Maiden Lane LLC

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

Consolidated Financial Statements as of and for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report

Maiden Lane LLC

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FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

Management's Report on Internal Control Over Financial Reporting

March 11, 2015

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

The management of Maiden Lane LLC (ML LLC) is responsible for the preparation and fair presentation of the Consolidated Statements of Financial Condition as of December 31, 2014 and 2013, and the Consolidated Statements of Income and Consolidated 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 ML LLC is responsible for establishing and maintaining effective internal control over financial reporting as it relates to the financial statements. ML LLC's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP. ML LLC's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of ML LLC's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that ML LLC's receipts and expenditures are being made only in accordance with authorizations of its management; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of ML LLC's assets that could have a material effect on its financial statements.

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

The management of ML LLC assessed its internal control over financial reporting based upon the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we believe that ML LLC maintained effective internal control over financial reporting.

William C. Dudley
William C. Dudley
President

Christine M. Cumming
Christine M. Cumming
First Vice President

Michael Strine
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INDEPENDENT AUDITORS' REPORT

To the Managing Member of
Maiden Lane LLC:

We have audited the accompanying consolidated financial statements of Maiden Lane LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the "LLC"), which are comprised of the consolidated statements of financial condition, as of December 31, 2014 and 2013, and the related consolidated statements of income and cash flows for the years ended December 31, 2014 and 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The LLC's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of the consolidated 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). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit of the consolidated financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LLC's internal control. Accordingly, we express no such opinion. An audit of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maiden Lane LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) as of December 31, 2014 and 2013, 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.

Deloitte & Touche LLP

March 11, 2015

Maiden Lane LLC

Consolidated Statements of Financial Condition

As of December 31, 2014 and 2013
(Amounts in thousands, except par value and share data)

	2014	2013
Assets		
Cash and cash equivalents	$ 276,842	$ 486,934
Restricted cash	-	40,206
Investments, at fair value (cost of $1,477,869 and $1,122,293, respectively, and includes assets pledged of $86,877 and $123,738, respectively)	1,410,519	1,046,737
Swap contracts, at fair value	123,836	158,133
Principal and interest receivable	75	347
Other assets	-	83
Total assets	$ 1,811,272	$ 1,732,440
Liabilities and member's equity		
Senior Loan, at fair value	$ 1,684,513	$ 1,575,050
Swap contracts, at fair value	40,647	73,439
Cash collateral on swap contracts	85,093	82,292
Other liabilities and accrued expenses	1,019	1,659
Total liabilities	1,811,272	1,732,440
Member's equity ($10 par value, 1 share issued and outstanding)	-	-
Total liabilities and member's equity	$ 1,811,272	$ 1,732,440

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

Maiden Lane LLC

Consolidated Statements of Income

For the years ended December 31, 2014 and 2013
(Amounts in thousands)

	2014	2013
Revenues		
Interest income	$ 75,604	$ 462
Realized gains on investments and swap contracts, net	738	130,405
Unrealized gains on investments and swap contracts, net	35,419	52,792
Other income	1,250	1,250
Total revenues	113,011	184,909
Expenses		
Professional fees and other expenses	3,548	6,038
Net operating income	109,463	178,871
Non-operating losses		
Unrealized losses on the Senior Loan	(109,463)	(178,871)
Total non-operating losses	(109,463)	(178,871)
Net income	$ -	$ -

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

Maiden Lane LLC

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013
(Amounts in thousands)

	2014	2013
Cash flows from operating activities		
Net income	$ -	$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Accretion and amortization of discounts and premiums on investments	(3,756)	(4,870)
Realized gains on investments and swap contracts, net	(738)	(130,405)
Unrealized gains on investments and swap contracts, net	(35,419)	(52,792)
Unrealized losses on the Senior Loan	109,463	178,871
Decrease in principal and interest receivable	272	1,241
Decrease in other assets	83	669
Decrease in other liabilities and accrued expenses	(640)	(510)
Net cash flow provided by (used in) operating activities	69,265	(7,796)
Cash flows from investing activities		
Payments for purchase of investments	(1,406,054)	(564,610)
Proceeds from principal paydowns on investments	518,247	66,921
Proceeds from sales and maturities of investments and settlements	542,363	478,532
Payments for purchase of swap contracts	(3,766)	(10,447)
Proceeds from disposition of swap contracts	36,585	294,547
Periodic payments for swap contracts, net	(9,739)	(85,392)
Decrease in restricted cash	40,206	14,653
Net cash flow (used in) provided by investing activities	(282,158)	194,204
Cash flows from financing activities		
Proceeds from (repayments of) collateral received on swap contracts	2,801	(258,939)
Net cash flow provided by (used in) financing activities	2,801	(258,939)
Net decrease in cash and cash equivalents	(210,092)	(72,531)
Beginning cash and cash equivalents	486,934	559,465
Ending cash and cash equivalents	$ 276,842	$ 486,934

