
From: Simpson, Michael
Sent: Wednesday, April 23, 2008 6:06 PM
To: Simpson, Michael; Lehman, David A.; Schwartz, Harvey; Mullen, Donald; Sparks, Daniel L; Gmelich, Justin; Swenson, Michael; Riggs, Tom; Harrop, Thomas; Davilman, Andrew

Cc: Viniar, David; Smith, Sarah; Lee, Brian-J (FI Controllers)
Subject: RE: Fyi - aig

AIG has agreed to send us an additional \$962M tomorrow which will bring their collateral balance to \$4.737B. We get to this number by removing the Hout Bay transaction (\$318M) from the \$6.807B cited below. We then multiplied the \$6.489B by 73% (% our 3rd party analysis supported). They agreed to continue to work to a resolution on the Hout Bay confirm issue. We agreed to revisit everything on a monthly basis or immediately if the market moves materially. It is fair to say that they would be happy if we didn't call them for awhile.

Regards,
Mike

From: Simpson, Michael
Sent: Monday, April 21, 2008 3:20 PM
To: Lehman, David A.; Schwartz, Harvey; Mullen, Donald; Sparks, Daniel L; Gmelich, Justin
Cc: Swenson, Michael
Subject: RE: Fyi - aig

Our discussion went reasonably well. They asked a number of questions and listened more than on any of the prior calls. When we explained that we were willing to trade in the context our marks they made it very clear that they don't want anymore of this type risk. Bill Dooley appeared to be very interested in resolving this matter.

We proposed a compromise that would have averaged our number of \$6.8B (excluded 2 abacus trades and 3 trades in GSCM which they have in the money trades in other product lines) and their \$3.8B. In order to bring their collateral balance to \$5.3, they would post \$1.5B. AIG was hoping the compromise would be closer to \$4.5B and \$0.7B respectively. They were having a hard time reconciling the difference between GS marks and 3rd party marks. We went through with them that many 3rd party marks are indicative and may not reflect actionable levels. They agreed to go back to a few of the 3rd party mark providers to see if they were

willing to trade in the context of the levels they had provided to AIG.
We agreed to have another discussion Wednesday morning.

For now we think we could live with \$5.0B, which would require
them to post \$1.2B.

Thanks,
Mike