



August 30, 2010

**Via Email & Mail**

Mr. Joseph Cassano  
c/o Mr. James Walden, Esq.  
Gibson Dunn  
200 Park Avenue  
New York, NY 10166-0193  
[jwalden@gibsondunn.com](mailto:jwalden@gibsondunn.com)

Phil Angelides  
*Chairman*

Hon. Bill Thomas  
*Vice Chairman*

Brooksley Born  
*Commissioner*

Byron S. Georgiou  
*Commissioner*

Senator Bob Graham  
*Commissioner*

Keith Hennessey  
*Commissioner*

Douglas Holtz-Eakin  
*Commissioner*

Heather H. Murren, CFA  
*Commissioner*

John W. Thompson  
*Commissioner*

Peter J. Wallison  
*Commissioner*

**Re: Financial Crisis Inquiry Commission Hearing on June 30, 2010**

Dear Mr. Cassano:

Thank you for testifying on June 30, 2010 in front of the Financial Crisis Inquiry Commission and agreeing to provide additional assistance. Toward that end, please provide written responses to the following additional questions and any additional information by September 10, 2010.<sup>1</sup>

1. Please describe the due diligence that AIGFP performed on the CDOs on which it wrote credit protection. Were you aware of the quality of the mortgages that comprised the underlying assets of the CDOs? Did you do direct analysis of the loan data?
2. Please describe the rationale for the premiums AIGFP charged its counterparties for credit default swap protection on multi-sector CDOs.
3. Did AIGFP ever test the consequences of a scenario whereby AIG would be downgraded by the major credit rating agencies? If so, what were the results of that stress test?

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<sup>1</sup> The answers you provide to the questions in this letter are a continuation of your testimony and under the same oath you took before testifying on June 30, 2010. Further, please be advised that according to section 1001 of Title 18 of the United States Code, "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

The FCIC appreciates your cooperation in providing the information requested. Please do not hesitate to contact Sarah Knaus at (202) 292-1394 or [sknaus@fcic.gov](mailto:sknaus@fcic.gov) if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wendy Edelberg', with a large, stylized loop at the end.

Wendy Edelberg  
Executive Director, Financial Crisis Inquiry Commission

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission  
Bill Thomas, Vice Chairman, Financial Crisis Inquiry Commission



September 13, 2010

**Via Email & Mail**

Mr. Joseph Cassano  
c/o Mr. James Walden, Esq.  
Gibson Dunn  
200 Park Avenue  
New York, NY 10166-0193  
[jwalden@gibsondunn.com](mailto:jwalden@gibsondunn.com)

Phil Angelides  
*Chairman*

Hon. Bill Thomas  
*Vice Chairman*

**Re: Financial Crisis Inquiry Commission Hearing on June 30, 2010**

Dear Mr. Cassano:

This letter follows up on the letter dated August 30, 2010 asking you to answer questions in writing. Please provide a written response to the following additional question by September 24, 2010.<sup>1</sup>

1. During the hearing Chairman Angelides discussed the collateral call timeline below which chronicles margin calls between AIG and Goldman Sachs. Please review the timeline linked below and identify key items that should be included or items that should be revised:

<http://www.fcic.gov/hearings/pdfs/2010-0701-Goldman-AIG-Collateral-Call-timeline.pdf>

The FCIC appreciates your cooperation in providing the information requested. Please do not hesitate to contact Sarah Knaus at (202) 292-1394 or [sknaus@fcic.gov](mailto:sknaus@fcic.gov) if you have any questions or concerns.

Sincerely,

Wendy Edelberg  
Executive Director, Financial Crisis Inquiry Commission

cc: Phil Angelides, Chairman, Financial Crisis Inquiry Commission  
Bill Thomas, Vice Chairman, Financial Crisis Inquiry Commission

<sup>1</sup> The answers you provide to the questions in this letter are a continuation of your testimony and under the same oath you took before testifying on June 30, 2010. Further, please be advised that according to section 1001 of Title 18 of the United States Code, "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

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Wendy Edelberg  
*Executive Director*

1717 Pennsylvania Avenue, NW, Suite 800 • Washington, DC 20006-4614  
202.292.2799 • 202.632.1604 Fax

October 8, 2010

BY EMAIL

Client: T 19983-00001

Wendy Edelberg  
Executive Director  
Financial Crisis Inquiry Commission  
1717 Pennsylvania Avenue, NW, Suite 800  
Washington, DC 20006

Re: Follow-up questions to Joseph Cassano

Dear Ms. Edelberg:

I write as counsel to Joseph Cassano in response to the follow-up questions sent on August 30, 2010, and September 13, 2010. The responses to your questions are below.

First, in your August 30 letter, you asked about the due diligence that American International Group, Financial Products Division ("AIGFP") performed on the collateralized debt obligations ("CDOs") on which it wrote credit protection. Mr. Cassano previously testified, both in writing and orally, about the diligence and approval process relating to the CDOs on which AIGFP wrote protection. As set forth on page two of Mr. Cassano's written testimony, the approval process had several stages, and AIG reviewed every one of AIGFP's credit-default swap ("CDS") transactions according to standards that AIG had set. In addition, AIGFP performed a fundamental analysis of each proposed transaction, including of the proposed terms and conditions and the underlying assets within the portfolio. (*See* Hearing Transcript, June 30, 2010, pp. 169, 209.) AIG continued to monitor the portfolio throughout the lifetime of the deal. (*See* Cassano written testimony p. 3.) That said, so-called "CDO Managers" (not employed by AIGFP) were contractually permitted to substitute new assets for maturing assets under the terms of the CDOs. AIGFP had personnel to periodically review collateral substitution and raise complaints or concerns about substitution decisions by CDO Managers. Mr. Cassano did not handle this process personally, although he believed AIGFP had a very capable staff to do so. However, AIGFP had no authority, as we understand it, to prevent substitution of collateral by CDO managers.