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

1. Organization and Nature of Business

Maiden Lane 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 to acquire approximately $30 billion of The Bear Stearns Companies Inc.'s ("Bear Stearns") assets in connection with and to facilitate the merger of Bear Stearns and JPMorgan Chase & Co. ("JPMC"). FRBNY is the sole and managing member of the LLC as well as the controlling party of the assets of the LLC, and will remain as such as long as FRBNY retains an economic interest in the LLC. Financing for the LLC was provided by FRBNY for approximately $28.8 billion, as the senior lender (the "Senior Loan"), and by JPMC for $1.15 billion, as the subordinated lender (the "Subordinated Loan") (together the "Loans"). The Loans were funded on June 26, 2008 and had a ten-year term maturing on June 26, 2018. In 2012, the LLC repaid in full the outstanding principal and accrued interest on the Loans. Net proceeds from the sale or other disposition of the LLC's assets will be paid to FRBNY as Contingent Interest (see Note 4) on the Senior Loan. The Senior Loan is collateralized by all the assets of the LLC through a pledge to State Street Bank and Trust ("State Street") as collateral agent.

Bear Stearns' assets purchased by the LLC largely consisted of mortgage-related debt securities, whole mortgage loans (held by two grantor trusts as discussed below), and credit default and interest rate swap contracts, primarily through a total return swap agreement with JPMC (the "TRS"). Bear Stearns' assets were acquired and transferred to the LLC on June 26, 2008 with a purchase and effective valuation date of March 14, 2008.

Two grantor trusts were established to directly acquire the whole mortgage loans. One was formed to acquire a portfolio of commercial mortgage loans and one was formed to acquire a portfolio of residential mortgage loans (Maiden Lane Commercial Mortgage Backed Securities Trust 2008-1 ["CRE Trust"] and Maiden Lane Asset Backed Securities I Trust 2008-1 ["Residential Trust"], together the "Grantor Trusts"). The Residential Trust terminated in December 2013, in accordance with its terms, as a result of the liquidation of its last asset.

The LLC owns the trust certificates representing all of the beneficial ownership interest in the CRE Trust. The CRE Trust is controlled by FRBNY as long as the LLC remains a certificate holder. The LLC is the sole certificate holder as of December 31, 2014. The trustee and master servicer for the CRE Trust are nationally recognized financial institutions. The master servicer to the CRE Trust is responsible for remitting to the CRE Trust all principal and interest payments and any other amounts collected by the primary loan servicers on the underlying loans of the trust. Payments received by the CRE Trust are passed on to the LLC as the sole beneficiary after deducting certain trust expenses, advances, servicing costs, and fees. Prior to its termination, the Residential Trust was owned and operated in the same manner as described above for the CRE Trust. Following termination, the LLC surrendered all of its certificates in the Residential Trust and received one final distribution of the remaining amounts due to it as beneficiary.

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 of the contract. State Street provides administrative, collateral administration, and custodial services and has been appointed to serve as collateral agent under multi-year contracts with FRBNY that include provisions governing termination of the contracts.

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

2. Summary of Significant Accounting Policies

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

The consolidated financial statements include the accounts and operations of the LLC as well as the Grantor Trusts. Intercompany balances and transactions have been eliminated in consolidation.

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

A. Cash and Cash Equivalents and Restricted Cash

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.

The LLC invests available cash and restricted cash in Government Money Market Funds registered under the Investment Company Act of 1940. As of December 31, 2014 and 2013, the LLC had approximately $274 million and $375 million, respectively, in Government Money Market Funds.

Restricted cash principally represents investments in money market funds held as collateral for unfunded commitments to extend credit on commercial loans acquired by the CRE Trust. For more information on these commitments, refer to Note 7.

B. Investments and Swap Contracts

The LLC’s investments consist primarily of short-term investments with maturities of greater than three months and less than one year when acquired (primarily consisting of US Treasury bills) and commercial mortgage loans. The LLC’s swap contracts consist of credit default swaps (“CDS”). The LLC follows the guidance in FASB ASC Topic 320, *Investments – Debt and Equity Securities*, when accounting for investments in debt securities and FASB ASC Topic 815 (“ASC 815”), *Derivatives and Hedging*, when accounting for swap contracts.

Interest income on investments is recorded when earned and includes amortization of premiums, accretion of discounts, and paydown gains and losses on investments.

Investment and swap transactions are accounted for at trade date. Realized gains or losses on investments and swap transactions are determined on the identified cost basis.

From time to time, the LLC may receive proceeds from settlements related to actions involving portfolio investments. When such settlements are received, the LLC will record the amount as an adjustment to the cost basis of the investment if the investment is still held by the LLC or as a realized gain on the investment if the investment is no longer held by the LLC.

C. Valuation of Financial Assets and Liabilities

The LLC has elected the fair value option in accordance with FASB ASC Topic 825, *Financial Instruments*, for investments and the Senior Loan (including accrued and capitalized interest), all of which are recorded at fair value in accordance with ASC 820. The Managing Member believes that accounting for the investments and Senior 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. For more information on the valuation of investments and the Senior Loan, refer to Note 5 and Note 6.

