



Maiden Lane III
Counterparty Briefers
November 5, 2008



Societe Generale

Societe Generale Negotiations

Negotiating Position: Societe Generale (Soc Gen) views the substantial expected recoveries on CDOs and the funding benefit from collateral posting as providing great negotiating leverage

- Soc Gen believes expected recoveries will exceed collateral shortfalls under the CDS. BlackRock cash flow projections support this view
 - Cash flow projections discounted at bond coupon in the base case indicate that Soc Gen's portfolio is of higher quality than other counterparties (based on projected value of 89% for Soc Gen vs. 86% for all counterparties)
- The funding benefit Soc Gen receives from AIG on collateral posted is the spread between LIBOR and Fed funds (Soc Gen receives LIBOR and pays AIG Fed funds)

Concessions: Soc Gen has been unwilling to sell reference CDOs to AIG below par

- Soc Gen would be resistant to deep concessions, i.e., anything greater than a few points, because it believes economic value from collateral and expected recoveries on CDOs are worth more than par in some cases
- Soc Gen expressed willingness to unwind lowest-quality trades at an effective price of ~90 but only if it retains the reference CDOs (i.e., for a CDO priced at 30%, Soc Gen keeps 70% collateral, receives 20% more in cash from AIG, keeps the bond and the upside, and rips up CDS with AIG). This arrangement would not be acceptable under the contemplated structure of Maiden Lane III.

Access to the Assets: We believe that Soc Gen owns most of the reference assets in its portfolio (~\$14bn of \$16.4bn)

- ~\$2bn worth of reference assets may have been sold to Goldman Sachs
- We have heard second-hand from a trader that Soc Gen has pledged much of the portfolio to the Fed discount window for future liquidity

Other Factors

- Soc Gen and AIG are currently in dispute over existing events of default and credit events under transaction agreements for 2 deals, totaling ~\$650M of notional exposure

Societe Generale Portfolio Overview

Societe Generale is the largest counterparty

- \$16.4 billion, representing 25% of total counterparty exposure

\$1.4 billion in additional collateral has been requested, but not posted as of 10/24

- Societe Generale has received collateral independent amounts from a number of bonds that have been downgraded
- BlackRock's projected values are in line with values implied by collateral posted, but higher than collateral requested, i.e., BlackRock expects the portfolio to perform better than values implied by requested collateral

In the base case, Societe Generale's portfolio has similar expected losses to the overall portfolio, but in stress cases, Societe Generale's portfolio deteriorates more rapidly than the overall portfolio

Societe Generale's portfolio is heavily concentrated in subprime RMBS and in earlier vintages

- 52% of the portfolio is comprised of residential subprime securities, compared to only 36% for all counterparties
- 28% of the portfolio is concentrated in the 2004 vintage, compared to just 18% for all counterparties

There are fewer high quality assets in Societe Generale's portfolio on a relative basis, but the bottom of the credit spectrum resembles the overall portfolio

- Only 21% of Societe Generale's portfolio is rated AAA (vs. 36% overall)
- But below Investment Grade is identical between Societe Generale and the total portfolio (18%)

Societe Generale Portfolio vs. All Portfolios

Exposure and Collateral Posting Totals

Implied CDO Bond Value Based On:

| | Exposure | Rank | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | BlackRock Intrinsic |
|--------------------|----------|------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------|------------------------------|---------------------|
| All Counterparties | 56,900 | | 17,454 | 10,254 | 34,396 | 49,445 | 36,646 | 32,504 | 33,029 |
| Societe Generale | 16,399 | 1 | 4,271 | 8,378 | 9,767 | 12,128 | 8,321 | 6,532 | 7,982 |
| Percent of Total | 24.5% | 1 | 24.0% | 27.7% | 28.4% | 24.5% | 21.9% | 20.4% | 24.2% |

Prices Implied by Collateral Posting vs. BlackRock Model Price

Implied Price

BlackRock Model Price

| | 9/16 Collateral Posted | 10/24 Collateral Posted | 10/24 Collateral Requested | IRR used to discount CFs | Base CFs Discounted for IRR | Extreme Stress CFs Discounted at Bond Coupon |
|--------------------|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|--|
| All Counterparties | 74 | 55 | 49 | 16% | 49 | 53 |
| Societe Generale | 74 | 49 | 40 | 10% | 49 | 57 |

BlackRock Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

| | Cashflows Discounted at Bond Coupon (% of Current Face) | | | Tranche Principal Losses | | | Collateral Principal Losses | | |
|--------------------|---|--------|----------------|--------------------------|--------|----------------|-----------------------------|--------|----------------|
| | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress |
| All Counterparties | 80 | 76 | 53 | 32 | 46 | 54 | 24 | 34 | 46 |
| Societe Generale | 89 | 76 | 57 | 33 | 57 | 68 | 25 | 35 | 56 |

