Financial Statements:

TALF II LLC

A Limited Liability Company Consolidated by the Federal Reserve Bank of New York

As of and for the Years Ended December 31, 2022 and December 31, 2021 and Independent Auditors' Report

Contents

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm

To the Managing Member of
TALF II LLC:

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of TALF II LLC (a Limited Liability Company consolidated by the Federal Reserve Bank of New York) (the “LLC”) as of December 31, 2022 and 2021, the related statements of operations, changes in members’ equity, and cash flows for the years then ended and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the LLC’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the 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 of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the LLC’s auditor since 2020.

New York, New York
March 14, 2023

Abbreviations

ABS	**Asset-backed securities**
ASC	**Accounting Standards Codification**
FASB	**Financial Accounting Standards Board**
FRBNY	**Federal Reserve Bank of New York**
GAAP	**Accounting principles generally accepted in the United States of America**
LLC	**Limited liability company**
SBA	**Small Business Administration**
TALF II	**TALF II LLC**

Statements of Financial Condition

As of December 31, 2022 and 2021
(Amounts in thousands)

		2022	2021
ASSETS			
Cash and cash equivalents	Note 3	$ 54,039	$ 31,551
Restricted cash and cash equivalents			
Cash deposit		155,831	205,206
Short-term investments in non-marketable securities	Note 3	887,099	1,162,890
Loans to eligible borrowers, at loan amount	Note 3	996,426	1,346,022
Principal and interest receivable		18,359	60,134
Total assets		$ 2,111,754	$ 2,805,803
LIABILITIES AND MEMBERS' EQUITY			
Liabilities:			
Loans payable to FRBNY	Note 5	$ 1,011,353	$ 1,404,879
Interest payable	Note 5	19,096	1,976
Administrative fees deferred revenue		367	936
Other liabilities		170	166
Total liabilities		1,030,986	1,407,957
Members' equity	Note 6	1,080,768	1,397,846
Total liabilities and members' equity		$ 2,111,754	$ 2,805,803

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

Statements of Operations

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		2022	2021
INCOME			
Interest income	Note 4	$ 42,572	$ 21,740
Administrative fees		569	2,361
Total operating income		43,141	24,101
EXPENSES			
Loans interest expense	Note 5	19,417	2,435
Professional fees		514	2,264
Total operating expenses		19,931	4,699
Net operating income	Note 6	$ 23,210	$ 19,402

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

Statements of Changes in Members' Equity

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		Members' contributed equity	Undistributed net operating income	Total members' equity
Members' equity, December 31, 2020		$ 10,000,000	$ 14,368	$ 10,014,368
Members' (distributions)	Note 6	(8,635,924)	-	(8,635,924)
Undistributed net operating income	Note 6	-	19,402	19,402
Members' equity, December 31, 2021		$ 1,364,076	$ 33,770	$ 1,397,846
Members' (distributions)	Note 6	(340,288)	-	(340,288)
Undistributed net operating income	Note 6	-	23,210	23,210
Members' equity, December 31, 2022		$ 1,023,788	$ 56,980	$ 1,080,768

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income	Note 6	$ 23,210	$ 19,402
Adjustment to reconcile net income to net cash provided by (used in) operating activities:			
Decrease in principal and interest receivable		41,775	46,806
Increase in interest payable		17,120	940
Decrease in administrative fee deferred revenue		(569)	(2,361)
Increase (decrease) in other liabilities		4	(272)
Cash provided by operating activities		81,540	64,515
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from repayments of loans to eligible borrowers	Note 3	349,596	2,206,381
Cash provided by investing activities		349,596	2,206,381
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of contributed capital	Note 6	(340,288)	(8,635,924)
Repayment of loans payable to FRBNY	Note 5	(393,526)	(2,251,254)
Cash used in financing activities		(733,814)	(10,887,178)
Net change in cash and cash equivalents, restricted cash and cash equivalents		(302,678)	(8,616,282)
Beginning cash and cash equivalents, restricted cash and cash equivalents		1,399,647	10,015,929
Ending cash and cash equivalents, restricted cash and cash equivalents		$ 1,096,969	$ 1,399,647
SUPPLEMENTAL CASH FLOW DISCLOSURE			
Cash paid for interest		$ 2,296	$ 1,496

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

(1) Organization, Nature of Business, and Financing

In accordance with section 13(3) of the Federal Reserve Act and with prior approval from the Secretary of the Treasury, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of New York (FRBNY) to establish the Term Asset-Backed Securities Loan Facility (Facility) to support the flow of credit to consumers and businesses. The Facility's purpose is to provide credit to eligible borrowers by making three-year loans (TALF Loans or Loans to eligible borrowers) secured by eligible collateral, which includes asset-backed securities (ABS) backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration (SBA), leveraged loans, commercial mortgages, and certain other assets. The authorization to extend TALF Loans through the Facility expired on December 31, 2020.

