Maiden Lane III LLC

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

Financial Statements for the Year Ended December 31, 2009, and for the Period October 31, 2008 to December 31, 2008, and Independent Auditors' Report

Maiden Lane III LLC

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FEDERAL RESERVE BANK *of* NEW YORK

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Management's Report on Internal Control over Financial Reporting

April 21, 2010

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

The management of the Maiden Lane III LLC ("ML III LLC") is responsible for the preparation and fair presentation of the Statements of Financial Condition, Condensed Schedules of Investments, Statements of Operations, and Statements of Cash Flows as of December 31, 2009 (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 ML III LLC is responsible for establishing and maintaining effective internal control over financial reporting as it relates to the Financial Statements. Such internal control is designed to provide reasonable assurance to management and to the Board of Directors regarding the preparation of the Financial Statements in accordance with GAAP. Internal control contains self-monitoring mechanisms, including, but not limited to, divisions of responsibility and a code of conduct. Once identified, any material deficiencies in internal control are reported to management and appropriate corrective measures are implemented.

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 MLIII LLC assessed its internal control over financial reporting reflected in the Financial Statements, 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 ML III LLC maintained effective internal control over financial reporting as it relates to the Financial Statements.

William C. Dudley
William C. Dudley
President

Christine M. Cumming
Christine M. Cumming
First Vice President

Edward F. Murphy
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INDEPENDENT AUDITORS' REPORT

To the Managing Member of
Maiden Lane III LLC:

We have audited the accompanying statements of financial condition of Maiden Lane III LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the "LLC"), including the condensed schedules of investments, as of December 31, 2009 and 2008, and the related statements of operations and cash flows for the year ended December 31, 2009 and for the period October 31, 2008 to December 31, 2008. We also have audited the LLC's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The LLC's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report of Internal Control over Financial Reporting*. 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 in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 generally accepted accounting principles. 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 generally accepted accounting principles, 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 of unauthorized acquisition, use, or disposition of the LLC's assets that could have a material effect on the financial statements.

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 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.

In our opinion, such financial statements 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, 2009 and 2008, and the results of its operations and its cash flows for the year ended December 31, 2009 and for the period October 31, 2008 to December 31, 2008 in conformity 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, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Deloitte & Touche LLP

April 21, 2010

Maiden Lane III LLC

Statements of Financial Condition
As of December 31, 2009 and 2008
(Amounts in thousands, except contributed capital data)

	2009	2008
Assets		
Investments, at fair value (cost of $26,211,653 and $29,298,056, respectively)	$ 22,338,978	$ 26,664,828
Cash and cash equivalents	428,272	408,362
Principal and interest receivable	29,934	182,983
Total assets	$ 22,797,184	$ 27,256,173
Liabilities and Member's Equity		
Senior Loan, at fair value	$ 18,500,025	$ 24,384,487
Equity Contribution, at fair value	4,293,805	2,824,161
Payable for investments purchased	-	38,504
Professional fees payable and accrued	3,354	9,021
Total liabilities	22,797,184	27,256,173
Member's equity ($100 contributed capital)	-	-
Total liabilities and member's equity	$ 22,797,184	$ 27,256,173

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

Maiden Lane III LLC

Condensed Schedules of Investments

As of December 31, 2009 and 2008
(Amounts in thousands)

2009	Face Value	Fair Value	Percentage of Total Investments
ABS CDOs:			
High-Grade ABS CDOs :			
TRIAX 2006-2A A1B2	$ 1,499,850	$ 699,674	3.1%
TRIAX 2006-2A A1B1	485,497	439,774	2.0%
TRIAX 2006-2A A1A	557,089	364,391	1.6%
Other [1]		13,895,832	62.2%
Total High-Grade ABS CDOs (amortized cost $18,066,492)		15,399,671	68.9%
Mezzanine ABS CDOs [1] (amortized cost $2,812,428)		1,989,447	8.9%
Commercial Real Estate CDOs :			
MAX 2007-1 A1	2,096,537	989,551	4.4%
MAX 2008-1 A1	5,403,463	2,550,398	11.4%
Other [1]		1,153,990	5.2%
Total Commercial Real Estate CDOs (amortized cost $5,034,422)		4,693,939	21.0%
RMBS, CMBS, & Other (amortized cost $298,311)		255,921	1.2%
Total Investments (amortized cost $26,211,653)		$ 22,338,978	100.0%

