

Name: Forster

Date: 7/30/07

Time: 12:09:31 (12:09pm)

Desk: 38

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1437

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[PHONE DIALING; PHONE RINGS]

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JOHN: AIG.

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ANDREW FORSTER: Hey John. Someone in

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there.

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JOHN: Someone's in there?

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ANDREW FORSTER: Yeah, they're doing,

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uh, compliance or something, and they've got

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AIG's compliance people in for the next couple of

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days.

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JOHN: Keep them the fuck out.

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ANDREW FORSTER: Yeah.

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JOHN: All righty. I'm ... we can just

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do it here.

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ANDREW FORSTER: Let's do it here.

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JOHN: All righty. So, uh, let's

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[UNINTEL].

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ANDREW FORSTER: Well I guess the ...

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the topics to cover, I guess, is the sort of ...

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how much Jared's got on ... on repo, and how much

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is rolling off. How much we've already got out

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there, and what the sort of timeline of it looks

23

like.

24

JOHN: So Jared has gotten off another,

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uh, around, uh, 800 today.

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ANDREW FORSTER: Already?

COMBINE.txt

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JOHN: Yeah.

ANDREW FORSTER: Excellent.

JOHN: Of which about half is ABS, which is pretty good. ABS markets are pretty sane.

ANDREW FORSTER: That's very good. And how long is he repo'ing it for?

JOHN: A month.

ANDREW FORSTER: All right. Yeah, the only problem is, everyone ... because everyone's trying to avoid, I mean, on the CP so everyone's trying to avoid a month because they'll ... no one wants to do it in August given it's sort of bank holiday weekend at the end of the year, end of the month, and ... [OVERLAPPING]

JOHN: [OVERLAPPING] [UNINTEL]

ANDREW FORSTER: [OVERLAPPING] Can he do ... can he do longer or not?

JOHN: Uh, it's hard right now. No.

ANDREW FORSTER: Right.

JOHN: I don't think he can do longer.

ANDREW FORSTER: Okay.

JOHN: Hopefully this thing has, you know, hopefully someone says ... if this thing has lasted a month, then there's bigger issues,

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right?

ANDREW FORSTER: Yep.

JOHN: I mean, I can understand the ... at some point in time someone in the US government has to make a statement either calling

Page 387

COMBINE.txt

6 these fucking banks up who were involved in these
7 originations and saying you'd better get some
8 liquidity back in the market because you're going
9 to be getting sued anyway for, uh, for predatory
10 lending ...

11 ANDREW FORSTER: Right. [LAUGHS]

12 JOHN: And you'd better start pumping it
13 in now because you're going to be owning this one
14 way or the other, and you'd probably want to own
15 it on the keeps. You know, and the other thing
16 is, at some point someone should ... and then the
17 other thing is that, they've got to say that the
18 '05 in earlier vintages where loans were real ...

19 ANDREW FORSTER: Right.

20 JOHN: ... they've got to also tell him,
21 you'd better start making some liquidity, you'd
22 better start making some refinancing for those
23 things.

24 ANDREW FORSTER: Yeah, no, well that's
25 ... [OVERLAPPING]

4

1 JOHN: [OVERLAPPING] To [ease up?] the
2 market.

3 ANDREW FORSTER: Yeah.

4 JOHN: Because that will make a huge ...
5 those things would snap right back.

6 ANDREW FORSTER: Yeah, yeah, everyone
7 [UNINTEL] well actually that's one thing, right,
8 because that's all coming up for the roll mass,
9 eh?

Page 388

COMBINE.txt

10 JOHN: Say that again?
11 ANDREW FORSTER: That's, a lot of that's
12 coming up, the '05 stuff is all coming up for
13 roll, sort of, you know, in that September time.
14 JOHN: Yeah, and ... [OVERLAPPING]
15 ANDREW FORSTER: [OVERLAPPING] So it'd
16 be [UNINTEL] [OVERLAPPING]
17 JOHN: [OVERLAPPING] And someone ...
18 they'd better say someone ... and that stuff
19 should be relative good borrowers and good, you
20 know, decent LTV's, right?
21 ANDREW FORSTER: Yeah, should be by
22 now, yeah, it should be, so, anyway ...
23 JOHN: So, uh, but ...
24 ANDREW FORSTER: But he's done, he's
25 done another 800 today. He did what, 2.3 on

5

1 Friday.
2 JOHN: He did 1.5, uh, one point ... he
3 did 2.3 but some of that was rolls, right?
4 ANDREW FORSTER: Oh, okay.
5 JOHN: So, uh, it was like ...
6 ANDREW FORSTER: One and a half was new,
7 was it?
8 JOHN: This was like one, uh ... what am
9 I missing here? why do I only have 800? uh, 200
10 .. 600 ... for the 30th ... uh ... uh, so what
11 ... what day is ... yeah. I'll have to double
12 check. But he had about, yeah, about one and, uh
13 ... I think he had, uh, about 1.4 of new.

Page 389

COMBINE.txt

14 ANDREW FORSTER: Right.
15 JOHN: 600, 200 and 800. Six, two ...
16 no, six, two and six, so eight ... yeah, 1.4.
17 ANDREW FORSTER: Okay.
18 JOHN: Then 600 for same day, which was
19 one week, but it's corporate so he should be able
20 to roll that, uh, not as, uh, it's not as
21 difficult as the, uh, as the, uh ... the
22 whatchamacallit market, the ABS market.
23 ANDREW FORSTER: Right.
24 JOHN: Two hundred for settle the next
25 day, and another 600 for the following day, and

6

1 now he's done another 800 for settle on August
2 1st.
3 ANDREW FORSTER: Right.
4 JOHN: So it's freed up a little bit
5 over, uh, over the month end concerns, now that
6 he's cleared month end. But still very thin.
7 ANDREW FORSTER: Yeah, I mean, obviously
8 he goes to that same ... but I mean if he can,
9 even the corporate stuff, if he can do it for a
10 month as opposed to a week he should [UNINTEL]
11 [OVERLAPPING]
12 JOHN: [OVERLAPPING] Oh that's ... yeah,
13 no, he knows that.
14 ANDREW FORSTER: He should definitely
15 pay up and do it.
16 JOHN: He knows that. Uh, he also, uh,
17 so we have a little bit over two billion left of

Page 390

COMBINE.txt

18 collateral.

19 ANDREW FORSTER: Two billion in
20 collateral. And ... do we ... [OVERLAPPING]

21 JOHN: [OVERLAPPING] Of which about 65
22 percent is ABS, ballpark. He's going to firm up
23 all the numbers.

24 ANDREW FORSTER: Right. And he's trying
25 to do obviously that two billion and ...

7

1 JOHN: He's trying to do as much as he
2 can, so whether he does it today, tomorrow, he's
3 doing ... he's going to do all of it.

4 ANDREW FORSTER: Okay.

5 JOHN: Umm, the ... so that's where he
6 stands, and he's going to get me some roll
7 information. The good news is, he's got pretty
8 light rolls on ABS, until the end of August.

9 ANDREW FORSTER: Right. Okay.

10 JOHN: So, you know, that ... we're in
11 good shape on.

12 ANDREW FORSTER: Do we know what the
13 corporate roll is till the end of August?

14 JOHN: Umm, I think it's pretty light,
15 too. But, uh, again, a little more access,
16 definitely more access to the market with
17 corporates than, uh, than ABS.

18 ANDREW FORSTER: Yeah. So where is, uh
19 ...

20 JOHN: Our cash last night was right
21 around two billion.

Page 391

COMBINE.txt

22 ANDREW FORSTER: And that's total
23 cashes? You haven't sort of excluded anything for
24 your buffer and all the rest of it? It's just two
25 billion in cash.

8

1 JOHN: It's two billion in cash on hand
2 at FP. We also have the 180-day money, which we
3 can use, which is roughly 700 million. So you
4 should call it 2.7 billion.

