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I'd like to address the current stock market environment and the ensuing volatility. I'm sure many of you are concerned about your investments and the dramatic fall of the financial sector and how it relates to your portfolio. The financial sector is currently suffering from a lack of confidence in their company's balance sheet.

I would like to take a moment to address concerns surrounding American General Finance (AIG). In September of 2007, Anchor Bay purchased bonds backed by American General Finance (AIG) yielding close to 6% and maturing September 2013. At the time of this acquisition, AIG had a trillion dollar balance sheet and an 'AA' credit rating by Moody's and Standard & Poor's. As of this writing, AIG's bonds still carry a single 'A' investment grade rating. As of yesterday, interest owed the bond holders was paid and with the \$85 billion infusion of capital by the US Government, and I continue to expect interest payments made in a timely fashion. Should AIG continue to make good on its interest payments, the bonds will mature at face value without any loss of principle.

Regarding AIG's stock, the US Government took an 80% ownership as of yesterday. The result of this action will dilute the stock holder to 1/5 of the company's value. As AIG sells off pieces of its business in an orderly fashion, that should result in a greater stock price closer to book value in the \$30 range. The time frame for this is anywhere between the end of this year and the next 24 months.


Anchor Bay has purchased some Merrill Lynch bonds that mature over the next couple of months. Additionally, we have acquired some Bear Stearns bonds that are now the obligation of JP Morgan bank and our expectation are that those obligations will be met in a timely fashion.

Volatility remains the key word in credit, with financials taking center stage. There was a fair amount of back and forth over the fate of AIG. We learned this morning that the Fed blinked and is offering AIG a 24 month \$85B facility priced at L+850. The loan is collateralized by all the assets of AIG, and of its primary non-regulated subsidiaries. These assets include the stock of substantially and all of the regulated subsidiaries. The loan is expected to be repaid from the proceeds of the sale of the firm's assets. The U.S. government will receive a 79.9% equity interest in AIG and has the right to veto the payment of dividends to common and preferred shareholders.

The causes of the current credit crises are rooted in the continuing collapse of the real-estate bubble. So far, however, this is a financial crisis, as opposed to a broader economic crisis. Giant insured AIG has gotten into trouble because of its highly leveraged investments in complex derivatives and mortgage backed securities. The latest economic data still show the broad U.S. economy expanding, and these are dated from earlier this year when oil, gas and other commodity prices were soaring. Now commodity prices are plunging, which should provide the economy a powerful boost.

For investors, the good news is that a purely financial crisis can set the stage for strong future gains. A financial crisis need not cast a pall over future returns, meanwhile, I won't panic and follow the herd; I will be taking advantage of any further declines.

Sincerely,

A handwritten signature in black ink that reads "Scott Spiering". The signature is written in a cursive style with a large initial "S" and a long, sweeping underline.

Scott Spiering
President