2008	Face Value	Fair Value	Percentage of Total Investments [2]
ABS CDOs:			
High-Grade ABS CDOs:			
TRIAX 2006-2A A1B2	$ 1,499,850	$ 606,689	2.3%
TRIAX 2006-2A A1B1	981,010	736,739	2.8%
TRIAX 2006-2A A1A	742,934	396,334	1.5%
Other [1]		17,030,278	63.9%
Total High-Grade ABS CDOs (amortized cost $20,690,030)		18,770,040	70.4%
Mezzanine ABS CDOs [1] (amortized cost $3,143,226)		3,103,664	11.6%
Commercial Real Estate CDOs:			
MAX 2007-1 A1	2,096,537	931,701	3.5%
MAX 2008-1 A1	5,403,463	2,401,299	9.0%
Other [1]		1,458,124	5.5%
Total Commercial Real Estate CDOs (amortized cost $5,464,800)		4,791,124	18.0%
Total Investments (amortized cost $29,298,056)		$ 26,664,828	100.0%

[1] Includes all securities or CDO issuers that, individually, represent less than 5% of total investments.
[2] Components may not sum to totals due to rounding.

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

Maiden Lane III LLC

Statements of Operations

For the year ended December 31, 2009 and the period October 31, 2008 to December 31, 2008
(Amounts in thousands)

	2009	2008
Investment Income		
Interest income	$ 3,032,284	$ 517,411
Expenses		
Interest expense	467,290	73,287
Professional fees	26,907	9,021
Total expenses	494,197	82,308
Net investment income	2,538,087	435,103
Net Unrealized Gains (Losses)		
Unrealized losses on investments, net	(1,239,446)	(2,633,228)
Unrealized gains (losses) on Equity Contribution, net	(1,298,641)	2,198,125
Net realized and unrealized losses	(2,538,087)	(435,103)
Net change in member's equity resulting from operations	$ -	$ -

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

Maiden Lane III LLC

Statements of Cash Flows

For the year ended December 31, 2009 and the period October 31, 2008 to December 31, 2008
(Amounts in thousands)

	2009	2008
Cash flows from operating activities		
Net change in member's equity resulting from operations	$ -	$ -
Adjustments to reconcile net change in member's equity resulting from operations to net cash provided by (used in) operating activities:		
Unrealized losses on investments, net	1,239,446	2,633,228
Unrealized (gains) losses on Equity Contribution, net	1,298,641	(2,198,125)
Increase in capitalized and accrued interest on Senior Loan	296,287	45,171
Increase in capitalized and accrued interest on Equity Contribution	171,003	22,286
(Increase) decrease in interest receivable	153,049	(182,983)
Increase (decrease) in professional fees payable and accrued	(5,667)	9,021
Payments for purchase of investments	(40,397)	(29,547,432)
Proceeds from paydowns on investments	3,086,497	287,880
Proceeds from sale of investments	1,800	-
Net cash flow provided by (used in) operating activities	6,200,659	(28,930,954)
Cash flows from financing activities		
Proceeds from Senior Loan	-	24,339,316
Proceeds from Equity Contribution	-	5,000,000
Repayments of Senior Loan	(6,180,749)	-
Net cash flow provided by (used in) financing activities	(6,180,749)	29,339,316
Net increase in cash and cash equivalents	19,910	408,362
Beginning cash and cash equivalents	408,362	-
Ending cash and cash equivalents	$ 428,272	$ 408,362
Supplemental non-cash operating and financing activities:		
Accrued and capitalized interest on Senior Loan and Equity Contribution	$ 467,290	$ 67,457

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

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" or the "Equity Investor"), 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 assignees) 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 both parties 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.

