

Maiden Lane III LLC

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

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

Maiden Lane III LLC

For the Period October 31, 2008 to December 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Member of
Maiden Lane III LLC:

We have audited the accompanying statement 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 schedule of investments, as of December 31, 2008, and the related statement of operations and cash flows for the period from October 31, 2008 to December 31, 2008. These financial statements are the responsibility of the LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. The LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maiden Lane III LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) as of December 31, 2008, and the results of its operation and its cash flows for the period from October 31, 2008 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 2, 2009

Maiden Lane III LLC

Condensed Schedule of Investments

As of December 31, 2008

(Amounts in thousands)

	Principal Amount	Fair Value	Percentage of Total Investments
High-Grade ABS CDO:			
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 CDO (amortized cost \$20,690,030)		<u>18,770,040</u>	<u>70.4%</u>
Total Mezzanine ABS CDO ¹ (amortized cost \$3,143,226)		<u>3,103,664</u>	<u>11.6%</u>
Commercial Real Estate CDO:			
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)		<u>4,791,124</u>	<u>18.0%</u>
Total Investments in ABS CDO 100% (amortized cost \$29,298,056)		<u>\$ 26,664,828</u>	<u>100.0%</u>

¹No single security or CDO issuer comprises more than 5% of total investments.

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

Maiden Lane III LLC

Statement of Financial Condition

As of December 31, 2008

(Amounts in thousands, except contributed capital data)

Assets

Investments, at fair value (amortized cost \$29,298,056)	\$	26,664,828
Cash and cash equivalents		408,362
Interest receivable		182,983
Total assets	\$	<u>27,256,173</u>

Liabilities and Member's Equity

Senior loan, at fair value	\$	24,384,487
Equity contribution, at fair value		2,824,161
Payables for investments purchased		38,504
Professional fees		9,021
Total liabilities		<u>27,256,173</u>
Member's equity (\$100 contributed capital)		<u>-</u>
Total liabilities and member's equity	\$	<u>27,256,173</u>

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

Maiden Lane III LLC

Statement of Operations

For the Period October 31, 2008 to December 31, 2008

(Amounts in thousands)

Investment Income

Interest income	<u>\$ 517,411</u>
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Expenses

Senior loan and equity contribution interest expense	67,457
Other interest expense	5,830
Professional fees	<u>9,021</u>
Total expenses	<u>82,308</u>

Net investment income	<u>435,103</u>
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Net Unrealized Gains (Losses)

Unrealized losses on investments	(2,633,228)
Unrealized gains on equity contribution	<u>2,198,125</u>

Net realized and unrealized gains (losses)	<u>(435,103)</u>
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Net change in member's equity resulting from operations	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of these financial statements.

Maiden Lane III LLC

Statement of Cash Flows

For the Period October 31, 2008 to December 31, 2008

(Amounts in thousands)

Cash flows from operating activities

Net change in member's equity resulting from operations	\$	-
Adjustments to reconcile change in member's equity from operations to net cash used in operating activities:		
Unrealized losses on investments		2,633,228
Unrealized gains on equity contribution		(2,198,125)
Increase in senior loan capitalized interest		45,171
Increase in equity contribution capitalized interest		22,286
Increase in interest receivable		(182,983)
Increase in professional fees		9,021
Purchase of investments		(29,547,432)
Proceeds from paydowns on investments		287,880
Net cash flow used in operating activities		<u>(28,930,954)</u>

Cash flows from financing activities

Proceeds from senior loan		24,339,316
Proceeds from equity contribution		5,000,000
Net cash flow provided by financing activities		<u>29,339,316</u>
Net increase in cash and cash equivalents		408,362
Beginning cash and cash equivalents		-
Ending cash and cash equivalents	\$	<u>408,362</u>

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

Maiden Lane III LLC

Notes to Financial Statements

For the Period October 31, 2008 to December 31, 2008

1. Organization and Nature of Business

Maiden Lane III LLC (a Special Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the "LLC") is a Delaware limited liability company that was formed on October 14, 2008 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.

