8-1-2007

AIG Email from Andrew Forster to Alan Frost regarding Goldman Sachs

Alan Frost

Andrew Forster

From: Forster, Andrew
Sent: 08/16/2007 01:19:44 PM
To: Frost, Alan
Subject: Re: Goldman

I have heard several rumours now that gs is aggressively marking down asset types that they don't own so as to cause maximnum pain to their competitors. It may be rubbish but its the sort of thing gs would do.

-----Original Message-----
From: Frost, Alan
To: Forster, Andrew
Sent: Thu Aug 16 14:42:48 2007
Subject: RE: Goldman

The idea wasn't exactly to leave it for a few weeks, but that was probably going to be the result. The $450mm was to get everyone to chill out, but we were to start thinking about how to deal with this on a more permanent basis. I wasn't really expecting to resolve anything, but starting the dialog was somewhat important. Remember, I'm a marketing guy, so I have but no choice to manage the relationship.

The good news is that, in the absence of any color (or colour) on the Joe/Woody conversation, there's no point in trying to agree on a plan, until we can confirm it from Joe. I made it unambiguously clear that I was not going to disturb him on his holiday for this, so that puts us into the week that we all get back to check in. On the assumption that he did not agree to anything in particular (or doesn't think he did), we should be thinking of how we are going to deal with this, because, trust me, this is not the last margin call that we are going to debate.

I'm sure that you are seeing the news. Not pretty. As I write this Countrywide got knocked from A3 to Baa3. You probably saw that they seemed to stem the CAD CP thing for now. Separately, Davilman told me that he heard that some accounts in Asia have started to see some marks from Merrill on CDO's that are starting to look more like where GS would mark them. Not necessarily on the kind of bonds that we have, but the marks might be starting to come out of the wood work. We should obviously stay as on top of this as we can, as even under out docs, we might start to see some more significant margins call. I've posted Jonny.

I hope at least the weather is nice down there.

-----Original Message-----
From: Forster, Andrew
Sent: Wednesday, August 15, 2007 3:35 AM
To: Frost, Alan
Subject: Re: Goldman

I have no colour on the woody conversation but I assume joe went with the let's follow the docs.

I thought the whole idea was to leave it for a few weeks unless markets changed a lot

-----Original Message-----
From: Frost, Alan
To: Forster, Andrew
Sent: Wed Aug 15 02:46:14 2007
Subject: Goldman

Hey -

I hope you are having a reasonable holiday. No doubt being interupted too much. Sorry.

I was down at Goldman yesterday. I was in the city, and I thought since we got the money out on Friday, it would show good faith to meet and at least start the dialog. It was fine. Everybody wants this to go away, but the primary focus is to think if we can establish a better way of dealing with it if we need to again.

They are primarily focused ona way of establishing value. There's one point that is really unclear point to me. These guys seemed to think that when Joe and Woody finished their call, they agreed that we would get value from the market by obtaining bids and offers on 10mm of bonds. This is the impression that they got from Woody, said that he was fine with it, and they seem to think he now expects them to get this done. If Joe agreed to this and wants us to do it this way, obviously we can. It will save a lot of brain damage if the decision has already made for us. However, I'm not sure that we won't be better off if we simply went to the market with our confirm language, AS IS. We run the risk that the market inteprets it more long the lines of the way that Goldman thinks than the way we think. Also by being silent on the size, its possible it hurts us. But I think we are better off taking the chance rather than introducing the concept of "actionable bid/ask", even with the size clarified. I don't think this is Goldman's preference, but I haven't put anything on the table yet. But, I think the idea would be that we would prepare the language, details and dealers that we would reach out to if we had to get revaluations. A stipulation would be that we would agree to accept what we get and not require 5 results. The point is that we need to prepare a process for if and when this comes up again.

I'm not really asking you to sign off on anything here, but these guys (not just my guys, but senior guys including Woody) were not to happy about the notion of zero progress until labor day. (One of the reasons I went in for a face to face). So if you could give it some thought and revert back to me with some feedback, much appreciated. Also if you have any color to clarify the Woody/Joe agreement, if there was one, I would like to know.

Still here helping Jon prepare the 2a7 liqudity commentary for Moodys. FUN STUFF.

Alan