The purchase transactions were completed with October 31, 2008 as the purchase date. Due to the extended settlement dates, interest was charged on the cost of the securities purchased or credited for cash flows on the purchased securities that occurred after October 31, 2008 through the date they were either paid for or received by the LLC. In connection with the acquisition of the assets, the LLC paid a cost of carry of $5.8 million to third-party counterparties of AIGFP. The cost of carry, representing a financing cost incurred from the October 31, 2008 through the settlement date of the assets, is recorded as a component of "Interest expense" in the Statements of Operations.

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.

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, liabilities, 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 investments in money market funds and other highly liquid investments with original maturities of three months or less, when acquired, as cash and cash equivalents. Money market funds are carried at fair value based on quoted prices in active markets. Other investments included in cash equivalents are carried at amortized cost, which approximates fair value.

B. Valuation of Financial Assets and Liabilities

The LLC qualifies as a non-registered investment company under the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 946 *Financial Services - Investment Companies* (previously the American Institute of Certified Public Accountants *Audit and Accounting Guide for Investment Companies*) and therefore, all investments are recorded at fair value in accordance with FASB ASC Topic 820 (ASC 820) *Fair Value Measurements and Disclosures* (previously Statement of Financial Accounting Standard ("SFAS") 157).

The LLC elected the fair value option under FASB ASC Topic 825 (ASC 825) *Financial Instruments* (previously SFAS 159), including an amendment of FASB ASC Topic 320 (ASC 320) *Investments – Debt and Equity Securities* (previously SFAS 115) for the Senior Loan and Equity Contribution. Under ASC 825, the LLC records the Senior Loan and Equity Contribution, including related accrued and capitalized interest, at fair value in the LLC's financial statements. 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.

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, is recorded as "Senior Loan, at fair value" in the Statements of Financial Condition. The Equity Contribution and related accrued and capitalized interest, at fair value, is recorded as "Equity Contribution, at fair value" in the Statements of Financial Condition and changes in fair value are recorded as "Unrealized gains (losses) on Equity Contribution" 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 (ASC 480) *Distinguishing Liabilities from Equity* (previously SFAS 150) 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, BNYM, attorneys, and independent auditors. Organization and closing costs of $5.5 million, associated with the formation of the LLC and the cost of acquisition of the portfolio, were expensed when incurred in 2008.

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.

G. Recently Issued Accounting Standards

In February 2008, FASB issued FASB Staff Position ("FSP") SFAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (codified in FASB Topic 860 (ASC 860), *Transfers and Servicing*). ASC 860 requires that an initial transfer of a financial asset and a repurchase financing that was entered into contemporaneously with, or in contemplation of, the initial transfer be evaluated together as a linked transaction unless certain criteria are met. The provisions of ASC 860, which are effective for the LLC's financial statements for the year ended December 31, 2009, have not had a material effect on the LLC's financial statements.

In March 2008, FASB issued SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133,* (codified in ASC 815), which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the LLC's financial position, financial performance and cash flows. The provisions of ASC 815, which are effective for the LLC's financial statements for the year ended December 31, 2009, have not had a material effect on the LLC's financial statements. The LLC has not entered into any derivative contracts relating to hedging activities for the year ended December 31, 2009 and the period October 31, 2008 to December 31, 2009.

In April 2009, FASB issued FSP SFAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability have Significantly Decreased and Identifying Transactions that are Not Orderly*, (codified in ASC 820), which provides additional guidance for estimating fair value when the value and level of market activity for an asset or liability have significantly decreased. The standard also provides guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of ASC 820, which are effective for the LLC's financial statements for the year ended December 31, 2009, were considered in determining the valuation of assets and liabilities that are measured at fair value and have not had a material effect on the LLC's financial statements.

