

1 IN THE UNITED STATES COURT OF FEDERAL CLAIMS

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3 STARR INTERNATIONAL COMPANY,)
4 INC., Individually and on)
5 Behalf of All Others)
6 Similarly Situated,)
7 Plaintiffs,) Case No. 11-779C
8 vs.)
9 UNITED STATES OF AMERICA,)
10 Defendant.)
11 -----)

12

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Courtroom 4

14

Howard T. Markey National Courts Building

15

717 Madison Place, N.W.

16

Washington, D.C.

17

Friday, October 17, 2014

18

9:30 a.m.

19

Trial Volume 14

20

21

BEFORE: THE HONORABLE THOMAS C. WHEELER

22

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25

Susanne Bergling, RMR-CRR-CLR, Reporter

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	I N D E X					
	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	VOIR
1						
2						
3	LIDDY	3107	3178	3276	3319	
4						
5						
6	EXHIBITS	FOR ID		IN EVID		
7	Plaintiff's					
8	Number3				3139	
9	Number4				3143	
10	Number432				3120	
11	Number464				3123	
12	Number523				3169	
13	Number528				3170	
14						
15	Defendant's					
16	Number507				3190	
17	Number601				3262	
18	Number776				3127	
19	Number814				3272	
20						
21	Joint					
22	None					
23						
24	*All exhibits premarked for identification					
25	*See full attached list of admitted exhibits following transcript.					

1 P R O C E E D I N G S

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3 (Proceeding called to order, 9:30 a.m.)

4 THE COURT: Good morning.

5 ALL COUNSEL: Good morning, Your Honor.

6 THE COURT: Please be seated.

7 We're on the record this morning for day number
8 14 in the trial of Starr International Company versus
9 the United States.

10 Good morning, Mr. Liddy.

11 THE WITNESS: Good morning.

12 THE COURT: Do you understand that you are still
13 under oath in these proceedings?

14 THE WITNESS: I do.

15 THE COURT: Let's proceed.

16 Whereupon --

17 EDWARD LIDDY

18 a witness, called for examination, having previously
19 been duly sworn, was examined and testified further as
20 follows:

21 DIRECT EXAMINATION (cont.)

22 BY MR. BOIES:

23 Q. Good morning, Mr. Liddy.

24 A. Good morning, Mr. Boies.

25 Q. Do you recall when we broke yesterday afternoon

1 I had asked you whether you believed that AIG was in a
2 worse position to consider bankruptcy on the 21st of
3 September, 2008, than it had been earlier that week? Do
4 you recall that?

5 A. I do.

6 Q. And you agree that bankruptcy was a considerably
7 worse alternative on September 21st than it had been
8 when you became AIG's CEO on September 18th.

9 A. I'm not sure I agreed to that, Mr. Boies. I
10 think my comment was it was an equally bad alternative
11 on either of those days.

12 Q. Let me ask you to look at your deposition at
13 page 574. This is the second day of your deposition in
14 this case. When you have it, let me know.

15 A. I have page 574.

16 Q. And the portion I am going to direct your
17 attention to begins at line 8. For context, I'm asking
18 you a question or I believe it is Ms. Rutherford is
19 asking you a question about whether bankruptcy was a
20 considerably worse alternative now. Do you see that?

21 A. I do.

22 Q. And "now" refers to the date of the September
23 21st board meeting, correct?

24 A. I believe so, yes.

25 THE COURT: Excuse me, Mr. Boies. I'm confused

1 by the sequence on this page, because it shows
2 Ms. Rutherford making an objection on the -- so, who is
3 doing the examining here?

4 MR. TODOR: Your Honor, I am.

5 THE COURT: Oh, this is your part of the
6 examination?

7 MR. TODOR: Yes, Your Honor.

8 THE COURT: I understand.

9 MR. BOIES: And Ms. Rutherford was representing
10 us.

11 THE COURT: I've got it.

12 MR. BOIES: I actually misspoke when I
13 attributed the question to Ms. Rutherford.

14 THE COURT: If you would like to start again,
15 that's fine.

16 BY MR. BOIES:

17 Q. If you look at the question beginning at line 8:

18 "QUESTION: Did you agree that bankruptcy was a
19 considerably worse alternative on September 21 than it
20 was when you became AIG's CEO on September 18th?

21 "ANSWER: As best I recall, yes.

22 "QUESTION: Why was that?

23 "ANSWER: Well, we now owed, in addition to all
24 the other creditors, in the settlement of the contracts
25 under the swaps, et cetera, we now owed the Federal

1 Reserve \$37 billion."

2 Do you see that?

3 A. I do.

4 Q. And that was as complete, accurate, and truthful
5 testimony as you could give at the time of your
6 deposition, correct?

7 A. It was.

8 MR. TODOR: Your Honor, pursuant to Rule 106, I
9 move that the questions from lines 2 through 16 on page
10 575 also be read for context.

11 THE COURT: Why don't you cover that when it's
12 your turn to examine.

13 MR. TODOR: Thank you, Your Honor.

14 THE COURT: Sure.

15 BY MR. BOIES:

16 Q. And would you agree with that today and is your
17 recollection refreshed?

18 A. Mr. Boies, I do agree with it. I would say \$37
19 billion is a significant number, but AIG's balance sheet
20 was \$1.2 trillion. So, the fundamentals of a bankruptcy
21 on September 16th or a bankruptcy on the 21st were -- it
22 was just an awful situation. There would have been
23 another \$37 billion that we would have owed, but the
24 fundamentals were unbelievably bad on those days.

25 Q. Indeed, the fundamentals had gotten worse

1 between the 18th and the 21st, correct? The
2 fundamentals of the market.

3 A. The existence -- oh, the fundamentals of the
4 market clearly had gotten worse, and the existence of a
5 draw-down of \$37 billion would suggest that AIG's
6 fundamentals had gotten worse, also. Again, I think you
7 have to evaluate that in the context of a balance sheet
8 that was about \$1.2 trillion.

9 Q. Now, the \$1.2 trillion balance sheet was a
10 balance sheet of assets, correct?

11 A. It was a consolidated balance sheet.

12 Q. How much of that consolidated balance sheet was
13 represented by the value of AIG's insurance
14 subsidiaries?

15 A. I don't remember.

16 Q. Approximately.

17 A. I just -- I just don't remember. I'd be
18 guessing at the number. I don't remember.

19 Q. Was it more than 80 percent?

20 A. I just don't remember, Mr. Boies.

21 Q. Okay. Let me turn to the subject of Maiden Lane
22 III, and in that connection, let me ask you to look at
23 the board of directors minutes for November 9, 2008.
24 That was when --

25 A. Where are they?

1 Q. I am going to try to find them.

2 And that was when you considered -- the board
3 considered the Maiden Lane transaction. Is that
4 correct?

5 A. I think so. I would like to look at the exhibit
6 before I concur with that.

7 Q. Sure, absolutely. Sure, absolutely.

8 Would you look at Joint Exhibit 144. Does this
9 refresh your recollection that it was on November 9,
10 2008, that the AIG board approved the Maiden Lane III
11 transaction?

