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Subject: AIG Equity Call
Attach: AIG Equity Issues.doc

We'd like to have a call to walk through the issues we have identified regarding USG ownership of AIG equity. The issues for discussion are listed on the attached agenda.

We'd like to have this call as soon as possible -- would everyone be available at 11:45 or 12? Please email me back your availability and we'll set the time.

We can use this call in line:

Call in (202) 927-2255
Passcode 545102

Thanks.

<<AIG Equity Issues.doc>>

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AIG Equity Considerations

1. Qualified Financial & Other Contracts

- Does a change in control trigger any QFC provisions/events of default? If yes, what are the consequences in the market?
 - CDS between 3rd parties where AIG is a “reference entity”
 - AIG CDS
 - AIG Debt
 - Derivative contracts
 - Lines of credit?
 - Other?

2. Thrift/Banking Considerations

- What are the implications of the Treasury Dept. or FRBNY owning a controlling interest in a Thrift holding company?
 - How will OTS regulate? Can Treasury have a voice regarding the Thrift considering the statutory wall prohibiting Treasury from “intervening in any matter or proceeding before the OTS?”
 - Will there be a competitive advantage or disadvantage due to government ownership?
 - What operational issues will need to be addressed by the government as shareholder?
 - Are there any FDIC or OCC issues to consider?

3. Regulatory Approvals

- What regulatory approvals will need to be obtained for the change of control to be completed?
 - Federal – OTS, FTC?
 - State – 50 state insurance regulators?
 - International insurance regulators (EU, others)?
 - Who will be responsible for obtaining approval – AIG?
 - Other countries’ “CFIUS” approvals based on AIG ownership of foreign entities.

4. Operational Issues

- What operational decisions will need to be made by the USG as shareholder?
- What conflicts may arise with USG ownership?

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- E.g. what dealings with foreign governments will now be imputed to USG (e.g. Indian govt insurance policies, managing foreign employees)?
- What holdings does AIG hold in foreign governments that will now vest in the USG (e.g. Taiwan debt holdings) Are there any limits on what investments USG can hold, or hold an interest in?
- Will there be a competitive advantage or disadvantage due to government ownership?
- What will be the USG role as shareholder in any liquidation activity, and how will those decisions be made?

5. Securities Laws

- Are there any filings or regulatory issues that would fall to the USG as shareholder, rather than to AIG?

6. Tax Issues

- Section 382 considerations and potential rule issuance
- Others?

7. Federal Budget

- Will a controlling interest in AIG force AIG to come “on balance sheet”? What are the budget implications? Does it matter whether Treasury or FRBNY holds the interest?

8. Federal Law

- Does the Government Corporation Control Act (31 USC 9102) prohibit USG ownership of AIG?
- Does the Treasury Gift Acceptance Authority 31 USC 321(d)(1) authorize Treasury to accept the equity as consideration under the FRBNY deal?
- Does the Treasury Disposition Authority (31 USC 324) authorize Treasury to dispose of/liquidate any equity held by Treasury?

9. Policy Issues

- What other agencies would be affected by USG ownership? State? SEC?
- What firewalls would need to be erected to protect USG interests and Treasury or FRBNY employees?

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- Does USG control create a hybrid situation similar to the GSEs?
- What are the implications of USG control if there is another major insurance event (e.g. hurricanes, earthquakes)?
- How does control over mortgage insurance business affect the USG approach to the housing crisis?

10. Implementation Options

- Which entity (Treasury or FRBNY) needs to hold the equity?
- Warrants v. Preferred?
- Limitations on voting rights?
- Blind Trust?
- Financial Agent to administer?