TALF 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

TALF LLC

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FEDERAL RESERVE BANK *of* NEW YORK

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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 TALF LLC (the LLC) is responsible for the preparation and fair presentation of the Statements of Financial Condition as of December 31, 2012 and 2011, and the Statements of Income and the Statements of Cash Flows for the years then ended (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 the LLC is responsible for establishing and maintaining effective internal control over financial reporting as it relates to the financial statements. The 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. The 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 the 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 the 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 the 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 the 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 the LLC maintained effective internal control over financial reporting.

William C. Dudley
President

Christine M. Cumming
First Vice President

Edward F. Murphy
Principal Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Managing Member of
TALF LLC:

We have audited the accompanying financial statements of TALF 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, and the related statements of income and cash flows for the years then ended, 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 TALF 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.

Deloitte & Touche LLP

March 14, 2013

TALF LLC

Statements of Financial Condition

As of December 31, 2012 and 2011
(Amounts in thousands, except contributed capital data)

	2012	2011
Assets		
Cash and cash equivalents	$ 417,795	$ 436,840
Short-term investments, at fair value (cost of $438,397 and $373,688, respectively)	438,589	373,833
Put option, at fair value	3,764	41,751
Total assets	$ 860,148	$ 852,424
Liabilities and member's equity		
Subordinated Loan, at fair value	$ 785,336	$ 777,955
FRBNY Contingent Interest, at fair value	74,698	74,278
Other liabilities	114	191
Total liabilities	860,148	852,424
Member's equity (contributed capital of $10)	-	-
Total liabilities and member's equity	$ 860,148	$ 852,424

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

TALF LLC

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

	2012	2011
Revenues		
Interest income	$ 672	$ 353
Realized gains on put option	41,332	136,961
Unrealized losses on put option	(33,637)	(83,835)
Total revenues	8,367	53,479
Expenses		
Loan interest expense	3,600	3,467
Professional fees	566	660
Total expenses	4,166	4,127
Net operating income	4,201	49,352
Non-operating losses		
Unrealized losses on Subordinated Loan, net	(3,781)	(44,417)
Unrealized losses on FRBNY Contingent Interest, net	(420)	(4,935)
Total non-operating losses	(4,201)	(49,352)
Net income	$ -	$ -

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

TALF LLC

Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Amounts in thousands)

	2012	2011
Cash flows from operating activities		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash provided by operating activities:		
Realized gains on put option	(41,332)	(136,961)
Proceeds from put option	45,682	145,544
Accretion of discounts on short-term investments	(448)	(238)
Unrealized losses on put option	33,637	83,835
Unrealized losses on Subordinated Loan, net	3,781	44,417
Unrealized losses on FRBNY Contingent Interest, net	420	4,935
Increase in accrued and compounded interest on Subordinated Loan	3,600	3,467
(Decrease) increase in other liabilities	(77)	86
Net cash flow provided by operating activities	45,263	145,085
Cash flows from investing activities		
Purchases of short-term investments	(1,144,468)	(373,688)
Proceeds from maturities of short-term investments	1,080,160	85,010
Net cash flow used in investing activities	(64,308)	(288,678)
Net decrease in cash and cash equivalents	(19,045)	(143,593)
Beginning cash and cash equivalents	436,840	580,433
Ending cash and cash equivalents	$ 417,795	$ 436,840
Supplemental disclosure		
Non-cash operating and financing activities:		
Accrued and compounded interest on Subordinated Loan	$ 3,600	$ 3,467

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

1. Organization and Nature of Business

TALF LLC (the "LLC"), a special purpose vehicle consolidated by the Federal Reserve Bank of New York ("FRBNY" or "Managing Member"), is a single member Delaware limited liability company that was formed on February 4, 2009 in connection with the implementation of the Term Asset-Backed Securities Loan Facility (the "TALF program"). The LLC was established for the limited purpose of purchasing (a) any asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS") that might be surrendered to FRBNY by borrowers under the TALF program as described in more detail below or (b) in certain limited circumstances, TALF program loans. FRBNY is the sole and managing member of the LLC. FRBNY is the controlling party of the assets of the LLC and will remain as such as long as its loan commitment and/or its loan is outstanding.

