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)

- ~\$7bn 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 AlG are currently in dispute over existing events of default and credit events under transaction of the context 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 Z1% 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

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				Collateral			Collateral	
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All Counterparties	56,900	17.454	10.254	34.396	49.445	36.646	32,504	33.02
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Percent of Total	Z4 .5761	Z4,578	Z7.776	25 4%	Z4,5%	21.9%	20.4%	24 Z

Prices Implied by Collateral Posting vs. BlackRock Model Price

	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested	IRRused to	Base CFs Discounted for IRR	Extreme Stress (Fs Discounted at Bond Coupon
All Counterparties	/4	tb	49	16%	49	າຢ
Societa Generale	74	49	40	16%	وک	57

BlackRock Cashflow Projections

Cash flows Discounted at Bond

			Extreme			Extreme			Extreme
	Base	Stress	Stress	Base	Stress	Stress	Base	Stress	Stress
All Counterparties	ão	76	53	32	-6	54	24	34	46
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Societe Generale Portfolio vs. All Portfolios

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All Counterparties Societe Generale	66,899,540 16,398,762	36% 21%	5% 8%	9%	4% 6%	3% 6%	10%	5%	5% 3%	5% 5%	2%	18%	1%
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	Exposure	2001	2002	2003	2704	2005	2 00 \$	ZQQ7	Z0Q8	Other	
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Societe Cenerale	16,393,762	190	1%	49	28%	30%	19%	5%	290	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 CD5 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 ACPK POCK Goldman's requested collateral amount, therefore, is generally 12% higher than the agreed collateral posting at any @iNer5° 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 RMB5 (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

• 38% of assets rated AAA (compared to 36%), but 25% are below investment Grade (compared 18%).



Goldman Sachs Portfolio vs. All Portfolios

Exposure

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All Counterparties	65, 900		17,454	30,254	34.396	49,445	36,646	32,504	33,02
Goldinan sachs	14,539	2	6,050	1,834	9,139	8,489	6,/05	5,401.	6,42
Percent of Total	21.7%	2	34.7%	25.2%	26.0%	17.2%	18.32	16,528	12.50

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	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
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Cashflow Projections

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Goldman Sachs Portfolio vs. All Portfolios

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Rating

Goldman Sachs	14,539,421	38%	6%	68	3%	2%	5%	3%	3%	5∜	3%	25%	1%
All Counterparties	66,899,540	36%	5%	98	4%	3%	. 6%	6%	5%	5%	2%	18%	1%
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Vintage

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All Counterparties	66,899,540	0%	290	4%	18%	3 8 %	23%	1 196	290	1%	
Goldman Sachs	14,539,421	0%	0%	2%	11%	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 Za7 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

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All Counterparties	65.900		17.454	30.254	34, 396	49.445	36.646	32,504	33.029
De jitsche	7,533	3		2,823		7,417	4,815	4,728	4,318
Percent of Total	11.4%	3	3,68	9 3%	ō .57d	14.2%	13.12	14.5%	13.178

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	9/16 Collateral Posted	10/24 Collateral Posted	10/24 Collateral Requested	IRR used to discount CFs	Base CFs Discounted for IRR	Extreme Stres: CFs Discounted at Bond Coupon
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Deutsche	92	63	62	15%	57	99

Cashflow Projections

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Deutsche Bank Portfolio vs. All Portfolios

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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

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	Exposura	Rank	Collateral Posted (9/16)	Collateral Posted (10/24)	Cullateral Reguested (10/24)	Collateral Postod (9/16)	Collateral Posted (10/24)	Cullateral Requested (10/24)	BlackRock Intrinsic
All Counterparties	56,900]		17,454	10.254	34,396	49,445	36,646	32,504	33,02
Merrill Lynch	6,377	. 4	1,9/5	3,115	3,135		3,241	3,241	2,96
Percent of Total	2.5%	4	11,326	10.4%	2.18	8.7%	8.8%	10.0%	200

Prices

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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%	4)	63
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Cashflow Projections

Cash lows Discounted at Bond

			Extreme			Extreme			Extremo
	Base	Stress	Stress	Base	Stress	Stress	Base	Stress	Stress
All Counterparties	36	70	ć3	:2	46	54	24	34	46
Mamill Lynch	36	72	57	×3	63	71	33	46	59

