Name: Forster

Date: 7/11/07

Time: 17:15:24 (5:37pm)

Desk: 38
MAN: Hi.

ANDREW: Hey.

MAN: How are you doing?

ANDREW: I'm alright. You?

MAN: [OVERLAPPING] Yeah, so, so how was the big birthday party?

ANDREW: Uh, yeah, it was good actually, yeah.

MAN: How old?

ANDREW: He was four yesterday.

MAN: Oh. Yeah.

ANDREW: [OVERLAPPING] It was actually four on Sunday. His birthday party yesterday.

MAN: That's a big one.

ANDREW: Oh yeah. [LAUGHS] Exactly.

MAN: Um, I've got to tell a funny story and I got a couple a couple of things for you.

Um, I was away this weekend with my buddies on my annual golf trip. This year we went to, uh, [PINEHURST ?], in, uh, Scotland.

ANDREW: Right.

MAN: And we're driving back to the airport and we always play, we're, you know... we know each other very, very, very well. Put it that way. And, uh, we always play these funny games. My friend [ALAN?] [LAST NAME?] was with me and another buddy. And he came up with this
game where he had to say words that we had to
guess how you would say them, you know, if you
were in England.

ANDREW: Right. [LAUGHS]
MAN: You know, [LAUGHS] cause my friend
Alan happens to be very... He's got a good ear for,
for, for linguistics and he like, he can pick up
all kinds of... like how you'd say garage instead
of garage, things like...

ANDREW: Right.
MAN: That's like a kind of hokey one.
Anyway, every time he'd say a word one of my
first ways of trying to figure out how it might
be pronounced, pronounced is I tried to imagine
if you were saying it to me. For some reason you
were my go-to mental, uh, image for the audible
[UNINTEL]

ANDREW: [OVERLAPPING] [LAUGHS] I see, I
was thi-, you were thinking about me.

MAN: Exactly. And, uh, maybe... I can't
remember some of the words he picked. Um, uh, um,
oh instead of saying specialty I guess in the UK,
you say speciality. Is that right? Is that, is
that... that's one?

ANDREW: Speciality, yes, speciality,
yeah.

MAN: Right. So it, it was a game like
that. We were driving the car from Pinehurst to
the airport, about an hour's drive. And that
would be a typical game that we would come up
with. So, anyway, it's been on my mind.

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Speaking of which, how, uh, how is everything?

ANDREW: It's, uh, you know, alright.

[LAUGHS]

MAN: I mean what's going on like sort of... what have you been thinking about or focused on or... and how [UNINTEL]

ANDREW: [OVERLAPPING] What are we focusing on? I'm focusing on CDAS and subprime.

MAN: Yeah obviously.

ANDREW: Nothing else. And spending most of my time answering questions of [ENTERGY ?] guys, AIG, you know, Sullivan, [MCLEAN ?], Lewis, all the rest of it.

MAN: Right.

ANDREW: Every fucking one, you know.

Every rating agency we've spoken to. You know, every time they come out with more downgrades we have to go and get that and then analyze all the exposures we've got in the rest of it. So, you know, fairly time consuming. So...

MAN: Um, and how... apart from the fact that it's totally distracting and totally not directionally the right way we want to go, how... so are you [THOROUGHLY ?] concerned or you just sort of... more [UNINTEL]

ANDREW: [OVERLAPPING] Ah, you know, if you'd asked me, um, uh, probably about a month ago I was like, you know, suicidal sid. I mean I guess it's, uh... the actual stuff that's coming up [UNINTEL] actually is, is slightly better than...
you know, it kind of [CEMENT ?], you know, the, the hope was always that it's going to be 2006 stuff and 2005 collateral will be, uh, you know, will perform much better.

MAN: Yeah.

ANDREW: And the rating agency stuff I guess is slightly, you know, confirming that.

MAN: Yup, yup.

ANDREW: I guess so it helps from that point of view in terms of sort of ultimate loss.

The problem that we're going to face is that we're going to have just enormous downgrades on the stuff that we've got.

MAN: Right.

ANDREW: So, you know, you know, we sort of sit there with a 60 billion CDO book and, you know, now we're sort sitting and saying, yeh, yeah, it's [SUPER SENIOR ?], it's super senior, you know. It isn't going to be too much longer before we're saying, yeah, okay, alright, we've got, you know, 20 billion of single A risk now. And that's going to happen. There's no doubt about it.

MAN: [OVERLAPPING] [UNKINTEL] You think it's down that far, single A?

ANDREW: Yeah, oh yeah. But this is just going to go from triple A... I mean it's immediately just going to go triple A, double A, single A. And it's just -

MAN: Yeah.

ANDREW: You know, you've got triple Bs
downgraded to triple Cs, you know, a lot of the
triple Bs are going to go down to single B. It's
going to get very, um, very, very ugly for the
next [UNINTEL].

MAN: They're, um... Is there concern that
there's... that, that that event could cause us
[HAVE TO MARK ?]?

ANDREW: You know, all of this stuff
doesn't help because, you know, all, all the
accounts are sitting there and they read the
papers that say, you know, marks down here and
people are trying to hide marks and the rest of
it. so they, you know, there's lots of questions
from them as to why [UNINTEL], you know.

Everyone tells me that it's trading and
it's two points lower and all the rest of it and
how come you can't mark your book. So it's
definitely going to give it renewed focus.

MAN: Right.

ANDREW: I mean we can't... we have to
mark it. It's, it's, uh, we're [UNINTEL] fucked
basically.

MAN: Yeah, no, clearly it's pretty big,
uh, one to have to mark.

ANDREW: Yeah.

MAN: But, uh, I mean the que-, I mean...
I get a fairly, a fairly good argument to be made
is if it was hard to mark when it was sup-, super
senior, it doesn't mean it's any easier to mark
just because there's... it's not super senior
anymore.

ANDREW: Yeah, you know, we thought we'd
try to... we obviously we're trying to... I mean I, I
think it's [UNINTEL]
MAN: [OVERLAPPING] In some ways
especially I, I would argue it's harder to mark
now. Cause now you have different opinions on
what's [UNINTEL] quality. When it's super senior,
when [UNINTEL] agrees it's super senior the -
ANDREW: The problem is there's more of
market now. That people are actually, you know...
Before -

MAN: Yeah.

ANDREW: You know, if you think about it
before... [BACKGROUND VOICE] Oh hold on. Yeah.
[BACKGROUND VOICE]
[END OF TAPE]
that employee's ability. The media from which we worked was provided to us. We can make no statement as to its authenticity.

Attested to by:

Patrick Weaver