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### Goldman Sachs - Valuation and Pricing Related to Initial Collateral Calls on Transactions with AIG

Goldman Sachs

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## **Valuation & Pricing Related to Initial Collateral Calls on Transactions with AIG**

Further to the information about pricing and valuation we provided to the FCIC on July 28, 2010 (see document entitled “Valuation and Pricing Related to Transactions with AIG” bearing production numbers GS MBS 0000039096-104), we are providing additional details about how we determined the marks that triggered our \$1.8 billion collateral call to AIG on July 27, 2007.

## **Unprecedented Market Deterioration Prompted the Necessity to Call for Collateral**

By way of background, in excess of 95% of the \$1.8 billion collateral call that we made to AIG on July 27, 2007 arose from transactions in which the firm had back-to-back CDO trades (*i.e.*, trades in which AIG sold protection to Goldman Sachs and Goldman Sachs sold credit protection to another counterparty referencing the same security). Prior to June 2007, the reference obligations for the transactions had experienced very little price volatility and were valued at close to par. As a result, minimal collateral was exchanged between AIG and GS prior to the July 27, 2007 call.

Throughout July 2007, the rating agencies downgraded hundreds of subprime RMBS and put hundreds more RMBS on watch for further downgrades. As described in our prior submission, relevant liquid ABX indices experienced unprecedented drops and new market lows were experienced. The combination of ratings downgrades and observed price declines forced market participants to reassess where mortgage inventory should be valued.

In addition, two prominent Bear Stearns Asset Management-sponsored hedge funds, which included subprime mortgage risk, collapsed during this period, following significant declines in the value of their assets and the funds’ inability to meet margin calls.

Documents released by the FCIC outlining taped conversations of AIG employees from July 11, 2007 (two weeks before our initial collateral call) reflect AIG’s acute awareness of this deterioration in the market. These documents show that AIG employees discussed the pressure that AIG was likely to face as a result of the downgrades, stating that they would “have to mark” their books, and further saying that “we’re [unintel] f---ed basically.” (Transcript of July 11, 2007 telephone conversation between Andrew Forster and Alan Frost (AIG-SEC1910855–62) at AIG-SEC1910860, *available at* <http://www.fcic.gov/hearings/pdfs/2010-0701-AIG-Goldman-supporting-docs.pdf> at p. 38.)

## **Goldman Sachs Used Actual Market Data to Determine Prices**

Late in July, we, and other dealers, observed the massive sell-off in the subprime RMBS and CDO markets. Accordingly, we focused on trying to value appropriately all of the transactions affected by the sell-off, including the back-to-back trades with AIG. As a first step, we looked to the relevant observable information that we had available and made initial estimates as to the prices for those transactions, recognizing that the AIG portfolio included thousands of underlying cusips.

A description of the analysis performed for the July 27, 2007 collateral call is outlined below:

- First, we categorized the AIG portfolio by relevant characteristics including CDO type, rating, vintage, and underwriter.
- We then aligned each CDO based upon collateral (high grade or mezzanine) and vintage (2006 versus 2007) to the relevant ABX or TABX index and measured the price decline in these liquid indices. We applied the price declines in the indices to the AIG portfolio.
- In an effort to obtain greater clarity, we engaged with various dealers, including those who had underwritten the CDO securities referenced in the AIG transactions, to get their views on pricing of super senior CDOs. We encountered two general views:
  1. Some underwriters still believed that super senior CDOs should be worth about par (*i.e.*, one hundred cents on the dollar). However, when we asked if they would take on additional risk by trading at those levels, they refused. We believed that these underwriters had large amounts of super senior CDOs in their own inventories and thus had incentives to maintain higher prices than the market genuinely reflected.
  2. Other underwriters were showing price declines and agreed that the super senior CDO market had deteriorated.

Documents released by the FCIC reflecting taped conversations of AIG employees from July 30, 2007 noted that an AIG employee stated that Goldman Sachs' prices were "ridiculous" but conceded that the value "could be anything from 80 to sort of, you know, 95." (Transcript of July 30, 2007 telephone conversation between Andrew Forster and John Liebergal (AIG-SEC1361798-852) at AIG-SEC1361817, *available at* <http://www.fcic.gov/hearings/pdfs/2010-0701-AIG-Goldman-supporting-docs.pdf> at p. 70 (hereinafter "7/30/07 Tr.")). The AIG employee also went on to say that he would not buy bonds at 90 cents on the dollar because "they could probably go low" and because it would require AIGFP to appropriately value its own books. (7/30/07 Tr. at AIG-SEC1361819-20.)

