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9-16-2008

### Scott G. Alvarez Handwritten Notes Regarding AIG (9/16/2008)

Scott G. Alvarez

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9/16/08

HP: constructive conversation w/ Pelosi  
+ Boehner

- either AIG goes down  
or Fed helps

KB: terms?

↳ Jester: still working out management changes  
- CEO resign + assist <sup>class</sup>  
in transition

- workout bid of dir over time

- value of common

- senior notes will be  
subordinated b/c  
1<sup>st</sup> lien on everything  
will be given to Fed  
↳ CP will be senior in effect

term 24 months

- legal? under 13(b) yes  
- secured to satisfaction, yes, the risk of loss  
↳ Treas will support

- Jester: don't believe need approval of  
senior debtholders

creditor  
permission  
needed  
?

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- will need approval of ALG s/h  
- economic incentive  
↳ increase fees  
to encourage s/h approval

- clear risk of avoidance of systemic problems  
↳ reasonably high probability,  
tho not certain

- ALG: under stress  
↳ needs \$14b to  
get flow today  
↳ best to announce  
whole deal today

HP: don't want to disrupt 401(k)s, IRAs etc

TG: legal with yes  
economic security, reasonable, not free from  
get ALG approval, believe so loss  
reduce risk, believe so, but risk still

↳ Q: inverse of run on  
money market funds  
↳ + break the buck  
↳ be on edge right now  
& this might push further  
- explored everything including insolvency

3

- TG: close call, but could do

↳ money mkt issue thru CP  
& other funding

HP & Tester: AIG has provided  
its credit to enhanced  
value funds

↳ if rating drops,  
those institutions relying on  
this could lose value

↳ Fidelity

↳ 10% mkt share, \$40b

TG: case against

↳ lots of risk w/ not be reasoning  
given risk

↳ take on same management  
risk

So some higher degree  
of failure than BS

↳ other risks: political,

BB: terms explained

↳ through R w/ primitive terms  
& senior to all

HP: best alternative of bad lot

↳ support & willing to explain  
w/ BB to Pres & Cong

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④

- give term sheet to ALG counsel

- management change suggestion  
done orally + involve Treasury

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