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Maiden Lane Transactions

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MILESTONES

September 18, 2018: Maiden Lane LLC sold all remaining securities. Net proceeds from sales of the assets, as well as cash flow generated by ML LLC, provided a net gain of approximately $2.5 billion for the benefit of the U.S. public.

November 12, 2014: The legal existence of Maiden Lane II LLC and Maiden Lane III LLC was formally terminated. The small amount of cash held in reserve by each LLC was paid to the New York Fed and AIG, after payment of final trailing expenses, in accordance with their respective interests on November 20, 2014.

September 15, 2014: Remaining proceeds in Maiden Lane II LLC and Maiden Lane III LLC (apart from a small amount of cash held in reserve for trailing expenses) were paid to the New York Fed and AIG in accordance with their respective interest in each vehicle.

November 15, 2012: Net proceeds from additional sales of securities in Maiden Lane LLC enabled the full repayment of the subordinate loan made by JPMorgan Chase & Co. plus accrued interest. The New York Fed will receive 100 percent of future cash flows generated from the remaining ML LLC assets, in accordance with the ML LLC waterfall.

August 23, 2012: Maiden Lane III LLC sold all remaining securities. Subsequent to the repayment of ML III LLC's liabilities to the New York Fed and AIG, net proceeds from sales of the securities, as well as cash flow the securities generated while held by ML III LLC, provided a net gain of approximately $6.6 billion for the benefit of the U.S. public.

July 16, 2012: Net proceeds from additional sales of securities in Maiden Lane III LLC enabled the full repayment of AIG's equity contribution plus accrued interest and provided residual profits to the New York Fed. The New York Fed will continue to receive 67 percent of residual profits generated by future sales of ML III LLC assets.

June 14, 2012: Maiden Lane LLC and Maiden Lane III LLC repaid the loans made by the New York Fed, with interest. The successful repayment of the loans marks the retirement of the last remaining debts owed to the New York Fed from the crisis-era interventions with Bear Stearns and AIG.

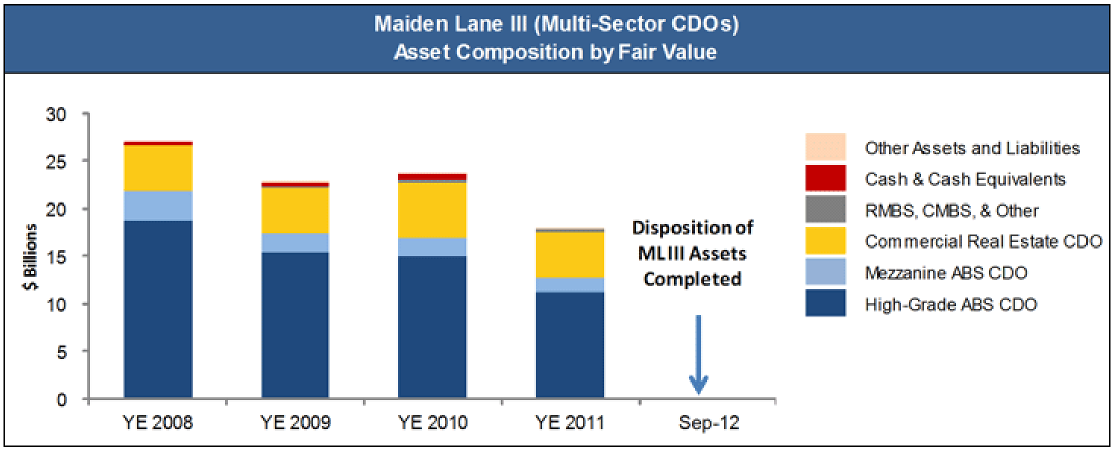
February 28, 2012: Maiden Lane II LLC sold all remaining securities*. Net proceeds from sales of all the securities, as well as cash flow the securities generated while held by ML II LLC, enabled the full repayment of ML II LLC's liabilities to the New York Fed and AIG while also providing a net gain of approximately $2.8 billion for the benefit of the U.S. public.

