

From: "huebner, marshall s." <marshall.huebner@dpw.com>
Sent: Wed Sep 17 2008 17:24:44 EDT
To: <thomas.baxter@ny.frb.org>;
Subject: Re: AIG Credit Agreement

Tom: we have a variety of alternatives to address the regulatory ownership issues. I have asked Ethan James (DPW expert) to reach out to you to set up the right call with the right people to discuss. The real issues are for the businesspeople to resolve - ie, the tradeoffs regarding the full panoply of ownership rights and the regulatory issues.

From: Thomas.Baxter@ny.frb.org
To: Huebner, Marshall S.
Sent: Wed Sep 17 16:31:23 2008
Subject: AIG Credit Agreement

Marshall,

Just so you know, I told Dan that I must approve the Credit Agreement before we send it to AIG. Of course, our review here at the Fed will be accelerated. The sooner you can get it to us, the better. On another related point, the Treasury is now focused on the myriad legal issues arising from the equity participation. Consequently, I have been asked to reconsider my position that the Federal Reserve Bank of New York, which technically is not a part of the United States Government, may hold the participation. Of course, control is the key issue. We cannot have control. Someone at Davis Polk might want to think through (a) warrants that are exercisable upon sale, and (b) holding shares in a voting trust, where the trustee votes with management. I find it somewhat ironic that the Federal Reserve has required foreign government-owned banks that acquired control of U.S. banks without obtaining our approval for the change in control to use the voting trust to resolve the violation. In any event, we look forward to reviewing your draft. All the best, Tom.

Thomas C. Baxter, Jr.
General Counsel and Executive Vice President
Federal Reserve Bank of New York