12 A. Yes, it does.

13 Q. Prior to the time that the AIG board approved
14 the Maiden Lane III transaction on November 9, 2008, AIG
15 had been having discussions with its counterparties
16 regarding the amount that would be paid as part of the
17 Maiden Lane III transaction, correct?

18 A. Yes.

19 Q. And what you were trying to do is to get the
20 counterparties to settle at less than par, less than 100
21 cents on the dollar, correct?

22 A. Yes.

23 Q. And you were able to achieve that in some cases
24 but not in enough cases in order to make the credit
25 default swap situation go away, correct?

1 A. My recollection is that we had modest success.
2 Our success was very much a function of the
3 counterparties' capital position and whether they had
4 enough room to be able to make an adjustment to it or
5 not.

6 Q. And one of those counterparties you were aware
7 of was Goldman Sachs, correct?

8 A. Yes.

9 Q. And when you were chairman of the audit
10 committee, you were kept informed of significant
11 financial issues facing Goldman Sachs, correct?

12 A. Sorry. Chairman of the audit committee of
13 Goldman Sachs?

14 Q. Yes.

15 A. Yes.

16 Q. And when you were chairman of the audit
17 committee of Goldman Sachs, you participated in
18 discussions concerning Goldman Sachs' exposure to AIG,
19 correct?

20 A. Yes.

21 Q. When the board approved the Maiden Lane III
22 transaction on November 9, you expected that the Federal
23 Reserve would continue to try to negotiate concessions
24 below par with respect to the CDSs that were the subject
25 of Maiden Lane III, correct?

1 A. That was my expectation. To the extent AIG had
2 attempted to do that, I presumed the Federal Reserve
3 would do the same thing.

4 Q. And if you look at Joint Exhibit 144, which are
5 the minutes, attached to the minutes are various
6 materials that were submitted to the board concerning
7 the Maiden Lane III transaction, correct?

8 A. Yes.

9 Q. And if you look at page 52, this is a page of a
10 proposed term sheet, correct? I think if you look at
11 page 44, you see that this is headed "Maiden Lane III
12 Term Sheet."

13 A. Sorry, page -- I'm not exactly sure how page 52
14 fits into all of this.

15 Q. Page 44.

16 A. Page -- I'm sorry, page what? Page 144?

17 Q. No, page 44.

18 A. Yes, sir.

19 Q. And let me try to be clear.

20 A. Yes.

21 Q. Page 44 of Joint Exhibit 144 is a Maiden Lane
22 III term sheet, correct?

23 A. Yes, it is.

24 Q. And this was part of the material submitted to
25 the board in connection with their approval of the

1 Maiden Lane III transaction, correct?

2 A. Yes.

3 Q. And if you go to page 8 of the term sheet, which
4 is page 51 of Joint Exhibit 144, you see a heading that
5 says, "Proposed Collateral Administration Provisions"?

6 A. I do.

7 Q. And then if you go to the next page, which is
8 page 52 of Joint Exhibit 144, you see -- the fourth item
9 down is "Termination Price for termination of CDS
10 Agreement"?

11 A. I do.

12 Q. And the next line says, "Sum of Purchase Price
13 and Termination Price: (9_)% of CDO Pool par value." Do
14 you see that?

15 A. I see it, yes.

16 Q. And that indicates that they were contemplating
17 that the termination price would be 90-something percent
18 of the par value, correct?

19 A. I'm sorry. Why do you conclude that?

20 Q. Well, there's a percentage sign and there are
21 two digits. The first digit is filled in, which is 9,
22 and then there's a blank. Do you see that?

23 A. I do.

24 Q. And that doesn't mean that they intended to
25 terminate these at 9 percent of the par value, does it?

1 A. I would certainly hope not, but since it's
2 blank, it could have been 99.9. It could have been any
3 number.

4 Q. Indeed, what they're saying here is that they
5 don't know what that number will be, correct? That's
6 what you understood on November 9.

7 A. I -- I don't remember looking at this specific
8 exhibit on November 9, so I'm not sure what I understood
9 then.

10 Q. Did you understand that the expectation was that
11 they would terminate the CDSs at somewhere between 90
12 and 99 percent of the par value of the CDSs? Did you
13 understand that?

14 A. You know, I didn't concentrate on it in those
15 specific terms, Mr. Boies. I assumed going into this --
16 though no one from the Fed, I think, told us this --
17 that they would negotiate hard and attempt to settle
18 these at below par. I don't know how much below par
19 they would have attempted.

20 Q. All right. You later found out that the Federal
21 Reserve was going to pay all the counterparties 100
22 percent of par, correct?

23 A. Yes.

24 Q. And how much after November 9 did you find that
25 out?

1 A. I don't recall.

2 Q. Do you recall approximately?

3 A. I just don't, no.

4 Q. The decision to pay the counterparties 100
5 percent of par was a decision that the Federal Reserve
6 made entirely on its own, correct?

7 A. Yes.

8 Q. That is a decision that you and AIG did not
9 participate in in any way, correct?

10 A. That's my recollection.

11 Q. And it is something that you had no say in and
12 no control over, correct?

13 A. Correct.

14 Q. In dealing with the Federal Reserve in
15 connection with ML III and generally, you trusted the
16 Federal Reserve to do what was in AIG's interests,
17 correct?

18 A. I did, yes.

19 Q. You treated the Federal Reserve as a partner,
20 correct?

21 A. I did.

22 Q. You believed that the Federal Reserve had
23 invested in AIG and owned 79.9 percent of the equity,
24 correct?

25 A. I did.

1 Q. To the extent that there were executive sessions
2 of the AIG board meetings, either you or your general
3 counsel, Ms. Kelly, would brief the Federal Reserve Bank
4 representatives about those sessions, correct?

5 A. I'm a little confused by the construct, sir.
6 Would you try again?

7 Q. Sure, absolutely.

8 The AIG board from time to time would have an
9 executive session. Fair?

10 A. Yes, at almost every board meeting.

11 Q. And in the executive sessions, the Federal
12 Reserve Board representatives who attended your board
13 meetings might not be present, correct?