5 ANDREW FORSTER: Uh, so cash FP was
6 what? Sorry? Two ... two billion?

7 JOHN: Right around two billion.

8 ANDREW FORSTER: And who have we got
9 that out with, then? Because that was another
10 thing. Joe came over this morning and was ...

11 JOHN: Yeah, I talked to Joe yesterday.
12 All that will be out of the, uh, will be off of
13 these whole ... it will be out of whole and repo.

14 ANDREW FORSTER: Right. who have we got
15 on with?

16 JOHN: we had it on ... the primary guys
17 we had it on with were Goldman ...

18 ANDREW FORSTER: Right.

19 JOHN: Morgan Stanley, and, uh, RBS.

20 ANDREW FORSTER: Okay. And it is on at
21 the moment with whole and collateral, is it?

22 JOHN: That is right. But those whole
23 and collaterals are out of these funky
24 counterparties, right?

25 ANDREW FORSTER: oh yeah.

Page 392

1 JOHN: so that's what ... so what we
2 told them is, we're moving it out of their ...
3 the, uh, we're taking the money, we're not going
4 to put it in any unguaranteed subs right now,
5 and, uh, we will be happy to replace it with, uh,
6 collateral in the ... where we can mark the
7 collateral, so we get real collateral with
8 pricing, and, uh, it's done out of the, uh, the
9 corporate entity, or the broker/dealer. so
10 [OVERLAPPING] [UNINTEL]

11 ANDREW FORSTER: [OVERLAPPING] And are
12 they all going to ... they're all going to do
13 that, are they?

14 JOHN: Say that again?

15 ANDREW FORSTER: They're all going to do
16 that? Because I got ... I mean, because they've
17 got massive withholds and stuff, so that must be
18 a real problem for them, isn't it? Because
19 presumably we're not the only people that are
20 going back saying we don't want this collateral
21 any more.

22 JOHN: Presumably you would have thought
23 that they would do one of two things. One of them
24 would be, is to say, fine, we'll just slap a
25 guarantee on it.

1 ANDREW FORSTER: Right.

COMBINE.txt

2 JOHN: And no one did that. If they were
3 desperate you'd figure they would have said that,
4 right?

5 ANDREW FORSTER: Yeah.

6 JOHN: I think there's some precedents
7 of why they don't want to do that. When we spoke
8 to Morgan Stanley they didn't even flinch. They
9 said, "Fine, no problem." Didn't even question.

10 ANDREW FORSTER: Right.

11 JOHN: Goldman Sachs questioned and RBS
12 whined.

13 ANDREW FORSTER: Right, okay.

14 JOHN: Uh, we have a little ... we had a
15 little bit on, like 100 million or so each, with
16 ... with Bear, Stearns which was in their
17 guaranteed entity.

18 ANDREW FORSTER: Right. Have we taken
19 that back?

20 JOHN: Uh, I think we're taking it back.
21 we're taking it all back today. So the only whole
22 loan we'll have outstanding will be with ...
23 which ... and we ... we sat down with Ed Diaz as
24 well ... is with Nomura, which will be 125
25 million, and he says he doesn't think that

11

1 they're really impacted. He ... he thinks that
2 they're fine from all this.

3 ANDREW FORSTER: Right.

4 JOHN: And they're probably in better
5 shape to get liquidity than any of these other

COMBINE.txt

6 places right now.
7 ANDREW FORSTER: Okay, so when do we,
8 uh, when we say we're going to [OVERLAPPING] ...
9 JOHN: [OVERLAPPING] So we're going to
10 be in con
11 ANDREW FORSTER: [OVERLAPPING] ... this
12 Goldman Sachs stuff that we've got then that's
13 whole loans, when ... when will it convert over?
14 what's the sort of timeframe?
15 JOHN: Today.
16 ANDREW FORSTER: Oh, it'll all ... it'll
17 all happen today?
18 JOHN: They're giving us the money back
19 today. We're taking all the money back out of
20 whole loans today.
21 ANDREW FORSTER: Right. And then, are
22 they then going to take it back again, or are
23 they just giving us the cash back and then we're
24 going to get ...
25 JOHN: They bring us the cash back and

12

1 we'll invest it in time depots at sub LIBOR for a
2 few days till things settle and figure out where
3 ... and kill ... and then our goal will be, is to
4 put it into, uh, guaranteed repo where we can
5 mark the collateral.

6 ANDREW FORSTER: Right, okay. So we
7 figure ... [OVERLAPPING]

8 JOHN: [OVERLAPPING] And we'll do that
9 on open. And there should be pretty good levels

Page 395

COMBINE.txt

10 on that right now if the ABS market is so
11 strained from others, we should be, these guys
12 should be ... want a new ... do ... you know,
13 have some collateral that they want to turn into
14 cash even overnight.

15 ANDREW FORSTER: Right.

16 JOHN: uh, so we're hoping then to do
17 that, have guaranteed collateral, have good
18 collateral that we can value, and, uh, and a
19 guaranteed counterparty.

20 ANDREW FORSTER: Okay. So [OVERLAPPING]
21 [UNINTEL]

22 JOHN: [OVERLAPPING] And it'll all be
23 ... and it'll all be on open. Sorry?

24 ANDREW FORSTER: We haven't got as much
25 cash as I thought.

13

1 JOHN: As I said, we've been setting up,
2 you know, with all this cash ... [OVERLAPPING]

3 ANDREW FORSTER: [OVERLAPPING] Yeah, I
4 know, exactly, with all this [UNINTEL] here. So
5 ... so ...

6 JOHN: We had the problem of, you know,
7 with the credit, we didn't want to have a ton of
8 whole long out there.

9 ANDREW FORSTER: Yeah.

10 JOHN: So, uh, the repo, I mean, when
11 Jared and the ... we ... we ... we thought this
12 three billion pairs was going to happen, and then
13 we have, you know, this money coming in, without

Page 396

COMBINE.txt
14 a lot of activity, in August. And by the end of
15 August, I mean, we were, uh ... we were expecting
16 to be around eight billion.

17 ANDREW FORSTER: Yeah. So just, let's
18 make sure ... I'm accurate. So we've got two
19 billion currently on ... which will be time
20 depots, and then ...

21 JOHN: Time depots or guaranteed, uh,
22 repo on real collateral.

23 ANDREW FORSTER: Right, and then off the
24 ...

25 JOHN: You obviously ... you don't have

14

1 any issues with doing overnight with the street
2 if it's ... if it's on ... guaranteed on any real
3 collateral, do you?

4 ANDREW FORSTER: Yeah, no, I wouldn't do
5 best then.

6 JOHN: At all? Really? You think they
7 got big [UNINTEL]?

8 ANDREW FORSTER: I think ... I think
9 it's going to get real ... I just don't ... I
10 don't see the point of doing them, to be honest.

11 JOHN: Okay.

12 ANDREW FORSTER: Because it's just going
13 to ... you know ... they're the only ones that
14 we, uh ... that I just think could be sort of
15 like, you know, ugly. They ... because they've
16 got a lot of ... they've got a huge amount of
17 sort of short-term, uh, paper they need to roll.

Page 397

COMBINE.txt
JOHN: Okay.

18
19 ANDREW FORSTER: And it's ... the
20 market's [decided?], I mean, you know, yes,
21 absolutely, you're getting money back in it. But
22 that one day, it's just like why bother.

23 JOHN: Well I've been hearing that
24 investors are turning off the i-banks totally?

25 ANDREW FORSTER: Uh, they're definitely

15

1 talk ... thinking about it. I think actually what
2 we're hearing is, umm, which we can come onto, is
3 all the, uh, they're all turning off from
4 anything that's got sort of CDO paper involved in
5 it, so the i-banks probably less so, uh, but, you
6 know, what they're turning off is from ... is
7 conduits and SIV's. Did you see the news from
8 IKB, in which they couldn't, umm ...

