

# Conf Call AIG

9/15/08  
10:15pm

- TG
- Don Kahn
- Ken Wilson
- Neal Kashkari
- Kevin Walsh
- Tony Ryan
- Pat Parkinson
- Dan Jester
- Jeremiah Norton

- bankruptcy  
↳ ins or out? Cons status protect?  
↳ RECs unwind?  
- solvency: time?  
- merger partners?

Dan Jester: ~~MS~~ MS picture  
Context

sign disruption CP mkt  
conduit mkt  
↳ requiring call on backlines at banks

liquidity  
# 80b needed  
by year end  
value of equities  
# 50b

stable value guarantee fidelity + others  
HOI(K) → 10% mkt share

derivatives: # 80b position  
on MBS (needs unwind)  
+ significant long exposures

unlike Lehman, failure of AIG might  
cause failure of other institutions  
↳ some counterparties  
exposed in \$ 60b range (don't know net)

Assume highly consequential

Terry  
212  
720-6740

- ① try to help
- ② let it fail + limit consequences  
↳ protect policyholders; settle derivatives <sup>in custody</sup> <sub>with</sub>  
apportion losses among s/h + debt holders

~~What will happen?~~  
- even if fix AIG, what do we do next  
to reassure mkt

②

- powers we would want

- Treas + Fed determine for systemic reasons

then

- 1) buy any stock ← preferred, any common, debt
- 2) resolution authority ← assets approval
- ↳ conservatorship / receivership

Can we buy time for AIG to get unwound

- Can a 13(3) loan be made to AIG w/ less collateral than loan amt?

- need legislation to take Fed out  
↳ fiscal responsibility

Contain the damage  
Tony Ryan

what will we do w/ AIG  
Jester Norton

longer term  
legis strategy  
↳ RFC model  
Scott Neal  
Cherki

↳ bad asset model

- is greater supervision needed?
- different resolution authority?

↳ what is collateral effect on other financial institutions?

leg approach

- better resolution architecture
- asset purchase scheme (check)

AIG

- good bk / bad bk
- lift out bad assets: Fed provide financing?  
↳ get legis?  
↳ warrants / stock to Treasury