TALF II LLC (TALF II) is a Delaware limited liability company (LLC) formed in connection with the implementation of the Facility on April 13, 2020. TALF II has two members: FRBNY, which is TALF II's managing member and the U.S. Department of the Treasury (Treasury), which is TALF II's preferred equity member. The managing member has the exclusive rights to manage TALF II. The preferred equity member contributed capital to TALF II using funds from the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act.

TALF II's LLC agreement was amended in November 2021 to include additional provisions for bi-annual distributions of capital to the Treasury each year until TALF II is terminated. The distributions of capital are described in more detail in Note 6.

FRBNY also serves as the lender to TALF II. FRBNY extended \$4.4 billion in loans to TALF II to enable TALF II to make Loans to eligible borrowers (TALF Borrowers) during the period of June 25, 2020 to December 31, 2020. The loans made by FRBNY are with full recourse to TALF II and secured by all assets of TALF II. TALF II records a liability in the Statements of Financial Condition when FRBNY funds the loans. Interest on loans from FRBNY is paid on the maturity date or upon any repayment or prepayment of the loans.

TALF Loans were made only against eligible ABS collateral, as set forth in the Facility's terms and conditions and Master Loan and Security Agreement. As described in more detail therein, the underlying credit exposures for eligible ABS collateral must be one of the following: 1) auto loans and leases; 2) student loans; 3) credit card receivables (both consumer and corporate); 4) equipment loans; 5) floorplan loans; 6) premium finance loans for property and casualty insurance; 7) certain small business loans that are guaranteed by the SBA; 8) leveraged loans; or 9) commercial mortgages.

TALF II's recourse against TALF Borrowers is limited to the ABS collateral securing a TALF Loan, absent breaches of representations, warranties, or covenants by a TALF Borrower. The ABS collateral pledged to TALF II by TALF Borrowers was subject to haircuts, based on the ABS type and weighted average life. A TALF Borrower is entitled to prepay its loan, in whole or in part, without penalty. A TALF Borrower may also surrender the ABS collateral to TALF II at any time in full satisfaction of its loan.

TALF Borrowers were required to pay a non-refundable administrative fee equal to 10 basis points of the loan amount on the loan settlement date.

All available cash receipts of TALF II are used to pay its obligations as described in Note 5. Distributions of residual proceeds to the members will occur after all loans from FRBNY are repaid in full. During the life of TALF II, undistributed net residual income or loss is reported as "Undistributed net operating income" in the Statements of Changes in Members' Equity. TALF II invests cash receipts from administrative fees and investment earnings in government money market funds and cash deposits.

Various service providers for legal, accounting, administrative, custodial, compliance, and collateral monitoring services were engaged to provide services for TALF II. The Bank of New York Mellon provides administrative and custodial services for TALF II. Pacific Investment Management Company LLC provided collateral monitoring services for TALF II from program inception through July 31, 2021, at which time FRBNY assumed collateral monitoring responsibilities. TALF II does not have any employees and therefore does not bear any employee-related costs.

(2) Summary of Significant Accounting Policies

The financial statements have been 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 items subject to such estimates and assumptions include the fair value of the investments. Actual results could differ from those estimates.

Significant accounts and accounting policies are explained below.

a. Cash and Cash Equivalents, Restricted Cash and Cash Equivalents

TALF II defines investments in money market funds and other highly liquid investments with original maturities of three months or less, when acquired, as cash equivalents. Money market funds are carried at fair value based on quoted prices in active markets.

In accordance with the terms of the Investment Memorandum of Understanding for TALF II, approximately 85 percent of the Treasury's initial equity contribution was invested in overnight non-marketable securities issued by the Treasury to TALF II. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 230-10 *Statement of Cash Flows*, these investments are reported as restricted cash and cash equivalents as there are contractual limitations and restrictions on the use of the funds and ability to withdraw the funds. The investments in overnight non-marketable Treasury securities are recorded at amortized cost and shown as "Restricted cash and cash equivalents: Short-term investments in non-marketable securities" in the Statements of Financial Condition. The remaining Treasury equity contribution in TALF II is held in cash as a deposit at FRBNY to support the liquidity needs of TALF II and is reported as "Restricted cash and cash equivalents: Cash deposit" in the Statements of Financial Condition and is included in "Net change in cash and cash equivalents, restricted cash and cash equivalents" in the Statements of Cash Flows.