The TALF program loans were extended by FRBNY on a non-recourse basis against eligible ABS and CMBS collateral. A TALF borrower has the option of surrendering the collateral to FRBNY in full satisfaction of the TALF program loan at any point in time. The LLC has written a put option to FRBNY that permits FRBNY, upon such surrender or when it otherwise gets possession of the collateral, to sell (put) the collateral to the LLC at a price equal to the principal amount outstanding on the TALF program loan plus accrued but unpaid interest. FRBNY pays the LLC a monthly fee based on the principal balances of each outstanding TALF program loan ("put option fee"). As of December 31, 2012, the termination date of the put option was July 31, 2015 and the latest final maturity date for any outstanding TALF program loan was March 30, 2015.

If the LLC is required to purchase surrendered assets from FRBNY under the put option, funding for such purchases is derived first through the put option fees that have accumulated and any interest earned on the LLC's cash equivalents and short-term investments described further in the paragraph below. In the event that such funding proves insufficient for the asset purchases by the LLC, the Treasury, through the Troubled Asset Relief Program (TARP), had initially committed to lend to the LLC up to $20 billion at a rate of one-month London interbank offered rate ("Libor") plus 300 basis points, $100 million of which was funded at the initiation of the TALF program. FRBNY had initially agreed to lend up to $180 billion to the LLC at a rate of one-month Libor plus 100 basis points, provided that the Treasury has fully funded its commitment. To date, FRBNY has not extended funding to the LLC under the provisions of the credit agreement. The termination date of the funding commitments is July 31, 2015. On June 28, 2012, the Treasury and FRBNY reduced their funding commitments to $1.4 billion and $2.6 billion, respectively, which, taken in the aggregate along with the net assets of the LLC, equaled the actual amount of loans outstanding as of that date. If and when funding by FRBNY is extended, the Treasury's loan to the LLC will be subordinate to FRBNY's loan to the LLC. Any loans extended by the Treasury and FRBNY to the LLC will mature on March 3, 2019, unless such maturity date is extended by FRBNY with the consent of the Treasury. FRBNY's loan to the LLC, if and when funded, and the Treasury's loan to the LLC are collateralized by all the assets of the LLC through a pledge account at the Bank of New York Mellon ("BNYM") as collateral agent.

Cash receipts resulting from the put option fees paid to the LLC by FRBNY and proceeds from the funded portion of the Treasury commitment (the "Subordinated Loan") are invested in the following types of U.S. dollar-denominated short-term investments and cash equivalents eligible for purchase by the LLC: (1) U.S. Treasury securities, (2) Federal agency securities that are senior, negotiable debt obligations of the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Banks (FHLB), and Federal Farm Credit Banks (FFCB), which have a fixed rate of interest, (3) repurchase agreements that are collateralized by U.S. Treasury and Federal agency securities and fixed-rate agency mortgage-backed securities, and (4) money market mutual funds registered with the Securities and Exchange Commission and regulated under Rule 2a-7 of the Investment Company Act that invest exclusively in U.S. Treasury and Federal agency securities. Cash may also be invested in a demand interest-bearing account held at BNYM.

All proceeds of the LLC's portfolio holdings will be used to pay its obligations pursuant to the order of priority described in Note 4. Any residual cash flows will be shared between FRBNY, which will receive ten percent (the "FRBNY Contingent Interest"), and the Treasury, which will receive ninety percent (the "Treasury Contingent Interest").

BNYM provides administrative and custodial services and serves as collateral agent under multi-year contracts with FRBNY and the LLC that include provisions governing termination.

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 the put option, the Subordinated Loan (including the Treasury Contingent Interest), and the FRBNY Contingent Interest. 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. Short-term Investments

The LLC defines short-term investments to be highly liquid investments with maturities of greater than three months and less than one year, when acquired. The LLC elected the fair value option in accordance with FASB ASC Topic 825 ("ASC 825"), *Financial Instruments*, for its short-term investments portfolio, which requires the short-term investments to be recorded at fair value in accordance with ASC 820 in the LLC's Statements of Financial Condition with changes in fair value recorded in the Statements of Income. The Managing Member believes that accounting for the short-term investments 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. All short-term investment transactions are accounted for at trade date. Interest income, which includes the accretion of discounts, is recorded when earned as "Interest income" in the Statements of Income.

C. Put Option Agreement with FRBNY

The put option agreement between the LLC and FRBNY is accounted for by the LLC as a derivative in accordance with FASB ASC Topic 815 ("ASC 815"), *Derivatives and Hedging*, and is recorded at fair value in accordance with ASC 820 in the LLC's financial statements. The changes in fair value are recorded in the Statements of Income. The fair value includes the accrued put option fees that were earned and expected to be received by the LLC from FRBNY.

