

Script for Counterparty Discussions

We have asked to meet with you in order to give you an opportunity to substantially reduce your counterparty exposure to AIG and assist in promoting the long-term viability of the company as an ongoing concern. As evidenced by recent government actions, the viability of AIG is an important policy objective given the firm's systemic importance. As we are sure you can appreciate, a collapse of AIG over the weekend of September 13th and 14th following so closely after the collapse of Lehman Brothers would have jeopardized the financial system in general, and your financial institution in particular, given your firm's exposure to AIG at the time. Indeed, notwithstanding unprecedented governmental action, there has been a dramatic increase in AIG's CDS spreads, which highlights the significant economic costs that would have been borne by AIG's counterparties had the government not intervened and the sizable counterparty exposure that your firm continues to retain with AIG. For these reasons, it is clear to us that we have a common objective in ensuring the firm's long-term viability.

With these points in mind, we would propose that you make us a compelling offer to unwind all your outstanding CDS contracts with AIG referencing ABS CDOs in exchange for the purchase of the underlying CDOs (where the assets are available) at a percentage of the notional amount for the CDS. Of course, we are open to other proposals you might have that would lead to a final resolution of this complex portfolio and therefore satisfy our common objectives.

Consistent with the economics of the underlying transactions, we recognize that factors such as the replacement costs of the transactions, funding costs of the underlying CDO, collateral posted, and associated credit valuation adjustments should influence your assessments of value. In our view, these assessments should also reflect the cost of the considerable direct and indirect benefits counterparties have derived from the Federal Reserve's support of AIG and market stability more broadly.

We are seeking your participation as well as the participation of other CDS counterparties. Of course, participation is entirely voluntary; should you decide to participate we would propose to proceed as follows:

1. Please provide us with contact names so that our representatives can confirm trade details such as cusips, notional amounts, collateral posted, etc.
2. Please indicate a price, in terms of a total cash amount equal to a percentage of the notional amount of the CDS Transactions in exchange for canceling the CDS Transactions and transferring the assets underlying the CDS to the Federal Reserve.
3. We will evaluate that offer and reply with a response.