Societe Generale Portfolio vs. All Portfolios

Sector

| | Exposure | Real Subprime | CMBS | Real Alt-A | Other Real (Prime/Agency) | Inner CDOs | ABS (Student Loans, Auto Credit Cards) | Manuf Housing | Other |
|--------------------|------------|---------------|------|------------|---------------------------|------------|--|---------------|-------|
| All Counterparties | 66,899,540 | 36% | 18% | 17% | 17% | 10% | 1% | 0% | 1% |
| Societe Generale | 16,398,762 | 52% | 0% | 17% | 12% | 10% | 2% | 0% | 0% |

Ratings

| | Exposure | Aaa | Aa1 | Aa2 | Aa3 | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | Below Baa3 | NR |
|--------------------|------------|-----|-----|-----|-----|----|-----|----|------|------|------|------------|----|
| All Counterparties | 66,899,540 | 36% | 5% | 9% | 4% | 3% | 6% | 6% | 5% | 5% | 2% | 18% | 1% |
| Societe Generale | 16,398,762 | 21% | 8% | 11% | 6% | 6% | 10% | 5% | 3% | 5% | 2% | 18% | 1% |

Vintage

| | Exposure | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Other |
|--------------------|------------|------|------|------|------|------|------|------|------|-------|
| All Counterparties | 66,899,540 | 0% | 2% | 4% | 13% | 38% | 23% | 11% | 2% | 1% |
| Societe Generale | 16,398,762 | 1% | 1% | 4% | 28% | 30% | 10% | 5% | 2% | 2% |



Goldman Sachs

Goldman Sachs Negotiations

Negotiating Position: Goldman Sachs is the least risk averse counterparty, i.e., the only counterparty willing to tear up CDS with AIG at agreed-upon prices and retain CDO exposure

- Goldman approached AIG in August to discuss tearing up the CDS contracts
- BlackRock has advised AIG on tearing up 9 CDS in the Goldman portfolio with a \$3bn notional
 - These transactions were selected because they were distressed positions likely to experience credit events and convert to cash positions in the next few years (converting to cash positions reduces any basis between the CDO and CDS values)
 - The bid-offer spread between AIG and Goldman on these CDS tear-ups is ~\$300 million
- Goldman has expressed a willingness to negotiate tear-ups on additional trades (including 7 synthetic Abacus transactions)

Concessions: Goldman would likely accept a small concession but may look to its funders to absorb the loss (or a portion of the loss)

- Goldman's exposure to AIG is limited to the difference between collateral requested (what they are likely posting to swap counterparties) and collateral received at any given time from AIG. While hedging this AIG counterparty risk is expensive, the cost would translate into no more than 2 points on the whole portfolio
- Goldman's swap counterparties are exposed to Goldman Sachs rather than AIG counterparty risk, and are therefore less likely to be receptive to deep concessions

Access to the Assets: Goldman has said that it does not hold the cash CDOs, but has back-to-back swaps on most of the positions

Other Factors

- Because Goldman prices have been consistently lower than third-party prices, Goldman and AIG have negotiated a collateral posting protocol in which Goldman's prices are given a 12% positive haircut for collateral posting at any given time. Goldman's requested collateral amount, therefore, is generally 12% higher than the agreed collateral posting amount at any given time.

Goldman Sachs Portfolio Overview

Goldman Sachs is the second largest counterparty

- \$14.5 billion, representing 22% of total counterparty exposure

\$1.3 billion in additional collateral has been requested, but not posted as of 10/24

- Goldman's collateral request does not reflect any haircut to Goldman prices per the protocol established with AIG, so at least a 12% gap attributable to the haircut will remain as long as the haircut protocol is effective
- BlackRock's projected values are higher than collateral requested, i.e., BlackRock expects the portfolio to perform better than values implied by requested collateral

The portfolio is projected to experience higher tranche principal losses than the overall portfolio in all cases (e.g., 15% higher than the total portfolio in the base case)

Despite a significant concentration in prime/agency RMBS, the overall quality of the portfolio is impaired by a large exposure to Alt-A RMBS

- 29% of the Goldman portfolio is prime/agency securities concentrated in a few high-quality CDOs, compared to only 17% for the total portfolio
- However, another 26% of the portfolio is comprised of Alt-A RMBS (vs. 17% of the total)
- Additionally, 55% of Goldman's portfolio is concentrated in 2005 vintage assets (compared to 38% total)

By rating, Goldman's portfolio is barbelled

- 33% of assets rated AAA (compared to 36%), but 25% are below Investment Grade (compared 18%)

Goldman Sachs Portfolio vs. All Portfolios

Exposure

Implied CDO Bond Value Based On:

| | Exposure | Rank | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | BlackRock Intrinsic |
|--------------------|----------|------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------|------------------------------|---------------------|
| All Counterparties | 65,900 | | 17,454 | 30,254 | 34,396 | 49,445 | 36,646 | 32,504 | 33,029 |
| Goldman Sachs | 14,537 | 2 | 6,050 | 1,834 | 9,139 | 8,489 | 6,705 | 5,401 | 6,428 |
| Percent of Total | 21.7% | 2 | 34.7% | 25.2% | 26.6% | 17.2% | 18.3% | 16.5% | 17.5% |