On November 25, 2008, the LLC borrowed approximately \$15.1 billion from the Federal Reserve Bank of New York (the "FRBNY" or the "Managing Member") and American International Group, Inc., ("AIG" or the "Equity Investor"), the parent company of AIGFP, provided funding of \$5 billion to the LLC (the "Equity Contribution"). The proceeds were used to purchase ABS CDOs with a \$21.1 billion fair value as of October 31, 2008. The counterparties received \$20.1 billion net of principal and interest received and remitted on the ABS CDOs from October 31, 2008 to November 25, 2008, and finance charges paid.

Subsequently, on December 18, 2008, the LLC borrowed an additional \$9.2 billion from FRBNY to fund the acquisition of additional ABS CDOs (together with the initial borrowing from FRBNY, the "Senior Loan"), with a fair value of \$8.5 billion as of October 31, 2008 from third-party counterparties of AIGFP. The net payment to counterparties for this subsequent transaction was \$6.7 billion. 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. FRBNY's Senior Loan is collateralized by all the assets of the LLC.

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 or received by the LLC. In connection with the acquisition of the ABS CDOs, the LLC paid a cost of carry of \$5.8 million to third-party counterparties of AIGFP representing a financing cost incurred from the trade date through to the settlement date of the respective ABS CDOs.

The effects of all transactions associated with the purchased assets subsequent to October 31, 2008 are included in the financial statements of the LLC.

FRBNY is the Managing Member of the LLC. FRBNY is the controlling party of the assets of the LLC and will remain as such as long as the FRBNY retains an economic interest. The FRBNY and AIG are the sole members of the LLC. The FRBNY has contributed \$100 and owns all managing member interests of the LLC and AIG has contributed the Equity Contribution and both parties own the equity interests in the LLC. The Equity Contribution is accounted for as a liability by the LLC, as described in Note 2D.

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

BlackRock Financial Management, Inc. (the "Investment Manager" or "BlackRock") manages the investment portfolio of the LLC under the guidance established by the FRBNY and governed by an investment management agreement between the FRBNY and BlackRock.

Maiden Lane III LLC

Notes to Financial Statements

For the Period October 31, 2008 to December 31, 2008

2. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (“GAAP”), which require the Managing Member to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income

and expense during the reporting period. Actual results could differ from those estimates. Significant estimates include the fair value of investments in ABS CDOs, the Senior Loan and Equity Contribution.

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

A. Cash and Cash Equivalents

The LLC defines cash and cash equivalents to be highly liquid investments with original maturities of three months or less, when acquired.

B. Valuation of Investments

The LLC qualifies as a non-registered investment company under the provisions of 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 Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS 157”).

C. Investment Transactions and Investment Income

Investment transactions are accounted for at trade date. Interest income is recorded when earned and includes amortization of premiums, accretion of discounts and paydown gains and losses on ABS CDOs. Realized gains or losses on security transactions are determined on the identified cost basis.

D. Accounting for Equity Contribution and Senior Loan

The Equity Contribution is reported as a liability in the Statement of Financial Condition in accordance with SFAS No. 150, “The Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” because the Equity Contribution is mandatorily redeemable before the liquidation of the LLC.

The LLC has elected the fair value option (the “FVO”) under Statement of Financial Accounting Standards (“SFAS”) No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of Financial Accounting Standards Board (“FASB”) Statement No. 115” (“SFAS 159”) for the Equity Contribution and for the Senior Loan at their inception. Under SFAS 159 the LLC records the Senior Loan and the Equity Contribution, including related capitalized interest, at fair value in the LLC’s financial statements. The Managing Member believes that accounting for the Senior Loan and the Equity Contribution at fair value appropriately reflects the LLC’s intent with respect to the purpose of the investments and most closely reflects the LLC’s obligations under the Senior Loan and Equity Contribution.

Maiden Lane III LLC

Notes to Financial Statements

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E. Professional Fees

BlackRock has been hired as Investment Manager for the assets of the LLC under a multi-year contract that includes provisions governing termination. The Bank of New York Mellon (“BNYM”) has been hired to provide administrative services and appointed to serve as collateral agent under multi-year contracts that include provisions governing termination.

The fees charged by the Investment Manager, BNYM, auditors and organization costs are recorded in “Professional fees” on the Statement of Operations.

Organization and closing costs of \$5.5 million associated with the formation and incorporation of the LLC and the acquisition of the portfolio were expensed as incurred.

