

Name: Forster

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Desk: 38

1 1236
2 MAN: Hi.
3 ANDREW: Hey.
4 MAN: How are you doing?
5 ANDREW: I'm alright. You?
6 MAN: [OVERLAPPING] Yeah, so, so how was
7 the big birthday party?
8 ANDREW: Uh, yeah, it was good actually,
9 yeah.
10 MAN: How old?
11 ANDREW: He was four yesterday.
12 MAN: Oh. Yeah.
13 ANDREW: [OVERLAPPING] It was actually
14 four on Sunday. His birthday party yesterday.
15 MAN: That's a big one.
16 ANDREW: Oh yeah. [LAUGHS] Exactly.
17 MAN: Um, I've got to tell a funny story
18 and I got a couple a couple of things for you.
19 Um, I was away this weekend with my buddies on my
20 annual golf trip. This year we went to, uh,
21 [PINEHURST ?], in, uh, Scotland.
22 ANDREW: Right.
23 MAN: And we're driving back to the
24 airport and we always play, we're, you know... we
25 know each other very, very, very well. Put it

1 that way. And, uh, we always play these funny
2 games. My friend [ALAN ?] [LAST NAME ?] was with
3 me and another buddy. And he came up with this

4 game where he had to say words that we had to
5 guess how you would say them, you know, if you
6 were in England.

7 ANDREW: Right. [LAUGHS]

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

13 ANDREW: Right.

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

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

23 MAN: Exactly. And, uh, maybe... I can't
24 remember some of the words he picked. Um, uh, um,
25 oh instead of saying specialty I guess in the UK,

3

1 you say speciality. Is that right? Is that, is
2 that... that's one?

3 ANDREW: speciality, yes, speciality,
4 yeah.

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

10 Speaking of which, how, uh, how is
11 everything?
12 ANDREW: It's, uh, you know, alright.
13 [LAUGHS]
14 MAN: I mean what's going on like sort
15 of... what have you been thinking about or focused
16 on or... and how [UNINTEL]
17 ANDREW: [OVERLAPPING] what are we
18 focusing on? I'm focusing on CDAs and subprime.
19 MAN: Yeah obviously.
20 ANDREW: Nothing else. And spending most
21 of my time answering questions of [ENERGY ?]
22 guys, AIG, you know, Sullivan, [MCDEAN ?], Lewis,
23 all the rest of it.
24 MAN: Right.
25 ANDREW: Every fucking one, you know.

4

1 Every rating agency we've spoken to. You know,
2 every time they come out with more downgrades we
3 have to go and get that and then analyze all the
4 exposures we've got in the rest of it. So, you
5 know, fairly time consuming. So...
6 MAN: Um, and how... Apart from the fact
7 that it's totally distracting and totally not
8 directionally the right way we want to go, how...
9 so are you [THOROUGHLY ?] concerned or you just
10 sort of... more [UNINTEL]
11 ANDREW: [OVERLAPPING] Ah, you know, if
12 you'd asked me, um, uh, probably about a month
13 ago I was like, you know, suicidal sid. I mean I
14 guess it's, uh... the actual stuff that's coming up
15 [UNINTEL] actually is, is slightly better than...

16 you know, it kind of [CEMENT ?], you know, the,
17 the hope was always that it's going to be 2006
18 stuff and 2005 collateral will be, uh, you know,
19 will perform much better.

20 MAN: Yeah.

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

23 MAN: Yup, yup.

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

5

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

4 MAN: Right.

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

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

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

20 MAN: Yeah.

21 ANDREW: You know, you've got triple Bs

22 downgraded to triple Cs, you know, a lot of the
23 triple Bs are going to go down to single B. It's
24 going to get very, um, very, very ugly for the
25 next [UNINTEL].

6

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

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

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

15 MAN: Right.

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

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

21 ANDREW: Yeah.

22 MAN: But, uh, I mean the que-, I mean...
23 I get a fairly, a fairly good argument to be made
24 is if it was hard to mark when it was sup-, super
25 senior, it doesn't mean it's any easier to mark

7

1 just because there's... it's not super senior
2 anymore.

3 ANDREW: Yeah, you know, we thought we'd
4 try to... we obviously we're trying to... I mean I, I
5 think it's [UNINTEL]

6 MAN: [OVERLAPPING] In some ways
7 especially I, I would argue it's harder to mark
8 now. Cause now you have different opinions on
9 what's [UNINTEL] quality. when it's super senior,
10 when [UNINTEL] agrees it's super senior the -

11 ANDREW: The problem is there's more of
12 market now. That people are actually, you know...
13 before -

14 MAN: Yeah.

15 ANDREW: You know, if you think about it
16 before... [BACKGROUND VOICE] Oh hold on. Yeah.

17 [BACKGROUND VOICE]

18 [END OF TAPE]

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Page 6

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