Prices

Implied Price

BlackRock Model Price

| | 9/16 Collateral Posted | 10/24 Collateral Posted | 10/24 Collateral Requested | IRR used to discount CFs | Base CFs Discounted for IRR | Extreme Stress CFs Discounted at Bond Coupon |
|--------------------|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|--|
| All Counterparties | 74 | 55 | 49 | 16% | 49 | 63 |
| Goldman Sachs | 58 | 16 | 37 | 16% | 11 | 60 |

Cashflow Projections

Cashflows Discounted at Bond

Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

| | Cashflows Discounted at Bond Coupon (% of Current Face) | | | Tranche Principal Losses | | | Collateral Principal Losses | | |
|--------------------|---|--------|----------------|--------------------------|--------|----------------|-----------------------------|--------|----------------|
| | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress |
| All Counterparties | 86 | 76 | 50 | 32 | 46 | 54 | 24 | 34 | 46 |
| Goldman Sachs | 83 | 73 | 50 | 17 | 59 | 67 | 30 | 16 | 51 |

Goldman Sachs Portfolio vs. All Portfolios

Sector

| | Exposure | Resi - Subprime | CMBS | Resi - Alt-A | Other Resi (Prime/Agency) | Inner CDOs | ABS (Student Loans, Auto Credit Cards) | Manuf Housing | Other |
|--------------------|------------|--------------------|------|-----------------|------------------------------|---------------|--|------------------|-------|
| All Counterparties | 66,899,540 | 36% | 18% | 17% | 17% | 10% | 1% | 0% | 1% |
| Goldman Sachs | 14,539,421 | 37% | 7% | 26% | 20% | 8% | 1% | 0% | 1% |

Rating

| | Exposure | Aaa | Aa1 | Aa2 | Aa3 | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | Below Baa3 | NR |
|--------------------|------------|-----|-----|-----|-----|----|----|----|------|------|------|---------------|----|
| All Counterparties | 66,899,540 | 36% | 5% | 9% | 4% | 3% | 6% | 6% | 5% | 5% | 2% | 18% | 1% |
| Goldman Sachs | 14,539,421 | 38% | 6% | 6% | 3% | 2% | 5% | 3% | 3% | 5% | 3% | 25% | 1% |

Vintage

| | Exposure | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Other |
|--------------------|------------|------|------|------|------|------|------|------|------|-------|
| All Counterparties | 66,899,540 | 0% | 2% | 4% | 13% | 38% | 23% | 11% | 2% | 1% |
| Goldman Sachs | 14,539,421 | 0% | 0% | 2% | 14% | 55% | 22% | 5% | 1% | 1% |



Deutsche Bank

Deutsche Bank Negotiations

Negotiating Position: Since AIG owns the funded portions of the reference CDOs, terminating Deutsche Bank's financing facility will involve little negotiation

- Deutsche is financing AIG's position in 2a7 deals, including Project Max (which comprises the vast majority of Deutsche's portfolio with AIG)
- AIG believes that there are no early termination penalties for ending the funding facility
- If it were not terminated, Deutsche Bank's financing would roll off 3 to 6 years in a staggered fashion (and AIG would fund the reference CDOs piecemeal over that period)

Concessions: Thus far, Deutsche has not been approached to unwind the facility because of the liquidity benefit that Deutsche has provided to AIG

- Because Deutsche's funding commitment to AIG consumes a large amount of firm capital, we believe Deutsche would be amenable to some concession on the sales
- Deutsche's financing facility has allowed AIG to delay completely funding the Project Max trade and other 2a7 deals (although AIG has posted ~\$2.8bn collateral to Deutsche)
- AIG would be the party to sell the reference CDOs into any structure, after providing to Deutsche the full notional balance (minus any collateral already posted) that Deutsche has funded

Access to the Assets: Based on anecdotal information, we believe that Deutsche is holding the reference CDOs

Deutsche Bank Portfolio Overview

Deutsche Bank is the third largest counterparty

- \$7.6 billion, representing 11% of total counterparty exposure
- Almost all of the exposure is comprised of the Project Max CDO, with is backed by AAA CMB5 / CRE

\$0.1 billion in additional collateral has been requested, but not posted as of 10/24

- Although Project Max is not expected to experience any principal losses, collateral posting is driven by CMBX spreads
- The difference between BlackRock's model price in the base case and extreme stress case reflect a higher discount rate applied to the base case cashflows associated vs. discounting at LIBOR for the extreme stress case

Deutsche's portfolio has virtually no forecast tranche principal losses in all cases

Deutsche Bank Portfolio vs. All Portfolios

Exposure

Implied CDO Bond Value Based On:

| | Exposure | Rank | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | BlackRock Intrinsic |
|--------------------|----------|------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------|------------------------------|---------------------|
| All Counterparties | 65,303 | | 17,454 | 30,254 | 34,396 | 49,445 | 36,646 | 32,504 | 33,029 |
| Deutsche | 7,533 | 3 | 621 | 2,823 | 2,910 | 7,017 | 4,815 | 4,728 | 4,318 |
| Percent of Total | 11.4% | 3 | 3.6% | 9.3% | 8.5% | 14.2% | 13.1% | 14.5% | 13.1% |