9 JOHN: I thought KSW was giving them
10 support?

11 ANDREW FORSTER: Yeah, they are, but I
12 mean the fact that they had a \$15 billion conduit
13 that they basically couldn't roll.

14 JOHN: So what happened?

15 ANDREW FORSTER: So KSW stepped in and
16 said they'll guarantee the, uh, the, uh, the
17 funding. They'll guarantee ... they'll guarantee
18 the, uh, the liabilities of them so they can
19 continue to roll.

20 JOHN: And they did?

21 ANDREW FORSTER: And that's what they've

COMBINE.txt

22 done, yeah.

23 JOHN: That's a good sign, at least.

24 ANDREW FORSTER: Well it's a good sign
25 for them, but it's not a good sign for the world

16

1 in ... [OVERLAPPING]

2 JOHN: [OVERLAPPING] It's bad for the
3 market. It's bad because, uh, no one's coming in
4 for the SIV's [UNINTEL].

5 ANDREW FORSTER: Yeah, without, yeah,
6 exactly. There's no one that can come in for the
7 SIV's, yeah.

8 JOHN: So what's our SIV?

9 ANDREW FORSTER: So ... so, sorry, just
10 let me ... just let me do the, umm, just make
11 sure I've got the numbers down and I'll tell you
12 the SIV. [OVERLAPPING]

13 JOHN: [OVERLAPPING] So right now, so
14 let's throw in the NF test, because there's
15 [UNINTEL] tests. [OVERLAPPING]

16 ANDREW FORSTER: [OVERLAPPING] Okay, so
17 you've got two ... two billion ... [OVERLAPPING]

18 JOHN: [OVERLAPPING] So we have 2.7. we
19 have 2.7 right now.

20 ANDREW FORSTER: Two point ...

21 JOHN: Currently.

22 ANDREW FORSTER: Okay. So [UNINTEL] 180
23 day, and then if the bond repo, I guess that's
24 all money that we're raising and that's going to
25 be 1.4 billion, which we did on Friday that's.

Page 399

1 new, plus the 800. [OVERLAPPING]

2 JOHN: [OVERLAPPING] No but that's ...
3 no, some of that's already in there. Some of
4 that's already in there.

5 ANDREW FORSTER: Oh, okay. So how much
6 is that number?

7 JOHN: I've got to go through that again
8 with Jared again now, because I think that what
9 we have is, we have ... we should have ... Jared
10 should have done ... and remember it's month end,
11 so there'll be cash flows going out too for GIC's
12 and other things.

13 ANDREW FORSTER: Yeah.

14 JOHN: And we'll figure what that out
15 is, we'll come back to that and we'll ... we'll
16 [OVERLAPPING]

17 ANDREW FORSTER: [OVERLAPPING] But ...
18 but do you have ... do have any sense what the
19 re-- ... the, all the repos he's done, how much
20 of that is going to be [rate?] ... is additional
21 money in opposed ... on top of the 2.7?

22 JOHN: I think we ... because I think he
23 had 600. when ... when we did that, that was 600
24 same day, so there should be another 200 million
25 coming in today, and, uh, and today is ... what

1 day is today? Today's the 30th, right?

2 ANDREW FORSTER: Thirtieth, yeah.

COMBINE.txt

3 JOHN: And there'll be another ... then
4 there should be 600 million for tomorrow, which
5 is the 31st, right?

6 ANDREW FORSTER: Yup.

7 JOHN: Is that right?

8 ANDREW FORSTER: Yup.

9 JOHN: Two hundred today, the 30th, it
10 should be 600 million tomorrow, the 31st, and
11 then 800 on the first.

12 ANDREW FORSTER: Right.

13 JOHN: But then we have ... we should
14 have about 2.8 billion coming in from, uh,
15 Deutschebank.

16 ANDREW FORSTER: Uh, before, but the 1.6
17 billion of the repo, of the repo stuff, is that
18 going to be new money on top of the 2.7 we've
19 already got?

20 JOHN: That should be new money.

21 ANDREW FORSTER: Okay, all right. So 1.6
22 billion of repo cash to come in within the next
23 couple of days. And then as you rightly say,
24 we've got the, uh, the Deutschebank, which looks
25 like it's, uh ...

19

1 JOHN: 2.8.

2 ANDREW FORSTER: 2.8, which comes in.

3 JOHN: And then we've got a, uh, but
4 then ... I guess the, I ... I think it would make
5 a lot of sense, if we can, to delay the, uh, the
6 ABM for a week. If that's possible, we should

Page 401

COMBINE.txt

7 talk to ... [OVERLAPPING]

8 ANDREW FORSTER: [OVERLAPPING] well I
9 can get ... I can ... [OVERLAPPING]

10 JOHN: [OVERLAPPING] [UNINTEL] know at
11 all about that?

12 ANDREW FORSTER: I haven't talked to him
13 about it, but I'm more than happy to go and ask
14 him about it.

15 JOHN: I think you should.

16 ANDREW FORSTER: Because we ... even
17 with ... without that, all right, we've got \$7
18 billion, right?

19 JOHN: What do you mean without it?

20 ANDREW FORSTER: Well the 2 billion
21 cash, 700 million 180-day money, the 1.6 billion
22 of repo.

23 JOHN: Well the problem is, what the
24 fuck you guys going to settle for? we wouldn't
25 ... listen, we would be in fine shape if Goldman

20

1 wasn't hanging its head out there.

2 ANDREW FORSTER: Yeah, no, that's true.

3 JOHN: I would have no worries where we
4 are if I didn't have that, you know, that was
5 just something that hit out of the blue, and it's
6 a fucking number that's well bigger than we ever
7 planned for.

8 ANDREW FORSTER: Yeah.

9 JOHN: So where do you think we can
10 negosh them down to?

Page 402

COMBINE.txt

11 ANDREW FORSTER: I don't know. I ... I
12 wasn't involved, you know. We need to talk to Tom
13 when he gets in and see what the, uh ...

14 JOHN: They seem to think that the
15 prices that Goldman were showing were egregious.

16 ANDREW FORSTER: Yeah, they were
17 ridiculous. And I went back. We had a ... I had a
18 couple of conversations with him on Friday about,
19 you know, I'd seen some AA paper for the same
20 deals that we were invested in, that were trading
21 at sort of, you know, 90 cents on the dollar.

22 JOHN: If that's the case, then we
23 should be at like 95, right?

24 ANDREW FORSTER: Uh, well, you know,
25 it's like all these things though. The problem

21

1 is, they're going to say, is, you know, and this
2 is the biggest problem, right, it's not ... it's
3 got nothing to do with the sort of value earned
4 or something like that. They just say, well okay,
5 well fine, you go and get me a bid, you know. We
6 won't get a bid, you know, so I mean I'm sure we
7 can go out and get people to give us valuations
8 and the rest of it and we'll get into it then.

9 I did tell Tom to go off and ... and
10 ring the leads on each of the deals and just say
11 to them, look, if we come for a valuation what's
12 it roughly going to be. Because we need to get a
13 sense of what that number is.

14 JOHN: Yeah.

Page 403

COMBINE.txt

15 ANDREW FORSTER: Because, I mean,
16 literally that could be anything from 80 to sort
17 of, you know, 95. I don't think it's less than 80
18 but it's ... uh, you know, they could come back
19 and say actually, you know, there's no bid so it
20 would be 80, which is ridiculous and no way
21 indicative of sort of where they think it's
22 really trading.

23 JOHN: I guess the question is, how much
24 can we push back on Goldman with, you know, you,
25 me, Cameron and ... and Joe. Even, I mean, if you

22

1 have to use Joe just say this is ridiculous, your
2 levels are ... are stupid here.