Swap contracts are recorded at fair value in accordance with ASC 820 and ASC 815. For more information on the valuation of swap contracts, refer to Note 5 and Note 6.

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 own estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

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

D. Accounting for Senior Loan

The consolidated financial statements reflect the fair value of the Senior Loan. The Senior Loan is recorded as "Senior Loan, at fair value" in the Consolidated Statements of Financial Condition and changes in its fair value are recorded as "Unrealized losses on the Senior Loan" in the Consolidated Statements of Income.

E. Variable Interest Entities

The identification of variable interest entities ("VIEs") and determination whether to consolidate VIEs were assessed in accordance with FASB ASC Topic 810 ("ASC 810"), *Consolidation*, which requires a VIE to be consolidated by its controlling financial interest holder.

The LLC consolidates a VIE if it has a controlling financial interest, which is defined as the power to direct the significant economic activities of the entity and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the VIE. To determine whether it is the controlling financial interest holder of a VIE, the LLC evaluates the VIE's design, capital structure, and relationships with the variable interest holders. The LLC reconsiders whether it has a controlling financial interest in a VIE, as required by ASC 810, at each reporting date or if there is an event that requires consideration.

The LLC holds certain interests in VIEs through investments in swap contracts, non-agency residential mortgage-backed securities ("non-agency RMBS"), commercial mortgage-backed securities ("CMBS"), and collateralized debt obligations. VIEs generally finance the purchase of assets by issuing debt and equity instruments. In assessing the nature and extent of its financial interests in these VIEs, the LLC considered the nature and purpose of its involvement with these VIEs, which is primarily as investor, and in limited instances, as seller of protection through credit default swaps. The LLC has made a determination that there are no material VIEs that required consolidation into its consolidated financial statements as of December 31, 2014 and 2013. As of December 31, 2014, the LLC's significant interests in non-consolidated VIEs consisted of a payable of approximately $15 million, which was recorded as a component of "Swap contracts, at fair value" in the Consolidated Statements of Financial Condition. The fair value and total maximum exposure to non-consolidated VIEs was $15 million as of December 31, 2014 and $18 million as of December 31, 2013.

F. Professional Fees and Other Expenses

Professional fees and other expenses are primarily comprised of the fees charged by the Investment Manager, administrator, and independent auditors as well as fees and expenses related to the servicing and disposition of residential and commercial loans held by the Grantor Trusts.

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 consolidated financial statements.

H. Foreign Currency Translation

Swap collateral received denominated in a foreign currency is translated into U.S. dollar amounts using the prevailing exchange rate as of the date of the consolidated financial statements. There is no gain or loss associated with this foreign denominated collateral as the asset and liability positions associated with it are offsetting.

I. Immaterial Restatement

Subsequent to the issuance of the LLC's 2013 consolidated financial statements, it was determined that certain cash flows from investing activities had been incorrectly classified within the "Cash flows from investing activities" category of the Consolidated Statement of Cash Flows for the year ended December 31, 2013. As a result, the line "Proceeds from principal paydowns on investments" was restated from $6,504 thousand to $66,921 thousand and the line "Proceeds from sales and maturities of investments and settlements" was restated from $538,949 thousand to $478,532 thousand. This restatement had no impact on the Consolidated Statement of Financial Condition or the Consolidated Statement of Income.

3. Senior Loan (including Contingent Interest)

The Senior Loan is entitled to receive additional Contingent Interest (see Note 4) in amounts equal to any proceeds from the sale of the LLC's assets that are available for distribution pursuant to the order of priority described in Note 4.

The following table presents a reconciliation of the Senior Loan as of December 31, 2014 and 2013 (in thousands):

	Senior Loan
Fair value, December 31, 2012	$ 1,396,179
2013 Activity:	
Unrealized losses on the Senior Loan	178,871
Fair value, December 31, 2013 [1]	1,575,050
2014 Activity:	
Unrealized losses on the Senior Loan	109,463
Fair value, December 31, 2014 [1]	$ 1,684,513

[1] The outstanding principal and accrued interest balance on the Senior Loan was $0 as of December 31, 2014 and 2013. The remaining fair value represents the undistributed Contingent Interest on the Senior Loan.

4. Distribution of Proceeds

In accordance with the Security 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 pay any amounts owed to derivative counterparties under the related derivative contracts;

third, to repay the outstanding principal amount of the Senior Loan;

fourth, so long as the entire outstanding principal amount of the Senior Loan has been repaid in full, to pay unpaid interest outstanding on the Senior Loan;

fifth, so long as the entire outstanding principal amount of and all accrued and unpaid interest outstanding on the Senior Loan have been paid in full, to repay the outstanding principal amount of the Subordinated Loan;

sixth, so long as (i) the entire outstanding principal amount of and all accrued and unpaid interest on the Senior Loan have been paid in full and (ii) the entire outstanding principal amount of the Subordinated Loan has been repaid in full, to pay unpaid interest outstanding on the Subordinated Loan;

seventh, so long as the entire outstanding principal amount of and all accrued and unpaid interest on the Loans have been paid in full, and after termination and payment of any amounts owed to the counterparties under the related derivative contracts, to pay all available proceeds to FRBNY as holder of the Senior Loan (the "Contingent Interest").