Those statements reflected the market at that time. The AIG employee stated, "we can't mark any of our positions, and obviously that's what saves us having this enormous mark to market. If we start buying the physical bonds back . . . then any accountant is going to turn around and say, well, John, you know, you traded at 90, you must be able to mark your bonds then." (7/30/07 Tr. at AIG-SEC1361820.)

After incorporating the significant price declines reflected in the relevant indices and the feedback received from various dealers, we arrived at a weighted average price of approximately 85 for the AIG portfolio, resulting in a call of \$1.8 billion.

### **Additional Detailed Analysis Supported Price Decline in CDO Market**

Following the initial \$1.8 billion collateral call to AIG on July 27, 2007, we continued to analyze the pricing of the firm's back-to-back transactions with AIG. Over this time, we were also able to incorporate the constantly evolving additional information from our market making activities, including

trades that we had executed, market activity we observed, price changes in comparable securities and derivatives and the current prices of relevant liquid ABX and TABX indices. In addition, we further analyzed the characteristics and market prices of the securities underlying the CDOs. These underlying collateral characteristics -- including asset type or sector, seasoning, credit enhancement, loan performance, etc. -- were especially helpful in establishing relative pricing and value across different CDO securities. This put us in a good position to further refine valuations.

As a result of this further analysis, we made a revised \$1.3 billion dollar collateral call to AIG on August 2, 2007 (four business days following the initial collateral call) representing a weighted average price of approximately 89 for the AIG portfolio (which was well within the range described by the AIG employee on July 30, 2007 (see 7/30/07 Tr. at AIG-SEC1361817)).

Substantially all of the difference between the amounts called on July 27 and August 2 related to the valuation of two of the larger securities underlying the AIG back-to-back transactions. Those transactions referenced CDOs that in turn were backed by collateral that was more similar to Alt-A and prime RMBS, which had not yet declined in value as much as subprime RMBS. Our initial analysis had mapped the underlying collateral on these two securities as sub-prime RMBS. The additional analysis otherwise provided further support for the other marks previously used in the July 27 call. Below are specific examples of actual market information which provided the context for our valuations:

- In the month of July 2007, we bought and sold approximately \$1.1 billion notional across 125 trades in the CDO and tranching ABX (TABX) market. In addition, the desk was asked to provide bids and offers on in excess of an additional \$1 billion of CDO securities and CDS on behalf of clients that we ultimately did not execute, given the differences in expectations between buyers and sellers of risk.
- Additionally, in July the ABX 06-1 AA index dropped 7 points from 100 to 93, and ABX 06-1 BBB index dropped 21 points from 86 to 65. At that time, these were unprecedented drops and new market lows.
- Although we did not execute a trade involving a super senior CDO in the AIG portfolio in July 2007, our pricing was informed by other data available in the market. There was clear evidence that the CDO market had weakened materially over the course of the month, with bid-offer spreads widening reflecting divergent views of value between buyers and sellers.
- Our pricing analysis also incorporated select CDO trade inquiries and requests for bids and offers and market color that we received from counterparties in July 2007, including:<sup>1</sup>

7/12 A \$90 million bid list of subordinated CDO triple-As and double-As from 2005-2007 vintage deals received little interest. We were the only dealer to bid on the entire list of

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<sup>1</sup> For simplicity, all references from the market color have been converted to cash nomenclature, *i.e.* buying CDS protection is presented here as selling cash bonds. Bid lists are clients asking dealers for bids on bonds and offer lists are clients asking dealers for offers of bonds.

securities. Our bid prices were between 30-45 cents on the dollar. The list, however, did not trade, presumably because the seller was looking for higher prices.