Prices

Implied Price

BlackRock Model Price

| | 9/16 Collateral Posted | 10/24 Collateral Posted | 10/24 Collateral Requested | IRR used to discount CFs | Base CFs Discounted for IRR | Extreme Stress: CFs Discounted at Bond Coupon |
|--------------------|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|---|
| All Counterparties | 74 | 55 | 49 | 16% | 49 | 63 |
| Deutsche | 92 | 63 | 62 | 15% | 57 | 96 |

Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

| | Cashflows Discounted at Bond Coupon (% of Current Face) | | | Tranche Principal Losses | | | Collateral Principal Losses | | |
|--------------------|---|--------|----------------|--------------------------|--------|----------------|-----------------------------|--------|----------------|
| | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress |
| All Counterparties | 86 | 76 | 61 | 32 | 40 | 54 | 24 | 34 | 40 |
| Deutsche | 100 | 100 | 93 | 0 | 1 | 1 | 1 | 1 | 6 |

Deutsche Bank Portfolio vs. All Portfolios

Sector

| | Exposure | Resi Subprime | CMBS | Resi A | Alt Other (Prime/Agency) | Resi CDOs | ABS (Student Loans, Auto Credit Cards) | Manuf Housing | Other |
|--------------------|------------|------------------|------|-----------|-----------------------------|--------------|--|------------------|-------|
| All Counterparties | 66,899,540 | 36% | 18% | 17% | 17% | 10% | 1% | 0% | 1% |
| Deutsche | 7,638,020 | 1% | 91% | 0% | 0% | 0% | 0% | 0% | 0% |

Rating

| | Exposure | Aaa | Aa1 | Aa2 | Aa3 | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | Below Baa3 | NR |
|--------------------|------------|-----|-----|-----|-----|----|----|----|------|------|------|---------------|----|
| All Counterparties | 66,899,540 | 36% | 5% | 9% | 4% | 3% | 6% | 6% | 5% | 5% | 7% | 18% | 1% |
| Deutsche | 7,638,020 | 98% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

Vintage

| | Exposure | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Other |
|--------------------|------------|------|------|------|------|------|------|------|------|-------|
| All Counterparties | 66,899,540 | 0% | 2% | 4% | 18% | 38% | 23% | 11% | 2% | 1% |
| Deutsche | 7,638,020 | 0% | 0% | 0% | 0% | 0% | 15% | 44% | 10% | 0% |

Merrill Lynch

Merrill Lynch Negotiations

Negotiating Position: Merrill Lynch feels that its inexpensive financing and collateral received from AIG limits any incentive to unwind trades at less than par

- Merrill has indicated that in some cases it has locked in inexpensive, long-term financing for the CDOs for which it has purchased protection from AIG. In other cases, Merrill's financing is short-term
- In discussions regarding sale of the reference CDOs, Merrill was not willing to extend financing under any terms to AIG

Concessions: Merrill has been unwilling to sell reference CDOs to AIG below par

- Like Societe Generale, Merrill will likely be resistant to deep concessions because they are satisfied with the current arrangement, but may be receptive to a small concession
- Merrill was not interested in tearing up any CDS with AIG and keeping the reference CDOs

Access to the Assets: Based on discussions with traders, Merrill owns many of the reference CDOs and finances them with third-party banks and conduits

Merrill Lynch Portfolio Overview

Merrill Lynch is the fourth largest counterparty

- \$6.4 billion, representing 10% of total counterparty exposure

There have been no additional collateral requests since 10/24

- Merrill requests collateral in line with its own marks (rather than third-party marks) on the positions
- BlackRock's projects the portfolio to perform worse than values implied by collateral requested

Merrill's portfolio is projected to experience higher tranche principal losses than the total portfolio under every scenario

The portfolio is heavily overweight subprime and inner CDOs

- 47% of the portfolio is concentrated in subprime RMBS (compared to 36% overall)
- 20% of the portfolio is comprised of inner CDOs (compared to 10% for the entire portfolio)
- 90% is concentrated in the 2004-2006 vintages (compared to 80% overall)

Only 19% of the portfolio is rated AAA (compared to 36%), while 25% is below Investment Grade (compared to 18% total)

Merrill Lynch Portfolio vs. All Portfolios

Exposure

Implied CDO Bond Value Based On:

| | Exposure | Rank | Collateral | | | Collateral | | | BlackRock Intrinsic |
|--------------------|----------|------|---------------|----------------|-------------------|---------------|----------------|-------------------|---------------------|
| | | | Posted (9/16) | Posted (10/24) | Requested (10/24) | Posted (9/16) | Posted (10/24) | Requested (10/24) | |
| All Counterparties | 56,900 | | 17,454 | 10,254 | 34,396 | 49,445 | 36,646 | 32,504 | 33,029 |
| Merrill Lynch | 6,377 | 4 | 1,975 | 3,135 | 3,135 | 4,401 | 3,241 | 3,241 | 2,963 |
| Percent of Total | 2.52% | 4 | 11.32% | 10.4% | 2.1% | 8.7% | 8.8% | 10.0% | 2.0% |