3 ANDREW FORSTER: They are. I'm not sure
4 I'm much more ... you know, I think that's just
5 [UNINTEL], uh, I was talking to one of their guys
6 before and he was saying that, you know, all the
7 rest of the people on valuations ... we have to,
8 I mean, we'll ... we'll talk about it in a minute
9 when we talk about the SIV. A lot of people on
10 their valuations have just come back saying,
11 look, this is the valuation but clearly in this
12 market it doesn't work. It's indicative but the
13 market may well be lower because there's no
14 liquidity, blah blah blah. Goldman turned around
15 and said no, what we've been told to do is that
16 we have to put numbers on where we would actually
17 buy five million of any one bond.

18 JOHN: Five million of any bonds? So why

Page 404

COMBINE.txt

19 don't we make a bid for five million of each
20 bond?

21 ANDREW FORSTER: [LAUGHING] Yeah. Well
22 ... and that was the thing, that's what I said to
23 him, I said ... [OVERLAPPING]

24 JOHN: [OVERLAPPING] I said this
25 [UNINTEL] at 90. Once you ... once ... once ...

23

1 but my question, see, on this stuff, are we
2 effectively, if we bought those bonds are we
3 doubling down because Goldman has the credit
4 protection, or does the credit protection go with
5 the bond?

6 ANDREW FORSTER: Uh, no, we'd be buying
7 the bond back. Eighty ... we'd be ...

8 JOHN: But we'll be, still be short the
9 protection and now we own the bond so we're short
10 the protection [UNINTEL]? [OVERLAPPING]

11 ANDREW FORSTER: [OVERLAPPING] Yeah,
12 we're still short the protection, so and it
13 always [UNINTEL] it's just going to get locked in
14 there, so we'd just be doing the cash. It would
15 just mean we'd spend less cash on the asset.

16 JOHN: But no, but so, but ... does ...
17 so their credit default swap goes away if they
18 sell the bond to us?

19 ANDREW FORSTER: Uh, that's right, yeah.

20 JOHN: It is true?

21 ANDREW FORSTER: Yeah.

22 JOHN: Okay, so they ...

Page 405

COMBINE.txt

23 ANDREW FORSTER: Well you know, it
24 [UNINTEL] on roughly ... I mean in fact they
25 wouldn't be right because what they'll say is,

24

1 yeah, you can buy the bond but the credit
2 protection we've got is worth an absolute fortune
3 to us, because they're paying us 10 basis points
4 and they're going to say the unwind of it's at
5 500.

6 JOHN: Uh-hmm.

7 ANDREW FORSTER: So they won't unwind
8 the credit protection. They would just get rid of
9 the cash bond.

10 JOHN: But if you ... so ... but if ...
11 if you could buy \$5 million of bonds at 90, isn't
12 that still a good deal for you? Do you think? Or
13 not.

14 ANDREW FORSTER: Umm ...

15 JOHN: would you buy them at 90?

16 ANDREW FORSTER: You know, the ... the
17 problem that we'll have ...

18 JOHN: well forget about our cash
19 situation right now.

20 ANDREW FORSTER: Uh, it's not the cash
21 situation. [OVERLAPPING]

22 JOHN: [OVERLAPPING] In a perfect world.

23 ANDREW FORSTER: well ...

24 JOHN: And ... and forget about credit
25 and cash. Just from a pure value standpoint, if

Page 406

1 you were uninvolved with everything else and you
2 saw these bonds at 90 ...

3 ANDREW FORSTER: Well in the current
4 environment I still wouldn't buy them.

5 JOHN: Yeah.

6 ANDREW FORSTER: But just ... just more
7 because I think they could probably go low. The
8 ... the issue would also be that even if we ...
9 that we have to be careful of, I think, is the,
10 uh, you know, we can't mark any of our positions,
11 and obviously that's what saves us having this
12 enormous mark to market. If we start buying the
13 physical bonds back ...

14 JOHN: That's bad.

15 ANDREW FORSTER: ... then any accountant
16 is going to turn around and say, well, John, you
17 know, you traded at 90, you must be able to mark
18 your bonds then. In that case ... [OVERLAPPING]

19 JOHN: [OVERLAPPING] Yeah.

20 ANDREW FORSTER: ... you know, we'd end
21 up sort of trading money from Goldman and then
22 having it sort of, you know, \$2 billion mark to
23 market hit at the end of the year. That wouldn't
24 make me popular.

25 JOHN: No.

1 ANDREW FORSTER: So, uh, I think we just
2 ... uh, I'll take it up with Tom and then I'll

COMBINE.txt

3 come back to you later and say we'll meet them,
4 we've gone back to them. So the whole thing is
5 ridiculous because even when they say, oh which
6 way, they'd buy five million. I mean, you know,
7 that's putting stuff on 20 billing. There's no
8 way they'd buy that there, no matter what the
9 price was.

10 JOHN: Yeah. But, uh, that is the key
11 for us. That's the killer right now. If we didn't
12 have that, you know, if we weren't planning for
13 that, you know, we'd be ... we'd be okay.

14 ANDREW FORSTER: Well we've got to have
15 seen ... your goals have got to have seen that
16 the other guys come back as well, right?

17 JOHN: That's the ... that's the worry I
18 have. And I'm not sure, you know, my question is,
19 well, if we go to Fidelity and ask them to raise
20 ... you know, one of the things I want to do
21 today is kind of say, uh, we have a roll in
22 August, which you said initially, you know, when
23 we thought we were going to have all this cash
24 then, we were going to get back, some things are
25 delayed, so we're probably going to want to roll

27

1 it again.

2 ANDREW FORSTER: Right.

3 JOHN: You know, and, I ... what I'd
4 love to do is go back to them and say, you know,
5 we're seeing some opportunities here. That
6 market, you know, we ... we've gotten a roll and

Page 408

COMBINE.txt

7 we see some opportunities. I'd love to do a one-
8 year trade, and do they have a bid for AIG paper.

9 ANDREW FORSTER: Yeah.

10 JOHN: I don't know if ... I mean, uh,
11 because some of them, we saw something from
12 Merrill that people were concerned about AIG's
13 CDO exposure.

14 ANDREW FORSTER: Yeah, well, I mean, you
15 know, there will be, right? I mean, the way we've
16 announced it is sort of very ... sort of cloak
17 and dagger underhand, but it, you know, it's a
18 fucking big number when they announced their
19 results. And I think people will focus on it. I
20 generally ... I mean, I think that will be the
21 highlight of all the, uh, of all the, uh, the
22 results.

23 JOHN: Joe ... Joe's going to get wailed
24 on that call.

25 ANDREW FORSTER: Yeah, I, you know ... I

28

1 think it's possible. So I ... I definitely think,
2 you know, if you can roll stuff before that date,
3 uh ... I ... I do feel, if the world's still as
4 it looks now that could be really ugly. Yeah, at
5 the moment it's all the [Axion?] [UNINTEL] and
6 not really focused on that. I mean, if one of the
7 debt guys got [UNINTEL] we know your guys have
8 written, you know, billions of dollars of this
9 stuff. Where the hell's that reported?

10 JOHN: Uh-hmm.

Page 409

COMBINE.txt

11 ANDREW FORSTER: So, but I think
12 they're going to make an announcement as to the
13 numbers. And the numbers are pretty big,
14 actually.

15 JOHN: I thought they weren't going to
16 show our number. I thought they were only going
17 out to cash.

18 ANDREW FORSTER: No, well [UNINTEL].
19 That's what they've done so far, they've just
20 done it as cash. And when I ... when they sent me
21 the thing and I sent it back saying, this is fine
22 but clearly you've not [UNINTEL] the synthetic
23 book, and they said yeah, yeah, yeah, we know
24 that, that's fine, uh, we'll probably cap ...
25 we'll capture that when we do our, you know,

29

1 fourth, uh, third quarter results, or second
2 quarter, whatever the numbers are.