5. Fair Value Measurements

The LLC measures all investments, swap contracts, and the Senior Loan at fair value in accordance with ASC 820.

Determination of Fair Value

The LLC values its investments and cash equivalents on the basis of last available bid prices or current market quotations provided by dealers or pricing services selected under the supervision of the Investment Manager. To determine the value of a particular investment, pricing services may use certain information with respect to market transactions in such investments or comparable investments, various relationships observed in the market between investments, quotations from dealers, and pricing metrics and calculated yield measures based on valuation methodologies commonly employed in the market for such investments. The fair value of swap contracts is provided by JPMC as calculation agent and is reviewed by the Investment Manager.

Market quotations may not represent fair value in certain instances in which the Investment Manager and the LLC believe that facts and circumstances applicable to an issuer, a seller, a purchaser, or the market for a particular investment cause such market quotations to not reflect the fair value of an investment. In such cases or when market quotations are unavailable, the Investment Manager applies proprietary valuation models that use collateral performance scenarios and pricing metrics derived from the reported performance of investments with similar characteristics as well as available market data to determine fair value.

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

Valuation Methodologies for Level 3 Assets and Liabilities

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

For the swap contracts, all of which are categorized as Level 3 assets and liabilities, there are various valuation methodologies. In each case, the fair value of the instrument underlying the swap is a significant input used to derive the fair value of the swap. When there are broker or dealer prices available for the underlying instruments, the fair value of the swap is derived based on those prices. When the instrument underlying the swap is a market index (i.e. CMBS index), the closing market index price, which can also be expressed as a credit spread, is used to determine the fair value of the swap. In the remaining cases, the fair value of the underlying instrument is principally based on inputs and assumptions not observable in the market (i.e. discount rates, prepayment rates, default rates, and recovery rates). Key unobservable inputs are explained in more detail in the table below.

The fair value of the Senior Loan is determined based on the fair value of the underlying assets held by the LLC and the allocation of the LLC's net operating income or loss, as presented in the reconciliation of the Senior Loan in Note 3.

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 assets and liabilities as of December 31, 2014 (in thousands, except for input values):

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Range of input values	Weighted average [2]
Swap contracts, net	$ 125,605	Discounted cash flows	Credit spreads [1]	2,893 bps - 12,683 bps	9,023 bps
			Discount rate	5% - 25%	17%
			Constant prepayment rate	0% - 8%	1%
			Constant default rate	0% - 99%	6%
			Loss severity	40% - 95%	52%

[1] Implied spread on closing market prices for index positions.
[2] Weighted averages are calculated based on the fair value of the respective instruments.

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 assets and liabilities as of December 31, 2013 (in thousands, except for input values):

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Range of input values	Weighted average [2]
Commercial mortgage loans	$ 506,589	Discounted cash flows	Discount rate	4% - 13%	12%
			Property capitalization rate	7%	7%
			Net operating income growth rate	3% - 5%	4%
Swap contracts, net	$ 151,696	Discounted cash flows	Credit spreads [1]	2,259 bps - 8,870 bps	6,299 bps
			Discount rate	5% - 25%	15%
			Constant prepayment rate	0% - 17%	3%
			Constant default rate	0% - 30%	6%
			Loss severity	40% - 95%	54%

[1] Implied spread on closing market prices for index positions.
[2] Weighted averages are calculated based on the fair value of the respective instruments.

The fair value of the Senior Loan is based upon the fair value of the net assets held by the LLC and, as such, its significant unobservable inputs generally include those same inputs used to value the Level 3 instruments listed above.

<u>*Sensitivity of Level 3 Fair Value Measurements to Changes in Unobservable Inputs*</u>

The following provides a general description of the impact of a change in an unobservable input on the fair value measurement and the interrelationship of unobservable inputs:

I. Commercial mortgage loans

In general, an increase in isolation in either the discount rate or the property capitalization rate, which is the ratio between the net operating income produced by an asset and its current fair value, would result in a decrease in the fair value measurement; while an increase in net operating income growth rate, in isolation, would result in an increase in the fair value measurement. For each of the relationships described above, the inverse would also generally apply.

II. Swap contracts

For CDS with reference obligations on CMBS, an increase in credit spreads would generally result in a higher fair value measurement for protection buyers and a lower fair value measurement for protection sellers. The inverse would also generally apply to this relationship given a decrease in credit spreads.

For CDS with reference obligations on residential mortgage-backed securities ("RMBS") or other asset-backed securities, changes in the discount rate, constant prepayment rate, constant default rate, and loss severity would have an uncertain effect on the overall fair value measurement. This is because, in general, changes in these inputs could potentially have a different impact on the fair value measurement of an individual CDS based on the structure, payment status, and other relevant contractual details of its underlying reference obligation. Additionally, changes in the fair value measurement based on variations in the inputs used generally cannot be extrapolated because the relationship between each input is not perfectly correlated.