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 October 2008, FASB issued FASB Staff Position (“FSP”) No. 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP No. 157-3”). FSP 157-3 clarifies how SFAS No. 157 should be applied when valuing securities in markets that are not active. For additional information on the effects of the adoption of this accounting pronouncement, see Note 4.

In March 2008, FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”), which requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the LLC’s consolidated financial position, financial performance and cash flows. SFAS 161 is effective for the LLC’s financial statements for the year beginning on January 1, 2009 and it is not expected to have a material effect on the LLC’s financial statements.

In February 2007, FASB issued SFAS No. 159, which provides companies with an irrevocable option to elect fair value as the measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments that are not subject to fair value under other accounting standards. There is a one-time election available to apply this standard to existing financial instruments as of January 1, 2008; otherwise, the FVO will be available for financial instruments on their initial transaction date. The LLC elected FVO under SFAS 159 on November 25, 2008 for the Senior Loan and the Equity Contribution and the effect of the LLC’s election is reflected in Note 4.

In September 2006, FASB issued SFAS No. 157, which establishes a single authoritative definition of fair value, and a framework for measuring fair value, and expands the required disclosures for assets and liabilities measured at fair value. SFAS 157 was effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The LLC adopted SFAS 157 effective October 31, 2008 and the effect of the LLC’s adoption of this standard is reflected in Note 4.

Maiden Lane III LLC

Notes to Financial Statements

For the Period October 31, 2008 to December 31, 2008

3. Senior Loan and Equity Contribution

The Senior Loan has a six year term and is renewable by the FRBNY. 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 compounded monthly and accrued based on the amount of principal currently outstanding at the end of each month.

Repayment of the Senior Loan 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 5. Repayment occurs after provision has been made for initial closing costs for the LLC, operating expenses and maintenance of an expense reimbursement account for payment of future expenses, as well as an investment reserve account. After the LLC has paid the Senior Loan and Equity Contribution in full, including accrued and unpaid interest, FRBNY will be entitled to receive two-thirds of any additional net proceeds received by the LLC as contingent interest on the Senior Loan and AIG will be entitled to receive one-third of any net proceeds received by the LLC as contingent distributions on its Equity Contribution.

As of December 31, 2008, assuming the Senior Loan and Equity Contribution were immediately due and payable, the losses incurred by the LLC would have been allocated in accordance with the provisions of the applicable agreements, as follows (in thousands):

	<u>Senior Loan</u>	<u>Equity Contribution</u>	<u>Total</u>
Beginning principal balance	\$ 24,339,316	\$ 5,000,000	\$ 29,339,316
Interest accrued and capitalized during the period	<u>45,171</u>	<u>22,286</u>	<u>67,457</u>
Ending principal balance	24,384,487	5,022,286	29,406,773
Unrealized gains	-	(2,198,125)	(2,198,125)
Senior loan and equity contribution payable, fair value	<u>\$ 24,384,487</u>	<u>\$ 2,824,161</u>	<u>\$ 27,208,648</u>

The weighted-average interest rates accrued 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.

Maiden Lane III LLC

Notes to Financial Statements

For the Period October 31, 2008 to December 31, 2008

4. Fair Value Measurements

The LLC measures all investments, the Senior Loan and the Equity Contribution at fair value in accordance with SFAS 157. SFAS 157 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 SFAS 157 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

The LLC values its investments 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 transactions in such investments, quotations from dealers, pricing metrics, market transactions in comparable investments, various relationships observed in the market between investments, and calculated yield measures based on valuation methodologies commonly employed in the market for such investments.

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

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 significantly from the values that would have been used had readily available fair value existed for these assets and liabilities and may differ materially from the values that may ultimately be realized.

Maiden Lane III LLC

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For the Period October 31, 2008 to December 31, 2008

Valuation Methodologies for Level 3 Assets and Liabilities

In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy. For instance, in valuing certain ABS CDOs the determination of fair value is based on projected collateral performance scenarios. These valuations also incorporate pricing metrics derived from the reported performance of the universe of bonds as well as observations and estimates of market data. Because external price information is not available, market-based models are used to value these securities. 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 are estimated based on the fair value of the underlying assets held by the LLC and the allocation of gains losses as described in Note 3.