b. Investments

TALF II extends Loans to eligible borrowers on a non-recourse basis. TALF Borrowers pledge eligible ABS collateral as security for the loans. The original principal amount of loans is recorded as a loan receivable. TALF Loans are designated as held-for-investment and accounted for in accordance with FASB ASC 310 *Receivables*. Principal payments on loans held by the custodian but not yet received by TALF II and accrued interest, is reported as "Principal and interest receivable" in the Statements of Financial Condition.

c. Credit Impairment and Allowance for Loan Losses

TALF II's TALF Loans are subject to review each reporting period to identify and evaluate loans that have indications of possible impairment in accordance with FASB ASC 310-10 *Receivables*. TALF II recognizes an allowance for loan loss for the TALF Loans when it is probable that TALF II will be unable to collect all amounts due, including both the contractual interest and principal payments under the loan agreement. Based on current information and events, if it is probable that a loan loss has been or will be incurred and the amount of the loss can be reasonably estimated, a loan loss is recorded. TALF II recognizes any loan loss by creating a valuation allowance with a corresponding charge to bad debt expense. As of December 31, 2022 and 2021, no loans were considered impaired, and there were no allowances or loans in non-accrual status for TALF Loan losses.

d. Interest Income

TALF II recognizes interest income on Loans to eligible borrowers based on the contractual rate of the loans. Interest income recognition ceases when the loans mature or are prepaid by the TALF Borrowers. Interest income on short-term investments in non-marketable securities is recorded when earned and is received daily based on an overnight rate established by the Treasury's Bureau of Fiscal Service.

e. Administrative Fees

TALF II assesses an administrative fee to the TALF Borrower equal to 10 basis points of the loan amount on the settlement date of the collateral. In accordance with FASB ASC 310-20 *Receivables - Nonrefundable Fees and Other Costs*, administrative fees are deferred and amortized over the term of the loans. The administrative fees are amortized using the effective interest method and are reported as "Administrative fees deferred revenue" in the Statements of Financial Condition and as "Administrative fees" in the Statements of Operations.

f. Professional Fees

Professional fees consist primarily of fees charged by TALF II's collateral monitor, administrator, custodian, attorneys, and independent auditors. Professional fees are reported as "Professional fees" in the Statements of Operations.

g. Taxes

TALF II was formed by FRBNY and the Treasury. It is not subject to an entity level income tax. Accordingly, no provision for income taxes is made in the financial statements.

h. Fair Value Measurements

Certain assets of TALF II are measured at fair value in accordance with FASB ASC 820 *Fair Value Measurement & Disclosures*, which 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. FASB ASC 820 *Fair Value Measurement & Disclosures* establishes a three-level fair value hierarchy that distinguishes between assumptions developed using market data obtained from independent sources (observable inputs) and assumptions developed using the best information available in the circumstances (unobservable inputs). The three levels established by FASB ASC 820 *Fair Value Measurement & Disclosures* 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 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.

i. Recently Issued Accounting Standards

The following items represent recent GAAP accounting standards.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* amended in subsequent related ASUs. ASU 2016-13 introduces the Current Expected Credit Losses (CECL) methodology which replaced the previous GAAP method of calculating credit losses. While the prior methodology required incurred losses to be probable before they were recognized, ASU 2016-13 requires the use of a lifetime expected loss methodology, which requires earlier recognition of credit losses on financial assets measured at amortized cost. The new standard modifies the methodology for measuring credit losses by incorporating future forecast assumptions while it does not change the determined credit risk on the underlying financial assets. TALF II adopted this standard using the modified retrospective method to report results under ASU 2016-13 for reporting periods after January 1, 2023. The adoption of this standard is not expected to have a material effect on TALF II's financial statements.

(3) Facility Assets

At December 31, 2022 and 2021 the maturity distribution of TALF II holdings, which are recorded at fair value for cash equivalents, amortized cost for short-term investments in non-marketable securities, and principal for loans to eligible borrowers in the Statements of Financial Condition are as follows (in thousands):

	2022				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
Cash equivalents[1]	$ 54,039	$ -	$ -	$ -	$ 54,039
Short-term investments in non-marketable securities	887,099	-	-	-	887,099
Loans to eligible borrowers	-	-	996,426	-	996,426
	$ 941,138	$ -	$ 996,426	$ -	$ 1,937,564

	2021				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
Cash equivalents[1]	$ 31,551	$ -	$ -	$ -	$ 31,551
Short-term investments in non-marketable securities	1,162,890	-	-	-	1,162,890
Loans to eligible borrowers	-	-	-	1,346,022	1,346,022
	$ 1,194,441	$ -	$ -	$ 1,346,022	$ 2,540,463

[1] Cash equivalents is a component of "Cash and cash equivalents" reported in the Statements of Financial Condition

At December 31, 2022 and 2021, TALF II's cash equivalents consisted of government money market funds valued on the basis of quoted prices in active markets and are classified as Level 1 within the FASB ASC 820 *Fair Value Measurements & Disclosures* hierarchy.

