

Description of Maiden Lane LLC facility prior to June 26, 2010

In March 2008, the Federal Reserve Bank of New York (New York Fed) and JPMorgan Chase & Co. (JPMC) entered into an arrangement related to the financing provided by the New York Fed to facilitate the merger of JPMC and the Bear Stearns Companies Inc. (Bear Stearns). In connection with the transaction, the Federal Reserve Board authorized the New York Fed under section 13(3) of the Federal Reserve Act, to extend credit to a Delaware limited liability company, Maiden Lane LLC (ML LLC), to fund the purchase of a portfolio of mortgage related securities, residential and commercial mortgage loans and associated hedges (Asset Portfolio) from Bear Stearns.

Transaction Overview

ML LLC was formed in the second quarter of 2008. ML LLC borrowed approximately \$28.8 billion from the New York Fed in the form of a senior loan (Senior Loan), which, together with funding from JPMC of approximately \$1.15 billion in the form of a subordinate loan (Subordinate Loan, and together with the Senior Loan, the Loans) was used to purchase the Asset Portfolio from Bear Stearns. The Asset Portfolio had an estimated fair value as of March 14, 2008, of approximately \$30 billion.

The New York Fed has all material control rights over the Asset Portfolio and is the sole and managing member of ML LLC.

Significant Transaction Terms

The Loans are secured by the Asset Portfolio. The Senior Loan was issued with a stated term of ten years, and may be extended at the New York Fed's discretion.

The interest on the Senior Loan is accrued at the Primary Credit Rate in effect from time to time. Except as noted below, after the Senior Loan to the New York Fed has been repaid in full plus interest, to the extent that there are sufficient remaining cash proceeds, JPMC will be entitled to repayment of the Subordinate Loan, plus accrued interest at the Primary Credit Rate in effect from time to time plus 450 basis points.

After repayment in full of the Senior Loan and the Subordinate Loan (each including accrued interest), any remaining proceeds from the Asset Portfolio that are available for distribution after termination and payment in full of any obligations under certain derivative contracts, will be paid to the New York Fed.

During the period from June 26, 2008 (the Closing Date) to the second anniversary of the Closing Date (Accumulation Period), any proceeds realized on the Asset Portfolio (including interest proceeds and proceeds from maturity or liquidation of the Asset Portfolio) after payment of certain fees and expenses and any payments made pursuant to the derivative contracts will be deposited into a reserve account (Reserve Account) and reinvested in certain eligible investments. At the sole discretion of the New York Fed, repayment of the Senior Loan could commence during the Accumulation Period, but only so long as the ML LLC pays in full the outstanding principal amount of the Subordinate Loan plus any accrued and unpaid interest.

Following the Accumulation Period, to the extent directed by the New York Fed, distribution of the proceeds realized on the Asset Portfolio will occur on a monthly basis, and will be made in the following order (each category must be fully paid before proceeding to the next lower category):

- *first*, to pay any costs, fees and expenses of ML 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 accrued at the Primary Credit Rate;
- *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 Subordinate 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 Subordinate Loan has been repaid in full, to pay unpaid interest outstanding on the Subordinate Loan accrued at the Primary Credit Rate plus 450 basis points;

- *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 the New York Fed as holder of the Senior Loan.

Management of Assets

BlackRock Financial Management Inc. (Investment Manager) has been retained by the New York Fed to manage the assets held in the ML LLC portfolio.

The Investment Manager's primary objective in managing the ML LLC portfolio is to pay off the Senior Loan, including principal and interest, while refraining from investment actions that would disturb general financial market conditions.

The Investment Manager may purchase new assets in pursuit of the objective noted above. Eligible assets for reinvestment must be dollar-denominated and must fall within one of the following two categories:

- All U.S. Treasury securities
- Agency securities (MBS and debentures)

New York Fed, at its sole discretion, may add permissible categories for reinvestment.

Additionally, the Investment Manager may enter into OTC and exchange-traded derivatives solely for the purpose of hedging interest rate risk. Derivative contracts that would create new exposures to equities, commodities, foreign currency-denominated assets or sub-investment grade assets are expressly prohibited.

The Reserve Account is managed in accordance with the criteria described above, subject to the maintenance of sufficient liquidity to meet expected

payments. Funds may be invested in short-term investments including money-market funds and reverse repurchase agreements collateralized by U.S. Treasury and agency securities to address liquidity needs.