In May 2009, FASB issued SFAS 165, *Subsequent Events*, (codified in FASB Topic 855 (ASC 855) *Subsequent Events)*, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 sets forth (i) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date, including disclosure of the date through which an entity has evaluated subsequent events and whether that represents the date the financial statements were issued or were available to be issued. The LLC adopted ASC 855 for the year ended December 31, 2009 and the required disclosures are reflected in Note 9.

In June 2009, FASB issued SFAS 166, *Accounting for Transfers of Financial Assets – an amendment to FASB Statement No. 140,* (codified in ASC 860). The new guidance modifies existing guidance to eliminate the scope exception for qualifying special purpose entities and clarifies that the transferor must consider all arrangements of the transfer of financial assets when determining if the transferor has surrendered control. These provisions of ASC 860 are effective for the LLC's consolidated financial statements for the year beginning on January 1, 2010, and earlier adoption is prohibited. The provisions of ASC 860 are not expected to have a material effect on the LLC's financial statements.

In June 2009, FASB issued SFAS 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of SFAS 162, "The Hierarchy of Generally Accepted Accounting Principles"* (codified in FASB Topic 105 (ASC 105) *Generally Accepted Accounting Principles),* which establishes the FASB ASC as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. The ASC does not change current GAAP, but it introduces a new structure that organizes the authoritative standards by topic. ASC 105 is effective for financial statements issued for periods ending after September 15, 2009. As a result, both the ASC and the legacy standards are referenced in the LLC's financial statements and footnotes.

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures* (ASC 820) – *Improving Disclosures about Fair Value Measurements*, which requires additional disclosures related to fair value measurements. This update is effective for the LLC's financial statements for the year beginning on January 1, 2010 and early adoption is prohibited. The adoption of this update is not expected to have a material effect on the LLC's financial statements.

3. Senior Loan and Equity Contribution

The Senior Loan has an original six year term maturing on November 25, 2014 provided that FRBNY may extend the date of final maturity to any later date. The interest rate on the Senior Loan is equal to the London Interbank Offered Rate ("LIBOR") rate for one-month deposits in U.S. dollars plus 100 basis points, while the interest rate on the Equity Contribution is equal to the LIBOR rate for one-month deposits in U.S. dollars plus 300 basis points. Interest on the Senior Loan and Equity Contribution is capitalized monthly and accrued daily based on the amount of principal and capitalized interest outstanding on the first business day of each month.

Repayment of the Senior Loan and Equity Contribution will be made monthly, subject to availability of funds in the LLC's collateral accounts and pursuant to the order of priority described in Note 4.

The table below presents a reconciliation of the Senior Loan and Equity Contribution as of December 31, 2009 and 2008 (in thousands):

	Senior Loan [2]	Equity Contribution [3]	Total
Beginning principal balance, October 31, 2008	$ -	$ -	$ -
2008 Activity:			
Funding, November 25, 2008	15,133,567	5,000,000	20,133,567
Funding, December 18, 2008	9,205,749	-	9,205,749
Accrued and capitalized interest	45,171	22,286	67,457
Unrealized (gains) / losses [1]	-	(2,198,125)	(2,198,125)
Fair value, December 31, 2008	24,384,487	2,824,161	27,208,648
2009 Activity:			
Accrued and capitalized interest	296,287	171,003	467,290
Repayments	(6,180,749)	-	(6,180,749)
Unrealized (gains) / losses [1]	-	1,298,641	1,298,641
Fair value, December 31, 2009	$ 18,500,025	$ 4,293,805	$ 22,793,830

[1] Recorded as "Unrealized gains (losses) on Equity Contribution, net" in the Statements of Operations.

[2] The outstanding principal and accrued interest balance of the Senior Loan was $18,500,025 and $24,384,487 as of December 31, 2009 and 2008, respectively.