III. Senior Loan

In general, any movement in the unobservable inputs described above that results in an increase to the fair value measurement of the net assets held by the LLC would also result in an increase in the fair value measurement of the Senior Loan. The inverse would also generally apply to this relationship.

The following table presents the assets and liabilities recorded at fair value as of December 31, 2014 by the ASC 820 hierarchy (in thousands):

	ASC 820 hierarchy				
	Level 1 [2]	Level 2 [2]	Level 3	Netting [3]	Total fair value
Assets:					
Money market funds [1]	$ 274,364	$ -	$ -	$ -	$ 274,364
Investments:					
Short-term investments	1,399,431	-	-	-	1,399,431
Other investments	-	6,479	4,609	-	11,088
Total investments	1,399,431	6,479	4,609	-	1,410,519
Swap contracts	-	-	240,295	(116,459)	123,836
Total assets	$ 1,673,795	$ 6,479	$ 244,904	$ (116,459)	$ 1,808,719
Liabilities:					
Senior Loan	$ -	$ -	$ (1,684,513)	$ -	$ (1,684,513)
Swap contracts	-	-	(114,690)	74,043	(40,647)
Total liabilities	$ -	$ -	$ (1,799,203)	$ 74,043	$ (1,725,160)

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

[2] There were no transfers between Level 1 and Level 2 during the year ended December 31, 2014.

[3] The LLC has elected to net derivative receivables and payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

The following table presents the assets and liabilities recorded at fair value as of December 31, 2013 by the ASC 820 hierarchy (in thousands):

	ASC 820 hierarchy				
	Level 1 [3]	Level 2 [3]	Level 3	Netting [4]	Total fair value
Assets:					
Money market funds [1]	$ 374,716	$ -	$ -	$ -	$ 374,716
Investments:					
Short-term investments	529,808	-	-	-	529,808
Commercial mortgage loans	-	-	506,589	-	506,589
Other investments [2]	-	2,245	8,095	-	10,340
Total investments	529,808	2,245	514,684	-	1,046,737
Swap contracts	-	-	344,715	(186,582)	158,133
Total assets	$ 904,524	$ 2,245	$ 859,399	$ (186,582)	$ 1,579,586
Liabilities:					
Senior Loan	$ -	$ -	$ (1,575,050)	$ -	$ (1,575,050)
Swap contracts	-	-	(193,019)	119,580	(73,439)
Total liabilities	$ -	$ -	$ (1,768,069)	$ 119,580	$ (1,648,489)

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

[2] Investments with a fair value of $2,239 and $6,171 that were classified as Level 2 and Level 3 instruments, respectively, as of December 31, 2013 were recategorized from "Non-agency RMBS" to "Other investments" to conform to the current year presentation.

[3] There were no transfers between Level 1 and Level 2 during the year ended December 31, 2013.

[4] The LLC has elected to net derivative receivables and payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists.

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, 2014, including net realized and unrealized gains (losses) (in thousands):

	Fair value at December 31, 2013	Purchases, sales, issuances, and settlements, net	Net realized / unrealized gains (losses)	Gross transfers in	Gross transfers out [1,2]	Fair value at December 31, 2014	Change in unrealized gains (losses) related to financial instruments held at December 31, 2014
Investments:							
Commercial mortgage loans	$ 506,589	$ (522,854)	$ 16,265	$ -	$ -	$ -	$ -
Other investments	8,095	4,037	(4,072)	-	(3,451)	4,609	(4,032)
Total investments	$ 514,684	$ (518,817)	$ 12,193	$ -	$ (3,451)	$ 4,609	$ (4,032)
Swap contracts, net	$ 151,696	$ (47,666)	$ 21,575	$ -	$ -	$ 125,605	$ 13,380
Senior Loan	$ (1,575,050)	$ -	$ (109,463)	$ -	$ -	$ (1,684,513)	$ (109,463)

[1] Other investments, with a December 31, 2013 fair value of $3,451, were transferred from Level 3 to Level 2 because they are valued at December 31, 2014 based on quoted prices for identical or similar assets in non-active markets or model-based techniques for which all significant inputs were observable (Level 2). These investments were valued in the prior year based on non-observable inputs (Level 3).

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

The following table presents the gross components of purchases, sales, issuances, and settlements, net, shown above for the year ended December 31, 2014 (in thousands):

	Purchases	Sales	Issuances	Settlements [1]	Purchases, sales, issuances, and settlements, net
Investments:					
Commercial mortgage loans	$ -	$ -	$ -	$ (522,854)	$ (522,854)
Other investments	1,375	-	-	2,662	4,037
Total investments	$ 1,375	$ -	$ -	$ (520,192)	$ (518,817)
Swap contracts, net	$ -	$ (24,080)	$ -	$ (23,586)	$ (47,666)
Senior Loan	$ -	$ -	$ -	$ -	$ -

[1] Includes paydowns.

