Maiden Lane LLC

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

Consolidated Financial Statements for the Period
March 14, 2008 to December 31, 2008,
and Independent Auditors' Report

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Independent Auditors' Report

To the Managing Member
of Maiden Lane LLC:

We have audited the accompanying consolidated statement of financial condition of Maiden Lane LLC (a Special-Purpose Vehicle consolidated by the Federal Reserve Bank of New York) and subsidiaries (the "LLC") as of December 31, 2008, and the related consolidated statements of income and cash flows for the period from March 14, 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, such consolidated financial statements 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) and subsidiaries as of December 31, 2008, and the results of their operation and their cash flows for the period from March 14, 2008 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

New York, New York
April 2, 2009

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CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

as of December 31, 2008

(amounts in thousands, except per-share data)

Assets	
Investments, at fair value	$ 25,340,301
Cash and cash equivalents	2,531,488
Swap contracts, at fair value	2,453,774
Interest and principal receivable	132,501
Other receivables	177,047
Total assets	**$30,635,111**
Liabilities and member's equity	
Senior loan payable, at fair value	$ 25,683,812
Subordinated loan payable, at fair value	—
Cash collateral on swap contracts	2,571,684
Payable for investments purchased	2,368,738
Other liabilities and accrued expenses	10,877
Total liabilities	**30,635,111**
Member's equity share ($10 par value, one share issued and outstanding)	—
Total liabilities and member's equity	**$30,635,111**

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

CONSOLIDATED STATEMENT OF INCOME

for the period March 14, 2008 to December 31, 2008

	(amounts in thousands)
Operating income	
Interest income	$ 1,560,868
Realized gains on investments and swap contracts, net	36,626
Unrealized losses on investments and swap contracts, net	(5,534,489)
Total operating income	(3,936,995)
Expenses	
Loan interest expense	305,035
Other interest expense	294,591
Professional fees	54,134
Total expenses	653,760
Total net operating loss	(4,590,755)
Non-operating income	
Unrealized gains on loans payable	4,590,755
Total non-operating income	4,590,755
Net income	**$ —**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period March 14, 2008 to December 31, 2008

(amounts in thousands)

Cash flows from operating activities	
Net increase in member's equity resulting from operations	$ —
Adjustments to reconcile net increase in member's equity from operations to net cash provided by operating activities:	
Amortization of investments	(454,286)
Unrealized losses on investments	5,587,514
Unrealized gains on swap contracts	(155,038)
Unrealized gains on loans payable	(4,590,755)
Realized gains on investments and swap contracts	(36,626)
Increase in accrued interest capitalized on the loans	305,035
Increase in interest and principal receivable	(132,501)
Increase in other receivables	(177,047)
Increase in other liabilities and accrued expenses	10,877
Net cash flow provided by operating activities	357,173
Cash flows from investing activities	
Payments for purchases of investments, net of payable for investments purchased	(38,212,188)
Proceeds from sales and principal paydowns on investments	10,214,029
Purchase of swap contracts	(3,331,956)
Proceeds from disposition of swap contracts	963,214
Net cash flow used in investing activities	(30,366,901)
Cash flows from financing activities	
Proceeds from loans	29,969,532
Proceeds from collateral received on swap contracts	2,571,684
Net cash flow provided by financing activities	32,541,216
Net increase in cash and cash equivalents	2,531,488
Beginning cash and cash equivalents	—
Ending cash and cash equivalents	$ 2,531,488

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

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Notes to Consolidated Financial Statements

For the Period March 14, 2008 to December 31, 2008

1. ORGANIZATION AND NATURE OF BUSINESS

In connection with and to facilitate the merger of The Bear Stearns Companies Inc. ("Bear Stearns") and JPMorgan Chase & Co. ("JPMC"), Maiden Lane LLC, a Delaware limited liability company (a Special-Purpose Vehicle consolidated by the Federal Reserve Bank of New York) (the "LLC"), was formed to acquire approximately $30 billion of Bear Stearns' assets. The LLC is a single-member limited liability company and the Federal Reserve Bank of New York ("FRBNY" or "Managing Member") is the sole and managing member. 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. Financing for the LLC was provided by FRBNY, as the senior lender (the "Senior Loan"), and by JPMC, as the subordinated lender (the "Subordinated Loan") (together the "Loans"). The loans are collateralized by all the assets of the LLC.

