

**From:** Athan, Tom  
**Sent:** 08/08/2007 08:25:38 AM  
**To:** Frost, Alan  
**Subject:** FW: Latest on GS

please cc me on this topic

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-----Original Message-----

**From:** Forster, Andrew  
**Sent:** Wednesday, August 08, 2007 4:37 AM  
**To:** Frost, Alan  
**Subject:** Re: Latest on GS

Have they given you any indication at all that they may do this?

I am sorry but I have no idea why you keep going on about amicable. We don't agree their marks and are simply saying let's use a 3rd party and keep it friendly. What do they expect us to do - just give them a whole bunch of cash because they are goldman sach's?

-----Original Message-----

**From:** Frost, Alan  
**To:** Forster, Andrew  
**Sent:** Wed Aug 08 02:12:54 2007  
**Subject:** Latest on GS

We did not receive a formal response to our proposal today. However, here is my latest sense of what feels like its going to happen.

I now think that they will not take any money or collateral from us. They will leave the disputed margin call outstanding. However, they also may not initiate the dealer survey right away either. They do respect the fact that we have received a good deal of data from other dealers in the market that we simply cannot ignore. As you and I discussed earlier, they therefore may choose to deal with their problem not with us, but directly with the market. Clearly, they have to be careful, but they can do a lot of things in the market to generate price discovery. They recognize that this price discovery is not applicable to the CSA directly. But it can influence how a dealer decides to determine a mid going forward.

For example, let's say Merrill gives us a mid of 98. Then GS asks them to bid 100 bonds (which they have access to). If Merrill bids them 80, that in itself is not applicable to our CSA. But it could cause Merrill to change their view of where the mid market quotation should be. This would apply to our CSA if it was in response to a price request.

Will GS actually go out and do this? Will other dealers respond to them? Will it actually influence the other dealers' thinking and marks? I don't know, but I think its a very credible threat. Andrew, I have never seen Andy D. more discouraged and despondent about amicably resolving any debate or conflict between our firms as long as I've known him. It ridiculous that this could rise to this degree of intensity, but it seems like its gotten really ugly over there. Maybe the feeling is mutual here, but I think its a waste and a shame that our relationship could, and probably will be so tarnished over this. This is a real issue

that will probably dissipate over time, but it will take a while. It doesn't bode well with White Oak and some of the other projects in development.

So I think that there's a pretty good chance that Sherwood will call Joe. Again, all of the above has not been proposed. I am just reading the tea leaves via conversations with Andy D. I expect to hear back from him tomorrow a.m. I don't know if Sherwood would call Joe before I hear their response back from Andy, but I'm sure its possible.

This has not been fun.

Hasta manana.

Alan