The fair value of TALF II collateral is subject to both market and credit risk, arising from movements in variables such as interest rates and credit spreads and the credit quality of the collateral. Based on evaluations performed as of December 31, 2022 and 2021 there are no credit impairments of TALF II's holdings.

The following table presents the loans principal and collateral fair value of TALF Loans at December 31, 2022 and 2021 (in thousands):

	2022		2021	
	Loan principal	Collateral fair value[1]	Loan principal	Collateral fair value[1]
Loans[2]	$ 996,426	$ 1,099,011	$ 1,346,022	$ 1,560,436

[1] Collateral fair value reflects the market value of collateral, including accrued interest.
[2] All loans are fully collateralized.

Due to the short-term nature of cash equivalents and short-term investments in non-marketable securities, there is no material difference between cost and fair value.

(4) Risk Profile

As of December 31, 2022, TALF II's portfolio consisted primarily of cash equivalents, short-term investments in non-marketable securities, and secured non-recourse Loans to eligible borrowers. TALF II investments and securities collateralizing loans to TALF Borrowers contain varying levels of credit, interest rate, general market, and concentration risk. The following is a description of the significant holdings as of December 31, 2022 and the associated risk for each holding.

Cash equivalents

As of December 31, 2022, cash equivalents are composed of approximately $887 million of short-term investments in non-marketable securities and approximately $54 million of government money market funds investments. Interest income earned on the portion of the preferred equity contributions invested in non-marketable securities totaled approximately $15 million and is reported as a component of "Interest income" in the Statements of Operations.

Loans to eligible borrowers

TALF II is exposed to credit risk from commercial mortgage-backed securities, collateralized loan obligations, and certain ABS collateralizing TALF Loans, which are non-recourse to the borrower. Credit losses far in excess of expectations on the pools of loans and receivables underlying these securities may result in a default on the payment of principal or interest on the securities, which in turn could result in credit impairment on the related loans. SBA ABS are backed by Small Business Administration loans guaranteed by the U.S. government and therefore do not expose TALF II to credit losses. TALF II is also exposed to interest rate risk from the securities collateralizing loans, particularly securities that pay fixed rate coupons, as an increase in interest rates would lower the securities' fair value. The Facility's program terms permit borrowers to satisfy obligations under their loans by surrendering collateral securities in lieu of payment, and borrowers would be incented to do so if credit or market risk factors caused a decline in a security's value to a level below the outstanding balance of the related loan. As of December 31, 2022, no securities collateralizing TALF Loans had been surrendered.

At December 31, 2022 and 2021, the ratings breakdown of the fair value of collateral securing Loans to eligible borrowers are as follows (in thousands):

	2022			2021		
Collateral sector	AAA	Government / agency	Total	AAA	Government / agency	Total
SBA loans	$ -	$ 898,637	$ 898,637	$ -	$ 1,145,594	$ 1,145,594
Commercial mortgages	19,334	-	19,334	32,372	-	32,372
Leveraged loans	181,040	-	181,040	382,470	-	382,470
Total collateral	$ 200,374	$ 898,637	$ 1,099,011	$ 414,842	$ 1,145,594	$ 1,560,436

Note: Lowest of all ratings is used for the purpose of this table if rated by two or more nationally recognized statistical rating organizations.

At December 31, 2022, TALF II's short-term investments in non-marketable securities were issued by the Treasury. Cash equivalents were composed of money market funds with underlying investments of cash and securities issued or guaranteed by the U.S. Government.

(5) Loans Payable to the Federal Reserve Bank of New York

FRBNY has extended loans to TALF II, and the loan proceeds financed TALF II's issuance of Loans to eligible borrowers. In addition to FRBNY loans for issuance of TALF Loans, TALF II is permitted to borrow from FRBNY for temporary liquidity needs, but the need to borrow has not occurred.

The assets of TALF II are used to secure the loans from FRBNY. These assets include the equity that the Treasury has contributed to TALF II to function as credit protection for FRBNY's loans to TALF II.