The Bear Stearns' assets purchased by the LLC largely consisted of mortgage-related securities, whole mortgage loans (held by two grantor trusts as discussed below), a total return swap with JPMC, as well as mortgage commitments to be announced ("TBA commitments").

Two grantor trusts were established to directly acquire the whole mortgage loan assets. One was formed to acquire the portfolio of commercial mortgage loans and one was formed to acquire the portfolio of residential mortgage loans (Maiden Lane Commercial Mortgage Backed Securities Trust 2008-I and Maiden Lane Asset Backed Securities I Trust 2008-1, together the "Grantor Trusts"). The Grantor Trusts own the whole mortgage loans. The LLC owns the trust certificates representing all of the beneficial ownership interest in each trust and as a result controls and consolidates the Grantor Trusts. The trustee and master servicers for each Grantor Trust are nationally recognized financial institutions. As master servicers to the Grantor Trusts, they are responsible for remitting to the Grantor Trusts all principal and interest payments and any other amounts collected by the primary loan servicers on the underlying loans of each respective trust. Payments received by the respective trust are passed on to the LLC as the sole beneficiary after deducting certain trust expenses, advances, servicing costs, and fees.

The assets acquired by the LLC secure the Loans made by the lenders. All assets were acquired and transferred to the LLC on June 26, 2008, with an effective valua-

tion date of March 14, 2008. All transactions associated with the purchased assets occurring subsequent to March 14, 2008, are included in the consolidated financial statements of the LLC.

In connection with the acquisition of the assets, the LLC paid a cost of carry of $249 million to JPMC, representing a financing cost incurred from March 14, 2008 through the settlement dates on the various assets. The cost of carry is recorded as "Other interest expense" in the Consolidated Statement of Income. The transaction was completed based upon a March 14, 2008 purchase date but with settlement dates of June 26, 2008, or later. Due to the extended settlement dates, interest was charged on the cost of securities purchased or credited for cash flows on the purchased securities that occurred after March 14, 2008 through the date the securities were either paid for or received by the LLC.

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.

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. Actual results could differ from those estimates. Significant estimates include the fair value of investments, swap contracts, and loans payable.

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

a. Consolidation

The consolidated financial statements include the accounts and results of operations of the LLC and the portfolio holdings within the Grantor Trusts, in which the LLC has interests. Intercompany balances and transactions have been eliminated in consolidation.

The consolidation of variable interest entities ("VIEs") was assessed in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised), Consolidation of Variable Interest Entities ("FIN 46R"), which requires the variable interest entity to be consolidated by its primary beneficiary.

The LLC will consolidate a VIE if it is the primary beneficiary as it will absorb a majority of the entity's expected losses, receive a majority of the expected residual returns, or both. In making this determination, the LLC evaluates the VIEs' design and capital structure, and the relationships among the variable interest holders. The LLC reconsiders whether it is a primary beneficiary of a VIE when certain events occur as required by FIN 46R.

The LLC holds certain interests in VIEs. The LLC is not deemed to be the primary beneficiary for any significant VIEs and therefore has not consolidated any VIEs. The LLC's involvement with the VIEs it holds in its portfolio is limited to its role as an investor. It receives cash flows related to these investments (principal and interest) in accordance with each entity's governing document. The fair value of the LLC's significant interests in VIEs, which represent its total maximum exposure to loss at December 31, 2008, was approximately $690 million.

b. 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.

c. Valuation of Financial Assets and Liabilities

The LLC accounts for its financial assets and liabilities at fair value under various accounting literature, including Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115"), SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), and SFAS No. 159, Fair Value Option for Financial Assets and Liabilities ("SFAS 159").

The LLC follows the guidance in SFAS 115 when accounting for investments in debt securities. The LLC classifies its debt securities as available-for-sale, and has elected the fair value option for all eligible assets and liabilities under SFAS 159.

The unrealized gains and losses on items for which the fair value option is elected are reported in earnings. The unrealized gains and losses are the amount by which the estimated fair value of the instruments differs from the previous-period estimated fair value. Upfront costs and fees related to items for which the fair value option is elected are recognized in earnings as incurred and not deferred.