Prices

Implied Price

BlackRock Model Price

| | Implied Price | | | IRR used to discount CFs | BlackRock Model Price | |
|--------------------|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|--|
| | 9/16 Collateral Posted | 10/24 Collateral Posted | 10/24 Collateral Requested | | Base CFs Discounted for IRR | Extreme Stress CFs Discounted at Bond Coupon |
| All Counterparties | 71 | 55 | 49 | 16% | 47 | 63 |
| Merrill Lynch | 69 | 51 | 51 | 14% | 40 | 57 |

Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

| | Cashflows Discounted at Bond Coupon (% of Current Face) | | | Tranche Principal Losses | | | Collateral Principal Losses | | |
|--------------------|---|--------|----------------|--------------------------|--------|----------------|-----------------------------|--------|----------------|
| | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress |
| All Counterparties | 86 | 70 | 63 | 32 | 46 | 54 | 24 | 34 | 46 |
| Merrill Lynch | 86 | 72 | 57 | 43 | 63 | 71 | 35 | 46 | 59 |

Merrill Lynch Portfolio vs. All Portfolios

Sector

| | Exposure | Resi-Subprime | CMBS | Resi-/Alt A | Other Resi (Prime/Agency) | Inner CDOs | ABS (Student Loans, Auto, Credit Cards) | Manuf Housing | Other |
|--------------------|------------|---------------|------|-------------|---------------------------|------------|---|---------------|-------|
| All Counterparties | 66,899,540 | 36% | 18% | 17% | 17% | 10% | 1% | 0% | 1% |
| Merrill Lynch | 6,376,646 | 47% | 1% | 15% | 16% | 70% | 1% | 0% | 1% |

Rating

| | Exposure | Aaa | Aa1 | Aa2 | Aa3 | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | Below Baa3 | NR |
|--------------------|------------|-----|-----|-----|-----|----|----|----|------|------|------|------------|----|
| All Counterparties | 66,899,540 | 36% | 5% | 9% | 4% | 3% | 6% | 6% | 5% | 5% | 2% | 13% | 1% |
| Merrill Lynch | 6,376,646 | 19% | 7% | 12% | 4% | 3% | 7% | 4% | 5% | 8% | 4% | 25% | 1% |

Vintage

| | Exposure | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Other |
|--------------------|------------|------|------|------|------|------|------|------|------|-------|
| All Counterparties | 66,899,540 | 0% | 2% | 4% | 13% | 28% | 23% | 11% | 2% | 1% |
| Merrill Lynch | 6,376,646 | 1% | 1% | 5% | 30% | 40% | 10% | 7% | 1% | 1% |

Calyon

Calyon Negotiations

Negotiating Position: Calyon is highly dependent on AIG collateral posting because of the lower quality of collateral backing its portfolio, and has been aggressive with collateral requests

- Because of independent amounts (IAs) of collateral due to bond downgrades, Calyon's portfolio is well-collateralized by AIG
- Calyon has not been receptive to tearing up the CDS with AIG and retaining the credit risk of its CDO positions

Concessions: Calyon will likely be receptive to a small concession because its portfolio is comprised of CDOs backed by lower quality collateral, but would resist deep concessions because of its overcollateralized position (and because in some cases collateral posting already approaches par)

Access to the Assets: Based on anecdotal information, we believe Calyon owns the reference CDOs

Other Factors:

- For one transaction in the Calyon portfolio (Davis Square V), the bond's downgrade has resulted in AIG's posting of par (bond price = 25 and independent amount upon downgrade = 25, reducing the value to 0)
- AIG has disputed Calyon's collateral request for other transactions in the portfolio (those with marks from Goldman Sachs, since AIG does not give full credit to Goldman's marks for collateral posting purposes). In turn, Calyon will not send the Davis Square V cash CDO to AIG despite the fact that AIG has posted par

Calyon Portfolio Overview

Calyon is the fifth largest counterparty

- \$4.3 billion, representing 7% of total counterparty exposure

\$0.3 billion in additional collateral has been requested since 10/24

- Calyon is expected to request more collateral due to independent amounts as bonds have been downgraded
- BlackRock's projected values are significantly higher than Calyon's collateral requests, i.e., BlackRock expects the portfolio to perform better than values implied by collateral requests

Calyon's portfolio is forecast to experience higher tranche principal losses in all scenarios, and exhibits disproportionately worse performance in extreme stress scenarios

The portfolio is heavily overweight subprime and slightly overweight Alt-A

- 56% is subprime (compared to 36% overall)
- 19% is Alt-A, slightly higher than the total portfolio (17%)
- 53% of the portfolio is concentrated in the 2005 vintage (vs. 38% overall)

Only 22% of the portfolio is rated AAA (compared to 36%), and 16% is below Investment Grade (compared to 18% total)