D. Accounting for the Subordinated Loan and Treasury Contingent Interest

The LLC elected the fair value option in accordance with ASC 825 for the Subordinated Loan (including accrued and compounded interest and, for these purposes, the Treasury Contingent Interest), which is recorded at fair value in the LLC's financial statements in accordance with ASC 820. The Managing Member believes that accounting for the Subordinated Loan 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. The fair value of the Subordinated Loan is determined based on the LLC's proceeds available for distribution pursuant to the order of priority described in Note 4 and includes the fair value of the Treasury Contingent Interest. The Subordinated Loan and the Treasury Contingent Interest are recorded together as "Subordinated Loan, at fair value" in the Statements of Financial Condition and changes in fair value are recorded as "Unrealized losses on Subordinated Loan, net" in the Statements of Income.

E. Accounting for the FRBNY Contingent Interest

The LLC elected the fair value option in accordance with ASC 825 for the FRBNY Contingent Interest, which is recorded at fair value in the LLC's financial statements in accordance with ASC 820. The Managing Member believes that accounting for the FRBNY Contingent Interest 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. FRBNY's Contingent interest in the LLC is determined based on the LLC's proceeds available for distribution pursuant to the order of priority described in Note 4. The FRBNY Contingent Interest is recorded as "FRBNY Contingent Interest, at fair value" in the Statements of Financial Condition and changes in fair value are recorded as "Unrealized losses on FRBNY Contingent Interest, net" in the Statements of Income.

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.

- 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 the financial instruments are not necessarily an indication of the risk associated with investing in those financial instruments.

F. Professional Fees

Professional fees are primarily comprised of the fees charged by BNYM and the independent auditors.

G. Income Taxes

The LLC is a single member limited liability company and was structured as a disregarded entity for U.S. Federal, state, and local income tax purposes. Accordingly, no provision for income taxes is made in the LLC's financial statements.

H. 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. Subordinated Loan

Interest on the Subordinated Loan accrues daily and is compounded quarterly. Additionally, the Treasury is entitled to receive the Treasury Contingent Interest in amounts equal to ninety percent of the proceeds that are available for distribution pursuant to the order of priority described in Note 4.

Repayment of the Subordinated Loan will be made monthly, subject to availability of funds in the LLC's BNYM collateral account and pursuant to the order of priority described in Note 4. For the years ended December 31, 2012 and 2011, the LLC had not made any repayment of this Subordinated Loan. Amounts paid on account of the principal of the Subordinated Loan may not be reborrowed. Any loans extended by the Treasury and FRBNY to the LLC will mature on March 3, 2019, unless such maturity date is extended by FRBNY with the consent of the Treasury.

The following table presents a reconciliation of the Subordinated Loan (including the Treasury Contingent Interest) as of December 31, 2012 and 2011 (in thousands):

	Subordinated Loan [1]
Fair value, December 31, 2010	$ 730,071
2011 Activity:	
Accrued and compounded interest	3,467
Unrealized losses	44,417
Fair value, December 31, 2011	777,955
2012 Activity:	
Accrued and compounded interest	3,600
Unrealized losses	3,781
Fair value, December 31, 2012	$ 785,336

[1] The outstanding principal and accrued and compounded interest balances of the Subordinated Loan were $113,050 (principal of $100,000 and interest of $13,050) and $109,450 (principal of $100,000 and interest of $9,450) as of December 31, 2012 and 2011, respectively.

The weighted average interest rate on the Subordinated Loan for the years ended December 31, 2012 and 2011 was 3.24 percent and 3.23 percent, respectively.

4. Distribution of Proceeds

In accordance with the Security and Intercreditor Agreement, amounts available in the accounts of the LLC are distributed monthly in the following order of priority:

first, to pay any costs, fees, and expenses of the LLC then due and payable;

second, to fund the expense reimbursement account until the balance thereof is equal to an amount as may be specified by FRBNY and the Treasury ($15 million as of December 31, 2012 and 2011);

third, to pay the outstanding principal amount of loans funded by FRBNY as the senior lender, until such outstanding principal amount shall have been paid in full;

fourth, until such time as FRBNY's funding commitment expires, to fund the cash collateral account until the balance thereof is equal to the amount of the available Senior Loan Commitment, or other lesser amount as may be specified by FRBNY;

fifth, to pay the outstanding principal amount of the Subordinated Loan until such outstanding principal amount shall have been paid in full;

sixth, to pay the accrued but unpaid interest outstanding on loans funded by FRBNY as the senior lender, until such accrued but unpaid interest shall have been paid in full;

seventh, to pay the accrued but unpaid interest outstanding on the Subordinated Loan, until such accrued but unpaid interest shall have been paid in full;

eighth, to pay any other secured obligations then outstanding;

ninth, to pay ninety percent of all remaining amounts to the Treasury as Contingent Interest, and ten percent of all remaining amounts to FRBNY as Contingent Interest.