14 A. They were not present. We asked them to leave.

15 Q. And then after the meeting, you or Ms. Kelly
16 would brief the Federal Reserve Board representatives
17 about the executive sessions, correct?

18 A. That's a little too broad. If there was
19 anything relevant to the Federal Reserve that we felt
20 they needed to be apprised of, we would apprise them of
21 that. If there were other issues that didn't concern
22 the Federal Reserve, we would not have.

23 Q. Let me ask you to look at page 53 of your
24 deposition, and the portion that I am interested in is
25 at the top of page 54, and for context, you may want to

1 look at page 53 to satisfy yourself that the question
2 I'm asking on page 54 relates to why you did not furnish
3 minutes of the executive sessions to the Federal
4 Reserve. Do you see that?

5 A. Yes. I'm sorry, Mr. Boies. I was just reading
6 53 to get some perspective, as you suggested.

7 Q. When you're finished, just let me know.

8 A. (Document review.) Okay. I've read half of 53
9 and 54.

10 Q. And at the top, when the question is, "Why not,"
11 that's asking why did you not give minutes of executive
12 sessions to the Federal Reserve Bank, correct?

13 A. Yes.

14 Q. And you answer:

15 "ANSWER: Well, it's an executive session. I
16 would have briefed or Stasia Kelly would have briefed
17 them on what was covered in the executive session."

18 And by "them," you are there referring to the
19 Federal Reserve Bank, correct?

20 A. Correct.

21 Q. And that was truthful, accurate, and complete
22 testimony at the time you gave it?

23 A. It was. It was.

24 Q. Let me turn next to the period of March 2009
25 when there was some discussion and perhaps controversy

1 concerning AIG compensation. Do you recall that
2 generally?

3 A. Are you referring to the FP bonuses?

4 Q. Yes, I'm referring to that. I think there were
5 other compensation issues at the same time, but I think
6 it's fair that the FP bonuses were the lightning rod.
7 Is that fair?

8 A. Yes, they were.

9 Q. And this was an area in which you had -- before
10 the bonuses became public, you had reviewed these
11 bonuses with representatives of the Federal Reserve
12 Bank, correct?

13 A. I'm a little concerned with your use of the word
14 "you." The bonuses were reviewed with the Federal
15 Reserve Bank, yes.

16 Q. If you would look at, for example, Plaintiffs'
17 Trial Exhibit 432, which I would offer.

18 MR. TODOR: No objection.

19 THE COURT: All right. Plaintiffs' Trial
20 Exhibit 432 is admitted.

21 (Plaintiffs' Exhibit Number 432 was admitted
22 into evidence.)

23 BY MR. BOIES:

24 Q. And if you turn to page 4 of this exhibit -- and
25 this exhibit represents minutes of a meeting of the AIG

1 compensation and management resources committee of the
2 board of directors, held February 24th, 2009. Am I
3 correct about that?

4 A. Yes. That's what the document says.

5 Q. And if you go to page 4 of that exhibit, the
6 second full sentence on that page, the one that begins,
7 "In response to Mr. Liddy's request..." Do you see
8 that?

9 A. Yes.

10 Q. And this is consistent with your testimony that
11 somebody from AIG had reviewed these bonuses with the
12 Federal Reserve Bank of New York, and the Federal
13 Reserve Bank of New York had indicated that the proposed
14 bonus amounts are generally in an appropriate range,
15 correct?

16 A. Yes. That's what the document says.

17 Q. And that that was going to be conveyed to
18 Treasury representatives as well, correct?

19 A. Yes.

20 Q. And I take it that you believed that the
21 proposed bonuses also were appropriate and desirable,
22 correct?

23 A. You've got to bear with me for a minute, sir. I
24 disliked paying the bonuses because I knew it would be
25 highly controversial and it would wreak more outrage on

1 AIG, but I thought retaining those people who had earned
2 those bonuses, who were helping us to wind down the
3 extreme exposure at FP, was the better -- was the better
4 course of action.

5 They had earned them. They were contractual
6 amounts. There were all kinds of issues if we didn't
7 pay them. So, it gave me no pleasure to pay them, but I
8 thought it was the right thing to do.

9 Q. When these bonuses became public, there was, as
10 you anticipated, a controversy about them. Fair?

11 A. "Controversy" is a generous word.

12 Q. And following that controversy, those bonuses
13 were adjusted and modified, correct?

14 A. I'm going to respond no, but then let me
15 explain. We paid the bonuses. I asked the individuals
16 who received those bonuses at FP to consider giving back
17 50 percent of the bonuses that they had received. And I
18 did that in order to give them an opportunity to -- to
19 have a gesture, to demonstrate their willingness to help
20 AIG solve its issues. Most of them, I think, did that.

21 They also then were paid their full bonuses the
22 following year, so it -- by doing that, they benefited.
23 They got the full bonuses the following year with much
24 less controversy. I think that's the way that was
25 handled.

1 Q. Let me ask you to look at Plaintiffs' Trial
2 Exhibit 464, which I would offer.

3 MR. TODOR: No objection.

4 THE COURT: Plaintiffs' Trial Exhibit 464 is
5 admitted.

6 (Plaintiffs' Exhibit Number 464 was admitted
7 into evidence.)

8 BY MR. BOIES:

9 Q. This is an email dated March 13th, 2009, from
10 James Hennessy to Ms. Kelly and yourself and a number of
11 other people, including Thomas Baxter and Sarah Dahlgren
12 at the Fed, correct?

13 A. Yes.

14 Q. And it begins, "Steve Albrecht" -- and who is
15 Steve Albrecht?

16 A. I'm sorry. I don't remember.

17 Q. Okay. It says, "Steve Albrecht reports that Tim
18 and Ed have reached agreement on how to deal with the
19 senior partners under the 2008 Bonus Program." Do you
20 see that?

21 A. I do.

22 Q. And who was "Tim"?

23 A. I assume it's Tim Geithner.

24 Q. And you, of course, are the "Ed" that's
25 referenced there, correct?

1 A. Yes. Mr. Boies, I don't think this document
2 refers to the FP bonuses. Senior partners was a term
3 used at AIG for people who participated in other bonus
4 plans, and I think what this document is referring to
5 was those people were due retention bonuses, which were
6 awarded in early September and ratified by me, and those
7 payments were paid according to this schedule, some now,
8 some in July, some in September. I don't think this is
9 relevant to the FP bonuses.

10 Q. Let me broaden the question, which is what I had
11 initially -- I had initially just asked you about
12 compensation, and then you talked about the FP bonuses.
13 Do you recall that?