Merrill Lynch Portfolio vs. All Portfolios

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All Counterparties	66,899,540	36%	18¥	17%	17%	10%	1%	0%	1%
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AllCounterparties	66,899,540	36%	5%	99,	4%	3%	6%	80	5%	5%	2%	18%	1%
Merrill Lynch	6,376,646	19%	7%	12%	4%	3%	N.	4%	5%	8%	4%	25%	1%
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	Exposure	2001	2002	2003	2004	2005	2005	2007	2003	Other
All Counterparties	66,899,540	0%	2%	4%	18%	38%	23%	11%	2%	1%
Merrillynch	6,376,646	1%	1%	5 %	30%	40%	10%	2%	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 disproportionally 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	Rank	Collateral Postod (9/16)	Collateral Posted (10/24)	Cultateral Requested (10/24)	Collateral Posted (9/16)	Collateral Postod (10/24)	Collaterat Requested (10/24)	BlackRock Intrinsie
All Counterparties	65, 900		17,454	30,254	34.396	49,445	36,646	32,504	33,029
Çalyçn	4,327	. 5	1,231	2,289	2,604	3,096	2,038	1,723	1,953
Percent of Fotal	6.5%	5	7.1%	7 6%	7.026	6.3%	5.6%	5.3%	5.928

 	 100	 	 	 	

	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	19	16%	17	63
Calyon	72	47	40	17%	45	51

Cashflow Pr	ojections	
Cashflows Discounted at Bond		
Coupon (% of Current face)	minanche/minicipat/bosses	conatera communicaciosses

	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress	Base	Stress	Extreme Stress
At Counterparties	65	76	63	32	40	54	24	34	40
Calyon ·	90	74	51	37	67	75	26	42	60

Calyon Portfolio vs. All Portfolios

Calyon	4,326,941	56%	5%	10%	10%	10%	0%	0%	0%
All Counterparties	66,899,540	36%	18%	17%	17%	10%	1%	0 %	1%
		Resi v Subprime	CMBS	税金513+ 高化+表	Other Resi (Prime/Agenty)	Inner) CDOs	Loxns Auto Credit Carda)	Alanuf Housing	Other
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All Counterparties	66,899,540	36%	5% 9%	**	3% 6%	6%	36 3%	12 10%	1%
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	Exposure	2001	2002	2003	2004	2005	2006	2007	20.08	Cthe
AllCounterparties	66,899,540	0 %	2%	476	18%	38%	23%	11%	2%	16
Ca bron	4,326,941	0%	0%	3%	10%	53¥	16%	5%	1%	21

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 RMB5 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'ed parts of the portfolio (Triaxx and Ischus), but has access to the reference CDOs

UBS Portfolio Overview

UBS is the sixth largest counterparty

• \$4.7 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

	Expocure	Rank	Collateral	Collateral	Collateral Requested	Collateral Posted (9/16)	Collateral Postod (10/24)	Collateral Requested (10/24)	Black Book Intrincie
All lounterparties	66,900		17.454	30.254	34.396	49,445	36,646	32.504	33,029
UBS	4,218	6	931	1,457	2,065	3,237		2,154	1,977
Partent of Tutal	6.3%	á	5 3%	4.5%	6.0%	5.6%	7,5%	0. <i>6%</i>	ć.O%

	9/16 Collateral Posted	10/24 Collateral Posted	19/24 Collateral Requested	IRR used to	Base CFs Discounted for IRR	Extreme Stress CFs Discounted at Bond Coupon
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L'B3	78	65	51	17%	47	(2

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UBS

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	UBS	1,218,098	15%	4%	5%	2%	3%	5%	2%	3 %	7%	2%	21%	1%
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	AUC curterparties	66,800,540	0%	29.	4%	1 B 9.	38%	23%	11%	2%	1 K
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Appendices

Societe Generale Appendix

Societe Generale CSA Overview from Davis Polk

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Goldman Sachs Appendix

Goldman Sachs CSA Overview from Davis Polk

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Merrill Lynch Appendix

Merrill Lynch CSA Overview from Davis Polk

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Calyon Appendix

Calyon CSA Overview from Davis Polk

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UBS Appendix

UBS CSA Overview from Davis Polk

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