5. Fair Value Measurements

The LLC measures the put option at fair value in accordance with ASC 815. The LLC elected the fair value option in accordance with ASC 825 for its short-term investments, the Subordinated Loan (including the Treasury Contingent Interest), and the FRBNY Contingent Interest, which are recorded at fair value in accordance with ASC 820. The fair values of the Subordinated Loan (including the Treasury Contingent Interest) and the FRBNY Contingent Interest are determined based on the fair value of the underlying assets held by the LLC and the allocation of the LLC's gains and losses as described in Note 4.

Valuation Methodologies for Level 3 Assets and Liabilities

The LLC determines the fair value of the put option as the sum of two estimated components: the present discounted value of expected future option premium payments and the liability associated with the option to put collateral assets to the LLC in lieu of loan repayment. The LLC uses a valuation model that takes into account a range of outcomes on TALF loan repayments and prepayments, the market prices of related securities, risk premiums estimated using market prices, call options in certain securities, and the volatilities of market risk factors. However, not all of these model parameters and assumptions are market observable and some are therefore estimated. The output of a model is an estimate or approximation of a value that cannot be determined with certainty. Key unobservable inputs are explained in more detail in the table below.

Because of the uncertainty inherent in determining the fair value of the put option, the fair value may differ significantly from the value that would have been used had a readily available fair value existed for this financial instrument and may differ materially from the value that may ultimately be realized and paid.

Inputs for Level 3 Assets and Liabilities

The following table presents the valuation techniques and ranges of significant unobservable inputs generally used to determine the fair values of the LLC's Level 3 asset as of December 31, 2012 (in thousands, except for input values):

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Range of input values
Put option	$ 3,764	Discounted cash flows	TALF borrower prepayment rate [1]	4% - 8%
			Discount spread for TALF loan cash flows	2%
		Option pricing	ABS / CMBS spread volatility	3%
			Prepayment rate [1]	0% - 20%
			Constant default rate	0% - 5%
			Loss severity	50% - 90%
			Idiosyncratic risk multiplier	130%
			Volatility risk premium	124%

[1] The primary rate referenced for all prepayment rates is single monthly mortality (SMM).

Sensitivity of Level 3 Fair Value Measurements to Changes in Unobservable Inputs

In general, an increase in the TALF borrower prepayment rate, constant default rate, prepayment rate, and loss severity would have an uncertain effect on the overall fair value measurement of the put option. This is because, in general, these rates control the speed at which TALF loans amortize. Faster loan amortization, reduces the put option liability, while also reducing the present value of expected loan payments. If loans amortize more slowly, the inverse would also generally apply.

Increases in the discount spread and the spread volatility would cause the fair value measurement of the put option to decrease. Similarly, increases in the idiosyncratic risk multiplier, which is a scaling factor used to estimate the spread volatility for individual assets relative to the spread volatility for an asset class as a whole, and the volatility risk premium, which is an estimate of the market price volatility risk, would also cause the fair value measurement of the put option to decrease. The inverse would also generally apply to these relationships.

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			
	Level 1 [1]	Level 2 [1]	Level 3	Total fair value
Assets:				
Cash and cash equivalents	$ 417,795	$ -	$ -	$ 417,795
Short-term investments	203,456	235,133	-	438,589
Put option	-	-	3,764	3,764
Total assets	$ 621,251	$ 235,133	$ 3,764	$ 860,148
Liabilities:				
Subordinated Loan	$ -	$ (785,336)	$ -	$ (785,336)
FRBNY Contingent Interest	-	(74,698)	-	(74,698)
Total liabilities	$ -	$ (860,034)	$ -	$ (860,034)

[1] 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):

	ASC 820 hierarchy			
	Level 1 [1]	Level 2 [1]	Level 3	Total fair value
Assets:				
Cash and cash equivalents	$ 436,840	$ -	$ -	$ 436,840
Short-term investments	373,833	-	-	373,833
Put option	-	-	41,751	41,751
Total assets	$ 810,673	$ -	$ 41,751	$ 852,424
Liabilities:				
Subordinated Loan	$ -	$ -	$ (777,955)	$ (777,955)
FRBNY Contingent Interest	-	-	(74,278)	(74,278)
Total liabilities	$ -	$ -	$ (852,233)	$ (852,233)