The LLC elected the fair value option for all investments in securities and whole mortgage loans as of their effective acquisition date and for the Loans as of the date the Loans were extended. FRBNY believes that accounting for these assets and liabilities at fair value appropriately reflects the LLC's purpose and intent with respect to its financial assets and liabilities and most closely reflects the amount of the assets available to liquidate the LLC's obligations. Refer to Note 4.

d. Investment Transactions

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 collateralized mortgage obligations ("CMOs") and collateralized debt obligations ("CDOs"). Realized gains or losses on security transactions are determined on the identified cost basis.

e. Accounting for Loans Payable

The consolidated financial statements reflect the fair value of the Loans payable and related accrued and capitalized interest at fair value. Fair value is determined based on the allocation of the LLC's gains and losses in order of priority in accordance with applicable agreements, as described in Note 3, and the LLC believes that the methodology is a fair representation of the present value of future cash flows expected to be available to repay the Loans.

f. 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. State Street Bank and Trust has been hired to provide administrative, collateral administrative, and custodial services and appointed to serve as collateral agent under multi-year contracts that include provisions governing termination of the contract.

The fees charged by the Investment Manager, State Street, auditors, and organization costs are recorded in "Professional fees" in the Consolidated Statement of Income.

Organization and closing costs of $21 million associated with the formation and incorporation of the LLC and the acquisition of the portfolio were expensed as incurred.

g. Income Taxes

The LLC is a single member limited liability corporation 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. Recently Issued Accounting Standards

In December 2008, FASB issued FASB Staff Position (FSP) No. FAS 140-4 and FIN 46R-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities." FSP FAS 140-4 and FIN 46R-8 amend FASB Statement No. 140, to require public entities to provide additional disclosures about transfers of financial assets. They also amend FIN 46(R), to require public entities, including sponsors that have a variable interest in a variable interest entity, to provide additional disclosures about their involvement with variable interest entities. The adoption of the additional disclosure requirements of FSP FAS 140-4 and FIN 46R-8 did not materially impact the LLC's consolidated financial statements.

In October 2008, FASB issued Staff Position FSP 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP 157-3"). FSP 157-3 clarifies how SFAS No. 157, "Fair Value Measurements," 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 September 2008, FASB issued FSP No. 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45" and "Clarification of the Effective Date of FASB Statement No. 161." FSP 133-1 requires expanded disclosures about credit derivatives and guarantees. The expanded disclosure requirements for FSP 133-1 are effective for the LLC's consolidated financial statements for the period ended December 31, 2008, and are incorporated in the accompanying notes.

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 consolidated financial statements.

In February 2008, FASB issued FSP FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions." FSP FAS 140-3 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 under SFAS 140, unless certain criteria are met. FSP FAS 140-3 is effective for the LLC's consolidated financial statements for the year beginning on January 1, 2009, and earlier adoption is not permitted. The provisions of this standard are not expected to have a material effect on the LLC's financial statements.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS 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 fair value option will be available for financial instruments on their initial transaction date. The LLC adopted SFAS 159 on March 14, 2008, and the effect of the LLC's adoption of this standard is reflected in Note 4.

In September 2006, FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 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 on March 14, 2008, and the effect of the LLC's adoption of this standard is reflected in Note 4.

3. LOANS PAYABLE

On June 26, 2008, FRBNY extended approximately a $28.8 billion Senior Loan and JPMC extended approximately a $1.15 billion Subordinated Loan to finance the initial acquisition of the LLC's assets. Each loan has a ten-year term. FRBNY may extend the maturity date of the Senior Loan, at its sole discretion. The Senior Loan bears interest at the primary credit rate in effect and is entitled to receive additional contingent interest in amounts equal to any proceeds from the sale of the LLC's assets that are available for distribution after payment in full of the principal and interest under the Loans and termination of all permitted swap agreements and payment in full of any obligations thereunder. The Subordinated Loan bears interest at the primary credit rate plus 450 basis points. The primary credit rate is the rate charged by FRBNY for loans under its discount window primary credit program. Interest on the Loans accrues daily and is compounded on the last day of the last month in each calendar quarter.

Repayment on the Senior Loan may only begin prior to the second anniversary of the closing date of the Loans if the Subordinated Loan has been paid in full. Repayment of the Loans will only occur after payment in full of closing costs for the LLC, operating expenses, and maintenance of a reserve account for loan commitments.