[3] The outstanding principal and accrued interest balance of the Equity Contribution was $5,193,289 and $5,022,286 as of December 31, 2009 and 2008, respectively.

The weighted-average interest rates on the Senior Loan and Equity Contribution for the year ended December 31, 2009 were 1.36 percent and 3.36 percent, respectively. The weighted-average interest rates on the Senior Loan and Equity Contribution for the period November 25, 2008 to December 31, 2008 were 2.41 percent and 4.41 percent, respectively.

4. Distribution of Proceeds

In accordance with the Master Investment and Credit Agreement, amounts available in the accounts of the LLC as of the 27th calendar day of each month (each a “Payment Cut-Off Date”) shall be distributed on the 4th business day following each month-end or such other date as may be specified by FRBNY 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;

third, to fund the expense reimbursement sub-account until the balance thereof is equal to an amount specified by FRBNY ($500 thousand as of December 31, 2009);

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, 2009);

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 two-thirds of all remaining amounts to FRBNY and to release to the LLC, for distribution to the Equity Investor or its permitted assignees, one-third of all remaining amounts.

5. Fair Value Measurements

The LLC qualifies as a non-registered investment company under the provisions of the 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.

Fair Value Hierarchy

ASC 820 establishes a three-level fair value hierarchy that distinguishes between market participant assumptions developed using market data obtained from independent sources (observable inputs) and the LLC's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The three levels established by ASC 820 are described below:

- 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 inputs from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the LLC’s own estimates of assumptions that market participants would use in pricing the asset and liability. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

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

Determination of Fair Value

Due to the nature of the investments held by the LLC, valuation is based on inputs from model-based techniques that use estimates of assumptions that market participants would use in pricing the investments. To the extent such estimates of 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 spread data for each credit rating, collateral type, 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 and realized losses on investments, as reflected in the Senior Loan and Equity Contribution reconciliation presented in Note 3.

Due to the inherent uncertainty of 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.

The following table presents the assets and liabilities recorded at fair value as of December 31, 2009 by the fair value hierarchy (in thousands):

	Fair Value Hierarchy			
2009	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Investments	$ -	$ 47,407	$ 22,291,571	$ 22,338,978
Money market funds [1]	428,272	-	-	428,272
Total assets	$ 428,272	$ 47,407	$ 22,291,571	$ 22,767,250
Liabilities:				
Senior Loan	$ -	$ -	$ (18,500,025)	$ (18,500,025)
Equity Contribution	-	-	(4,293,805)	(4,293,805)
Total liabilities	$ -	$ -	$ (22,793,830)	$ (22,793,830)

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

The following table presents the assets and liabilities recorded at fair value as of December 31, 2008 by the fair value hierarchy (in thousands):

	Fair Value Hierarchy			
2008	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Investments	$ -	$ -	$ 26,664,828	$ 26,664,828
Money market funds [1]	408,362	-	-	408,362
Total assets	$ 408,362	$ -	$ 26,664,828	$ 27,073,190
Liabilities:				
Senior Loan	$ -	$ -	$ (24,384,487)	$ (24,384,487)
Equity Contribution	-	-	(2,824,161)	(2,824,161)
Total liabilities	$ -	$ -	$ (27,208,648)	$ (27,208,648)

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

The table below presents a reconciliation of all assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2009, including realized and unrealized gains (losses) (in thousands):

	Fair Value at January 1, 2009	Net Purchases, Sales, Paydowns, and Settlements	Net Realized / Unrealized Gains (Losses)	Net Transfers In or (Out)	Fair Value at December 31, 2009	Net Unrealized Gains (Losses)
Assets:						
Investments	$ 26,664,828	$ (3,133,811)	$ (1,239,446)	$ -	$ 22,291,571	$ (1,239,446)
Liabilities:						
Senior Loan	$ (24,384,487)	$ 5,884,462 [1]	$ -	$ -	$ (18,500,025)	$ -
Equity Contribution	(2,824,161)	(171,003) [2]	(1,298,641)	-	(4,293,805)	(1,298,641)
Total liabilities	$ (27,208,648)	$ 5,713,459	$ (1,298,641)	$ -	$ (22,793,830)	$ (1,298,641)

[1] Includes $296,287 of accrued and capitalized interest.
[2] Includes $171,003 of accrued and capitalized interest.

