

EX. SNO - 497

1 011211 131304-12-11-01 aud0 (6:57)

2 [dialing/ringing]

3 AUDREY'S MESSAGE: Hi, Stewart, it's Audrey Cullen calling. It's, ah, 9:30 my time on
4 Monday evening and, ah, as a matter of fact I did call you back and left a voice mail for you, but--

5 VOICE: Message --

6 STEWART: This is Stewart.

7 JAMES: Hey, Stewart. James at MID.

8 STEWART: Hey, James, how are you?

9 [REDACTED]

10 STEWART: And we'd like to look at redoing the master, maybe calling in EEI this time, with the
11 same terms and, you know, or -- or maybe we would loo -- r -- relook at the credit terms, because
12 we'd be a different credit entity.

13 JAMES: Mm hm.

14 STEWART: Um, how amenable -- how open do you think Modesto would be at saying, Yeah,
15 let's get goin' again and what --

16 JAMES: Aah -- you know, I'm not sure I could speak for the company. Ah, y -- you know, I -- I
17 haven't t -- even talked to Scott about it at all. I -- I -- um, I -- I would guess that if, you know, as
18 long as things were honored, ah -- you know, all of our contracts were honored, like that we have in
19 place now and all our positions, or whatever, ah, and then credit backing was -- was s- solid, um,
20 you know, I -- I would think that, since, you know, mostly all the same people are there, I -- I would
21 think that it would probably be OK. You know, there might be some more stringent credit
22 requirements, but, ah --

23 STEWART: Well, and actually, in theo -- ah, a couple thoughts on that. One, we had triple B plus
24 before--

25 JAMES: Right.

26 STEWART: And we'd probably be a single layer higher. So --

27 JAMES: Right.

28 STEWART: So, we'd in theory it'd be better. Two, in my opinion, fraud was committed in that
29 when we said we were triple B plus, we in fact weren't because we were more leveraged than --

1 JAMES: Oh, yeah.

2 STEWART: And for some rea – yeah, I mean, the – part of the reason why we went down the way
3 we went down was, there was a lot of off balance sheet debt that –

4 JAMES: Right.

5 STEWART: – for whatever reason, S&P and Moody’s didn’t know about and as a result they gave
6 us a credit rating that did not reflect that kind of leverage.

7 JAMES: Right.

8 STEWART: So – not just you guys, but we were operating under the assumption that we looked a
9 certain way.

10 JAMES: Right.

11 STEWART: The whole market did and it – as it was disclosed, it was sort of an instantaneous
12 reaction of, Oh, my god! And just, like, we – we plummeted.

13 JAMES: Right.

14 STEWART: You know, it started a chain of reacti – ah, a chain of events that we couldn’t reverse.
15 So, my question to you is, Are you able to kind of put aside the emotional baggage and say, I’m
16 going to have to make the assumption that there’s not going to be continual fraud, and I’ve gotta
17 trust the credit rating agencies, and when I do all my counterparties, if they say triple B plus or
18 single A or whatever, I got to assume that the information given is correct.

19 JAMES: Mm hm.

20 STEWART: ‘Cause, ah, I mean, it just kind of freaks me out that – that nobody caught it until we
21 went bankrupt, you know. It just seems unfortunate.

22 JAMES: Yeah.

23 STEWART: Because, you know, I’ve done a lot of transactions with people where we use the
24 rating, ah, both [of us?] – I used it as a – as a stron – selling point, and they used it as, you know,
25 one of their important, ah, criteria in deciding whether to go with us, especially for longer term
26 deals.

27 JAMES: Right.

28 STEWART: And now I feel like, you know, does this reflect badly on us, because I feel like I
29 misrepresented something, but in fact, I represented what I thought was true. And they accepted

1 what they thought was true and we were just p – both totally wrong –

2 JAMES: Sure.

3 STEWART: – so was the rest of the world. So, if we came back under a new organization, again,
4 I'm – I'm going to make the same assumption that I'm being told the truth that we're, you know, in
5 the single A category or double A or whatever it is.

6 JAMES: Yeah, I don't – I don't think you could do any different though, you know?

7 STEWART: well, I just want to make sure, 'cause you know, I think some people are – are, ah, I –
8 I know in this industry, people have long memories, and I think, I just want to be in an environment
9 where I'm going to be able to talk to you about the transaction we talked about in the past, and –
10 and ah, you know, I thought we got a lot done last year –

11 JAMES: Mm hm.

12 STEWART: And I want to continue in that kind of environment. It's not fun to be shut down, it's
13 not fun to be in a rebuilding phase.

14 JAMES: Yeah, yeah.

15 STEWART: I'm willing to do the cost if I think it gets us to the point where we were before, but if
16 – if it's gonna always be, well, there's this, you know, la – lagging issues in the back of my mind
17 that I can't, you know, get over, then that's an issue.

18 JAMES: Yeah, I – I – I really don't know what – what MID stance is gonna be, Stewart, I – you
19 know, like I said, I haven't talked to – to Scott or anyone else about that. May be sort of premature
20 right now to – to do that, but, um, you know, as far as I'm concerned, if they tell me it's OK to – to
21 trade with somebody, then it's OK to trade with somebody, you know what I mean.

22 STEWART: OK. Cool.

23 JAMES: You know, ah –

24 STEWART: All right, well –

25 JAMES: You – you know, that's – that's not my job to evaluate those – those conditions, so –

26 STEWART: OK. OK, that's what I want to hear. Um –

27 JAMES: Hey, the reason I called –

28 STEWART: Yeah.

29 JAMES: – is, ah, I'm – I'm a little, ah, curious – we – we've been trying to check out –

1 STEWART: Mm hm.
2 JAMES: – with, ah, I guess it's Gwen Williams, or Virginia Thompson?
3 STEWART: I know Virginia. I don't know Gwen.
4 JAMES: OK. And haven't got a response back. Just wondering if we're sort of barking up the
5 wrong tree nowadays or –
6 STEWART: Let me, um – let me ask Virginia. Ah, 'cause I don't even know, kind of who's doing
7 check-outs. So, let – let me talk to Virginia and can I call you back today?
8 JAMES: Sure. No problem.
9 STEWART: OK. I'll do that.
10 JAMES: That'd be cool. OK.
11 STEWART: Thanks.
12 JAMES: Thanks, Stewart.
13 STEWART: Bye.
14 JAMES: Bye- bye.