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, 2013, including net realized and unrealized gains (losses) (in thousands):

	Fair value at December 31, 2012	Purchases, sales, issuances, and settlements, net	Net realized / unrealized gains (losses)	Gross transfers in [1,2]	Gross transfers out	Fair value at December 31, 2013	Change in unrealized gains (losses) related to financial instruments held at December 31, 2013
Investments:							
Commercial mortgage loans	$ 466,006	$ (163,442)	$ 204,025	$ -	$ -	$ 506,589	$ 183,227
Other investments [3]	54,657	(68,290)	17,804	3,924	-	8,095	(3,825)
Total investments	$ 520,663	$ (231,732)	$ 221,829	$ 3,924	$ -	$ 514,684	$ 179,402
Swap contracts, net	$ 472,630	$ (267,913)	$ (53,021)	$ -	$ -	$ 151,696	$ (52,813)
Senior Loan	$ (1,396,179)	$ -	$ (178,871)	$ -	$ -	$ (1,575,050)	$ (178,871)

[1] Other investments, with a December 31, 2012 fair value of $3,924 were transferred from Level 2 to Level 3 because they are valued at December 31, 2013 based on non-observable inputs (Level 3). These investments were valued in the prior year based on quoted prices for identical or similar assets in non-active markets or model-based techniques for which all significant inputs were observable (Level 2).

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

[3] Investments with a fair value of $6,171 and $0 as of December 31, 2013 were recategorized from "Non-agency RMBS" and "Residential mortgage loans," respectively, to "Other investments" to conform to the current year presentation. All other associated activity for those same asset classes was also recategorized to the "Other investments" line.

The following table presents the gross components of purchases, sales, issuances, and settlements, net, shown above for the year ended December 31, 2013 (in thousands):

	Purchases	Sales	Issuances	Settlements [1]	Purchases, sales, issuances, and settlements, net
Investments:					
Commercial mortgage loans	$ -	$ (88,350)	$ -	$ (75,092)	$ (163,442)
Other investments [2]	7,277	(78,657)	-	3,090	(68,290)
Total investments	$ 7,277	$ (167,007)	$ -	$ (72,002)	$ (231,732)
Swap contracts, net	$ -	$ (152,884)	$ -	$ (115,029)	$ (267,913)
Senior Loan	$ -	$ -	$ -	$ -	$ -

[1] Includes paydowns.

[2] Investments with net activity of $4,437 and $(132) for the year ended December 31, 2013 were recategorized from "Non-agency RMBS" and "Residential mortgage loans," respectively, to "Other investments" to conform to the current year presentation. All other associated activity for those same asset classes was also recategorized to the "Other investments" line.

The following table presents total realized and unrealized gains (losses) associated with the LLC's assets and liabilities measured at fair value for the year ended December 31, 2014 (in thousands):

	Total realized gains (losses)	Fair value changes unrealized gains (losses)	Total realized / unrealized gains (losses)
Investments:			
Short-term investments	$ -	$ (106)	$ (106)
Commercial mortgage loans [1]	4,862	11,403	16,265
Other investments	1,514	(3,091)	(1,577)
Total investments	6,376	8,206	14,582
Swap contracts, net	(5,638)	27,213	21,575
Total investments and swap contracts	$ 738	$ 35,419	$ 36,157
Senior Loan	$ -	$ (109,463)	$ (109,463)

[1] Substantially all unrealized gains (losses) on the commercial mortgage loans are attributable to changes in instrument-specific credit risk.

The following table presents total realized and unrealized gains (losses) associated with the LLC's assets and liabilities measured at fair value for the year ended December 31, 2013 (in thousands):

	Total realized gains (losses)	Fair value changes unrealized gains (losses)	Total realized / unrealized gains (losses)
Investments:			
Short-term investments	$ 3	$ 22	$ 25
Commercial mortgage loans [1]	28,058	175,958	204,016
Other investments [2]	19,727	12,450	32,177
Total investments	47,788	188,430	236,218
Swap contracts, net	82,617	(135,638)	(53,021)
Total investments and swap contracts	$ 130,405	$ 52,792	$ 183,197
Senior Loan	$ -	$ (178,871)	$ (178,871)

[1] Substantially all unrealized gains (losses) on the commercial mortgage loans are attributable to changes in instrument-specific credit risk.

[2] Investments with total realized / unrealized gains (losses) for the year ended December 31, 2013 of $11,189, $(100), and $132 were recategorized from "Non-agency RMBS," "Federal agency & GSE MBS," and "Residential mortgage loans," respectively, to "Other investments" to conform to the current year presentation.

6. Investment and Risk Profile

As of December 31, 2014, the LLC's portfolio consisted primarily of short-term investments and swap contracts. The following is a description of the significant holdings at December 31, 2014 and the associated credit risk for each holding:

A. Debt Securities

The LLC has investments in short-term instruments with maturities of greater than three months and less than one year when acquired. As of December 31, 2014 and 2013, the LLC's short-term instruments consisted of US Treasury bills.

Other investments are primarily comprised of non-agency RMBS and CMBS.