14 A. Um-hum, yes.

15 Q. Is it the case that you had proposed bonuses
16 that the Federal Reserve Bank disagreed with and you and
17 Mr. Geithner spoke and agreed on a compromise where the
18 bonuses would be less than you had originally proposed?
19 Fair?

20 A. No. The --

21 Q. Let me --

22 A. -- bonuses weren't modified. The payment terms
23 were changed. So, they got 50 percent in cash up front
24 and then 25 percent and 25. I would just -- I would
25 say, remember we had -- AIG had taken TARP money, and

1 under TARP, there were -- as part of the law, there were
2 very rigorous restrictions and regulations that applied
3 to the payment of bonuses.

4 Q. You're not suggesting to me that these bonuses
5 that had been proposed violated TARP in any way.

6 A. No. I think it had to be -- no, that's not what
7 I'm suggesting.

8 Q. Okay.

9 A. What I'm suggesting is, is they needed -- they
10 needed the approval of those who were in charge of
11 implementing TARP at Treasury.

12 Q. Let me just try to clean up a few things.

13 First, the agreement that you and Mr. Geithner
14 reached was not merely to delay a portion of the bonus,
15 but it was first to delay it and second to make those
16 delayed payments conditional on the company making
17 sufficient progress on its restructuring and repayment
18 plans, correct?

19 A. Yes. That's what this document says.

20 Q. And you have no reason to doubt this document.

21 A. I don't.

22 Q. And that agreement was something that was
23 different than what you had originally proposed,
24 correct?

25 A. I would -- my proposal was to pay the bonuses as

1 stipulated by the contracts, but the existence of TARP
2 and the requirements to have bonuses approved by the
3 Treasury Department intervened in that -- in that
4 thought process. I wanted to make certain that these
5 bonuses got paid, but I did not want to run afoul of
6 TARP.

7 Q. Let me ask you whether it is your -- your
8 testimony that this was entirely an issue under TARP.

9 A. No, Mr. Boies, it isn't. I'm not sure it was
10 entirely under TARP. TARP was a very -- it was a --
11 very much an evolving concept at the time. So, it was
12 unclear what authority they had or didn't have. So --
13 so, it seemed to me to be prudent to make sure that we
14 did this with an understanding of the implications of
15 TARP on what we were going to do.

16 Q. Sure. You had to have TARP in mind, but you
17 were operating under compensation restrictions that were
18 more stringent than TARP, correct?

19 A. I'm not sure that's the case. Why do you say
20 that?

21 Q. Let me ask you to look at Defendant's Exhibit
22 776, which I would offer. I am told it's not in the
23 binder, and I will hand it out.

24 MR. TODOR: No objection, Your Honor.

25 THE COURT: Defendant's Exhibit 776 is admitted.

1 (Defendant's Exhibit Number 776 was admitted
2 into evidence.)

3 BY MR. BOIES:

4 Q. This is a letter that you wrote to Mr. Geithner,
5 and it has a cover email dated March 14th, 2009, and
6 your letter is also dated March 14th, 2009, correct?

7 A. Yes.

8 Q. Let me ask you to look at the third full
9 paragraph on the second page. I want to give you an
10 opportunity to review this document for context, and
11 when you have done that to your satisfaction, please let
12 me know.

13 A. (Document review.) I've read the paragraph.

14 Q. And you have read the surrounding context so
15 that you can answer questions about this paragraph?

16 A. (Document review.) I've read them.

17 Q. Now, you say to Mr. Geithner that he has asked
18 AIG to rethink AIG's 2008 corporate bonus proposals. Do
19 you see that?

20 A. I do.

21 Q. And you say, "The proposals AIG originally
22 submitted to you are part of a deliberate process,
23 recommended by me and supported by the independent
24 compensation committee of AIG's board of directors."

25 Do you see that?

1 A. I do.

2 Q. And that was true, correct?

3 A. Yes.

4 Q. And you say, "We started with the additional
5 compensation limits that AIG had already committed to --
6 limits that were more extensive than those at any other
7 recipient of TARP funding at the time -- and weighed a
8 variety of considerations appropriate to the goal of
9 repayment and AIG's unique circumstances."

10 Do you see that?

11 A. I do.

12 Q. And that was also true?

13 A. Yes.

14 Q. And you then go on to say, "Nevertheless, in
15 response to your request, we are now proposing further
16 changes to the 2008 corporate bonus proposals for Senior
17 Partners that will better align their interests with
18 AIG's restructuring efforts and the goal of repayment."

19 Do you see that?

20 A. I do.

21 Q. And that was also accurate, correct?

22 A. It was.

23 Q. And let me ask you to look at Plaintiffs'
24 Exhibit 522. And have you ever seen this document
25 before?

1 A. (Document review.) I don't recall it, sir. I
2 don't recognize -- I'm sorry, I don't recognize any of
3 the names.

4 Q. Were you aware of material submitted to the
5 Congressional Oversight Panel in May of 2009?

6 A. I don't recall it.

7 Q. We will pass that document, then.

8 A. I'm sorry?

9 Q. We will pass that document. As I understand it,
10 you don't have any knowledge about the document or the
11 circumstances regarding it?

12 A. I don't recall it at all.

13 Q. Let me turn to the credit agreement. On
14 September 21st, were you aware of changes from the term
15 sheet that had been in existence when you joined AIG and
16 the draft -- or terms if it was not a draft -- of the
17 credit agreement that were being approved by the board?

18 A. I'm not sure that "changes" is the appropriate
19 word. There were items in the term sheet, as we
20 discussed yesterday. I believe the term sheet had the
21 equity piece labeled "TBD," to be determined. That was
22 filled in, and it was a change from what had been
23 anticipated.

24 We had been anticipating that it would be
25 warrants. It was, in fact, preferred stock. So, it was

1 a change from what was anticipated. It was a completion
2 of a to-be-determined.

3 Q. When you say that "we" had been anticipating
4 that the equity provided in connection with the AIG
5 credit agreement would have been warrants, the "we"
6 there is AIG, correct?

7 A. Yes, it is.

8 Q. Now, you said that you believed that there was a
9 term sheet that had the equity piece labeled "to be
10 determined." Do you recall just saying that?

11 A. Yes.

12 Q. You don't recall ever seeing that term sheet, do
13 you, sir?

14 A. I don't recall seeing a specific copy of it. I
15 remember there were pieces of that term sheet that were
16 yet to be determined. So, I got that from somewhere.
17 It must have been -- it must have been a term sheet.