Calyon Portfolio vs. All Portfolios

Exposure

Implied CDO Bond Value Based On:

| | Exposure | Rank | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | BlackRock Intrinsic |
|--------------------|----------|------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------|------------------------------|---------------------|
| All Counterparties | 65,300 | | 17,454 | 30,254 | 34,396 | 49,445 | 36,646 | 32,504 | 33,029 |
| Calyon | 4,327 | 5 | 1,231 | 2,289 | 2,604 | 3,096 | 2,038 | 1,723 | 1,953 |
| Percent of Total | 6.5% | 5 | 7.1% | 7.6% | 7.6% | 6.3% | 5.6% | 5.3% | 5.9% |

Prices

Implied Price

BlackRock Model Price

| | 9/16 Collateral Posted | 10/24 Collateral Posted | 10/24 Collateral Requested | IRR used to discount CFs | Base CFs Discounted for IRR | Extreme Stress CFs Discounted at Bond Coupon |
|--------------------|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|--|
| All Counterparties | 71 | 55 | 49 | 16% | 47 | 63 |
| Calyon | 72 | 47 | 40 | 17% | 45 | 51 |

Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

| | Cashflows Discounted at Bond Coupon (% of Current Face) | | | Tranche Principal Losses | | | Collateral Principal Losses | | |
|--------------------|---|--------|----------------|--------------------------|--------|----------------|-----------------------------|--------|----------------|
| | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress |
| All Counterparties | 26 | 76 | 63 | 32 | 40 | 54 | 24 | 34 | 40 |
| Calyon | 50 | 74 | 51 | 37 | 67 | 75 | 26 | 42 | 60 |

Calyon Portfolio vs. All Portfolios

Sector

| | Exposure | Resi - Subprime | CMBS | Resi - AL-A | Other Resi (Prime/Agency) | Inner CDOs | ABS (Student Loans, Auto, Credit Cards) | Manuf Housing | Other |
|--------------------|------------|--------------------|------|----------------|------------------------------|---------------|---|------------------|-------|
| All Counterparties | 66,899,540 | 36% | 18% | 17% | 17% | 10% | 1% | 0% | 1% |
| Calyon | 4,326,941 | 56% | 5% | 19% | 10% | 10% | 0% | 0% | 0% |

Rating

| | Exposure | Aaa | Aa1 | Aa2 | Aa3 | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | Below Baa3 | NR |
|--------------------|------------|-----|-----|-----|-----|----|-----|----|------|------|------|---------------|----|
| All Counterparties | 66,899,540 | 36% | 5% | 9% | 4% | 3% | 6% | 6% | 5% | 5% | 2% | 18% | 1% |
| Calyon | 4,326,941 | 22% | 3% | 19% | 11% | 4% | 11% | 5% | 3% | 4% | 2% | 16% | 1% |

Vintage

| | Exposure | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Other |
|--------------------|------------|------|------|------|------|------|------|------|------|-------|
| All Counterparties | 66,899,540 | 0% | 2% | 4% | 18% | 38% | 23% | 11% | 2% | 1% |
| Calyon | 4,326,941 | 0% | 0% | 3% | 10% | 53% | 16% | 5% | 1% | 2% |



UBS

UBS Negotiations

Negotiating Position: UBS has expressed strong interest in providing seller repo-financing to facilitate AIG's purchase of the CDOs in the UBS portfolio

- Although talks are now on hold, the preliminary term sheet contemplated that the difference between par and the collateral posted would be submitted by AIG to UBS in the form of highly rated CLO collateral, held by UBS with a 10% haircut for AAA-rated positions, and a 35% haircut for positions rated AA, A and BBB
- Much of the focus for the repo transaction centers on Triaxx, a CDO that is nearly half of the UBS portfolio (\$1.9bn out of \$4.2bn), backed by 92% AAA RMBS collateral (53% prime / agency), and is not projected to experience losses in the BlackRock stress case, and little loss in the extreme stress case (value of 95 in the extreme stress case when cash flows are discounted at the bond coupon)

Concessions: Because a significant portion of the UBS portfolio (Triaxx) is very high quality with little expectation of losses, UBS is likely to resist any deep concession

Access to the Assets: Based on negotiations with UBS, we believe that UBS has repo'd parts of the portfolio (Triaxx and Ischus), but has access to the reference CDOs

UBS Portfolio Overview

UBS is the sixth largest counterparty

- \$4.2 billion, representing 6% of total counterparty exposure

\$0.6 billion in additional collateral has been requested since 10/24

- BlackRock expects the portfolio to perform slightly worse than values implied by collateral requested to date

UBS's portfolio is projected to perform in line with the overall portfolio in each scenario

The portfolio is heavily overweight prime/agency and Alt-A RMBS, with a concentration in 2005 and 2006 vintages

- 30% in each Alt-A and prime/agency (compared to 17% each for the overall portfolio)
- The portfolio is overweight 2006 (35% vs. 23% overall) and underweight 2004 (12% vs. 18% overall)

While 45% of the portfolio is rated AAA (compared to 36%), 21% is below Investment Grade (compared to 18% total)

- AAA assets are found in the Triaxx CDO, while the other CDOs in the portfolio are of significantly lower quality