Solely at the discretion of the FRBNY, after the second anniversary of the closing date of the Loans, FRBNY may receive first, repayment of principal, and secondly,

interest on the Senior Loan, based on available funds, prior to payment of the Subordinated Loan (if outstanding) on such date; thus, JPMC bears the risk of the potential loss up to the Subordinated Loan principal amount plus accrued interest. Risk in excess of the Subordinated Loan is borne by FRBNY and any gain beyond repayment of the Loans with interest will be paid to FRBNY.

As of December 31, 2008, assuming the Loans payable 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):

	Senior Loan	Subordinated Loan	Total
Beginning principal balance	$ 28,819,532	$ 1,150,000	$ 29,969,532
Interest accrued and capitalized during the period	267,350	37,685	305,035
Ending principal balance	29,086,882	1,187,685	30,274,567
Unrealized gains	(3,403,070)	(1,187,685)	(4,590,755)
Loans payable, fair value	$ 25,683,812	$ —	$ 25,683,812

The weighted-average interest rates accrued on the Senior Loan and Subordinated Loan for the period from June 26, 2008 through December 31, 2008, were 1.80 percent and 6.29 percent, respectively.

4. FAIR VALUE MEASUREMENTS

The LLC measures all investments, derivatives, and Loans 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 LLC's 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. Financial futures contracts traded on exchanges are valued at their last sale price. TBA commitments are valued at the current market value of the underlying securities. Swap agreements are valued by quoted fair values received by JPMC, subject to review by the Investment Manager.

Market quotations may not represent fair value in certain circumstances in which the Investment Manager and the LLC believe 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 that do not have a readily available fair value, the fair value of these investments may differ significantly from the values that would have been used had a readily available fair value existed for these investments and may differ materially from the values that may ultimately be realized.

The fair value of the Loans payable is estimated based upon the fair value of the underlying assets held by the LLC and the distribution of proceeds based on the allocation of gains and losses as described in Note 3.

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 collateralized debt obligations, certain collateralized mortgage obligations, and commercial and residential mortgage loans, the determination of fair value is based on projected collateral performance scenarios. These valuations also incorporate pricing metrics derived from 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. Because there is a lack of observable pricing information, the Loans are classified within level 3.

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

	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Agency CMOs	$ —	$ 12,670,517	$ 894,794	$ 13,565,311
Non-agency CMOs	—	759,051	1,076,753	1,835,804
Commercial mortgage loans[1]	—	—	5,552,831	5,552,831
Residential mortgage loans[1]	—	—	937,010	937,010
Swap contracts	—	—	2,453,774	2,453,774
TBA commitments	—	2,089,446	—	2,089,446
Other investments	—	875,180	484,719	1,359,899
Total assets	$ —	$ 16,394,194	$ 11,399,881	$ 27,794,075
Liabilities:				
Senior loan	$ —	$ —	$ (25,683,812)	$ (25,683,812)
Subordinated loan	—	—	—	—
Total liabilities	$ —	$ —	$ (25,683,812)	$ (25,683,812)

[1] These assets are held in the Grantor Trusts.

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 unrealized gains (losses) (in thousands):

	Net Purchases, Sales, and Settlements	Total Realized/ Unrealized Gains (Losses)	Transfers In or Out	Fair Value at December 31, 2008
Assets:				
Agency CMOs	$ 891,126	$ 3,668	$—	$ 894,794
Non-agency CMOs	2,062,074	(985,321)	—	1,076,753
Commercial mortgage loans	7,682,513	(2,129,682)	—	5,552,831
Residential mortgage loans	1,500,416	(563,406)	—	937,010
Swap contracts	2,368,742	85,032		2,453,774
Other investments	1,067,283	(582,564)	—	484,719
Total assets	**$ 15,572,154**	**$(4,172,273)**	**$—**	**$ 11,399,881**
Liabilities:				
Senior loan	[1]$ (29,086,882)	$ 3,403,070	—	$ (25,683,812)
Subordinated loan	[2](1,187,685)	1,187,685	—	—
Total liabilities	**$ (30,274,567)**	**$ 4,590,755**	**$—**	**$(25,683,812)**

[1]Includes $267,350 of capitalized interest.