Second, you asked about the rationale for the premiums AIGFP charged its counterparties for CDS protection on multi-sector CDOs. Mr. Cassano was not involved in directly negotiating contracts or premiums. However, as he testified during the hearing, he believed that AIGFP's pricing was competitive. (*See* Hearing Transcript, June 30, 2010, p. 210.)

Third, you asked whether AIG ever tested the consequences of a scenario whereby AIG was downgraded by the major credit rating agencies. During Mr. Cassano's tenure at AIGFP,

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Wendy Edelberg

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AIGFP monitored its liquidity. (See Hearing Transcript, June 30, 2010.) Among other things, AIGFP had a committee tasked with reviewing AIGFP's liquidity and potential liquidity needs on a continuous basis. (See Hearing Transcript, June 30, 2010, p. 181-82.) AIGFP conducted quarterly liquidity analyses, among other things, that incorporated highly stressed market assumptions, including scenarios that assumed downgrades of AIG's long-term credit rating. This information was shared with AIG. We believe AIG has documents reflecting these liquidity analyses. In addition, AIGFP could liquidate assets if necessary to manage liquidity risk. During the relevant time period, AIGFP managed approximately \$50 billion in securities that it could liquidate and use as collateral. (See Hearing Transcript, June 30, 2010, p. 182.)

Fourth, in your separate letter dated September 13, 2010, you requested: "Please review the timeline linked below [of collateral calls by Goldman Sachs] and identify key items that should be included or items that should be revised." Some revisions and additions to the timeline are below. In addition, as a general matter, we note that the timeline identifies Elias Habayeb and Bill Dooley as AIGFP employees. Both were actually employees of AIG, not AIGFP.

Date	Summary	Description
Late July - Early August 2007	Joe Cassano (AIGFP) informs Bill Dooley (AIG) of Goldman collateral call	Shortly after learning of the Goldman collateral call, Joe Cassano told Bill Dooley about the call
On or before August 6, 2007	Goldman agrees to accept \$600m to resolve the collateral call	Goldman agrees to accept \$600m to resolve the \$1.2m collateral call
August 7, 2007	AIGFP informs AIG's external auditors of Goldman's collateral call	Joe Cassano (AIGFP) discusses the Goldman collateral call with PricewaterhouseCoopers
September 5, 2007	Meeting between AIGFP and Goldman	Joe Cassano (AIGFP) and Andrew Forster (AIGFP) meet with Mike Sherwood (Goldman) and Neil Wright (Goldman) to discuss finding an objective procedure for resolving collateral calls

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September 11, 2007 (revision to existing entry)	AIGFP internal emails re summary of collateral calls to date, collected in preparation for call with AIG the following day	Andrew Forster (AIGFP) requests a summary of collateral calls received to date, because he "need[s] to go through them with the accountants tomorrow." In response, Tom Athan (AIGFP) writes to Andrew Forster (AIGFP) and Adam Budnick (AIGFP) . . . .
September 12, 2007	AIGFP conference call with AIG	Conference call with AIGFP and AIG at which they discussed collateral calls
November 1, 2007 (revision to existing entry)	SocGen declines to follow through on collateral call based on Goldman's marks	Joe Cassano (AIGFP) writes in an email to Elias Habayeb (AIG) that there was "one other collateral call from one counterpart SocGen which was spurred by GS calling them . [sic] In that case we also disputed the call and have not heard from SocGen again on that specific call."
November 8, 2007	Joe Cassano (AIGFP) discusses collateral calls during AIG earnings call	Joe Cassano (AIGFP) tells analysts and investors about collateral calls and valuation differences with counterparties, explaining that "some people give us numbers say, 65 or 55, and on very similar or [the] same deals, people have come in with numbers of 90 and 95."
November 14, 2007 (revision to existing entry)	Andrew Forster (AIGFP) email to Joe Cassano (AIGFP) re collateral calls	Andrew Forster (AIGFP) writes that AIGFP received significant collateral calls from SocGen (\$1.7b) based on Goldman marks; and Merrill (\$610m). Asks if

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		<p>AIGFP should dispute and attempt to reach compromise.</p> <p>SocGen did not actually make the collateral call it indicated it would make on this date. (Tab 33)</p>
November 29, 2007 (revision to existing entry)	Meeting between AIGFP, AIG, and PwC re Goldman collateral calls	. . . . AIGFP discusses the differences between its valuations and Goldman's and AIGFP's belief that Goldman's marks were low, and provides information contrasting Goldman's marks with AIGFP's marks ( <i>see</i> GS marks spreadsheet)
March 7, 2008	Joe Cassano (AIGFP) emails AIG regarding call with Goldman about collateral dispute	<p>Joe Cassano (AIGFP) describes to Martin Sullivan (AIG), Elias Habayeb (AIG), Bob Lewis (AIG) and others a call with Mike Sherwood (Goldman) in which Cassano told Sherwood that "even with the very conservative pricing and valuations [AIGFP has] used," AIGFP is "no where near [Goldman's] pricing."</p> <p>Cassano tells Sherwood that "the only way to settle this issue is to get dealer quotes," but Sherwood says that he "did not think a dealer poll was a good idea." Cassano tells AIG that it "seems clear to me that Goldman does not want to go to dealer polls," and recommends continuing to negotiate with Goldman.</p>

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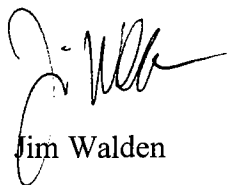
Wendy Edelberg

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Please let us know whether we can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Walden", with a stylized, cursive script.

Jim Walden