18 Q. You say you got that from somewhere. Let me go
19 through the possible ways you could have gotten that.

20 First, back in September of 2008, prior to the
21 board meeting, had you personally ever seen any term
22 sheet?

23 A. Which board meeting?

24 Q. The board meeting on September 21st at which the
25 credit agreement was approved.

1 A. Yes. I was given several copies of a term
2 sheet. Dan Jester gave me one. Bob Willumstad gave me
3 one.

4 Q. And did either of those two term sheets have "to
5 be determined" or "TBD" with respect to the equity
6 portion?

7 A. I think that's what I've been saying. I thought
8 they did, but I saw many copies of that term sheet
9 afterwards, and it may have been filled in. So, in
10 preparation for the 21st, it would have been -- the term
11 sheet would have been filled in.

12 Q. You saw a term sheet filled in prior to the
13 board meeting on the 21st. Is that your testimony?

14 A. Yes, I believe so. I believe then it had
15 been -- so, I became acutely aware of this issue on
16 September 19th, when I was told we had to file an
17 amended 8-K. The reason for the amended 8-K was the day
18 before we had filed an 8-K which said the form of the
19 equity ownership would be warrants. That had not been
20 negotiated and finalized between the company and the
21 Federal Reserve.

22 So, on the 19th, we had to issue a revised
23 10-K -- or 8-K, I'm sorry, which indicated that it had
24 not yet been finalized. So, again, another "TBD" kind
25 of reference. That's my understanding of how that all

1 developed. By the 21st, it had morphed from -- from a
2 "TBD" and an expectation that it was going to be
3 warrants to preferred stock.

4 Q. Let me try to break that down.

5 On the 19th, you became acutely aware that there
6 was an issue as to what the equity form would be,
7 correct?

8 A. Yes. We had made a mistake in the filing of the
9 8-K the previous day.

10 Q. So, on the 19th, you become acutely aware of
11 this issue, and do you then ask to see the term sheet on
12 the 19th?

13 A. No. I don't remember asking to see a term
14 sheet. Stasia or somebody would have explained to me
15 what the issue was. I don't know that I would have seen
16 it on the term sheet.

17 Q. The term sheets that you testified Mr. Jester
18 and Mr. Willumstad had given you were term sheets that
19 they had given you on September 17th, correct?

20 A. Yes.

21 Q. Incidentally, I'm not sure I covered this
22 yesterday. When you met with Mr. Willumstad on
23 September 17th, where did you meet him?

24 A. I think it was in AIG's offices.

25 Q. At 70 Pine Street?

1 A. Yes. Wherever Bob's office was, yes.

2 Q. Mr. Willumstad's office in September was at 70
3 Pine Street, correct?

4 A. I think so. To be honest, I don't remember
5 whether -- I don't remember the exact address, but it
6 was Mr. Willumstad's office in the corporate
7 headquarters of AIG.

8 Q. Okay. So, you went to the AIG offices on
9 September 17th, correct?

10 A. I did, late in the day.

11 Q. And it is your testimony that other than
12 Mr. Willumstad, that was the only person who was
13 employed by AIG that you met with on the 17th. Do I
14 have that right from yesterday?

15 A. Yes. It's -- the other individuals I met with,
16 I -- I remember that happening on the 18th.

17 Q. Now, back to the term sheets. When was the
18 first time after September 17th that you received a term
19 sheet relating to the AIG credit facility?

20 A. I don't recall the date, Mr. Boies.

21 Q. Had you received a term sheet at all prior to
22 the board meeting on September 21st? That is, after the
23 17th.

24 A. I don't recall. I -- Stasia Kelly would have
25 walked me through the terms of the term sheet. Whether

1 she gave me a term sheet and I kept it and I reviewed
2 every line item, I don't recall.

3 Q. That's all I'm trying to clarify. You could
4 very easily have formed whatever views you have about
5 the term sheet from something Ms. Kelly told you. I
6 understand that. All I'm trying to do is find out, as
7 you sit here now, do you have any recollection one way
8 or the other as to whether you ever saw a term sheet
9 after September 17?

10 A. I believe I did as part of the preparation for
11 the meeting on the 21st, but I don't remember it
12 specifically.

13 Q. Who gave you that term sheet that you -- or who
14 do you think gave you the term sheet that you think you
15 saw before the September 21st board meeting?

16 A. More than likely, it would have been the Legal
17 Department, Stasia.

18 Q. And you recall we saw an email from Ms. Kelly on
19 the 21st that indicated she still did not know at that
20 time what the equity portion was.

21 A. I do.

22 Q. And I take it you did not have any source of
23 information as to the form of the equity, other than
24 through Stasia Kelly. Is that fair?

25 A. Yes.

1 Q. You considered the changes between what had been
2 agreed to on September 16th and what was being approved
3 on September 21st as minor, in your terms, correct?

4 A. Yes.

5 Q. And I just want to go over those changes with
6 you. I've done a demonstrative exhibit that you may or
7 may not be able to read my handwriting on. This is
8 Plaintiffs' Demonstrative Trial Exhibit 5100.

9 A. I'm sorry, Mr. Boies. I can barely read it.

10 Q. I don't blame you.

11 A. It's not your handwriting; it's the distance.

12 Q. I don't blame you. It's too small. Let me just
13 do it orally.

14 One of the changes was from warrants that had no
15 vote to preferred stock with a 79.9 percent vote,
16 correct?

17 A. I'm sorry to be difficult. It has to do with
18 the word "changes." I believe the original term sheet,
19 which the board approved on the 16th, had "TBD" when it
20 came to the equity piece. The expectation -- the clear
21 expectation was, on the part of AIG management, that it
22 was going to be warrants, because it was going to be
23 a -- more or less an image of what -- what had been
24 negotiated with private settlements. So, it was a
25 change from what was anticipated to what actually

1 occurred there.

2 Q. Okay, let me use that formulation. There was a
3 change from the clear expectation on the part of AIG
4 management, and I'll use that and not the term sheet.

5 A. Okay.

6 Q. So, the clear expectation of AIG management was
7 that there would be warrants with no vote but that a
8 credit agreement provided preferred stock with a 79.9
9 percent vote, correct?

10 A. Yes. The final credit agreement did include
11 that provision.

12 Q. And the clear expectation of management was that
13 there would be shareholder approval required to issue
14 stock, and the final credit agreement provided for the
15 issuance of preferred stock without a shareholder vote,
16 correct?

17 A. Mr. Boies, I -- I don't know whether people
18 anticipated there was going to have to be a shareholder
19 approval or not. As I mentioned, that -- there -- the
20 critical reality for me was the -- the board had agreed
21 to yield 79.9 ownership in the company in exchange for
22 \$85 billion. I did not concentrate on the mechanics of
23 how that worked. We had very competent staff and
24 outside advisors who concentrated on that.