B. Derivative Instruments

Derivative contracts are instruments, such as swap contracts, that derive their value from underlying assets, indices, reference rates, or a combination of these factors. The LLC portfolio is composed of derivative financial instruments included in the TRS. The LLC and JPMC entered into the TRS with reference obligations representing CDS primarily on CMBS and RMBS with various market participants, including JPMC.

On an ongoing basis, per the terms of the TRS, the LLC pledges collateral for credit or liquidity related shortfalls based on 20 percent of the notional amount of sold CDS protection and 10 percent of the present value of future premiums on purchased CDS protection. Separately, the LLC and JPMC engage in bilateral posting of collateral to cover the net mark-to-market ("MTM") variations in the swap portfolio. The LLC only nets the collateral received from JPMC from the bilateral MTM posting for the reference obligations for which JPMC is the counterparty.

The values of the LLC's cash and cash equivalents include cash collateral associated with the TRS of $128 million and $149 million as of December 31, 2014 and 2013, respectively. In addition, the LLC has pledged $87 million and $124 million of US Treasury bills to JPMC as of December 31, 2014 and 2013, respectively.

The following risks are associated with the derivative instruments within the LLC as part of the TRS agreement with JPMC:

I. Market Risk

CDS are agreements that provide protection for the buyer against the loss of principal, and in some cases, interest on a bond or loan in case of a default by the issuer. The nature of a credit event is established by the protection buyer and protection seller at the inception of a transaction, and such events include bankruptcy, insolvency, or failure to meet payment obligations when due. The buyer of the CDS pays a premium in return for payment protection upon the occurrence, if any, of a credit event. Upon the occurrence of a triggering credit event, the maximum potential amount of future payments the seller could be required to make under a CDS is equal to the notional amount of the contract. Such future payments could be reduced or offset by amounts recovered under recourse or by collateral provisions outlined in the contract, including seizure and liquidation of collateral pledged by the buyer.

The LLC's derivatives portfolio consists of purchased credit protection and sold credit protection with differing underlying referenced names that do not necessarily offset.

II. Credit Risk

Credit risk is the risk of financial loss resulting from failure by a counterparty to meet its contractual obligations to the LLC. This can be caused by factors directly related to the counterparty, such as business or management. Taking collateral is the most common way to mitigate such risk. The LLC takes financial collateral in the form of cash and marketable securities to cover JPMC counterparty risk as part of the TRS agreement with JPMC. The LLC however remains exposed to the credit risk of counterparties to the swaps, other than JPMC, that underlie the TRS.

The LLC has entered into an International Swaps and Derivatives Association, Inc. (ISDA) master netting agreement with JPMC in connection with the TRS. This agreement provides the LLC with the right to liquidate securities held as collateral and to offset receivables and payables with JPMC in the event of default. This agreement also establishes the method for determining the net amount of receivables and payables that the LLC is entitled to receive from and required to pay to the counterparties to the swaps that underlie the TRS based upon the fair value of the relevant CDS.

For the derivative balances reported in the Consolidated Statements of Financial Condition, the LLC offsets its asset and liability positions held with the same counterparty. In addition, the LLC offsets the cash collateral held with JPMC against any net liabilities of JPMC with the LLC under the TRS. As of December 31, 2014 and 2013, there were no amounts subject to an enforceable master netting agreement that were not offset in the Consolidated Statements of Financial Condition.

The following table summarizes the fair value and notional amounts of derivative instruments by contract type on a gross basis as of December 31, 2014 and 2013 (in thousands, except contract data):

	2014			2013		
	Gross derivative assets	Gross derivative liabilities	Notional Amounts [3]	Gross derivative assets	Gross derivative liabilities	Notional Amounts [3]
Credit derivatives:						
CDS [1,2]	$ 240,295	$ (114,690)	$ 631,983	$ 344,715	$ (193,019)	$ 898,773
Amounts offset in the Consolidated Statements of Financial Condition:						
Counterparty netting	(74,043)	74,043		(119,580)	119,580	
Cash collateral netting	(42,416)	-		(67,002)	-	
Net amounts in the Consolidated Statements of Financial Condition	$ 123,836	$ (40,647)		$ 158,133	$ (73,439)	

[1] CDS fair values as of December 31, 2014 for assets and liabilities include interest receivables of $643 and payables of $4,202. CDS fair values as of December 31, 2013 for assets and liabilities include interest receivables of $15,251 and payables of $1,974.

[2] There were 210 and 269 CDS contracts outstanding as of December 31, 2014 and 2013, respectively.

[3] Represents the sum of gross long and gross short notional derivative contracts. The change in notional amounts is representative of the volume of activity for the year ended December 31, 2014.