HISTORICAL SUPPLEMENTAL SURVEY REPORTS

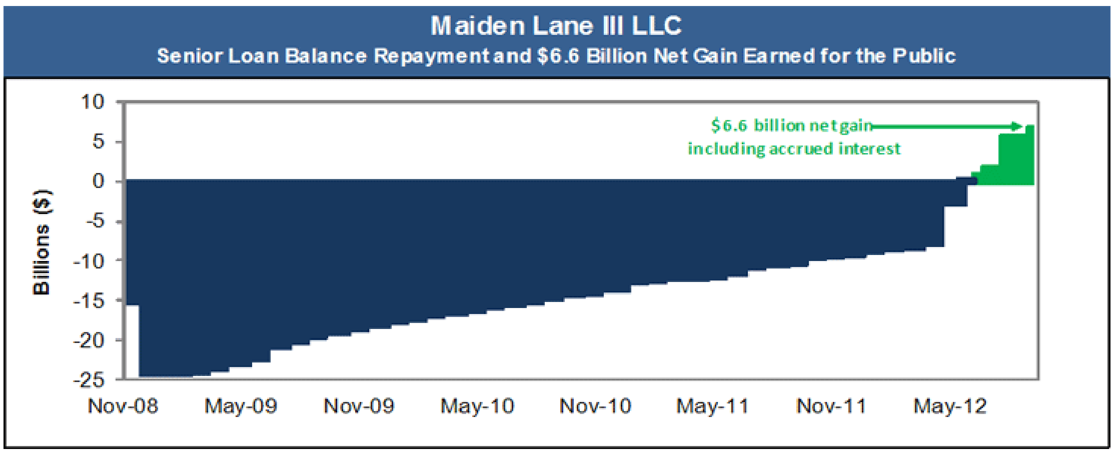
Overview | Maiden Lane | Maiden Lane II | **Maiden Lane III** | News

1. Transaction Overview
2. Significant Transaction Terms
3. Management of Portfolio Assets
4. Vendors
5. Periodic Releases
6. Asset Sales

CHARTS



Source: FRBNY – Quarterly Summary of Assets and Outstanding Loan Balance, Federal Reserve Board H.4.1
Note: Unaudited. A cash balance remains in ML III LLC, reflecting residual receipts and reserves held to meet trailing expenses and other obligations.



Source: Federal Reserve Board H.4.1, Federal Reserve Bank of New York

TRANSACTION OVERVIEW

Overview

In November 2008, the Federal Reserve Board and the U.S. Treasury announced the restructuring of the government's financial support to American International Group Inc. (AIG) in order to provide the company with more time and greater flexibility to sell assets and repay the government. The Federal Reserve Bank of New York (New York Fed) created Maiden Lane III LLC (ML III LLC) to alleviate capital and liquidity pressures on AIG associated with credit derivative contracts written by AIG Financial Products (AIGFP).

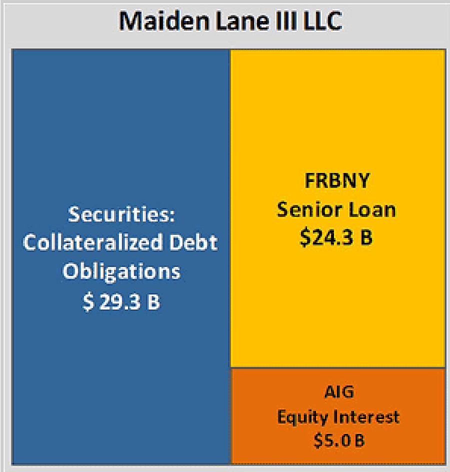
- **Senate Testimony: Vice Chairman Kohn »**
  March 5, 2009
- **House Testimony: Chairman Bernanke** OFFSITE
  March 24, 2009
- **Testimony: Thomas Baxter »**
  January 27, 2010

For additional information on actions taken in support of AIG, please refer to **Actions Related to AIG**.

ML III LLC borrowed $24.3 billion[12] from the New York Fed, which, together with an equity contribution of $5.0 billion provided by AIG (equity interest), was used to purchase a portfolio of U.S. dollar denominated collateralized debt obligations (CDOs) from certain counterparties of AIGFP.

The counterparties agreed to sell CDOs to ML III LLC in exchange for a purchase payment from ML III LLC and their retention of collateral previously posted by AIGFP under the related credit derivative contracts, for an overall consideration of par. In connection with any such purchase, each AIGFP counterparty agreed to terminate the related credit derivative contracts between it and AIGFP.

In connection with the purchases of CDOs by ML III LLC and the termination of the related credit derivative contracts, ML III LLC paid AIGFP's counterparties $26.8 billion and AIGFP $2.5 billion[13].



