
From: Cassano, Joseph
Sent: Friday, March 07, 2008 9:39 AM
To: 'Robert.Lewis@AIG.com'; Dooley, William
Cc: Forster, Andrew; Micottis, Pierre
Subject: Re:

Hi Bob

I am flying back to the states but andy pierre and bill are around to discuss.

Joe

Sent from
Joe Cassano
Banque AIG London Branch

-----Original Message-----

From: Lewis, Robert (AIG Enterprise Risk Mgmt) <Robert.Lewis@AIG.com>
To: Cassano, Joseph; Dooley, William
Sent: Fri Mar 07 13:18:23 2008
Subject: Re:

I'll call you around 10 nyt to discuss. I have spoken with Steve and have his concurrence along the lines of your recommendation.
Bob

----- Original Message -----

From: Cassano, Joseph
To: Dooley, William; Bensinger, Steven
Cc: Sullivan, Martin @ NY; Habayeb, Elias; Lewis, Robert (AIG Enterprise Risk Mgmt); Kelly, Anastasia; Micottis, Pierre; Forster, Andrew; Bridgwater, James; Shirley, William
Sent: Fri Mar 07 07:06:22 2008
Subject:

Goldman Collateral call update :

Mike Sherwood from Goldman Sachs called me this morning, Mike was recently appointed Vice Chairman along with his continuing responsibilities of GS's securities business. He wanted to give me a heads up on the collateral call and inform me that David Viniar and Lloyd Blankfien would probably be calling Steve Bensinger and Martin Sullivan respectively to inform them of the collateral call.

After exchange pleasantries about my situation about Bill Dooley's new role and my wanting to introduce Bill and Mike in the near future we got to the meat of the discussion. (Bill Dooley was not on the call but he was in the room with me and heard my side of the conversation)

Mike said that Goldman calculates the margin call to be \$6.6 billion (of which we have pledged \$ 2 billion already) . Mike also informed me that they have pricing from dealers ,the initial underwriters of the transaction , for approximately 60% of the portfolio. When they extrapolate from dealer prices they come to a collateral call of approximately \$ 5 billion. Mike continued that while the difference is not negligible it is clear that the proper amount for the margin call is not the \$ 2billion we have pledged to date.

I informed Mike that once again even with the very conservative pricing and valuations we have used as evident by our recent disclosures of mark downs of our super senior book we are no where near their pricing . I told him we are strongly considering going to a dealer poll to confirm the values as per the contracts. We have been discussing this for a long time and I think the only way to settle this issue is to get dealer quotes. I added

that I would be surprised if we received enough quotes to fulfill the dealer poll requirement. Mike replied that he did not think a dealer poll was a good idea" it would not serve either of our interest" and it would be "embarrassing" if we brought the market into our disagreement. I reiterated to Mike that I was advising the company that it was the dealer poll right way to go.

Mike then asked what we thought the mark on the positions was . I informed him that we saw the value as half of their call somewhere around \$3.2 billion. As always I

stressed that it was an estimate and we were still running our numbers, and this was just a preliminary view of our end of February value. He quickly seized on the number and asked does that mean you would be willing to pledge an additional \$1.2 to \$1.5 and be finished with this for the time being. I said I can not commit to that I need to get other folks involved ;I can not commit to anything of this magnitude without discussing with others.

I encouraged him to have David and Lloyd call Steve and Martin I explained they were both fully apprised of the situation. I told him I was going to post the team at AIG on our discussion .

We ended the call amicably.

It seems clear to me that Goldman does not want to go to dealer polls . My guess is, if we offer them an additional \$1.250 billion they will balk but eventually accept .If we offer them \$1.5 they will whinge but go along . They may hold out for a bit more but I doubt more than \$1.750 billion. My recommendation is that it would serve us well to go back to them and offer to pledge an additional \$1.25 billion very soon and request that they not make further calls for another 90 days from the end of Feb.

Please let me know how you wish to proceed.

Joe