[2]Includes $37,685 of capitalized interest.

Total realized and unrealized gains (losses) associated with the LLC's assets and liabilities measured at fair value at December 31, 2008, were as follows (in thousands):

	Total Realized Gains (Losses)	Fair Value Changes Unrealized Gains (Losses)	Total Realized/Unrealized Gains (Losses)
Assets:			
Agency CMOs	$ (108,419)	$ 60,320	$ (48,099)
Non-agency CMOs	(4,169)	(1,502,976)	(1,507,145)
Commercial mortgage loans	42,677	(2,129,682)	(2,087,005)
Residential mortgage loans	(3,407)	(563,406)	(566,813)
TBA commitments	(57,027)	(10,055)	(67,082)
Swap contracts	(70,006)	155,038	85,032
Other investments[1]	236,977	(1,543,728)	(1,306,751)
Total assets	**$ 36,626**	**$(5,534,489)**	**$(5,497,863)**
Liabilities:			
Senior loan	$ —	$ 3,403,070	$ 3,403,070
Subordinated loan	—	1,187,685	1,187,685
Total liabilities	**$ —**	**$ 4,590,755**	**$ 4,590,755**

[1]Included in "Other investments" are realized gains and unrealized losses on futures contracts of $22,649 and ($102,013), respectively. The LLC has a variation margin receivable balance for open futures contracts of $4,200 as of December 31, 2008, which is recorded in "Other receivables" in the Consolidated Statement of Financial Condition.

5. INVESTMENT AND RISK PROFILE

The LLC's investment portfolio consists primarily of agency and non-agency CMOs, commercial and residential mortgage loans, and derivatives and associated hedges. A synopsis of the significant holdings at December 31, 2008, and the associated credit and market risk for each holding follows.

a. Agency CMOs and Non-Agency CMOs

The LLC invests in agency and non-agency CMOs, which represent fractional ownership interests in residential-mortgage-backed securities issued by either U.S. government agencies or private entities. The yield characteristics of CMOs may differ from traditional debt securities. One such major difference is that all or a principal part of the obligations may be prepaid at any time because the underlying mortgages may be prepaid at any time. A portion of the LLC's investments include interest-only ("IO") or principal-only ("PO") CMO classes. The IO class will receive the interest

cash flows from the underlying mortgages, while the PO class will receive the principal cash flows. The yield to maturity on CMOs is sensitive to the rate of principal repayments (including prepayments) on the related underlying mortgages assets. The principal prepayments may have a material effect on yield to maturity. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the LLC may not fully recoup its initial investment in IOs. The yield to maturity on the PO classes may be impacted by delinquencies or defaults on the underlying mortgage assets. The rate of delinquencies and defaults on residential 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. Changes in economic conditions, including delinquencies and/or defaults on the underlying mortgages, can affect the value, income, and/or liquidity of the LLC's CMO positions.

At December 31, 2008, the ratings breakdown of the $16.8 billion of securities recorded at fair value in the LLC's portfolio (as a percentage of aggregate fair value of all securities in the portfolio) was as follows:

	Ratings[1]						
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ and Lower	Government/ Agency	Total
Security type:[2]							
Agency CMOs	0.0%	0.0%	0.0%	0.0%	0.0%	80.9%	80.9%
Non-agency CMOs	6.7%	0.7%	0.7%	0.7%	2.2%	0.0%	11.0%
Other[3]	3.2%	1.3%	1.0%	1.5%	1.1%	0.0%	8.1%
Total	**9.9%**	**2.0%**	**1.7%**	**2.2%**	**3.3%**	**80.9%**	**100.0%**

[1] Lowest of all ratings is used for the purposes of this table.

[2] This table does not include the LLC's swaps and other derivative contracts, commercial and residential mortgage loans, and TBA investments.

[3] Includes all asset sectors that, individually, represent less than 5 percent of aggregate portfolio fair value.

At December 31, 2008, non-agency CMOs held by LLC were collateralized by properties at the locations identified below:

Geographic Location	Percentage[1]
California	39.1%
Florida	11.7%
Other[2]	49.2%
Total	100.0%

[1]Based on a percentage of the total unpaid principal balance of the underlying loans.