3 JOHN: But did they also comment in
4 there that ... umm, because I think one of the
5 key things on this, which I think is ... is
6 helpful is, at least someone mentioned that all
7 of our exposure to '06 and '07, if they all blew
8 up, we'd lose only like \$30 million.

9 ANDREW FORSTER: Yeah, yeah, that's
10 true, yeah.

11 JOHN: I mean that is ... [OVERLAPPING]

12 ANDREW FORSTER: [OVERLAPPING] I'm
13 assuming they're going to announce that as well,
14 so ...

Page 410

COMBINE.txt

15 JOHN: Because that to me, I mean, will
16 people, do people still think '05 is really
17 fucked?

18 ANDREW FORSTER: I think people ... I
19 think, you know, a month ago, no, but now people
20 are just like, well, you know, they'll still just
21 focus on the number. But it's nowhere near as
22 bad. You're absolutely right. I mean, that ...
23 that still looks like a [sample?] number.

24 [OVERLAPPING]

25 JOHN: [OVERLAPPING] Because this,

30

1 that's the key thing to me is, if you come out
2 and say '06, '07 exposure is basically nil ...

3 ANDREW FORSTER: Yeah.

4 JOHN: \$30 million if everything
5 defaulted? That's a pretty ... that's a pretty
6 good number, that's a pretty positive thing if
7 people want to focus ... you know, it depends on
8 what people, in the market, like you said, they
9 want to focus on the negative.

10 ANDREW FORSTER: Yeah.

11 JOHN: So they may just ignore that, but
12 ...

13 ANDREW FORSTER: I definitely think if
14 you can get ... umm, you know, if you get, we get
15 a credible story to go back to Fidelity and ask
16 them and say, you know, we're seeing
17 opportunities and we want to raise the cash now.
18 see what they say. I definitely think you should

Page 411

COMBINE.txt
19 have that conversation, though, because we don't
20 ...
21 JOHN: Yeah.
22 ANDREW FORSTER: So I guess we've got
23 the outflow in October. That must be pretty big
24 ... in August. Must be pretty big, right? I
25 didn't see that in the cash structure.

31

1 JOHN: Yeah, the outflow in August is
2 the, uh, ABM trades. That's the only real outflow
3 in August. Otherwise August will be a quiet
4 month, [UNINTEL] month.
5 ANDREW FORSTER: Uh ... oh, the ABM. And
6 then, oh and the ...
7 JOHN: And we have the Fidelity.
8 ANDREW FORSTER: Fidelity, the 750.
9 JOHN: Yeah.
10 ANDREW FORSTER: Right.
11 JOHN: Umm, hold on one second, okay? I
12 just want to see what ... what's going on here. I
13 tried to do this from home yesterday and it
14 didn't work. Let's see if it's updated now. I've
15 gotta tell you man, this fucking sucks. What does
16 not kill you will [OVERLAPPING]
17 ANDREW FORSTER: [OVERLAPPING] Now
18 you're global overlord of all these marketers as
19 well. It's like, you know, you've got it coming
20 out both ends.
21 JOHN: You know, I'm ... you know what?
22 ANDREW FORSTER: We still haven't talked

Page 412

COMBINE.txt

23 about that.

24 JOHN: It was like my house this weekend
25 where my in-laws came bringing sickness. So there

32

1 was the stomach virus in my house, and people
2 were yakking and shitting all fricking weekend.

3 ANDREW FORSTER: Nice.

4 JOHN: Somehow I stayed clear of it, you
5 know. I think it was all sympathy for what I ...
6 what I really should have been doing, yakking and
7 shitting. But I'm not going to do it with the
8 stomach virus.

9 ANDREW FORSTER: Right. Nice.

10 JOHN: So, uh, but, uh, yeah, it's ...
11 it's somewhat hectic.

12 ANDREW FORSTER: Yeah.

13 JOHN: I just want ... you know, I'm ...
14 I'm hopeful that in the next couple days that
15 things at least will stabilize, right? If you can
16 get a little normalcy and get some liquidity back
17 in the market ...

18 ANDREW FORSTER: Yeah.

19 JOHN: I mean, someone needs to fucking
20 say something, right? I mean, isn't that really
21 it?

22 ANDREW FORSTER: You need something to
23 calm it down, otherwise it's going to fall off a
24 cliff at some point.

25 JOHN: But then it's not how ... I mean,

1 the ... the interesting thing is you can kill the
2 whole market now or you can ... and ... and you
3 know you're going to go after those guys anyway
4 in the predatory lending, right?

5 ANDREW FORSTER: Right.

6 JOHN: And those guys are fucked anyway,
7 uh. So we got ... uh, what do we have ... a total
8 out of 1.9 on August 2nd is sec flows and swaps.
9 Yes, the 1.5 we have, uh ... let me just see what
10 these swaps are.

11 [END OF TAPE]

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2 A Plus Office Support Systems, states that the
3 preceding transcript was created by one of its

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Patrick weaver

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1 1438
2 JOHN: Swaps are ... ING vests. We have
3 300 million going out. I don't know what the hell
4 that's related to. I'll have to double check. Uh,
5 and we have ... what are these GICs on August
6 1st? Maybe some of these are ... are, uh ... and
7 ... a drawdown, [maybe not?], [going out?],

Page 415

COMBINE.txt

8 [UNINTEL] divests. So some of this money, some of
9 the GIC money may, uh, may roll.

10 [END OF TAPE]

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Page 416

COMBINE.txt

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Patrick weaver

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JOHN: Umm, all righty, so this thing,
according to this, you know, the cash flows ...
what's that say? ... so we have about ... seven,
six ... so you've got 400 million going out on
the first, okay?

ANDREW FORSTER: Right.

JOHN: which is mainly GICs, and some of
that I'm ... I'm pretty confident will roll. I'll
get a better handle on that.

ANDREW FORSTER: Right.

JOHN: Then we've got the, uh, right now
the ... which I think is going to move to the
third but we have it scheduled for the second
right now ... we have the 1.5 of the ING. Oh, you

Page 417

COMBINE.txt

16 know what the other number must be? Breakage. So
17 it's like 1.9 almost of ING. Okay? Those are our
18 two big outflows.

19 Then from there, the next real outflow
20 is on the 13th, uh, which is a collateral calls
21 and that's fine. Then we have ... then Fidelity
22 will be the next, uh, big outflow on the 15th.

23 ANDREW FORSTER: Right.

24 JOHN: Which will be 750. And hopefully,
25 you know, we can roll that. I'd like to roll that

2

1 in, you know, 500 to a yard of new in there.

2 ANDREW FORSTER: Yeah.

3 JOHN: But, you know, I just ... in this
4 environment I don't know what the hell they're
5 ... if ... how concerned they are with us.

6 ANDREW FORSTER: Well anything that they
7 may well be doing, and it's, you know, it's sort
8 of the flip side of it. If they are, you know,
9 these sorts of guys that are pulling back from
10 investing in the sort of CP conduits and all the
11 rest of it, they may well actually do it as this
12 is the good place to put our money.

13 JOHN: This is ... uh, we're hoping it's
14 a safe haven, right?

15 ANDREW FORSTER: Yeah.

16 JOHN: I just don't know how much
17 everyone knows about the CDO stuff. That ... that
18 could give everyone pause. If they don't I would
19 think that we would see that business. And I

Page 418

COMBINE.txt

20 also, what I'm going to do is probably float
21 looking at trying to see where I get some ... you
22 know, if anyone's got any demand for 18 months as
23 well.

24 ANDREW FORSTER: Right.

25 JOHN: And just, you know what? At this

3

1 stage, fucking do it, whatever we can get done.