The ML III LLC transaction closed in two stages with a portion of the portfolio settling on November 25, 2008, and the remaining portion settling on December 18, 2008. The value of the assets ML III LLC purchased was based on BlackRock Financial Management Inc.'s estimated fair value as of October 31, 2008[14]. As of October 31, 2008, the ML III LLC portfolio had an estimated fair value of approximately $29.3 billion and a par value of approximately $62.1 billion.

- **Maiden Lane III LLC Terms and Conditions Press Release »**

SELECTION CRITERIA FOR PORTFOLIO ASSETS

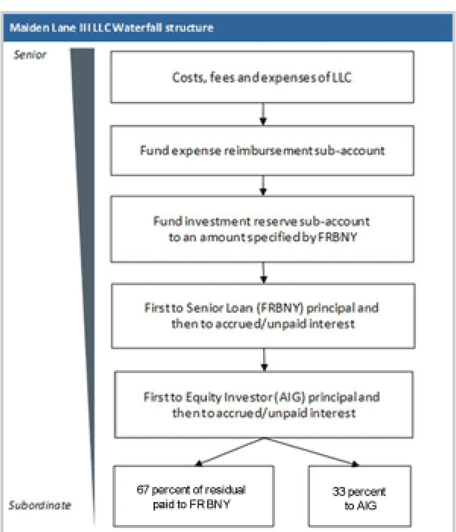
Under the terms of the agreement with New York Fed, the assets purchased by ML III LLC had to be CDO tranches referencing U.S. dollar-denominated cash bonds.

The review and selection of these assets was conducted by the New York Fed in conjunction with its advisor, BlackRock Financial Management Inc.

↑Back to Top

SIGNIFICANT TRANSACTION TERMS

- The New York Fed loan to ML III LLC is secured by ML III LLC's portfolio of assets. The loan has a stated term of 6 years, and may be extended by the New York Fed at its discretion.
- The interest rate on the New York Fed loan is one-month LIBOR plus 100 basis points.
- After the New York Fed loan has been repaid in full plus interest, to the extent that there are sufficient remaining cash proceeds, AIG is entitled to repayment of its equity interest, plus accrued interest at a rate of one-month LIBOR plus 300 basis points.
- After repayment in full of the New York Fed loan and AIG's equity interest (each including accrued interest), any remaining proceeds will be split 67 percent to the New York Fed and 33 percent to AIG (or its assignee).
- The distribution of the proceeds realized on the ML III LLC portfolio (including interest proceeds and proceeds from the maturity or liquidation of the asset portfolio) occurs on a monthly basis, unless otherwise directed by the New York Fed, and is made in the following order (each category must be fully paid before proceeding to the next lower category):



↑Back to Top

MANAGEMENT OF PORTFOLIO ASSETS

The investment manager's objective for ML III LLC's portfolio was to repay the New York Fed's senior loan (including principal and interest), followed by AIG's equity interest (including accumulated preferred distributions representing interest) for as long as the United States Treasury maintains an economic stake in AIG on behalf of the United States taxpayer, while also striving to maximize sale proceeds and refraining from disturbing general financial market conditions. The sale of securities from ML III LLC enabled the full repayment of the loan extended by the New York Fed on June 14, 2012 and the equity contribution made by AIG on July 16, 2012. On August 23, 2012, ML III LLC completed the sale of its remaining securities. The New York Fed received 67 percent of residual profits generated by proceeds from these sales.

KEY INVESTMENT GUIDELINES

The investment manager managed portfolio proceeds in accordance with the objective described above, subject to the maintenance of sufficient liquidity to meet expected payments and obligations. Other than assets that were acquired by ML III LLC as part of a portfolio liquidation of one or more CDOs held by ML III LLC, cash proceeds from the asset portfolio could only be invested in U.S. Treasury or agency securities with a remaining maturity of one year or less, U.S. 2a-7 government money market funds, reverse repurchase agreements collateralized by U.S. Treasury and agency securities and dollar-denominated deposits.