25 Q. I'm just trying to get your understanding, as

1 the chief executive officer, of what was happening, and
2 if you simply didn't have any understanding, you can
3 tell me that.

4 A. Um-hum.

5 Q. Did you have an understanding and an
6 expectation, prior to the final credit agreement terms
7 being revealed to you, that there would be shareholder
8 approval required to issue stock?

9 A. I did not.

10 Q. Did you have an understanding as to what the
11 number of outstanding shares were of AIG in September of
12 2008?

13 A. I did not. I did not concentrate on this area.

14 Q. Did you make any effort to find out whether the
15 company could provide 79.9 percent of the equity without
16 a shareholder vote?

17 A. I personally did not. I relied upon the
18 expertise of our general counsel and our advisors.

19 Q. And did you ask them that question?

20 A. Not to my recollection.

21 Q. Now, you understood that warrants would have an
22 exercise price, correct?

23 A. I did not understand that. I did not
24 concentrate on this area of the credit agreement.

25 Q. As the chairman of the audit committee of

1 Goldman Sachs for a number of years, you confronted a
2 number of very sophisticated financial issues, correct?

3 A. Yes.

4 Q. And you knew that warrants required an exercise
5 price that had to be at least equal to the par value of
6 the stock, correct?

7 A. Mr. Boies, I did not think of this issue in
8 those specific terms. I thought about the company had
9 surrendered 79.9 percent. These were the mechanics of
10 how that was going to be surrendered. There were other
11 pieces of that credit agreement that I was more focused
12 on and more concerned about.

13 Q. My question is not what you were more concerned
14 about. My question is simply whether or not you knew
15 that warrants -- in fact, warrants generally, under
16 Delaware law, require an exercise price at least equal
17 to the par value of the stock that is going to be
18 received. Did you know that?

19 MR. TODOR: Objection, Your Honor. Asked and
20 answered.

21 THE COURT: Overruled.

22 THE WITNESS: I don't know whether I knew it or
23 not. I simply didn't concentrate on those issues, this
24 part of the credit agreement.

25 THE COURT: Mr. Liddy, the question, I think, is

1 whether you understood from your experience at Goldman
2 Sachs whether the exercise of a warrant required a price
3 at least equal to the par value.

4 THE WITNESS: Yes. The answer to that, Your
5 Honor, would be yes. I didn't apply that judgment in
6 this case.

7 THE COURT: Okay. Thank you.

8 BY MR. BOIES:

9 Q. And did you understand that the par value of AIG
10 stock was \$2.50?

11 A. I don't remember that, Mr. Boies.

12 Q. Let me ask you to look at Plaintiffs' Trial
13 Exhibit 3, which I would offer.

14 A. Oh, we don't have it?

15 MR. TODOR: No objection.

16 THE COURT: Plaintiffs' Trial Exhibit 3 is
17 admitted.

18 (Plaintiffs' Exhibit Number 3 was admitted into
19 evidence.)

20 BY MR. BOIES:

21 Q. This is a certificate of amendment of the
22 certificate of incorporation of American International
23 Group, Inc. Do you see that?

24 A. I do.

25 Q. And it shows that there is authority at this

1 point in time to issue 2,006,000,000 shares, of which 6
2 million shares had to be serial preferred stock with a
3 par value of \$5, and the 2 billion shares are to be
4 common stock with a par value of \$2.50 per share.

5 Do you see that?

6 A. I do.

7 Q. Did you make any inquiry of anyone as to what
8 the par value of AIG's stock was in September of 2008?

9 A. Not that I recall.

10 Q. You had a clear expectation that the equity
11 given to the Federal Reserve Bank would be warrants, and
12 you knew that warrants required an exercise price at
13 least equal to the par value of the stock, correct?

14 A. No. I -- I did not have an expectation that it
15 would be warrants. The management group expected it
16 would be warrants, and when the original term sheet was
17 presented to the board, it was to be determined. So,
18 I -- there was -- there was an expectation that would
19 carry forward. All the rest of what you appended to
20 that sentence, no, I didn't -- I was not aware of that.

21 Q. Didn't you say, in response to a question from
22 the Court just a moment ago, that you were aware that
23 the exercise of a warrant required an exercise price
24 equal to the par value of the stock?

25 A. My full response was, yes, I was aware of that

1 from my Goldman Sachs. I did not apply that judgment or
2 that information in this situation.

3 Q. I understand you didn't apply it, but you knew
4 that. That's all I'm saying.

5 A. Yes.

6 Q. I -- I -- okay.

7 A. Yes.

8 Q. And you told me that it was the clear
9 expectation of AIG management that the form of equity
10 was going to be warrants.

11 A. Yes.

12 Q. Correct?

13 A. Yes. I was trying to draw a distinction that
14 goes back to the 16th when that original term sheet was
15 signed, and I was not a part of that.

16 Q. When you said that it was the clear expectation
17 of AIG management that the form of equity would be
18 warrants, were you excluding yourself from AIG
19 management?

20 A. I -- I guess I was. Sorry. I -- I was, because
21 this goes back to what was signed on the 16th and the
22 discussions regarding private solutions that preceded
23 that signing. That's where the expectation that it
24 would be warrants came from. That's why that 8-K that
25 was filed on the 18th was in error. Then I became

1 involved in it on the -- involved with it on the 19th,
2 when we had to file the revised 8-K.

3 Q. How did you become aware that it was the clear
4 expectation of AIG management, other than yourself, that
5 the form of equity to be received by the Federal Reserve
6 Bank would be warrants?

7 A. When Stasia Kelly brought me the revised 8-K on
8 the 19th, I would have said to her, "Well, how did that
9 happen?" And she would have explained to me what I'm
10 somewhat feebly attempting to explain to you, which is
11 why was there an expectation that it was going to be
12 warrants.

13 Q. So, on the 19th, Stasia Kelly, the general
14 counsel of AIG, would have told you that the reason that
15 the original 8-K had been filed the way it was was that
16 it was the clear expectation of AIG's management as of
17 the 16th that the form of equity would be warrants.

18 A. Correct.

19 Q. Is that fair?

20 A. Yes.

21 Q. Okay. There came a time when a lawsuit was
22 filed against AIG in Delaware seeking an order declaring
23 that the preferred stock that had been issued to the
24 Federal Reserve could not be convertible into common
25 stock without a class vote of the common stock, correct?

1 A. I -- I have some recollection of that, but very
2 little.

3 Q. And let me ask you to look at Plaintiffs' Trial
4 Exhibit 4, which I would offer.

5 MR. TODOR: No objection.

6 THE COURT: Plaintiffs' Trial Exhibit 4 is
7 admitted.

8 (Plaintiffs' Exhibit Number 4 was admitted into
9 evidence.)