2 ANDREW FORSTER: Yeah. Okay, how about

3 [OVERLAPPING]

4 JOHN: [OVERLAPPING] So ...

5 ANDREW FORSTER: [OVERLAPPING] each is
6 definitely different.

7 JOHN: So on the, uh, on this stuff
8 with, uh, you know, your market view on our ...
9 on our book ...

10 ANDREW FORSTER: Right.

11 JOHN: This 70 yards of what we have,
12 how low do you think those marks can go?
13 Realistically? I mean factoring it in, at some
14 point in time if they get, you know, if they're
15 too low doesn't that mean everyone else is wiped?
16 I mean, doesn't that cause a massive ... issues
17 everywhere?

18 ANDREW FORSTER: Yeah, but that ... and
19 that's the problem. Uh, I mean, they could ...
20 they could go anywhere honestly. And they just
21 ... because they're just going to get mobbed. But
22 ...

23 JOHN: so there's no bit for them now,

Page 419

COMBINE.txt

24 right?

25 ANDREW FORSTER: They just ... it's

4

1 just, they just ... it's ... any price. I mean,
2 if they came out ... [OVERLAPPING]

3 JOHN: [OVERLAPPING] But what helps you?
4 what solves this thing right now? Or what stems
5 the blood?

6 ANDREW FORSTER: Umm ...

7 JOHN: Anything you see? Or is it just
8 going to be more bloodletting?

9 ANDREW FORSTER: No, I mean, because I
10 think the next bloodletting could go, could
11 [UNINTEL], because people will then have ... you
12 know, the mark to market stuff will then be very,
13 very painful for a lot of people. So I think, you
14 know, what do we need? We need a sort of, you
15 know, period of stability and people to come into
16 the market and stop buying a little bit here and
17 there.

18 And it's still not going to be enough
19 to ... you just have to stop the sort of, you
20 know, the everyday coming in and being 30 wider.
21 So you know ... [OVERLAPPING]

22 JOHN: [OVERLAPPING] Someone's going to
23 make a fucking bloody fortune on this thing,
24 aren't they?

25 ANDREW FORSTER: Yeah, possibly, yeah.

5

Page 420

COMBINE.txt

1 JOHN: Berkshire ... Berkshire Hathaway
2 is going to come in and buy all this shit.

3 ANDREW FORSTER: NO, they're going long
4 some of the, uh, high yield stuff, we know. But
5 you know, they're already massive off side. We
6 talked to the prop guy at Deutsche. He was
7 telling us he was doing that and it was like 300
8 basis points off side already.

9 JOHN: Yeah, but if they can ... all
10 they have to do is ... I mean, they don't care
11 about mark to market, right?

12 ANDREW FORSTER: well, he will do.
13 Berkshire might not, but Deutsche definitely.
14 does.

15 JOHN: Oh that's another ... that's
16 another ... I was talking about Berkshire. The
17 guys at Berkshire, guys who have tons of money,
18 aren't they just going to come in and who ...
19 guys who can hold it and not feel the mark to
20 market pain?

21 ANDREW FORSTER: Well, I think you're
22 right. But the point is they're all sitting there
23 saying, well, it just widens each day so why do I
24 want to do it now. But yes, I agree that at some
25 point it's worth time, but you know, the next, if

6

1 the next leg is horribly downwards then ... fuck
2 it, buy a boatload cheaper.

3 JOHN: That's the problem right now,

Page 421

COMBINE.txt

4 which means that ... and that's why, I mean, and
5 the ... the ... it would be as simple as someone
6 that comes in and say and listen, I mean ...
7 isn't that what the ... isn't that what
8 [Bernacki?] and these guys are supposed to say?
9 Get ... they got ... don't they have to
10 ultimately juice liquidity into the market right
11 now?

12 ANDREW FORSTER: Yeah, yeah, they do
13 [UNINTEL] [OVERLAPPING]

14 JOHN: [OVERLAPPING] Because now it's
15 becoming more ... now it's becoming a liquidity
16 crisis as opposed to a credit crisis, almost,
17 right?

18 ANDREW FORSTER: Yup.

19 JOHN: And ...

20 ANDREW FORSTER: Oh, it's definitely
21 that now. That's absolutely, I mean, that's the
22 biggest issue now. It's not credit.

23 JOHN: And ... and isn't it their
24 responsibility to somehow get liquidity back into
25 the market? And you could do that with the ...

7

1 ANDREW FORSTER: [OVERLAPPING] I agree
2 with you but it's not much use.

3 JOHN: You should be able to do deal
4 05's, you know 06's ... I mean 05's and earlier,
5 arguably, by saying, listen, you whisper to those
6 guys who are lending this and you can't, you
7 know, you shut it off, you're going to get

Page 422

COMBINE.txt

8 fucking crushed. I'm going to kill, I'm going to,
9 we're going to come after you.

10 And you solve that problem and then you
11 crack the other one is, you know, [UNINTEL] if
12 you ... if you at least deal with that, and ...
13 and ... and say we're going to lend to these
14 guys, especially Freddie and Fannie. You'd hope
15 that they'd be a little more public, then maybe
16 ... maybe it's not enough for Freddie and Fannie.
17 Maybe it's everybody has to be.

18 ANDREW FORSTER: Right.

19 JOHN: And ... but if you, you know, I
20 would think they should be able to pull these,
21 some of these big lenders behind the doors and
22 say, you'd better start figuring out a way to do
23 it because if you don't you're going to ...
24 you're going to lose one way or the ... you're
25 going to lose both ... anyway. And you'll lose,

8

1 you'll probably lose less this way.

2 ANDREW FORSTER: Yeah. No, I agree.

3 JOHN: But ... but you don't ... you
4 just think this whole, you know, look, today's
5 going to be a bad day here, right? I mean, look,
6 the US market already is ... [OVERLAPPING]

7 ANDREW FORSTER: [OVERLAPPING] Yeah,
8 futures are going to go up.

9 JOHN: [OVERLAPPING] But your ... Asia
10 held in there pretty well.

11 ANDREW FORSTER: Yeah, stock ... stock

Page 423

COMBINE.txt
12 futures still up?
13 JOHN: I don't know.
14 ANDREW FORSTER: And ... and Stephen.
15 JOHN: where are they?
16 ANDREW FORSTER: They were down in the
17 bucket. so marginally up still? Yeah, marginally
18 up.
19 JOHN: what's the symbol for those?
20 what's ... what's the ticker?
21 ANDREW FORSTER: I don't know. I just
22 ask Stephen.
23 JOHN: So, but they're not ... they're
24 not getting killed.
25 ANDREW FORSTER: No, no, no, they're up

9

1 slightly.
2 JOHN: And Asia, and is the, uh, the, uh
3 ...
4 ANDREW FORSTER: I think it was up.
5 [OVERLAPPING]
6 JOHN: [OVERLAPPING] The, uh, the, uh,
7 FTSI's ... FTSI's just hanging. FTSI was up and
8 now it's drifting lower but not terrible.
9 ANDREW FORSTER: Yeah, sounds like 10
10 points on 6,000, so nothing.
11 JOHN: That's right. I mean, we need ...
12 [OVERLAPPING]
13 ANDREW FORSTER: [OVERLAPPING] But the
14 good news is the dollar's getting better.
15 JOHN: I saw that. That was weird.

Page 424

COMBINE.txt

16 ANDREW FORSTER: [LAUGHS]
17 JOHN: Well the other interesting thing
18 about this whole crisis is that in many ways the
19 weaker dollar ... this crisis is occurring when
20 ... the economy's fairly strong, right?
21 ANDREW FORSTER: Yeah.
22 JOHN: It's not dead. And it's only
23 going to get stronger if the dollar gets crushed.
24 ANDREW FORSTER: Yup.
25 JOHN: So it's kind of weird. You know,

10

1 it's almost like a weaker dollar will help offset
2 some of the issues of the housing market.
3 ANDREW FORSTER: Yeah, it's funny.
4 JOHN: But it's very different than a
5 ... it feels like a very different market. I
6 mean, it just feels like a total liquidity issue
7 as opposed ... now the credit issues seem like
8 something ... you know, clearly '06 and '07 have
9 major issues, right?
10 ANDREW FORSTER: Yup.
11 JOHN: Uh, [Todd walker?] ...
12 [OVERLAPPING]
13 ANDREW FORSTER: [OVERLAPPING] Now it's
14 liquidity though. Now ... now it's definitely,
15 you know ...
16 JOHN: But now it's moved beyond credit
17 issues.
18 ANDREW FORSTER: Oh, absolutely.
19 JOHN: And that's where the ...

