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Scott G. Alvarez Handwritten Notes Regarding Bd Mtg (9/16/2008)

Scott G. Alvarez

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9/16/08

BB, DK,
KW, RK,
BD

Bd Mtg

TG. AIG

- with proper management would be able
to realize positive net value
in sale of company over time

- derivatives complicated
banks around world have direct
exposure in large units
to AIG -- none

- default probabilities would rise
on all financials

- funds may be able to track

- substantial likelihood increase
risk in fin system

Proposal

- sizeable loan to AIG
against all co assets
↳ change management

- Treas support

- scale of facility around \$85b

- Conservatorship model not workable here
↳ instead think exit bank

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- lend against entity assets
w/ conditions
not using GSE type conservatism

- AIG on verge today of bankruptcy decision
↳ through maybe averted

- NY reps + Treas talking w/ AIG

- what is exposure

- what conditions

- how can this be done: 5/4 approval?

spoke to Dinallo

↳ ^{might} ~~can~~ protect insurance policy holder
but not other counterparties

- market may look better, but likely overnight
+ morning worse

↳ Lehman resolution calving us
works through

- concern abt others? how far does
this spread? other ins co? auto ins? GEcap?

- conditions need to be primitive

- coming in senior position
might need 5/4 vote

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- is AIG solvent?
 - ↳ believe so
 - ↳ isn't that key to difference
- btwn L + AIG?
 - ↳ how explain difference?

↳ much time btwn Mark & now
for folks to prepare

↳ nature of institution + speed
of failure

^{conditions}
- ~~actions~~ reactions outside US at least
as severe as here
and much AIG exposure

- work on details
- talk to Paulson
- ^{make} ~~get~~ Congressional contacts

be prepared to Act

DK: think as ~~allowing~~ orderly wind down
↳ penalty rate

↳ prohibit dividends

Work on Treas letter
↳ get stronger letter

↳ consult w/ Cong

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