10 BY MR. BOIES:

11 Q. And just so that the record is clear, this is a
12 certificate of amendment of the certificate of
13 incorporation of AIG that is subsequent to Plaintiffs'
14 Trial Exhibit 3 that I showed you before. Do you see
15 that?

16 A. I don't have them side by side, but I understand
17 your point.

18 Q. And the reason I show you this is because the
19 par value of AIG's stock, which was my point before, is
20 the same, but the number of authorized shares has been
21 increased from 2,006,000,000 to 5,006,000,000. Do you
22 see that?

23 A. I do.

24 Q. Now, in order for the preferred stock that the
25 Federal Reserve received in connection with the

1 September 22 credit agreement to be convertible into
2 common stock representing 79.9 percent of the equity,
3 there would have to be more common shares than was
4 permitted by AIG's certificate of incorporation,
5 correct?

6 A. That's the way the math would work, yes.

7 Q. And you understood that in September of 2008,
8 correct?

9 A. I -- I had a reasonable understanding of how
10 these things work. I did not apply that understanding
11 to this situation.

12 Q. Let me ask you to look at Joint Exhibit 181, if
13 I have the number right. Yes. This is already in
14 evidence, and this is an affidavit filed in the Walker
15 case by Kathleen Shannon.

16 A. I'm sorry, sir. What's the Walker case?

17 Q. Do you see --

18 A. On the top?

19 Q. -- at the top where it says, "Wilma Walker,
20 individually and on behalf of all others similarly
21 situated" --

22 A. I see it.

23 Q. -- "versus AIG"?

24 A. I see it.

25 Q. And this was a case in the Delaware courts in

1 which the Plaintiffs were seeking an order that the
2 preferred stock that you'd given to -- provided to the
3 Federal Reserve Bank in connection with the credit
4 agreement could not be convertible into common stock
5 without a class vote of the AIG common shareholders,
6 correct?

7 A. Now that you've explained it, yes. I don't
8 remember the name, but --

9 Q. You remember the lawsuit even though you don't
10 remember the name.

11 A. Yes. As I said before, I have some recollection
12 of it. I was not involved in it. I have some
13 recollection of it.

14 Q. And this affidavit was submitted in that case
15 together with a draft proxy statement, which is pages 5
16 and 6 of Joint Exhibit 181. Do you see that?

17 A. I see pages 5 and 6, yes.

18 Q. And this was a draft proxy statement prepared
19 October 2, 2008, by AIG's lawyers, Sullivan & Cromwell,
20 correct?

21 A. I'm not sure who prepared it. I -- it says S&C
22 up top; I assume that's Sullivan & Cromwell.

23 Q. And if you go to the last page of the exhibit,
24 page 6, it says that a special meeting of AIG's
25 shareholders is going to be held to act upon a number of

1 proposals, the first one of which is a proposal to amend
2 AIG's certificate of incorporation to reduce the par
3 value of AIG's common stock and increase the authorized
4 number of common stock shares from 5 billion to 19
5 billion.

6 Do you see that?

7 A. I see those words, yes.

8 Q. Were you aware that this proxy statement was
9 being drafted?

10 A. I don't recall it.

11 Q. Were you aware at all that there was a plan to
12 have a shareholders meeting -- this draft says perhaps
13 on November 19th, 2008 -- to amend the AIG certificate
14 of incorporation?

15 A. I just don't recall it, Mr. Boies.

16 Q. Do you recall knowing that this was something
17 that was believed, in October of 2008, was necessary to
18 be done in order to get common shares to the Federal
19 Reserve Bank?

20 A. I do not recall it.

21 Q. Do you recall that after the Walker complaint
22 was filed, the credit agreement was amended?

23 A. I don't.

24 Q. Let me ask you to look at Joint Exhibit 150.
25 This is a Form 10-Q, correct?

1 A. Yes.

2 Q. And this is something that you would have
3 reviewed before it was submitted, correct?

4 A. I do not recall it, Mr. Boies.

5 Q. Did you, while you were the chairman and chief
6 executive of AIG, review AIG's SEC filings before they
7 were made?

8 A. If I were to sign them, I generally would have,
9 yes.

10 Q. When you say if you were to sign them, you would
11 have, can you explain what you mean by that?

12 A. If I was going to sign the document, I would
13 have made every effort to review it beforehand. I don't
14 know that all documents that were filed with the SEC I
15 was a signatory to.

16 Q. Do you recall whether or not, whether you recall
17 signing these documents or not, that you would review
18 AIG's SEC filings before they were made?

19 A. Not all of them. Some of them were very
20 perfunctory on stock sales and just a whole host of
21 things. I would -- I would -- I would have reviewed the
22 critical ones, particularly the critical ones that I was
23 expected to sign.

24 Q. This one was not a routine one, correct? Joint
25 Exhibit 150.

- 1 A. I do not recall it.
- 2 Q. This was something that was reflecting an
3 amendment to the credit agreement, correct?
- 4 A. I do not recall it, Mr. Boies.
- 5 Q. Well, let me ask you to look at page 186.
- 6 A. Are we in the same document?
- 7 Q. Yes.
- 8 A. Um-hum.
- 9 Q. Joint Exhibit 150, page 186.
- 10 A. Um-hum.
- 11 Q. Do you have that?
- 12 A. I do.
- 13 Q. And that says, "Amendment No. 2 to Credit
14 Agreement," correct?
- 15 A. Yes.
- 16 Q. And if you look at pages 190 and 191, that
17 amendment is signed by AIG and by the Federal Reserve
18 Bank of New York, correct?
- 19 A. It's signed by Kathy Shannon.
- 20 Q. It's signed by Kathy Shannon on behalf of AIG,
21 correct?
- 22 A. Correct.
- 23 Q. And it's signed by Steven Manzari --
- 24 A. Manzari.
- 25 Q. -- of the Federal Reserve Bank of New York,

1 correct?

2 A. Yes.

3 Q. And do you see on page 193, up at the top where
4 it says "Stockholder vote"?

5 A. I do.

6 Q. And it says (as read): "AIG's board will call a
7 meeting of stockholders as soon as practicable after the
8 issuance of the Preferred Stock. At that meeting, the
9 stockholders, with the common stockholders voting as a
10 separate class in the case of the matters in clause (i),
11 will vote on, among other things, amendments to AIG's
12 certificate of incorporation to (a) reduce the par value
13 of AIG's common stock and (b) increase the number of
14 authorized shares of common stock to 19 billion."