- 7/17 A \$50 million bid list of subordinate triple-As from 2006 and 2007 vintage deals received minimal interest. We were the only dealer to bid on the entire list of securities. Our bid prices were between 38 and 55 cents on the dollar. The list did not trade. The seller informed us that they were looking for prices in the 70 to 80 cent range to transact.
- 7/17 A \$70 million offer list for mezzanine tranches of 2005 and 2006 vintage CDOs. We sold two of the seven CDOs (Broadwick 2006-1 B and C), and were approximately three points higher in price on the other CDOs. The offer list traded at approximately 68 to 93 cents on the dollar.
- 7/18 We offered senior and subordinate triple-As off 2006 and 2007 high grade and mezzanine deals to two clients at prices between 75 and 90 cents on the dollar. Neither client purchased the bonds or provided a bid at a lower price.
- 7/19 A \$34 million bid list for mezzanine tranches from 2004-2006 mezzanine and high grade deals. We bid the securities between 10 and 30 cents on the dollar. Ultimately the list did not trade.
- 7/20 A \$38 million offer list for mezzanine tranches of ABS CDOs received strong interest and counterparties other than Goldman Sachs sold all of the securities, as our offer prices were too high. One line item was a 2005 vintage mezzanine CDO which traded below 65 cents on the dollar. Other names traded between approximately 29 and 65 cents on the dollar.
- 7/23 A \$90 million bid list for subordinated triple-As through single-As received levels only from us and ultimately did not trade. Our levels were between 20 and 42 cents on the dollar.
- 7/24 In conjunction with a \$142 million offer list, we sold \$5 million notional from the list (Porter Square 2A D, a 2004 vintage triple-BBB bond) at 42 cents on the dollar. The second best offer was 47 cents on the dollar. Other securities that we did not trade were priced well below par. For example, BGRS 2004-2A C1, another triple-B tranche from a 2004 mezzanine deal, was sold in the low 40s by another dealer. Finally, SIXAV 2006-1A C, a single-A from a 2006 high grade deal, was sold at less than 20 cents on the dollar by another dealer. Clearly, these trades established that towards the end of July, CDO risk across the vintage spectrum was trading at significant discounts to par value.
- 7/30 A \$167 million list looking for offers on 2005 and 2006 single-A and triple-B bonds received strong interest. We missed by 10-20 points on many line items as dealers sought to sell securities (*i.e.* our prices were higher). Approximately one quarter of the list traded. Of note, class C (single-A rated) and D (triple-B rated) bonds off of Altius 2 (a

CDO whose super senior tranche was included in the AIG portfolio) traded between 50 and 70 cents on the dollar, implying a significant discount to par. We priced the Altius 2 super senior tranche for AIG at approximately 92.5% on the August 2nd collateral call.

7/30 A \$174 million bid list of subordinated triple-As, double-As and single-As was sent to five dealers. We were the best bid on just under half of the notional. Of note, we were the second best bid on \$40mm ACABS 2006-AQA A2, a double-A rated 2006 mezzanine CDO, at 30 cents on the dollar.

- We used two securities, *VERT 2006-1A A3* and *DUKEF 2005-9A A3V*, as they appeared on dealer bid and offer lists over the month, to further underscore the price move over the month in CDO securities. (While these specific CDOs were not included in the AIG portfolio, they are most similar in underlying securities to South Coast Funding VIII Ltd., Sherwood Funding CDO II, Ltd., and Ischus CDO II Ltd., which were in the AIG portfolio.) The below chronology for this time period is based on our trade data and shows examples of other dealers being significantly more aggressive and interested in putting on shorts than we were.

*VERT 2006-1A A3*, rated A/A2/A in July 2007, mezzanine deal

7/13 GS offered \$5mm of the security at 80 cents on the dollar to a client, who indicated that another dealer had offered to sell at more than 5 cents cheaper.

7/24 GS offered \$10mm of the security at 55 cents on the dollar to a client, who indicated that our price was more than 15 cents higher than the dealer they purchased from.

7/30 GS offered \$5mm of the security at 48 cents on the dollar to a client; we were told we were not the lowest price, but did not receive more specific color on the level where the security traded.

*DUKEF 2005-9A A3V*, rated A/A2/A in July 2007, mezzanine deal

7/17 GS offered \$10mm of the security at 81 cents on the dollar to a client, who indicated that our price was too high by 2-3 cents.

