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9-13-2008

### FRBNY Email Voigts and Mosser re AIG Board Call

Catherine Voigts

Patricia (Trish) Mosser

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**From:** [Catherine Voigts](#)  
**To:** [Christopher Calabria](#)  
**Subject:** Fw: AIG/Board call  
**Date:** 09/13/2008 01:51 PM

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The electronic version

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Sent from my BlackBerry  
917-208-0504  
▼ [Patricia Mosser](#)

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

**From:** Patricia Mosser  
**Sent:** 09/13/2008 12:54 PM EDT  
**To:** Alejandro LaTorre/NY/FRS@FRS@NY; Richard Charlton; Tobias Adrian; Jim Mahoney; Catherine Voigts; Adam Ashcraft; Michael Schetzel; Terrence Checki; William Rutledge/NY/FRS@FRS@NY; Brian Peters; Christine Cumming; Meg McConnell; Warren Hrung; Hayley Boesky; Chris Burke; Richard Dzina; William Walsh  
**Cc:** Brian Madigan; Scott Alvarez  
**Subject:** AIG/Board call

Summary of 11 am call between AIG and BOG:

Attendees from AIG: CEO, CFO, Vice Chm, JPMC bankers (lead: Doug Bronski)

Attendees from Board staff: Brian Madigan, Scott Alvarez  
FRBNY: Trish Mosser, Rich Charlton

AIG's view of worst case liquidity shortfall over the next 2-3 months is \$35-40 billion. (FRBNY view is that this is not worst case, but base case.)

Medium term plan is to sell approximate \$40 billion of high quality assets, largely life insurance subsidiaries in the US and abroad to raise capital/cash needed to fill the hole. Such a sale of assets would amount to AIG selling approximately 35 to 40% of the company.

Such asset sales will take considerable amount of time (6-12 months) and so they require bridge financing (their term) for that period, and are interested in tapping Fed lending facilities for that bridge financing. They have not apparently approached any private financial institutions about providing such bridge financing, presumably because they feel they would be turned down.

As a part of their "bridge financing" proposal, they have approached or are approaching NYSID and Pennsylvania insurance commissioner about upstreaming high quality assets from regulated insurance subs to the parent company to pledge as collateral. These assets are largely muni securities. They could sell these assets, but feel that selling such a large quantity in short period of time would disrupt the muni market, and so proposed to borrow against them (from us) in the short term so that they can be sold off slowly. Again, they do not appear to have explored the possibility of borrowing against these assets from the private sector. (In exchange for these muni assets, AIG parent would give the insurance subs equity holdings in property and casualty subs.) NYSID will be arriving at AIG to work with them on site later

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today, but we did not get a sense of whether they would allow for this kind of upstreaming or not. What concerns us is the extent to which this scheme might depend on the Fed's participation. We did not get a good read on that.

Given the urgency of the situation (likely downgrade on Monday), AIG would publicly announce both the intended sales and financing from the Fed immediately if permission is granted. We noted that 13-3 borrowing from the Fed would send a negative signal to the market --- But AIG believe that using their CP backup lines from banks would actually be a more negative signal than borrowing from us. Obviously that's not our experience or our view. (AIG believes that they can make the point that because of the value in the insurance companies, this is truly a liquidity problem overall, not a solvency one.)

Finally, they are talking to several private equity and SWF investors about equity infusion this weekend, but did not seem particularly optimistic on that front.

Scott finished the call telling them they should not be particularly optimistic, given the hurtles and history of 13-3 lending.