Each loan made by FRBNY to TALF II bears interest, accrued daily, at a rate per annum equal to the interest rate on reserve balances (IORB) in effect on such day. Effective July 29, 2021, the Board of Governors replaced the interest rate on excess reserves (IOER) and the interest rate on required reserves with a single rate, the interest rate on reserve balances. Repayment of the principal and interest on the loans is made from proceeds of principal and interest received by TALF II on TALF Loans.

TALF II's loans payable to FRBNY are reported as "Loans payable to FRBNY" in the Statements of Financial Condition. The related interest payable is reported as "Interest payable" in the Statements of Financial Condition; the amount of interest expense during the period is reported as "Loans interest expense" in the Statements of Operations. Loans payable to FRBNY as of December 31, 2022 and 2021 are as follows (in thousands):

2022						
Loan Type		Loans payable to FRBNY		Interest payable	Interest rate	Maturity date
Funding	$	1,011,353	$	19,096	IORB	October 30, 2023 - December 21, 2023

2021						
Loan Type		Loans payable to FRBNY		Interest payable	Interest rate	Maturity date
Funding	$	1,404,879	$	1,976	IORB	September 29, 2023 - December 21, 2023

(6) Contributions and Distributions

The following table presents distributions of capital and current year undistributed net operating income for the years ended December 31, 2022 and 2021 (in thousands), which are reported as "Members' (distributions)" and "Undistributed net operating income," respectively, in the Statements of Changes in Members' Equity:

		Managing member		Preferred equity member		Total members
Members' equity, December 31, 2020	$	1,104	$	10,013,264	$	10,014,368
Capital (distribution)		-		(8,635,924)		(8,635,924)
Current year undistributed net operating income		1,871		17,531		19,402
Members' equity, December 31, 2021	$	2,975	$	1,394,871	$	1,397,846
Capital (distribution)		-		(340,288)		(340,288)
Current year undistributed net operating income		809		22,401		23,210
Members' equity, December 31, 2022	$	3,784	$	1,076,984	$	1,080,768

The following table presents cumulative capital contributions and undistributed net operating income as of December 31, 2022 and 2021 (in thousands):

		Managing member		Preferred equity member		Total members
Cumulative capital contributions, net	$	-	$	1,023,788	$	1,023,788
Cumulative undistributed net operating income		3,784		53,196		56,980
Members' equity, December 31, 2022	$	3,784	$	1,076,984	$	1,080,768

		Managing member		Preferred equity member		Total members
Cumulative capital contributions, net	$	-	$	1,364,076	$	1,364,076
Cumulative undistributed net operating income		2,975		30,795		33,770
Members' equity, December 31, 2021	$	2,975	$	1,394,871	$	1,397,846

a. Contributions and Distributions of Capital

The preferred equity member contributed $10.0 billion in capital as credit protection to TALF II for loans needed to fund TALF Loans or operations of TALF II, and the managing member was deemed to have contributed $10 in capital.

Preferred equity member contributions, less distributions are held in cash deposits and non-marketable securities, as mutually agreed upon by the managing member and the preferred equity member and consented to by FRBNY. TALF II returned $340 million and $8.6 billion of the preferred equity member's capital contribution in 2022 and 2021, respectively.

b. Undistributed and Distributed Net Operating Income

Amounts available for distribution, due to interest, fees, payments on investments and other receipts of income are determined on the dates and in the order of priority set forth in the credit agreement between TALF II and FRBNY.

Prior to the conclusion of the Facility, when all obligations of TALF II are repaid, the remaining net assets will be allocated and distributed in accordance with the limited liability company agreement of TALF II. That agreement contemplates the distribution, upon TALF II's liquidation, 1) to Treasury of the preferred equity account balance inclusive of all investment earnings on non-marketable securities, and 2) 90 percent of the remaining net assets to the Treasury, as the preferred equity member and 10 percent of the remaining net assets to FRBNY, as the managing member.

(7) Commitments and Contingencies

TALF II agreed to pay the reasonable out-of-pocket costs and expenses of certain service providers incurred in connection with their duties. TALF II also generally agreed to indemnify its service providers for certain losses, expenses, and other liabilities under the agreements it has with those service providers, subject to customary exceptions such as for losses caused by the service providers' misconduct. These indemnity obligations survive termination of those agreements. As of December 31, 2022, TALF II did not have any prior claims or losses pursuant to these agreements. The risk of loss was deemed remote.

(8) Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2022.

Subsequent events were evaluated through March 14, 2023, which is the date that these financial statements were available to be issued.