[1] There were no significant transfers between Level 1 and Level 2 during the year ended December 31, 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 [1]	Net realized / unrealized gains (losses)	Gross transfers in	Gross transfers out [2,3]	Fair value at December 31, 2012	Change in unrealized gains (losses) related to financial instruments held at December 31, 2012
Assets:							
Put option	$ 41,751	$ (45,682)	$ 7,695	$ -	$ -	$ 3,764	$ (33,637)
Liabilities:							
Subordinated Loan	$ (777,955)	$ -	$ -	$ -	$ 777,955	$ -	$ -
FRBNY Contingent Interest	(74,278)	-	-	-	74,278	-	-
Total liabilities	$ (852,233)	$ -	$ -	$ -	$ 852,233	$ -	$ -

1 Represents $45,682 of settlements for the put option and no activity for the Subordinated Loan and FRBNY Contingent Interest for the year ended December 3

2 The Subordinated Loan and the FRBNY Contingent Interest, with December 31, 2011 fair values of $(777,955) and $(74,278), 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).

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

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 [1]	Net realized / unrealized gains (losses)	Gross transfers in	Gross transfers out	Fair value at December 31, 2011	Change in unrealized gains (losses) related to financial instruments held at December 31, 2011
Assets:							
Put option	$ 134,169	$ (145,544)	$ 53,126	$ -	$ -	$ 41,751	$ (83,835)
Liabilities:							
Subordinated Loan	$ (730,071)	$ (3,467)	$ (44,417)	$ -	$ -	$ (777,955)	$ (44,417)
FRBNY Contingent Interest	(69,343)	-	(4,935)	-	-	(74,278)	(4,935)
Total liabilities	$ (799,414)	$ (3,467)	$ (49,352)	$ -	$ -	$ (852,233)	$ (49,352)

1 Represents $145,544 of settlements for the put option, $3,467 of purchases for the Subordinated Loan (which represents accrued and compounded interest), and no activity for the FRBNY Contingent Interest for the year ended December 31, 2011.

6. Investment and Risk Profile

Through the written put option, the LLC is exposed to credit and interest rate risk from the underlying ABS or CMBS that collateralize TALF program loans. Credit losses far in excess of expectations in the loan and receivables pools collateralizing the ABS or CMBS may result in write-downs of the ABS and CMBS, or in the interest paid by the ABS or CMBS falling short of the interest charged on the TALF loan. An increase in interest rates would lower the market values of the securities. If the losses due to these credit and market risk factors exceed the margin, the borrower may settle the loan by surrendering the ABS or CMBS, occasioning a purchase of the ABS or CMBS by the LLC. As of December 31, 2012, there had been no exercise of the put option by the FRBNY.

The following table presents the maximum potential payout (notional amount) and fair value of the put option as of December 31, 2012 and 2011 (in thousands):

December 31, 2012	Notional amount	Fair value
Put option	$ 556,051	$ 3,764

December 31, 2011	Notional amount	Fair value
Put option	$ 9,021,768	$ 41,751

The fair value of the put option is evaluated and recorded as "Put option, at fair value" in the Statements of Financial Condition. The changes in fair value are recorded as "Unrealized losses on put option" in the Statements of Income and were losses of $33,637 thousand and $83,835 thousand for the years ended December 31, 2012 and 2011, respectively. The put option fees, as received and accrued, are recorded as "Realized gains on put option" in the Statements of Income and were $41,332 thousand and $136,961 thousand for the years ended December 31, 2012 and 2011, respectively.

7. 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. The LLC has not had any prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

8. Subsequent Events

On January 15, 2013, the Treasury, FRBNY, and the LLC agreed to eliminate in their entirety, the Treasury's subordinate funding commitment to the LLC and the FRBNY's senior funding commitment to the LLC. These commitments were no longer deemed necessary because the accumulated fees collected through the TALF program, and currently held in liquid assets in the LLC, exceed the amount of TALF loans outstanding. In addition, the Security and Intercreditor Agreement, which describes the distribution of proceeds as detailed in Note 4, was amended to limit funding of the cash collateral account to an amount equal to the outstanding principal plus accrued interest of all TALF loans as of the payment determination date; all accumulated funding in excess of that amount would then be distributed according to the fifth through ninth distribution priorities described in Note 4.

Pursuant to this agreement, the LLC repaid in full the outstanding principal and accrued interest on the Subordinated Loan to the Treasury, and additional distributions were made to the Treasury and FRBNY as Contingent Interest in the amounts of $310 million and $35 million, respectively.

There were no other 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.