7/24 GS offered \$5mm of the security at 74 cents on the dollar to a client, who indicated the second cheapest offer they received was in the low 60s.

From this market activity and feedback, we were able to make the following observations about the value of securities analogous to those referenced in the AIG transactions: (1) over the course of the month the prices for CDOs fell dramatically lower; (2) there was significant demand from other dealers to hedge or short these securities; and (3) CDOs traded at increasing discounts to par.

## **Incorporation of Fundamental Analysis Supported Our Marks**

In addition to the above market information, we conducted an analysis to review the collateral characteristics underlying each of the CDOs, including:

- Asset origination date (vintage)
- Percent of the underlying assets we currently had priced in inventory
- Expected loss on the portfolio which we had priced in inventory
- Current ratings, downgrades, and the weighted average rating of the portfolio
- Percentage delinquency
- Delinquency and credit enhancement
- Deal cumulative loss
- Sector breakdown (i.e. Subprime, Alt-A, CMBS)
- Structural features and performance triggers

This enabled us to get a sense of relative characteristics, underlying performance, and market expected loss for CDO transactions. Importantly, this analysis was a tool to supplement market information and prices, and not a model to produce a CDO valuation. The process was further refined throughout 2007 and 2008 to incorporate additional factors including our home price modeling and loss forecasts, our NAV analysis, and other information.

After incorporating all available information, including trades that we had executed, market activity we observed, price changes in comparable securities and derivatives and the current prices of relevant liquid ABX and TABX indices, we priced the AIG portfolio at a weighted average price of approximately 89, resulting in a collateral call for \$1.3 billion.

## **AIG's Reaction to the Call for Collateral**

AIG did not make its first sizable collateral payment to us until its payment of approximately \$450 million on August 10, 2007 -- two weeks after the \$1.8 billion initial collateral call and more than a week after the revised \$1.3 billion collateral call on August 2, 2007.

Although this payment was less than we thought we were owed, we continued to work to resolve the matter with AIG in a constructive way. For example, we sent our prices for each transaction to AIG every day. Contrary to standard industry practice for resolving derivative collateral disputes, AIG would not provide their individual marks during this period. We subsequently learned, as conceded by AIG executives during testimony before the FCIC on June 30 and July 1, 2010, that AIG did not have an internal pricing system to value the securities on which they sold protection until December 2007.

Perhaps because it lacked the ability to value these securities, AIG never supplied a single mark on any position in 2007 and, when they did finally provide marks in January 2008, they still marked many of the securities at par. (See Jan. 16, 2008 Email from Joseph Cassano to Michael Sherwood (AIG-FCIC00345900-06), attached hereto as Exhibit A.) Given market conditions, these marks were clearly not accurate.

In contrast, our prices were based upon the available market data. In our July 28, 2010 FCIC response regarding “Valuation and Pricing Related to Transactions with AIG” (bearing production number GS MBS 0000039096–104), we outlined the volume of trades that we executed as a market maker in CDO and CDO credit default swaps, RMBS and RMBS credit default swaps and ABX and TABX indices. This market activity provided a strong foundation for our marks. We did not abstain from trading because we were concerned that we would need to record a loss on positions that would need to be marked down to the actual trading levels. We were active in the market, including functioning as a market maker in these products and, as a result, could mark our books with the best market information available which allowed us to appropriately and responsibly manage our risk.

Furthermore, given the ratings for the super senior CDOs today, it is without question that many of these positions experienced fundamental deteriorations in value. The fair value prices that we attributed to these transactions throughout the crisis accurately reflected the then-prevailing risk premiums and assumptions that willing buyers and sellers would place on the underlying cash securities.

Finally, our valuations on the AIG transactions were consistent with the valuations that we used to post collateral to our counterparties on the “back-to-back” transactions for which we had purchased protection from AIG and were also consistent with marks for other similar positions that we held as a firm.