The following table presents the assets and liabilities recorded at fair value as of December 31, 2008, by SFAS 157 hierarchy (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets:				
ABS CDOs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,664,828</u>	<u>\$ 26,664,828</u>
Liabilities:				
Senior loan	\$ -	\$ -	\$ (24,384,487)	\$ (24,384,487)
Equity contribution	-	-	(2,824,161)	(2,824,161)
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,208,648)</u>	<u>\$ (27,208,648)</u>

Maiden Lane III LLC

Notes to Financial Statements

For the Period October 31, 2008 to December 31, 2008

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

	Net Purchases, Sales and Settlements	Total Unrealized Gains/(Losses)	Transfers In and Out	Fair Value December 31, 2008
Assets:				
ABS CDOs	<u>\$ 29,298,056</u>	<u>\$ (2,633,228)</u>	<u>\$ -</u>	<u>\$ 26,664,828</u>
Liabilities:				
Senior loan	\$ (24,384,487) ¹	\$ -	\$ -	\$ (24,384,487)
Equity contribution	<u>(5,022,286)²</u>	<u>2,198,125</u>	<u>-</u>	<u>(2,824,161)</u>
Total liabilities	<u>\$ (29,406,773)</u>	<u>\$ 2,198,125</u>	<u>\$ -</u>	<u>\$ (27,208,648)</u>

¹Includes \$45,171 of capitalized interest.

²Includes \$22,286 of capitalized interest.

5. 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 of the following each month-end or such other date as may be specified by the FRBNY (each a "Payment Date") 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 \$500 thousand;

fourth, to fund the investment reserve sub-account until the balance thereof is equal to \$1.5 billion or such other amount the FRBNY may decide otherwise;

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, the lesser of (a) all remaining amounts and (b) the undistributed balance of the Equity Contribution Amount;

Maiden Lane III LLC

Notes to Financial Statements

For the Period October 31, 2008 to December 31, 2008

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, 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-third of all remaining amounts to the FRBNY and to release to the LLC, for distribution to the Equity Investor, one-third of all remaining amounts.

No distributions of proceeds were made by the LLC during the period ended December 31, 2008.

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 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 will often receive investment grade ratings from one or more of the nationally recognized rating agencies. 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

Maiden Lane III LLC

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For the Period October 31, 2008 to December 31, 2008

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.

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, 2008, 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 \$2.7 billion. The LLC has agreed, in return for the put premiums, to either convert the ABS CDOs to long-term notes and extinguish the 2a-7 Puts, to not exercise the 2a-7 Puts, or only to exercise the 2a-7 Puts if it simultaneously re-purchases the ABS CDOs at par. The maturity dates of these agreements are on or before December 31, 2009.

At December 31, 2008, the ABS CDO type/vintage and rating composition of the LLC's \$26.7 billion portfolio, recorded at fair value, as a percentage of aggregate fair value of all securities in the portfolio, was as follows:

CDO Type/Vintage	Ratings ¹					Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and lower	
High-Grade ABS CDO	0.2%	24.2%	7.4%	12.5%	26.1%	70.4%
2003-2004	0.2%	9.4%	5.1%	3.9%	7.8%	26.3%
2005	0.0%	3.8%	2.3%	8.6%	15.9%	30.6%
2006	0.0%	11.1%	0.0%	0.0%	2.4%	13.5%
Mezzanine ABS CDO	0.3%	2.4%	1.6%	0.2%	7.1%	11.6%
2003-2004	0.3%	1.2%	0.9%	0.0%	1.3%	3.7%
2005	0.0%	1.2%	0.7%	0.2%	5.8%	7.9%
2006	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Commerical Real-Estate CDO	17.6%	0.4%	0.0%	0.0%	0.0%	18.0%
2002-2005	2.8%	0.4%	0.0%	0.0%	0.0%	3.2%
2006	2.3%	0.0%	0.0%	0.0%	0.0%	2.3%
2007	12.5%	0.0%	0.0%	0.0%	0.0%	12.5%
Total ²	18.1%	27.0%	9.0%	12.6%	33.2%	100.0%

¹ Lowest of all ratings is used for the purpose of this table.

² Rows and columns may not total due to rounding.

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For the Period October 31, 2008 to December 31, 2008

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 Event

During the period January 1, 2009 to April 2, 2009, the LLC made distributions of proceeds aggregating \$304 million to pay down the outstanding principal amount of the Senior Loan pursuant to the Security Agreement.