrued and unpaid interest outstanding on, the Senior Loan has been paid in full in cash, (ii) all other remaining secured obligations outstanding shall have been paid in full in cash, and (iii) the Equity Contribution amount shall have been decreased to zero and there are no outstanding accrued and unpaid interest, to pay any amounts due and payable to any counterparty to any permitted hedging transactions as of the payment cut-off date to the extent not paid under clause *second* above;

tenth, so long as, (i) the entire outstanding principal amount of, and all accrued and unpaid interest outstanding on, the Senior Loan have been paid in full in cash, (ii) all other remaining secured obligations outstanding shall have been paid in full in cash, and (iii) the Equity Contribution amount shall have been decreased to zero and there are no outstanding accrued and unpaid interest, to pay 67 percent of all remaining amounts to FRBNY (the "Contingent Interest") and to release to the LLC, for distribution to the Equity Investor or its permitted assignees, 33 percent of all remaining amounts (the "Excess Amounts").

Effective March 31, 2011, amendments were made to the Credit Agreement such that permitted hedging transaction payments are paid on the date that such amounts are due and owing by the LLC under the terms of the permitted hedge, and that distributions to each Equity Investor as noted in the *seventh*, *eighth*, and *tenth* priorities described above are made pro rata based on each Equity Investor's percentage interest.

On September 10, 2012, the LLC was dissolved and the Managing Member began to wind up the affairs of the LLC. All future distributions will be made by the Managing Member in accordance with and as required by Delaware law and the agreements governing the LLC.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

5. Fair Value Measurements

The LLC qualifies as a non-registered investment company under the provisions of ASC 946 and, therefore, all investments are recorded at fair value in accordance with ASC 820. The LLC elected to measure the Senior Loan and the Equity Contribution at fair value under ASC 825.

Determination of Fair Value

Due to the nature of the investments held by the LLC, valuation is based on model-based techniques that use inputs, estimates, and assumptions that market participants would use in pricing the investments. To the extent such inputs, estimates, and assumptions are not observable, the investments are classified within Level 3 of the valuation hierarchy. For instance, in valuing certain investments, the determination of fair value is based on proprietary valuation models when external price information is not available. Key inputs to the model may include market spreads or yield estimates for comparable instruments, data for each credit rating, valuation estimates for underlying property collateral, projected cash flows, and other relevant contractual features.

The fair value of the Senior Loan and the Equity Contribution is determined based on the fair value of the underlying assets held by the LLC and the allocation of the LLC's net investment income or loss and realized gains or losses on investments, as reflected in the Senior Loan and Equity Contribution reconciliation presented in Note 3.

Because of the uncertainty inherent in determining the fair value of investments and debt instruments that do not have a readily available fair value, the fair value of the LLC's investments, Senior Loan, and Equity Contribution may differ from the values that may ultimately be realized and paid.

Valuation Methodologies for Level 3 Assets and Liabilities

In certain cases where there is limited trading activity for particular investments or where current market quotations are not available or reflective of the fair value of an instrument, the valuation is based on models that use inputs, estimates, and assumptions that market participants would use in pricing the investments. To the extent that such inputs, estimates, and assumptions are not observable, the investments are classified within Level 3 of the valuation hierarchy. In valuing certain debt securities and whole mortgage loans, the determination of fair value is based on proprietary valuation models when external price information is not available. Key inputs to the model may include market spreads or yield estimates for comparable instruments, performance data (i.e. prepayment rates, default rates, and loss severity), valuation estimates for underlying property collateral, projected cash flows, and other relevant contractual features. In valuing certain CDOs, assumptions used and described above for debt securities and whole mortgage loans may have been used to value the underlying securities within a CDO in order to ultimately determine the value of the respective CDO.

Maiden Lane III LLC

Notes to Financial Statements

For the years ended December 31, 2012 and 2011

The following table presents the assets and liabilities recorded at fair value as of December 31, 2012 by the ASC 820 hierarchy (in thousands):

| | ASC 820 hierarchy | | | Total fair value |
|---------------------------------|----------------------|----------------------|---------|------------------|
| | Level 1 ² | Level 2 ² | Level 3 | |
| Assets: | | | | |
| Money market funds ¹ | \$ 22,133 | \$ - | \$ - | \$ 22,133 |
| Liabilities: | | | | |
| Senior Loan | \$ - | \$ (14,780) | \$ - | \$ (14,780) |
| Equity Contribution | - | (7,280) | - | (7,280) |
| Total liabilities | \$ - | \$ (22,060) | \$ - | \$ (22,060) |

¹ Recorded as a component of "Cash and cash equivalents" in the Statements of Financial Condition.

² There were no transfers between Level 1 and Level 2 during the year ended December 31, 2012.