# Exhibit A

**From:** Cassano, Joseph  
**Sent:** 01/16/2008 11:58:49 AM  
**To:** 'Sherwood, Michael S'; 'Viniar, David'  
**Subject:** CDO Valuations  
**Attachments:** AIG\_CollateralDispute\_Rec(4).xls; GSI Dispute (COB 2007\_12\_06).doc

Dear Michael and David,

I'm following up on my e-mail to you from just before Christmas, after you provided your super senior CDO pricing information. As I said we would, we have now spent more time reviewing the data you provided and analyzing it along side the data we've collected. Our initial observation, which I shared with you in December, stands: we believe that your current exposure calculations are too high. I attach a spreadsheet that compares exposure calculations on a trade-by-trade basis. For some transactions, our calculations and yours are actually quite close; however, for most we remain apart, as we do when the exposures are considered in the aggregate.

As I indicated in December, we continue to believe that the third party super senior CDO prices that you provided are, on average, about 7% higher (as a percentage of current face value) than Goldman Sachs' own prices for the CDOs and that your collateral exposure calculation would drop significantly if it were based on third party prices where they are provided and Goldman's where they are not.

In addition, third party prices should be adjusted to take into account the fact that 3 of them are bid prices and 1 of them is an offered price. Based on information that you have provided in the past regarding a uniform bid-offer spread of 10% for almost all super senior CDO prices (which is the adjustment you make to the super senior CDO values you imply from your collateral NAV and leakage calculations), we added 5% to the bid prices and subtracted 5% from the offered price. With these adjustments, we calculate that the third party prices across all the transactions in question are, on average (weighted using the current face of each deal), 7.42% higher than Goldman's prices.

We also continue to believe that a further reduction is appropriate based on two additional adjustments:

- where no third party prices are provided, your prices should be increased uniformly by 7.42% (as a percentage of the current face value); and
- all prices should be increased by a further 5%, reflecting our belief that the 10% bid-offer spread noted above is itself questionable (which we highlighted during a mid-December conference call with your team).

As the attached spreadsheet indicates, our own valuation work also demonstrates that your exposure calculations are too high.

In light of all of this, our collateral group has made a further call today for return of collateral. I attach a copy here for your reference.

Please have your team contact Andrew Forster in our London office as soon as possible so that the two teams can schedule a meeting to review these matters.

Sincerely,

Joe Cassano

BBG Name	CUSIP	Notional	Factor
ALTS 2005-2A A1	02149WAA5	1,277,900,000	0.8901
ICM 2005-2A A1A	46426RAA7	213,750,000	1.0000
ICM 2005-2A A1B	46426RAB5	50,000,000	1.0000
WESTC 2006-1A A1A	952186AA2	1,187,950,000	1.0000
WESTC 2006-1A A1B	952186AB0	1,187,850,000	1.0000
RIVER 2005-1A A1	768277AA3	149,750,000	1.0000
MRCY 2004-1A A1NV	58936RAB3	299,800,000	0.6329
RESF 2004-1A A1NV	76112CAB4	374,800,000	0.8311
JPTR 2005-3A A1NV	48206AAG3	1,299,500,000	0.9473
BROD 2005-1A A1NA	112021AB6	354,500,000	0.9673
BROD 2005-1A A1B1	112021AC4	485,000,000	0.9673
ORPT 2005-1A A1VF	68619MAL5	647,250,000	1.0000
ORPT 2005-1A A1VB	68619MAQ4	649,750,000	1.0000
KLROS 2006-2A A1NV	498588AC6	869,500,000	0.9738
INDE5 5A A1	45343PAA3	200,000,000	0.5943
DUNHL 2004-1A A1NV	26545QAQ2	327,000,000	0.7614
GLCR 2004-2A A1NV	37638VAA1	324,900,000	0.625
HUNTN 2005-1A A1A	446279AA9	406,500,000	1.0000
SCF 7A A1AN	83743YAS2	773,500,000	0.8549
SCF 8A A1NV	83743LAC5	344,500,000	0.9508
LEXN 2005-1A A1AN	52902TAC0	199,500,000	0.9291
ORCHD 2005-2A A1	68571UAA7	113,750,000	0.8930
SATV 2005-1A A1	80410RAA4	267,750,000	0.6775
TRIAX 2006-2A A1B2	896008AC3	1,499,850,000	1.0000
TRIAX 2006-2A A1B1	896008AB5	1,499,850,000	1.0000
DUKEF 2004-7A 1A2	264403AJ5	129,650,000	1.0000
SHERW 2005-2A A1	82437XAA6	322,250,000	1.0000
MKP 3X A1	G6177YAA0	140,000,000	0.2040