Page 425

COMBINE.txt

20 someone's got to fix that. If they're not even
21 doing repo, right? If we're even ... if we're
22 having a hard time getting repo off ...

23 ANDREW FORSTER: Yeah.

24 JOHN: ... where does all that money go?
25 It goes to Treasuries, which is why they're

11

1 steepening. But, you know, and you're right.
2 Hopefully Fidelity, a guy like that, will say,
3 yeah, are lines are still with the [UNINTEL]
4 edge, you're still a AA company, you're not
5 [UNINTEL] tapped. Uh, even if they ... even if
6 it's a little bit cheaper, you know, we could
7 see, the oppor ... the buying opportunities are
8 tremendous. I mean, that's how we'll spin it.

9 ANDREW FORSTER: Yeah. So ... all right,
10 so on the, uh, I looked at the [UNINTEL] so the
11 conduits be sure to continue to do as much as
12 possible.

13 JOHN: Now do you still have op ... you
14 had mentioned that you had done more on the
15 conduit than you thought they needed?

16 ANDREW FORSTER: Mm. We have, but
17 there's a reasonable amount rolling off, so the
18 amount we've done so far ...

19 JOHN: Oh, covers the roll.

20 ANDREW FORSTER: ... by the end of this
21 week will make ... will make us 150 million
22 positive if we do nothing else this week. But we
23 will do, we're going to try and do as much as we

Page 426

COMBINE.txt

24 can. So I think what we need to ... to budget for
25 is, ideally ... because I mean, I'll send you

12

1 over the, uh ... actually I'll send this over to
2 you, uh ...

3 JOHN: But if we can ... [OVERLAPPING]

4 ANDREW FORSTER: [OVERLAPPING] You can
5 see the roll [UNINTEL]. There's one thing we need
6 ... sorry, John.

7 JOHN: Shouldn't we soak up that right
8 now with ... with assets and, uh, SP? Just to
9 generate the cash temporarily?

10 ANDREW FORSTER: well I mean, if we can
11 repo it, then we should use the repo, and then we
12 can keep the conduit, as much as we can, for just
13 ... we should just keep, you know, raising cash
14 in there and hold it, because I think what we
15 need to do is think that at some point if the ...
16 if the SIV can't roll its CP that we can have
17 the, uh, having the guys just check that the ...
18 the conduit can buy the SIV CP. [It's not what we
19 want to do?] [OVERLAPPING]

20 JOHN: [OVERLAPPING] well we should be
21 able to buy it too, right?

22 ANDREW FORSTER: Uh, yes, I so mean
23 either way we'd have the problem. So I mean, I
24 just think on this conduit now, we should just
25 raise whatever we can.

13

Page 427

COMBINE.txt

1 JOHN: Uh, yeah, oh, I agree with that.
2 Then the question is, uh, if ... if ... but right
3 now, if we have moneys ... my only point was, if
4 we have money stuck, if we have headroom in
5 [Bock?] AIG ...

6 ANDREW FORSTER: Right.

7 JOHN: ... should we sell out just from
8 Bock to the [Kurzan?].

9 ANDREW FORSTER: You mean and sell them
10 back to the bank when we need to?

11 JOHN: And then sell them back to SP or
12 the bank when we need them.

13 ANDREW FORSTER: Right.

14 JOHN: I mean, if you have excess, and
15 it's just going to sit in cash, I'd much rather
16 have that cash sit at FP than at [Kurzan?],
17 right?

18 ANDREW FORSTER: Right. Yeah, okay.

19 JOHN: So I'd love to just soak up any
20 excess. Listen, and if they have a failed roll,
21 then what we do is, we probably have to buy the
22 bonds out of FP. Or [get tight?] [OVERLAPPING]

23 ANDREW FORSTER: [OVERLAPPING] Right,
24 [UNINTEL] we'll take, we'll put the assets back
25 into ... put the assets into [Kurzan?], soak up

14

1 the cash and then you'll take the ... and then
2 we'll just invest the cash overnight in depo
3 stuff. So we can always take it back again and
4 then sell the ... fund the assets, yes?

Page 428

COMBINE.txt

5 JOHN: And then, yeah, and then if we,
6 uh, if the assets ... and we'll tell ... if we
7 ... we now have the cash, we raised them through
8 ... we know what our funding level is, you know,
9 so we have a little negative carry on the trade,
10 or maybe not.

11 ANDREW FORSTER: Right.

12 JOHN: Umm, and at least, uh, then we
13 now have the cash sitting around in emergency at
14 FT.

15 ANDREW FORSTER: Right.

16 JOHN: And then to the extent that
17 there's a roll issue in the future, you know,
18 hopefully by that time (a) the roll will be gone,
19 and if it's not then hopefully what will happen
20 is, we'll just sell that asset to FP and have
21 Jared repo it.

22 ANDREW FORSTER: Yeah.

23 JOHN: If the repo market is ... is
24 better than the CP market.

25 ANDREW FORSTER: Right.

15

1 JOHN: But ... so I would, whatever you
2 can raise I would actually have them buy assets
3 out of the bank.

4 ANDREW FORSTER: Okay.

5 JOHN: Because when ... when the money
6 comes into the bank, that's ... we have headroom
7 there. It'll automatically come over to FP,
8 without any, uh, change.

Page 429

COMBINE.txt

9 ANDREW FORSTER: okay, all right.
10 JOHN: How's the SIV profile?
11 ANDREW FORSTER: Uh, just sending it to
12 you now.
13 JOHN: what are these, uh, oh, these
14 numbers are on the bottom.
15 ANDREW FORSTER: Oh, you need to go in
16 and change it to ...
17 JOHN: Format axis?
18 ANDREW FORSTER: Format, yeah, sorry.
19 JOHN: No problem. I'll have Format axis
20 to date.
21 ANDREW FORSTER: so basically you're at,
22 for the conduit you'll see that within, you know,
23 by the 11th of August ... [OVERLAPPING]
24 JOHN: [OVERLAPPING] [UNINTEL] conduits,
25 and we only have ... what am I missing here?

16

1 ANDREW FORSTER: Look at the cumulative
2 one at the top, so you can see that within ...
3 within about a month you need \$1 billion, less
4 than a month, right. From the 12th of August
5 onwards we're a billion that we need to fund.
6 JOHN: Oh, on the right axis, okay.
7 ANDREW FORSTER: Yeah.
8 JOHN: That's the key move on the right?
9 ANDREW FORSTER: Yeah.
10 JOHN: I see. By Sept ... end of
11 September, uh, by August 11th.
12 ANDREW FORSTER: Yeah. So we need to get

Page 430

COMBINE.txt

13 that done. So once we've done a billion that will
14 put us in a good state on that one.

15 JOHN: And are you so far so good on
16 that?

17 ANDREW FORSTER: Yeah; so far we are.
18 Yeah, I mean, we managed to do, uh, what did we
19 do on Friday? Uh, I can't remember. We did ... we
20 did about 700. We needed ... we needed to do 125,
21 we did 700.

22 JOHN: That's 700, so we're ahead on
23 that billion right now.

24 ANDREW FORSTER: We're ahead on that,
25 we're ahead on, see, now we're got ...

17

1 [OVERLAPPING]

2 JOHN: [OVERLAPPING] we needed, you only
3 need ... we own the 300 ... [OVERLAPPING]

4 ANDREW FORSTER: [OVERLAPPING] we've got
5 600 [UNINTEL] capacity, but most of that's going
6 to get used up this week if we don't roll
7 anything else, just because of the roll off this
8 week.