The following table presents the assets and liabilities recorded at fair value as of December 31, 2011 by the ASC 820 hierarchy (in thousands):

| | Level 1 ² | Level 2 ² | Level 3 | Total fair value |
|---------------------------------|----------------------|----------------------|-----------------|------------------|
| Assets: | | | | |
| ABS CDOs | | | | |
| High-grade ABS CDOs | \$ - | \$ - | \$ 11,236,329 | \$ 11,236,329 |
| Mezzanine ABS CDOs | - | 94 | 1,453,383 | 1,453,477 |
| Commercial real estate CDOs | - | 4,119 | 4,779,659 | 4,783,778 |
| Total ABS CDOs | - | 4,213 | 17,469,371 | 17,473,584 |
| RMBS, CMBS, & other | - | 148,956 | 111,964 | 260,920 |
| Money market funds ¹ | 54,635 | - | - | 54,635 |
| Total assets | \$ 54,635 | \$ 153,169 | \$ 17,581,335 | \$ 17,789,139 |
| Liabilities: | | | | |
| Senior Loan | \$ - | \$ - | \$ (11,467,363) | \$ (11,467,363) |
| Equity Contribution | - | - | (6,349,940) | (6,349,940) |
| Total liabilities | \$ - | \$ - | \$ (17,817,303) | \$ (17,817,303) |

¹ Recorded as a component of "Cash and cash equivalents" in the Statements of Financial Condition.

² There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 2011.

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Notes to Financial Statements

For the years ended December 31, 2012 and 2011

The following table presents a reconciliation of all assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2012, including net realized and unrealized gains (losses) (in thousands):

| | Fair value at December 31, 2011 | Purchases, sales, issuances, and settlements, net | Net realized/ unrealized gains (losses) | Gross transfers in | Gross transfers out ^{1,2} | Fair values at December 31, 2012 | Change in unrealized gains (losses) related to financial instruments held at December 31, 2012 |
|-----------------------------|---------------------------------------|---|---|-----------------------|---------------------------------------|--|--|
| Assets: | | | | | | | |
| ABS CDOs | | | | | | | |
| High-grade ABS CDOs | \$ 11,236,329 | \$ (15,549,250) | \$ 4,312,921 | \$ - | \$ - | \$ - | \$ - |
| Mezzanine ABS CDOs | 1,453,383 | (1,791,373) | 337,990 | - | - | - | - |
| Commercial real estate CDOs | 4,779,659 | (5,585,332) | 805,673 | - | - | - | - |
| Total ABS CDOs | 17,469,371 | (22,925,955) | 5,456,584 | - | - | - | - |
| RMBS, CMBS, & other | 111,964 | (131,849) | 19,885 | - | - | - | - |
| Total assets | \$ 17,581,335 | \$ (23,057,804) | \$ 5,476,469 | \$ - | \$ - | \$ - | \$ - |
| Liabilities: | | | | | | | |
| Senior Loan | \$ (11,467,363) | \$ - | \$ - | \$ - | \$ 11,467,363 | \$ - | \$ - |
| Equity Contribution | (6,349,940) | - | - | - | 6,349,940 | - | - |
| Total liabilities | \$ (17,817,303) | \$ - | \$ - | \$ - | \$ 17,817,303 | \$ - | \$ - |

¹ The Senior Loan and the Equity Contribution, with December 31, 2011 fair values of \$(11,467,363) and \$(6,349,940), respectively, were transferred from Level 3 to Level 2 because they are valued at December 31, 2012 based on model-based techniques for which all significant inputs are observable (Level 2). These instruments were valued in the prior year based on non-observable inputs (Level 3).

² The amount of transfers is based on fair values of the transferred liabilities at the beginning of the reporting period.

The following table presents the gross components of purchases, sales, issuances, and settlements, net, shown above for the year ended December 31, 2012 (in thousands):

| | Purchases | Sales | Issuances | Settlements ¹ | Purchases, sales, issuances, and settlements, net |
|-----------------------------|-----------|-----------------|-----------|--------------------------|---|
| Assets: | | | | | |
| ABS CDOs | | | | | |
| High-grade ABS CDOs | \$ - | \$ (14,865,880) | \$ - | \$ (683,370) | \$ (15,549,250) |
| Mezzanine ABS CDOs | - | (1,592,654) | - | (198,719) | (1,791,373) |
| Commercial real estate CDOs | - | (5,533,214) | - | (52,118) | (5,585,332) |
| Total ABS CDOs | - | (21,991,748) | - | (934,207) | (22,925,955) |
| RMBS, CMBS, & other | - | (127,398) | - | (4,451) | (131,849) |
| Total assets | \$ - | \$ (22,119,146) | \$ - | \$ (938,658) | \$ (23,057,804) |
| Liabilities: | | | | | |
| Senior Loan | \$ - | \$ - | \$ - | \$ - | \$ - |
| Equity Contribution | - | - | - | - | - |
| Total liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |

¹ Includes paydowns.