[2]No other individual state comprises more than 5 percent of the total.

b. Commercial and Residential Mortgage Loans

Commercial and residential mortgage loans are subject to a high degree of credit risk because of exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, property performance, property management, supply and demand factors, construction trends, consumer behavior, regional economic conditions, interest rates, and other factors beyond the control of the LLC.

The performance profile for the commercial and residential loans at December 31, 2008, was as follows (in thousands):

	Remaining Principal Amount Outstanding	Fair Value	Fair Value as Percentage of Principal Remaining
Performing loans			
Commercial	$ 8,406,107	$ 5,528,973	65.8%
Residential	1,288,226	816,840	63.4%
Subtotal	9,694,333	6,345,813	65.5%
Non-performing loans (past due greater than 60 days)			
Commercial	78,836	23,858	30.3%
Residential	379,501	120,170	31.7%
Subtotal	458,337	144,028	31.4%
Total			
Commercial	8,484,943	5,552,831	65.4%
Residential	1,667,727	937,010	56.2%
Total loans	**$10,152,670**	**$ 6,489,841**	**63.9%**

The following table summarizes the state in which residential mortgage loans are collateralized and the property types of the commercial mortgage loans held in the LLC at December 31, 2008:

	Concentration of Unpaid Principal Balances	
	Residential	Commercial[2]
By state:		
California	35.8%	
Florida	9.1%	
Other[1]	55.1%	
	100.0%	
By property:		
Hospitality		80.3%
Office		10.2%
Other[1]		9.5%
		100.0%

[1] No other individual state or property type comprises more than 5 percent of the total.

[2] At December 31, 2008, one issuer represented approximately 48 percent of total unpaid principal balance of the commercial mortgage loan portfolio.

c. TBA Commitments

The LLC has entered into TBA commitments, which are commitments to purchase or sell mortgage-backed securities for a fixed price at a future date. The LLC treats such TBA commitments as unsettled securities transactions. These transactions involve a risk of loss if the value of the security to be purchased or the security to be sold declines or increases prior to settlement date.

d. Derivative Instruments

The LLC portfolio consists of various derivative financial instruments, primarily consisting of a total return swap agreement ("TRS") with JPMC. The LLC may enter into additional derivative contracts during the normal course of business to economically hedge its exposure to interest rates. Losses may arise if the value of the derivative contracts acquired decrease because of an unfavorable change in the market price of the underlying security, or if the counterparty does not perform under the contract.

Total return swaps are agreements in which one party commits to pay a fee in exchange for a return linked to the market performance of an underlying security or group of securities, index, or other asset ("reference obligation"). Risks may arise if the value of the swap acquired decreases because of an unfavorable change in the price

of the reference obligation or the counterparty's ability to meet the terms of its contracts.

During the term of a swap contract, unrealized gains or losses are recorded as a result of marking the swap to fair value. When a swap is settled or terminated, a realized gain or loss is recorded equal to the difference, if any, between the contractual amount and the actual proceeds on settlement of the contract.

At closing, the LLC and JPMC entered into the TRS with reference obligations representing a basket of credit default swaps ("CDS") and interest rate swaps ("IRS"). The TRS is structured such that the LLC's economic position for each CDS and IRS replicates Bear Stearns' economic position. JPMC is the calculation agent for the TRS and the underlying values are also monitored by the Investment Manager on behalf of the LLC. The LLC made an initial payment to JPMC of $3.3 billion, which was included in the purchase price of the assets.

At December 31, 2008, the cash collateral liability associated with the TRS is reflected in cash and cash equivalents and investments in the amounts of $2.1 billion and $0.5 billion, respectively. In addition, the LLC has pledged $3.0 billion of agency CMOs to JPMC.

CDS are agreements that provide protection against a credit event on one or more referenced obligations. 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 following table summarizes the maximum credit exposure (notional amount, as described above) and fair value as of December 31, 2008, related to those CDS for which the LLC was the protection seller or guarantor (in thousands):

	Notional Amount	Maturity Range (Date)[1]	Fair Value
Single-name CDS:[2]			
ABS	$2,530,682	04/20/10-11/07/47	$(2,158,181)
CMBS	620,800	01/25/36-10/12/52	(371,076)
CMO	82,914	07/25/34-10/25/44	(61,428)
Corporate debt	357,790	12/20/10-03/20/18	(149,960)
	$3,592,186		$(2,740,645)
Index CDS:			
CMBS	17,000	2/17/51	(11,614)
Totals	**$3,609,186**		**$(2,752,259)**

[1]The maturity date range represents a range of legal final maturity dates of single-name CDS within the corresponding CDS sector. Due to the fact that most of the reference obligations may be prepaid prior to the respective legal final maturity dates, the term of the LLC's obligations under a given CDS contract may terminate sooner than the legal final maturity date.