The table below presents a reconciliation of all assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the period October 31, 2008 to December 31, 2008, including realized and unrealized gains (losses) (in thousands):

	Net Purchases, Sales, Paydowns, and Settlements	Net Realized / Unrealized Gains (Losses)	Net Transfers In or (Out)	Fair Value at December 31, 2008	Net Unrealized Gains (Losses)
Assets:					
Investments	$ 29,298,056	$ (2,633,228)	$ -	$ 26,664,828	$ (2,633,228)
Liabilities:					
Senior Loan	$ (24,384,487) [1]	$ -	$ -	$ (24,384,487)	$ -
Equity Contribution	(5,022,286) [2]	2,198,125	-	(2,824,161)	2,198,125
Total liabilities	$ (29,406,773)	$ 2,198,125	$ -	$ (27,208,648)	$ 2,198,125

[1] Includes $45,171 of accrued and capitalized interest.
[2] Includes $22,286 of accrued and capitalized interest.

6. Investment Risk Profile

The primary holdings within the LLC are ABS CDOs. An ABS CDO is a security issued by a bankruptcy remote entity that is backed by a diversified pool of debt securities, which in the case of the LLC are primarily residential mortgage-backed securities (“RMBS”) and commercial mortgage backed-securities (“CMBS”). The cash flows of ABS CDOs can be split into multiple segments, called “tranches,” which will vary in risk profile and yield. The junior tranches will bear the initial risk of loss followed by the more senior tranches. The ABS CDOs in the LLC portfolio largely represent senior tranches. Because they are shielded from defaults by the subordinated tranches, senior tranches will typically have higher credit ratings and lower yields than their underlying securities, and often receive investment grade ratings from one or more of the nationally recognized rating agencies upon issuance. Despite the protection afforded by the subordinated tranches, senior tranches can experience substantial losses from actual defaults on the underlying RMBS or CMBS.

ABS CDO securities are limited recourse obligations of the issuer thereof payable solely from the underlying securities owned by the issuer or proceeds thereof. Consequently, holders of ABS CDO securities must rely solely on distributions on the collateral underlying such ABS CDO securities or the proceeds thereof for payment. Such collateral may consist of investment grade debt securities, high yield debt securities, loans, structured finance securities, synthetic securities and other debt instruments. Investments in assets through the purchase of synthetic securities present risks in addition to those resulting from direct purchases of those assets because the buyer of such synthetic security usually will have a contractual relationship only with the synthetic security counterparty and not the obligor on the reference obligation of such synthetic security. The buyer of a synthetic security will not benefit from any collateral supporting the reference obligation of such synthetic security, will not have any remedies that would normally be available to the holder of such reference obligation and will be subject to the credit risk of the synthetic security counterparty as well as the obligor on such reference obligation. Over the last several years, there has been a significant increase in the default rates of, delinquencies on, and rating downgrades reported on RMBS and CMBS. As a result of increases in the default rates and delinquencies, there has been a decrease in the amount of credit support available for the ABS CDO securities backed by such RMBS and CMBS since the issue date thereof. Diminished credit support as a result of increases in the default rates of, delinquencies on, and rating downgrades reported on RMBS and CMBS could increase the likelihood that payments may not be made to holders of ABS CDO securities.