Maiden Lane III LLC

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For the years ended December 31, 2012 and 2011

The following table presents a reconciliation of all assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2011, including net realized and unrealized gains (losses) (in thousands):

| | Fair value at December 31, 2010 | Purchases, sales, issuances, and settlements, net | Net realized / unrealized gains (losses) | Gross transfers in ^{1,2} | Gross transfers out ^{1,2} | Fair values at December 31, 2011 | Change in unrealized gains (losses) related to financial instruments held at December 31, 2011 |
|-----------------------------|------------------------------------|---|--|--------------------------------------|---------------------------------------|-------------------------------------|---|
| Assets: | | | | | | | |
| ABS CDOs | | | | | | | |
| High-grade ABS CDOs | \$ 14,968,872 | \$ (1,540,868) | \$ (2,191,675) | \$ - | \$ - | \$ 11,236,329 | \$ (2,149,321) |
| Mezzanine ABS CDOs | 1,941,634 | (248,876) | (239,375) | - | - | 1,453,383 | (235,024) |
| Commercial real estate CDOs | 5,760,634 | (59,580) | (921,395) | - | - | 4,779,659 | (921,396) |
| Total ABS CDOs | 22,671,140 | (1,849,324) | (3,352,445) | - | - | 17,469,371 | (3,305,741) |
| RMBS, CMBS, & other | 75,089 | (9,139) | (366) | 80,133 | (33,753) | 111,964 | (395) |
| Total assets | \$ 22,746,229 | \$ (1,858,463) | \$ (3,352,811) | \$ 80,133 | \$ (33,753) | \$ 17,581,335 | \$ (3,306,136) |
| Liabilities: | | | | | | | |
| Senior Loan | \$ (16,846,264) | \$ 4,245,015 | \$ 1,133,886 | \$ - | \$ - | \$ (11,467,363) | \$ 1,133,886 |
| Equity Contribution | (6,732,476) | (175,945) | 558,481 | - | - | (6,349,940) | 558,481 |
| Total liabilities | \$ (23,578,740) | \$ 4,069,070 | \$ 1,692,367 | \$ - | \$ - | \$ (17,817,303) | \$ 1,692,367 |

¹ RMBS, CMBS and other securities, with a December 31, 2010 fair value of \$33,753, were transferred from Level 3 to Level 2 because they are valued at December 31, 2011 based on quoted prices for identical or similar assets in non-active markets (Level 2). These investments were valued in the prior year based on non-observable inputs (Level 3). There were also RMBS, CMBS and other securities that became less observable during the year ending December 31, 2011, which resulted in \$80,133 in transfers from Level 2 to Level 3.

² The amount of transfers is based on fair values of the transferred assets at the beginning of the reporting period.

The following table presents the gross components of purchases, sales, issuances, and settlements, net, shown above for the year ended December 31, 2011 (in thousands):

| | Purchases | Sales | Issuances | Settlements ² | Purchases, sales, issuances, and settlements, net |
|-----------------------------|---------------------------|------------|-----------|--------------------------|---|
| Assets: | | | | | |
| ABS CDOs | | | | | |
| High-grade ABS CDOs | \$ - | \$ - | \$ - | \$ (1,540,868) | \$ (1,540,868) |
| Mezzanine ABS CDOs | - | (2,437) | - | (246,439) | (248,876) |
| Commercial real estate CDOs | - | - | - | (59,580) | (59,580) |
| Total ABS CDOs | - | (2,437) | - | (1,846,887) | (1,849,324) |
| RMBS, CMBS, & other | - | (11) | - | (9,128) | (9,139) |
| Total assets | \$ - | \$ (2,448) | \$ - | \$ (1,856,015) | \$ (1,858,463) |
| Liabilities: | | | | | |
| Senior Loan | \$ (146,281) ¹ | \$ - | \$ - | \$ 4,391,296 | \$ 4,245,015 |
| Equity Contribution | (175,945) ¹ | - | - | - | (175,945) |
| Total liabilities | \$ (322,226) | \$ - | \$ - | \$ 4,391,296 | \$ 4,069,070 |

¹ Represents accrued and capitalized interest.

² Includes paydowns.

Maiden Lane III LLC

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6. Contingencies

The LLC agrees to pay the reasonable out-of-pocket costs and expenses of its service providers incurred in connection with its duties under the respective agreements and to indemnify its service providers for any losses, claims, damages, liabilities, and related expenses etc., which may arise out of the respective agreements unless they result from the service provider's bad faith, gross negligence, fraudulent actions, or willful misconduct. The indemnity, which is provided solely by the LLC, survives termination of the respective agreements. Additionally, in connection with settlements and/or other agreements related to actions involving portfolio investments which have occurred, the LLC has provided certain indemnifications. The LLC has not had any prior claims or losses pursuant to any of these agreements and expects the risk of loss to be remote.

7. Financial Highlights

The disclosures of internal rate of return and ratios of net investment income and expenses to average members' equity have been omitted because the LLC has no substantial equity and such disclosures would not be meaningful.

8. Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2012. Subsequent events were evaluated through March 14, 2013, which is the date the LLC issued the financial statements.