\*Number(s) in *blue* indicate that 3rd party values are bid side

\*Number(s) in *green* indicate that 3rd party values are offer side

GSI and AIG FP reserve all rights and nothing in this communication or otherwise shall constitute a waiver of any under the Transactions' documents or applicable law, including, without limitation, the right to call for the delivery to exercise any contractual or other remedies, including the dispute resolution provisions available to the parties Agents. The failure of either party to make a daily written or oral demand for the delivery or return of Eligible Credit of such right or an agreement that no amount is owed. Moreover, the failure of either party to dispute (whether or return of Eligible Credit Support shall not be construed as an agreement that it agrees with such demand or the E or otherwise be construed as a waiver of any right or remedy.

The 3rd party levels are included for information purposes only.

Current Face	GS		AIG
	Nov 30 Mid	3rd Pty Mid	Nov 30 Mid

1,137,454,066	77.500	75.000	100.000
213,750,000	65.000	83.000	87.200
50,000,000	65.000	83.000	87.200
1,187,950,000	62.500	n/a	92.700
1,187,850,000	60.000	n/a	92.700
149,750,000	70.000	83.952	99.700
189,728,583	90.000	92.000	100.000
311,502,565	85.000	80.000	100.000
1,230,981,125	75.000	80.000	88.300
342,893,842	67.500	88.000	86.500
469,121,335	67.500	88.000	86.500
647,250,000	60.000	77.000	74.400
649,750,000	60.000	77.000	74.400
846,747,051	82.500	84.000	89.000
118,856,933	67.500	78.000	92.100
248,961,574	80.000	79.000	98.300
202,966,635	85.000	80.000	100.000
406,500,000	80.000	78.000	100.000
661,284,114	65.000	75.000	76.700
327,564,448	55.000	50.000	63.800
185,363,149	60.000	73.000	82.300
101,577,994	65.000	n/a	97.600
181,389,174	80.000	n/a	100.000
1,499,850,000	90.000	n/a	100.000
1,499,850,000	90.000	n/a	100.000
129,650,000	70.000	75.000	91.600
322,250,000	60.000	70.000	90.400
28,557,088	93.750	n/a	100.000

if any rights or remedies available to either party  
 ivery or return of Eligible Credit Support or the right  
 ties upon a failure to agree as joint Calculation  
 e Credit Support shall not be construed as a waiver  
 er orally or in writing) a demand for the delivery or  
 the Exposure calculation supporting such demand

DATE: January 16, 2008

TO: Goldman Sachs International  
 Cross-Product Collateral Management  
 Facsimile: 44-207-774-2816  
 Email: cpcm@gs.com

FROM: AIG Financial Products Corp.

SUBJECT: ISDA Master Agreement, dated as of 19 August 2003 (the "Master Agreement"), between AIG Financial Products Corp. ("AIG-FP") and Goldman Sachs International ("GSI"), including the Credit Support Annex thereto, dated as of 19 August 2003

Reference is made to the Master Agreement and the Transactions entered thereunder. Undefined capitalized terms shall have their respective meanings set forth in the Master Agreement.

As joint Calculation Agent for the Transactions specified in Annex 1, AIG-FP has determined the market values, as of November 30, 2007, of the Reference Obligations in respect of such Transactions for purposes of calculating the Exposure of GSI to AIG-FP, as of such date, with respect to those Transactions (the "Specified CDS Exposure"). Annex 1 sets out AIG-FP's calculation of the Specified CDS Exposure as of November 30, 2007, which equals USD 889,507,020.

On December 3, 2007, GSI notified AIG-FP that its calculation of the Exposure in respect of "Credit Derivatives" and "FI Swaps – Interest Rate Swaps" (the latter of which relates to a credit derivative transaction despite this categorization), as of November 30, 2007, was USD 3,444,712,156, almost all of which was represented by its calculation of the Specified CDS Exposure as of such date. Based on the determinations and calculations described above, AIG-FP disputes GSI's calculation of the Specified CDS Exposure.