UBS

Exposure

Implied CDO Bond Value Based On

| | Exposure | Rank | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | Collateral Posted (9/16) | Collateral Posted (10/24) | Collateral Requested (10/24) | BlackRock Intrinsic |
|--------------------|----------|------|--------------------------|---------------------------|------------------------------|--------------------------|---------------------------|------------------------------|---------------------|
| All Counterparties | 66,500 | | 17,454 | 30,254 | 34,396 | 19,445 | 36,646 | 32,504 | 33,029 |
| UBS | 4,218 | 6 | 931 | 1,457 | 2,065 | 3,237 | 2,761 | 2,154 | 1,977 |
| Percent of Total | 6.3% | 6 | 5.3% | 4.8% | 6.0% | 5.6% | 7.5% | 6.6% | 6.0% |

Prices

Implied Price

BlackRock Model Price

| | 9/16 Collateral Posted | 10/24 Collateral Posted | 10/24 Collateral Requested | IRR used to discount CFs | Base CFs Discounted for IRR | Extreme Stress CFs Discounted at Bond Coupon |
|--------------------|------------------------|-------------------------|----------------------------|--------------------------|-----------------------------|--|
| All Counterparties | 74 | 55 | 49 | 16% | 49 | 63 |
| UBS | 78 | 65 | 51 | 17% | 47 | 62 |

Cashflow Projections

Cashflows Discounted at Bond Coupon (% of Current Face)

Tranche Principal Losses

Collateral Principal Losses

| | Cashflows Discounted at Bond Coupon (% of Current Face) | | | Tranche Principal Losses | | | Collateral Principal Losses | | |
|--------------------|---|--------|----------------|--------------------------|--------|----------------|-----------------------------|--------|----------------|
| | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress | Base | Stress | Extreme Stress |
| All Counterparties | 86 | 76 | 55 | 32 | 46 | 54 | 24 | 34 | 46 |
| UBS | 88 | 77 | 52 | 34 | 45 | 54 | 23 | 37 | 48 |

UBS

Sector

| | Exposure | Resi - Subprime | CMBS | Resi - A1-A | Other Resi (Prime/Agency) | Inner CDOs | ABS (Student Loans, Auto, Credit Cards) | Manuf Housing | Other |
|--------------------|------------|--------------------|------|----------------|------------------------------|---------------|---|------------------|-------|
| All Counterparties | 66,899,540 | 36% | 18% | 17% | 17% | 10% | 1% | 0% | 1% |
| UBS | 1,218,098 | 35% | 1% | 30% | 30% | 3% | 0% | 0% | 0% |

Rating

| | Exposure | Aaa | Aa1 | Aa2 | Aa3 | A1 | A2 | A3 | Baa1 | Baa2 | Baa3 | Below Baa3 | NR |
|--------------------|------------|-----|-----|-----|-----|----|----|----|------|------|------|---------------|----|
| All Counterparties | 66,899,540 | 36% | 5% | 9% | 4% | 3% | 6% | 6% | 5% | 5% | 2% | 18% | 1% |
| UBS | 1,218,098 | 45% | 4% | 5% | 2% | 3% | 5% | 2% | 3% | 7% | 2% | 21% | 1% |

Vintage

| | Exposure | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Other |
|--------------------|------------|------|------|------|------|------|------|------|------|-------|
| All Counterparties | 66,800,540 | 0% | 2% | 4% | 18% | 38% | 23% | 11% | 2% | 1% |
| UBS | 1,218,098 | 0% | 1% | 3% | 12% | 38% | 35% | 10% | 0% | 0% |

Appendices



Societe Generale Appendix

Societe Generale CSA Overview from Davis Polk

CSA Overview

| Entity | Structure | Ownership | Key Personnel | Key Transactions | Key Risks |
|--|--|--|--|---|---|
| <p>SG</p> <p>SG is a public company listed on the NYSE under the ticker symbol "SGL".</p> <p>SG is a holding company for various subsidiaries, including SG Americas, SG Europe, SG Asia, and SG Africa.</p> <p>SG is a member of the Societe Generale Group, which is controlled by the Societe Generale Group of Companies.</p> | <p>SG is a public company with a board of directors and a management team.</p> <p>SG is a holding company for various subsidiaries, including SG Americas, SG Europe, SG Asia, and SG Africa.</p> <p>SG is a member of the Societe Generale Group, which is controlled by the Societe Generale Group of Companies.</p> | <p>SG is owned by various institutional investors, including BlackRock, Vanguard, and State Street.</p> <p>SG is a member of the Societe Generale Group, which is controlled by the Societe Generale Group of Companies.</p> | <p>SG's key personnel include its CEO, CFO, and other senior executives.</p> <p>SG's key personnel are responsible for the overall management and operations of the company.</p> | <p>SG's key transactions include its acquisition of various subsidiaries and its divestiture of other businesses.</p> <p>SG's key transactions are subject to regulatory review and approval.</p> | <p>SG's key risks include market risk, credit risk, and operational risk.</p> <p>SG's key risks are managed through various risk management strategies.</p> |