⇡Back to Top

VENDORS

- **BlackRock** PDF
- **Bank of New York Mellon** PDF
- **Ernst & Young** PDF
- Deloitte & Touche[15]

⇡Back to Top

PERIODIC RELEASES

- **Weekly H.4.1 Federal Reserve Statistical Release** OFFSITE
  ML III LLC's assets and liabilities are consolidated onto the books of the New York Fed. As a result, ML III LLC's quarterly fair value (plus normal accounting entries largely related to interest accruals, senior loan repayments and expenses) and outstanding loan balance are published in the weekly H.4.1 release of the Federal Reserve's balance sheet.
- **Report on Credit and Liquidity Programs** OFFSITE
  The Federal Reserve prepares this report as part of its efforts to enhance transparency about the range of programs and tools that were implemented in response to the financial crisis.
- **Quarterly Summary of Assets and Outstanding Loan Balance** PDF
  SHOW
- **Holdings Report** PDF EXCEL
  SHOW
- **Year-end Financials** PDF
  SHOW

Back to Top

ASSET SALES

In light of improving market conditions, ML III LLC's investment objective was revised in April 2012 to allow for the exploration of sales of the assets held in the portfolio. There was no fixed timeframe for the sales; at each stage, the Federal Reserve sold an asset only if the best available bid represented good value for the public, while taking appropriate care to avoid market disruption. The asset sales information provided below is intended to enhance the transparency around ML III LLC portfolio asset sales. On August 23, 2012, ML III LLC completed the sale of its remaining securities.

New York Fed Solicits Bids for MAX CDO Holdings in Maiden Lane III LLC »

New York Fed Sells MAX CDO Holdings in Competitive Process »

New York Fed Solicits Bids for Triaxx CDO Holdings in Maiden Lane III LLC »

New York Fed Sells TRIAXX CDO Holdings in Competitive Process »

Statement on the Postponement of the Maiden Lane III Auction »

New York Fed Resumes Auction of Duke CDO Holdings in ML III »

New York Fed Sells Remainder of Maiden Lane III LLC Securities; Marks End of AIG-Related Assistance; Approximately $6.6 Billion Net Gain Generated for U.S. Public from the Portfolio »

The New York Fed is providing the following information on the progress of the sales on a regular basis, taking care to preserve the effectiveness of the asset sales process:

- **Security Offerings**
  Timing and general information about securities offered and sold.

- **Monthly Review** EXCEL
  SHOW

  Monthly report which includes a list of the assets sold during the month by current face amount.
- **Quarterly Review** EXCEL

quarter end.
A breakdown showing the proportion of the loan repayment attributed to asset sales proceeds is included in the Quarterly Summary of Assets and Outstanding Loan Balance under Periodic Releases as of quarter end with a 45-day delay[16].

- **Transaction Data** EXCEL

SHOW

Asset level detail of transactions completed in Maiden Lane III.

The New York Fed welcomes and encourages small, veteran-, minority- and women- owned businesses to bid either individually or through meaningful partnership with others, on assets in the ML III LLC portfolio. As the New York Fed is interested in better understanding and monitoring the diversity of those entities purchasing its assets, prospective and/or successful bidders, either bidding alone or in partnership with another bidder, may be asked to disclose information about their small, veteran-, minority- and women- owned business status as well as that of their business partners. Please note, however, that the fact that a bidder is a small, veteran-, minority- and women- owned business does not in any way impact the selection of a winning bidder.

Glossary »

12

The aggregate amount of interest and principal proceeds from CDOs received after the announcement date, but prior to the settlement dates, net of financing costs, amounted to approximately $0.3 billion and therefore reduced the amount of funding required at settlement by $0.3 billion, from $29.6 billion to $29.3 billion.

13

The $2.5 billion represented the amount by which the value of collateral surrendered by AIGFP for termination of the credit derivative contracts exceeded the contracts' fair value as of October 31, 2008.

14

Therefore, the New York Fed incurred the risk of the ML III LLC asset portfolio from AIGFP as of October 31, 2008.

15

The parties to these contracts are Deloitte & Touche and the Board of Governors of the Federal Reserve System. Inquiries regarding these contracts should be directed to the Board of Governors of the Federal Reserve System.

16

Delays are necessary to allow operational reconciliations to be performed on the portfolio for the reporting period.

** As part of the close-out procedures for Maiden Lane II LLC, on August 22, 2012, the New York Fed sold eight residual securities that had been factored to zero and consequently dropped from the portfolio holdings report published by the New York Fed. There was no active notional balance associated with these positions as the securities were fully written down prior to the last ML II sale on February 28, 2012; thus, the subsequent sale of these zero-factor securities had no material impact on the net gain reported for the ML II portfolio.*

Back to Top