9 JOHN: But that's ... and ... but that
10 roll off will then hold us through Sep 16 though,
11 is what you're saying?

12 ANDREW FORSTER: Yes, yeah. Yeah.

13 JOHN: Which is nice.

14 ANDREW FORSTER: Yeah. So we need to
15 give ... you know, we'll raise as much as we can
16 there. I mean, I still think, you know ... and

Page 431

COMBINE.txt

17 then you can see on the other one, you can see
18 the SIV stuff. And the SIV's actually not that
19 bad. We don't get to, uh, I mean, if ... if you
20 look at it in terms of a billion, you don't get
21 to a billion until the bloody 18th of October,
22 and it's 500 million from probably mid-August.

23 so, uh, you know, we're trying

24 JOHN: Okay, is the SIV ... the SIV
25 right now? Are you assuming the SIV's not going

18

1 to be able to roll anything?

2 ANDREW FORSTER: Uh ...

3 JOHN: Or have they done any roll? I
4 mean

5 ANDREW FORSTER: They haven't. We ... we
6 ... we tried to do a small amount on Friday and
7 got nothing done. So we'll ... we'll keep posting
8 on the SIV and see what we get back.

9 [END OF TAPE]

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Attested to by:

patrick weaver

1 1440
2 JOHN: Umm ...
3 ANDREW FORSTER: No, it's obvious that,
4 you know, that's the sort of leading indicator to
5 that extent.
6 JOHN: And where are we posting?
7 ANDREW FORSTER: Uh, I think we ... well
8 so at the moment we're posting alongside of other
9 people just to see where we sort of come back.
10 It's about plus three or something.
11 JOHN: And nothing's still getting done?
12 ANDREW FORSTER: No, nothing.
13 JOHN: And that's for how ... what term?
14 ANDREW FORSTER: Uh, that's like a month
15 or so.
16 JOHN: Jesus. That's a bad sign.
17 ANDREW FORSTER: Yeah, well I mean, I
18 think in a general ... I think there are people
19 that, some of the weaker ones are going to be up,
20 you know, seven, eight, nine basis points I
21 think. And so if you want to do six months
22 they're already out eight basis points.
23 JOHN: Yeah.
24 ANDREW FORSTER: So you've definitely
25 got that. I mean, that's what they're all at.

COMBINE.txt

1 JOHN: Our SIV has mainly CDO's, or ...

2 ANDREW FORSTER: No, no. It's got very

3 little CDO stuff in it.

4 JOHN: But people should be doing that.

5 ANDREW FORSTER: So they ... well they

6 should be, but the problem is they don't look

7 through it enough so the invest ... current

8 investors, if we can get to them it's fine, so we

9 just need to be, you know, keep on top of them

10 and ...

11 JOHN: Oh, so what we're ... what we are

12 hopeful is that we try to post to get new guys

13 in.

14 ANDREW FORSTER: Yeah.

15 JOHN: who we're hopeful are just about

16 to do a roll. [OVERLAPPING]

17 ANDREW FORSTER: [OVERLAPPING] Yeah,

18 they might roll, it's good, yeah.

19 JOHN: So we may be able at that time,

20 it may not just be no bid. The guys who are

21 familiar with it may. We were looking for new

22 money.

23 ANDREW FORSTER: They might do, yeah.

24 JOHN: And have we gotten any calls on

25 guys asking us about ... ?

3

1 ANDREW FORSTER: No, no, we're sort of

2 following up with Lehman on that, making sure

3 that they have one sort of still [comfortable?].

4 And it's still one of those things though, right?

Page 435

COMBINE.txt

5 I mean, they don't want to call the guy and sort
6 of, you know, so let's say, oh by the way, when
7 it comes to roll are you going to be okay to roll
8 still? Because that just sort of flags it to
9 them. So they're all a bit ... they're a bit
10 sensitive about ringing them.

11 JOHN: Yeah. All right, so I'm going to
12 do the following. I'm going to prepare a ... I
13 want to, as soon as Chris comes in, I'm going to
14 try to do an updated graph, right, because a lot
15 has changed, and ... and go through everything.

16 ANDREW FORSTER: Right.

17 JOHN: And then what I will also do is,
18 I will have that graph and then I'll incorporate
19 in our repos, our, uh, you know, the SIV and CP
20 just to see where we are.

21 ANDREW FORSTER: Right.

22 JOHN: And where we stand.

23 ANDREW FORSTER: Okay.

24 JOHN: And then you guys have to dispute
25 the shit out of Goldman.

4

1 ANDREW FORSTER: Yeah, I know, we'll do
2 that and see what they get back. They are the
3 ones causing us problems on the SIV by the way,
4 because we got our ... we get daily valuations,
5 and you know, everything came back roughly that
6 same apart from we have like four bonds at
7 Goldman price. All of them came back at like 95
8 cents on the dollar.

COMBINE.txt

9 JOHN: Except for Goldman?
10 ANDREW FORSTER: No, all Goldman stuff
11 came back. Everything else came back pretty much
12 par or, you know, the odd ones at 99.
13 JOHN: Yeah.
14 ANDREW FORSTER: The four bonds at
15 Goldman price all came back at like 95.
16 JOHN: And what, did other guys price
17 the other stuff you're saying?
18 ANDREW FORSTER: Yeah, yeah, it's
19 different guys.
20 JOHN: But Goldman's just way off
21 market.
22 ANDREW FORSTER: Yeah, with that ...
23 [OVERLAPPING]
24 JOHN: [OVERLAPPING] [UNINTEL].
25 ANDREW FORSTER: Really fucking ...

5

1 JOHN: [OVERLAPPING] All right. well,
2 you know what? It's ... it's probably worth
3 having Joe get involved at some point.
4 ANDREW FORSTER: Yeah.
5 JOHN: But will you talk to him about
6 [Dia?]? Because as ... as Grant said, if we want
7 to delay the notice ...
8 ANDREW FORSTER: Yeah.
9 JOHN: I think we should do that. I
10 think it's a good idea just to buy ... you know,
11 at a minimum it gives us time for the market to
12 settle.

Page 437

COMBINE.txt

13 ANDREW FORSTER: Yeah, well try ... ask
14 him, do we do it for a couple of weeks or
15 something?

16 JOHN: A week or two, yeah, ask him what
17 his thoughts are. Yeah, tell him that, you know,
18 the ... sounds like the pairs trade which we're
19 hopeful is going to be, you know, no ... no later
20 at the end ... now as at the end of the month.

21 ANDREW FORSTER: Right.

22 JOHN: And, uh, but, you know, uh, just
23 given where we are and given the tightness in the
24 markets, and given this Goldman, unexpected
25 Goldman call, it would be nice to have that, you

6

1 know, an extra ... and the Goldman call would ...
2 is basically the, uh, you know, it's two billion
3 right now, or a billion eight, whatever that ends
4 up being. Now that's unexpected, and it would be,
5 given the state of the market, both you and I
6 think that, uh, if we can roll that out it gives
7 us a lot of breathing room because we got the
8 Deutsche settling and then we feel much better.

9 ANDREW FORSTER: Yeah, okay, all right,
10 I'll go and ask him that.

11 JOHN: All right.

12 ANDREW FORSTER: Okay mate.

13 JOHN: And then you can tell him in the
14 meantime that you spoke with me and we're, you
15 know, we're prepared and try to get, you know,
16 real time type numbers to ... to get a sense of

Page 438

COMBINE.txt
17 where we stand on everything.
18 ANDREW FORSTER: Okay, will do.
19 JOHN: All righty?
20 ANDREW FORSTER: All right. Okay, speak
21 to you later.
22 JOHN: Thanks, bye.
23 ANDREW FORSTER: Later.
24 [END OF TAPE]
25

7

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