Certain ABS CDO issuers can issue short-term eligible investments under Rule 2a-7 of the Investment Company Act of 1940 if the ABS CDO contains arrangements to remarket the securities at defined periods. The investments must contain put options ("2a-7 Puts"), which allow the purchasers to sell the ABS CDO at par to a third-party ("Put Provider") if a scheduled remarketing is unsuccessful due to reasons other than a credit or bankruptcy event. As of December 31, 2009, the total notional value of ABS CDOs held by the LLC with embedded 2a-7 Puts, for which AIGFP was, directly or indirectly, the Put Provider, was $1.6 billion. The LLC has entered into an agreement not to exercise the 2a-7 Puts, or to only exercise the 2a-7 Puts if it simultaneously repurchases the ABS CDOs at par. In return, the LLC will receive the put premiums and AIGFP will take the necessary steps to attempt conversion of the ABS CDOs to long-term notes. The termination date of this agreement ranges from December 31, 2010 to April 30, 2011 depending on the respective ABS CDOs.

The LLC may acquire underlying collateral of ABS CDOs held in the portfolio. Collateral acquired during 2009 is reported as “RMBS, CMBS, and Other” in the Condensed Schedule of Investments as of December 31, 2009. CMBS and RMBS expose the LLC to varying levels of credit, interest rate, liquidity, and concentration risk. Credit-related risk arises from losses due to delinquencies and defaults by borrowers on the underlying mortgage loans and breaches by originators and servicers of their obligations under the underlying documentation pursuant to which the securities are issued. The rate of delinquencies and defaults on residential and commercial mortgage loans and the aggregate amount of the resulting losses will be affected by a number of factors, including general economic conditions, particularly those in the area where the related mortgaged property is located; the level of the borrower's equity in the mortgaged property; and the individual financial circumstances of the borrower.

At December 31, 2009, the investment type/vintage and rating composition of the LLC's $22.3 billion portfolio, recorded at fair value, as a percentage of aggregate fair value of all securities in the portfolio, was as follows:

	Rating [1, 2, 3]						
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	Not Rated	Total
ABS CDOs:							
High-Grade ABS CDOs	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**68.9%**	**0.0%**	**68.9%**
Pre-2005	0.0%	0.0%	0.0%	0.0%	24.3%	0.0%	24.3%
2005	0.0%	0.0%	0.0%	0.0%	30.6%	0.0%	30.6%
2006	0.0%	0.0%	0.0%	0.0%	7.3%	0.0%	7.3%
2007	0.0%	0.0%	0.0%	0.0%	6.7%	0.0%	6.7%
Mezzanine ABS CDOs	**0.0%**	**0.2%**	**0.0%**	**0.5%**	**8.0%**	**0.3%**	**8.9%**
Pre-2005	0.0%	0.2%	0.0%	0.5%	4.4%	0.3%	5.4%
2005	0.0%	0.0%	0.0%	0.0%	2.8%	0.0%	2.8%
2006	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2007	0.0%	0.0%	0.0%	0.0%	0.7%	0.0%	0.7%
Commercial Real-Estate CDOs	**1.5%**	**0.5%**	**18.9%**	**0.0%**	**0.0%**	**0.0%**	**21.0%**
Pre-2005	1.5%	0.5%	3.1%	0.0%	0.0%	0.0%	5.2%
2005	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2006	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2007	0.0%	0.0%	15.8%	0.0%	0.0%	0.0%	15.8%
RMBS, CMBS, & Other:	**0.2%**	**0.2%**	**0.1%**	**0.1%**	**0.6%**	**0.0%**	**1.2%**
Pre-2005	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.2%
2005	0.1%	0.1%	0.1%	0.1%	0.4%	0.0%	0.9%
2006	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
2007	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Investments	**1.7%**	**0.8%**	**19.1%**	**0.6%**	**77.5%**	**0.3%**	**100.0%**

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

[2] The year of issuance with the highest concentration of underlying assets as measured by outstanding principal balance determines the vintage of the CDO.

[3] Rows and columns may not total due to rounding.

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. Financial Highlights

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

9. Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2009. Subsequent events were evaluated through April 21, 2010, which is the date the LLC issued the financial statements.