The following table summarizes certain information regarding protection bought and protection sold through CDS as of December 31, 2014 (in thousands):

	Maximum potential recovery (payout) / notional					
	Years to maturity					Fair value
Credit Ratings of the Reference Obligation	1 year or less	After 1 year through 3 years	After 3 years through 5 years	After 5 years	Total	Asset / (liability)
Credit protection bought:						
Investment grade (AAA to BBB-)	$ -	$ -	$ 5,000	$ 21,819	$ 26,819	$ 407
Non-investment grade (BB+ or lower)	-	8,500	-	377,752	386,252	239,162
Total credit protection bought	$ -	$ 8,500	$ 5,000	$ 399,571	$ 413,071	$ 239,569
Credit protection sold:						
Investment grade (AAA to BBB-)	$ -	$ -	$ -	$ (4,475)	$ (4,475)	$ (86)
Non-investment grade (BB+ or lower)	-	-	-	(214,437)	(214,437)	(110,319)
Total credit protection sold	$ -	$ -	$ -	$ (218,912)	$ (218,912)	$ (110,405)

The following table summarizes certain information regarding protection bought and protection sold through CDS as of December 31, 2013 (in thousands):

	Maximum potential recovery (payout) / notional					
	Years to maturity					Fair value
Credit Ratings of the Reference Obligation	1 year or less	After 1 year through 3 years	After 3 years through 5 years	After 5 years	Total	Asset / (liability)
Credit protection bought:						
Investment grade (AAA to BBB-)	$ -	$ -	$ 5,000	$ 50,989	$ 55,989	$ 2,290
Non-investment grade (BB+ or lower)	-	-	8,500	528,451	536,951	327,077
Total credit protection bought	$ -	$ -	$ 13,500	$ 579,440	$ 592,940	$ 329,367
Credit protection sold:						
Investment grade (AAA to BBB-)	$ -	$ -	$ -	$ (12,500)	$ (12,500)	$ (3,342)
Non-investment grade (BB+ or lower)	-	-	-	(293,333)	(293,333)	(187,606)
Total credit protection sold	$ -	$ -	$ -	$ (305,833)	$ (305,833)	$ (190,948)

III. Currency Risk

Currency risk is the risk of financial loss resulting from exposure to unanticipated changes in exchange rates between two currencies. Previously, under the terms of the TRS, JPMC was allowed to post cash collateral in the form of either U.S. dollar or Euro denominated currencies to cover the net MTM variation in the swap portfolio. When JPMC posted collateral in Euro currency, this risk was mitigated by daily variation margin updates that capture the movement in the value of the swap portfolio in addition to any movement in exchange rates on the swap collateral. In November 2014, the terms of the TRS were amended such that JPMC is no longer allowed to post cash collateral in Euro currency.

7. Commitments and Contingencies

Certain commercial mortgage loans acquired by the CRE Trust had unfunded commitments according to the underlying loan agreements with the respective borrowers. As of December 31, 2014, the CRE Trust had no remaining unfunded contractual commitments to extend credit. As of December 31, 2013, the CRE Trust had unfunded commitments to extend credit of $39 million. The CRE Trust was obligated to honor these commitments as and when they were drawn by the borrower, subject to the terms and conditions of the loan agreements. The fair value adjustment on the unfunded commitments is recorded as a component of "Investments, at fair value" in the Consolidated Statements of Financial Condition.

The collateral for the unfunded amount of the commitments, which is recorded as a component of "Restricted cash" in the Consolidated Statements of Financial Condition, was held in an escrow account by State Street, as custodian for the trustee of the CRE Trust. The balance in the escrow account was $40 million as of December 31, 2013. The Trust and Master Servicing Agreement governing the CRE Trust requires that the amounts be held in escrow for all remaining unfunded commitments.

The LLC and the Grantor Trusts pay the reasonable out-of-pocket costs and expenses of its service providers incurred in connection with its duties under the respective agreements and agree to indemnify their service providers for any losses, claims, damages, liabilities, and related expenses, etc., which may arise out of the respective agreements unless they result from certain types of actions by the service providers. The indemnity, which is provided solely by the LLC or each of the Grantor Trusts, as applicable, survives termination of the respective agreements. The LLC and Grantor Trusts have not had any significant prior claims and have not had any losses pursuant to these contracts and expect the risk of loss to be remote.

During 2012, the CRE Trust received a settlement with respect to an action it commenced in June 2009 seeking to recover on guarantees related to certain commercial mezzanine loans held by the CRE Trust. Prior to the settlement, the senior lenders initiated their own action seeking to enforce the same guaranty, and seeking a declaratory judgment that they and not the mezzanine lenders are entitled to the proceeds of the guaranty. The lower court issued a judgment in favor of the mezzanine lenders, but the senior lenders appealed the judgment. The appellate court reversed the decision of the lower court and held that the intercreditor agreement was ambiguous and remanded the matter back to the lower court for further proceedings. If the senior lenders are ultimately successful, the CRE Trust will need to return the amount it received in the settlement, approximately $22.5 million, but will not have any other exposure. Any such return of the settlement, if it were to occur, would be recorded as a realized loss on investment to offset against a previously recorded realized gain.

8. Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the consolidated financial statements as of December 31, 2014. Subsequent events were evaluated through March 11, 2015, which is the date that the consolidated financial statements were available to be issued.