[2] Included in the reference obligations of the TRS with JPMC.

Interest rate swaps obligate two parties to exchange one or more payments typically calculated with reference to fixed or periodically reset rates of interest applied to a specified notional principal amount. Notional principal is the amount to which interest rates are applied to determine the payment streams under interest rate swaps. Such notional principal amounts often are used to express the volume of these transactions but are not actually exchanged between the counterparties. The LLC entered into interest rate swaps as part of its interest rate risk management strategy. Additionally, there is exposure to credit risk in the event of nonperformance by the counterparty to the swap. The notional value of the interest rate swaps in the LLC, including those embedded in the TRS totals, was approximately $11.2 billion at December 31, 2008.

Futures contracts are agreements to buy and sell financial instruments for a set price on a future date. Initial margin deposits are made upon entering into futures contracts in the form of cash or securities. During the period that a futures contract is open, changes in the value of the contract are recorded as unrealized gains or losses

by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are paid or received, depending upon whether unrealized gains or losses result. When the contract is closed, the LLC will record a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the LLC's cost basis in the contract. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates, and the underlying hedged assets. The LLC is also at risk of not being able to enter into a closing transaction for the futures contract because of an illiquid secondary market. At December 31, 2008, the LLC had pledged collateral related to futures contracts of $69 million.

e. Other Investments

The LLC invests in CDOs. A CDO is a security issued by a bankruptcy-remote entity that is backed by a diversified pool of debt securities. The cash flows of 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. 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 pool of assets.

The LLC enters into dollar rolls in order to take advantage of anticipated changes in interest rates. The LLC may sell mortgage-backed securities for delivery in the current month and simultaneously contract to repurchase substantially similar (same type, coupon, and maturity) securities on a specific future date at an agreed-upon price. The market value of the securities that the LLC is required to purchase may decline below the agreed-upon repurchase price of those securities. Pools of mortgages collateralizing the purchased securities may have different prepayment histories than those sold. During the period between the sale and the repurchase, the LLC will not be entitled to receive interest and principal payments on the securities sold. Proceeds of the sale will be invested in additional instruments for the LLC, and the income from these investments will generate income for the LLC. If such income does not exceed the income, capital appreciation, and gain or loss that would have been realized on the securities sold as part of the dollar roll, the use of this technique will lower the investment performance of the LLC compared with what the performance would have been without the use of dollar rolls.

6. COMMITMENTS AND CONTINGENCIES

Certain commercial mortgage loans acquired by the LLC have unfunded commitments according to the underlying loan agreement with the borrower. The LLC is obligated to honor these commitments as and when they are drawn by the borrower, subject to the terms and conditions of the loan agreements. The collateral for the unfunded amount of the commitments is held in a segregated escrow account by the State Street Bank and Trust Company, as custodian for the trustee of the Maiden Lane Commercial Mortgage-Backed Securities Trust 2008-1. As of December 31, 2008, the balance in the segregated escrow account was $266 million and is reflected in the "Cash and cash equivalents" balance in the accompanying Consolidated Statement of Financial Condition.

The LLC and the Grantor Trusts agree 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 or each of the Grantor Trusts, as applicable, 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.

7. OTHER

During the period ended December 31, 2008, the LLC invested available cash in the BlackRock Liquidity Funds TempFund ("TempFund"), a money market fund registered under the Investment Company Act of 1940. TempFund is managed by BlackRock Institutional Management Corporation, an affiliate of the Investment Manager. The Investment Manager has agreed to waive any fees or expenses that would otherwise be allocated to the LLC by virtue of the LLC being a fund investor. The amount of such fees and expenses is deducted from investment advisory fees paid to the Investment Manager. At December 31, 2008, the LLC had approximately $2 billion invested in the TempFund.

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