Goldman Sachs Appendix

Goldman Sachs CSA Overview from Davis Polk

CSA Overview

| Client | Product | Structure | Key Features | Key Risks | Key Considerations |
|----------|-----------|-------------|----------------|-------------|----------------------|
| Client A | Product A | Structure A | Key Features A | Key Risks A | Key Considerations A |
| Client B | Product B | Structure B | Key Features B | Key Risks B | Key Considerations B |
| Client C | Product C | Structure C | Key Features C | Key Risks C | Key Considerations C |
| Client D | Product D | Structure D | Key Features D | Key Risks D | Key Considerations D |



Deutsche Bank Appendix



Merrill Lynch Appendix



Calyon Appendix

Calyon CSA Overview from Davis Polk

CSA Overview

| CSA Type | Party | Valuation Agent | Reference Instrument | Reference Instrument | Reference Instrument | Reference Instrument |
|-------------------------|---------|--|---|--|--|----------------------|
| Calypso Finance Funding | Calypso | Valuation Agent: The party making the demand under Paragraph 3 of the CSA. | The loan party in this facility, determined with the Valuation Agent's determination. AG-FF and Calypso agree that the determination as to the market value of the Reference Instrument shall be determined by a leading independent dealer selected by agreement between the parties with respect to Business Day and designated as the Independent Dealer, whose fees and expenses will be borne equally by both parties, and (ii) Calypso and AG-FF agree that the Independent Dealer, selected AG-FF shall make a bona fide independent determination of the market value of the Reference Instrument, which shall be deemed to be the Independent Dealer, and (iii) the loan party in this facility shall be bound by the determination of the Independent Dealer. | The amount determined on the basis of the lower of the amount set forth in the applicable market subject to the foregoing AG-FF shall be the Reference Instrument (See CSA). | AG-FF's netting or "close" BBSX Basis netting will be determined pursuant to Article 16(A)(2) of the ISDA Master Agreement. Calypso shall be responsible for the netting or "close" BBSX Basis netting, which shall be a smaller net amount. | |
| Calypso Funding (L) | Calypso | Valuation Agent: The party making the demand under Paragraph 3 of the CSA. | The loan party in this facility, determined with the Valuation Agent's determination. AG-FF and Calypso agree that the determination as to the market value of the Reference Instrument shall be determined by a leading independent dealer selected by agreement between the parties with respect to Business Day and designated as the Independent Dealer, whose fees and expenses will be borne equally by both parties, and (ii) Calypso and AG-FF agree that the Independent Dealer, selected AG-FF shall make a bona fide independent determination of the market value of the Reference Instrument, which shall be deemed to be the Independent Dealer, and (iii) the loan party in this facility shall be bound by the determination of the Independent Dealer. | The amount determined on the basis of the lower of the amount set forth in the applicable market (See CSA). | AG-FF's netting or "close" BBSX Basis netting will be determined pursuant to Article 16(A)(2) of the ISDA Master Agreement. Calypso shall be responsible for the netting or "close" BBSX Basis netting, which shall be a smaller net amount. | |



UBS Appendix

UBS CSA Overview from Davis Polk

CSA Overview

| <p>Product</p> <th data-bbox="499 472 613 854"> <p>ISDA</p> <th data-bbox="613 472 831 854"> <p>Product Name - The name of the instrument used in the ISDA search of the CSA.</p> <th data-bbox="831 472 1569 854"> <p>ISDA Search Results - The results of the ISDA search, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1569 472 1795 854"> <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1795 472 2452 854"> <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> </th></th></th></th></th> | <p>ISDA</p> <th data-bbox="613 472 831 854"> <p>Product Name - The name of the instrument used in the ISDA search of the CSA.</p> <th data-bbox="831 472 1569 854"> <p>ISDA Search Results - The results of the ISDA search, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1569 472 1795 854"> <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1795 472 2452 854"> <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> </th></th></th></th> | <p>Product Name - The name of the instrument used in the ISDA search of the CSA.</p> <th data-bbox="831 472 1569 854"> <p>ISDA Search Results - The results of the ISDA search, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1569 472 1795 854"> <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1795 472 2452 854"> <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> </th></th></th> | <p>ISDA Search Results - The results of the ISDA search, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1569 472 1795 854"> <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1795 472 2452 854"> <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> </th></th> | <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> <th data-bbox="1795 472 2452 854"> <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> </th> | <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> |
|---|--|--|--|---|---|
| <p>Single Currency Swap - WACC</p> | <p>ISDA</p> | <p>Product Name - The name of the instrument used in the ISDA search of the CSA.</p> | <p>ISDA Search Results - The results of the ISDA search, including the number of ISDAs found and the details of the ISDAs.</p> | <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> | <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> |
| <p>Single Currency Swap - WACC</p> | <p>ISDA</p> | <p>Product Name - The name of the instrument used in the ISDA search of the CSA.</p> | <p>ISDA Search Results - The results of the ISDA search, including the number of ISDAs found and the details of the ISDAs.</p> | <p>ISDA Search Summary - A summary of the ISDA search results, including the number of ISDAs found and the details of the ISDAs.</p> | <p>ISDA Search Details - Detailed information about the ISDAs, including the name of the counterparty, the date of the ISDA, and the terms of the ISDA.</p> |



Goldman Sachs