Based on AIG-FP's calculation of the Specified CDS Exposure as of November 30, 2007, and taking into account Exposures in respect of other Transactions under the Master Agreement as of January 15, 2008, as set out below, AIG-FP hereby demands transfer by GSI to AIGFP of cash in the amount of the Return Amount set out below (adjusted by an amount to be agreed in respect of Exposure in respect of credit derivative transactions not taken into account in AIG-FP's calculation of the Specified CDS Exposure).

Exposure	USD
Specified CDS Exposure	889,507,020
Equity	65,257,074
Interest Rate/Foreign Exchange	9,802,585
<hr/> Total Exposure	<hr/> 964,566,679
Threshold	75,000,000
<hr/> Credit Support Amount	<hr/> 889,566,679
Credit Support Balance (cash)	2,000,000,000
<hr/> <b>Return Amount (rounded downward to 10,000)</b>	<hr/> <b>1,110,430,000</b>

AIG-FP reserves all rights to dispute GSI's calculation of Exposure under the Master Agreement, and this notice shall not constitute a waiver by of the rights or remedies available to AIG-FP under the Master Agreement, any Transaction Confirmation or the Credit Support Annex or applicable law, including, without limitation, the right to call for the delivery or return of Eligible Credit Support or the right to otherwise exercise the dispute resolution provisions available to the parties upon a failure to agree as joint Calculation Agents.

AIG FINANCIAL PRODUCTS CORP.

Deal	Calculated Reference Obligation Price (if applicable)	Actual Notional	AIG-FP Calculated Exposure
Mercury CDO 2004-1, Ltd. (A-1NV)	NR	200,994,743	
Reservoir Funding Ltd. (A-1NV)	NR	315,681,873	
Jupiter High-Grade CDO III, Ltd. (A-1NV)	92.06%	1,253,495,357	94,785,547
Altius II Funding, Ltd. (A-1)	NR	1,153,336,443	
Broderick CDO 1 Ltd. (A-1NVA)	NR	345,420,648	32,574,915
Broderick CDO 1 Ltd. (A-1NVB)	NR	472,578,320	44,566,527
Orient Point CDO, Ltd. (A-1NVA) Delayed	76.65%	647,250,000	139,806,000
Orient Point CDO, Ltd. (A-1NVB)	76.65%	649,750,000	140,346,000
Kleros Preferred Funding II, Ltd. (A-1NV)	NR	859,602,990	59,272,294
West Coast Funding I, Ltd. (A-1a)	91.68%	1,187,950,000	39,202,350
West Coast Funding I, Ltd. (A-1b)	91.68%	1,187,850,000	39,199,050
Triaxx Prime CDO, Ltd. 2006-2A (A-1B1)	NR	1,499,850,000	
Triaxx Prime CDO, Ltd. 2006-2A (A-1B2)	NR	1,499,850,000	
Dunhill ABS CDO, Ltd. (A-1NV)	NR	271,101,327	
Huntington CDO, Ltd. (A-1A NV)	NR	406,500,000	
River North CDO Ltd. (A-1)	NR	149,750,000	
Orchid Structured Finance CDO II, Ltd. (A-1)	NR	104,094,972	
Saturn Ventures 2005-1, Ltd. (A-1)	NR	196,736,964	
South Coast Funding VII Ltd. (A-1ANV)	NR	684,086,415	127,627,834
Ischus CDO II Ltd. (A-1A)	NR	213,750,000	18,810,000
Ischus CDO II Ltd. (A-1B Delayed)	NR	50,000,000	4,400,000
Sherwood Funding CDO II, Ltd. (A-1)	NR	322,250,000	18,046,000
South Coast Funding VIII Ltd. (A-1NV)	NR	335,104,984	105,475,752
Glacier Funding CDO II Ltd. (A-1-NV)	NR	224,900,549	
Lexington Capital Funding, Ltd. (A-1ANV)	82.47%	189,951,776	25,394,751
Coolidge Funding Ltd. (A-1)	NR	222,352,342	
ABACUS 2006-NS1 <sup>1</sup>			
ABACUS 2007-18 <sup>1</sup>			
			<b>889,507,020</b>

1 There is no Exposure for ABACUS 2006-NS1 and ABACUS 2007-18, as Exposure for each of these transactions is conditioned on the Reference Obligation having been downgraded by either S&P or Moody's.