15 Do you see that?

16 A. I do.

17 Q. Does that refresh your recollection that --

18 A. It does not.

19 Q. -- you were aware on November 9, 2008, that this
20 amendment had been adopted?

21 A. It does not.

22 Q. Do you know why this amendment was adopted?

23 A. I do not recall.

24 Q. Was this amendment adopted to satisfy the claims
25 in the Walker litigation?

1 A. I don't recall, sir.

2 Q. Let me -- let me hand you and hand out the full
3 copy of Joint Exhibit 150, and I do this so that you can
4 have an opportunity to see the entire document for
5 purposes of trying to ascertain whether this is a
6 document that you were familiar with at the time that it
7 was filed.

8 A. It's a 10-Q filed with the SEC. I would have
9 reviewed it.

10 Q. And you would have assured yourself that it was
11 accurate, correct?

12 A. Yes.

13 Q. After amending the credit agreement to provide
14 that, as soon as practicable after the issuance of the
15 preferred stock, there would be a shareholder vote on
16 reducing the par value of AIG's common stock and
17 increasing the number of authorized shares, and after
18 filing this with the SEC, did there come a time when it
19 was decided not to have a vote of the common
20 shareholders on those issues?

21 MR. TODOR: Objection. Compound and assumes
22 facts not in evidence; specifically, that the credit
23 agreement amendment was for the purpose of providing
24 the -- the language Mr. Boies cited.

25 THE COURT: Mr. Boies?

1 MR. BOIES: Your Honor, I don't think the
2 question asserted what the purpose of amending the
3 credit agreement was. I think the question asserted
4 simply that the credit agreement was amended to provide
5 that, as soon as practicable after the issuance of the
6 preferred stock, the common shareholders would have a
7 vote, and that is provided directly in the document
8 itself. All I was doing was referring to what is clear
9 from the face of the document. I did not try to ascribe
10 a purpose to it in this question.

11 MR. TODOR: Your Honor, may I respond?

12 THE COURT: Sure.

13 MR. TODOR: We -- the -- counsel has not
14 provided the witness with the original credit agreement
15 and has not established that the specific language
16 counsel has pointed the witness to in JX 150 was, in
17 fact, changed from the original credit agreement as
18 opposed to some other term.

19 THE COURT: Well, I --

20 MR. BOIES: Your Honor, I will do that.
21 Every -- everybody on both sides knows what the original
22 credit agreement says. The --

23 THE COURT: Apparently Mr. Todor does not agree
24 with you, so maybe --

25 MR. BOIES: I'm not -- I'm not -- I'm not

1 disputing whether the original credit agreement provided
2 this. What I'm saying is that this credit agreement was
3 amended and it was provided in connection with the
4 Walker lawsuit. The purpose of it, I think, will become
5 clear. I'm not asking this witness the purpose of it,
6 because he says he doesn't remember, but I think the
7 purpose of this is quite clear.

8 THE COURT: Well, I think at this point the
9 witness probably will need you to restate the question
10 anyway. So, maybe you can break it up in a way that
11 would be simpler.

12 MR. BOIES: I will, Your Honor.

13 THE COURT: All right.

14 BY MR. BOIES:

15 Q. Mr. Liddy, it was always understood by the
16 signatories to the credit agreement, all the way back to
17 September 22nd, that there had to be a shareholder vote
18 in order for the Federal Reserve Bank to get common
19 stock, correct?

20 A. I just do not recall that, Mr. Boies.

21 Q. Okay. Let me -- let me try to satisfy counsel's
22 objection.

23 THE COURT: All right.

24 BY MR. BOIES:

25 Q. Let me ask you to look at Joint Exhibit 107.

1 A. Is this one you're handing out?

2 Q. This is one I'm handing out.

3 And let me ask you to look at page 138 of Joint
4 Exhibit 107. When you have it, please let me know.

5 A. I have it.

6 Q. Joint Exhibit 107 is the credit agreement
7 entered into on September 22, 2008, or entered into as
8 of September 22, 2008, between AIG and the Federal
9 Reserve Bank of New York, correct?

10 A. I assume that's the case. That's what the
11 document seems to indicate.

12 Q. Now, if you turn to page 138, it says,
13 "Stockholder vote: AIG's board will call a meeting of
14 stockholders as soon as practicable after the issuance
15 of the Preferred Stock. At that meeting, the
16 stockholders will vote on, among other things," and it
17 then goes on to talk about reducing the par value of
18 AIG's common stock and increasing the number of shares,
19 correct?

20 A. I see those words, yes.

21 Q. Okay. Now, keep that page in front of you, if
22 you would, and now go to page 193 of Joint Exhibit 150.

23 A. Which is the Form 10-Q that you handed out
24 earlier?

25 Q. Yes.

1 A. Okay.

2 Q. And do you see again something that says
3 "Stockholder vote"?

4 A. Yes.

5 Q. And do you see that the language in the original
6 credit agreement has been changed, so that now the
7 credit agreement, as amended in November, provided that
8 the common stockholders would vote as a separate class?
9 Do you see that?

10 A. I see those words.

11 Q. And based on your experience, you knew why that
12 was important, correct?

13 A. I just didn't concentrate on this, Mr. Boies.
14 I -- I -- I didn't concentrate on this whole change.

15 Q. You knew that if the preferred had 79.9 percent
16 of the equity, it could prevail in any stockholder vote
17 where all the stockholders voted together, correct?

18 A. I suppose I had some -- some textbook
19 understanding of that, yes. I did not concentrate on
20 this area in this case.

21 Q. Again, just focusing on what you knew from your
22 long experience in business and your service for several
23 years as chairman of the audit committee at Goldman
24 Sachs, you knew that if the common shareholders were
25 entitled to vote as a separate class, then the preferred

1 shares would not be able to win a vote without
2 convincing a majority of the common shareholders to vote
3 with them, correct?

4 A. I would have had a theoretical understanding of
5 that, yes.

6 Q. And you understood the Walker lawsuit or the
7 Delaware lawsuit enough to know that what the Plaintiffs
8 were seeking was a common shareholder class vote,
9 correct?

10 A. No. I had little recollection of the Walker or
11 Delaware lawsuit, very little recollection.

12 Q. Does that very little recollection tell you that
13 that's what they were seeking?

14 A. No.

15 Q. Let me ask you to look at Plaintiffs' Trial
16 Exhibit 344 that's already in evidence.

17 A. Do we have that, sir, or is that a handout?

18 Q. That should be in your book. It is in your
19 book.

20 This is a document that was distributed on
21 November 5, 2008, to all the members of the board of
22 directors of AIG, including yourself, correct?

23 A. Yes.

24 Q. And the subject is "New Delaware Complaint." Do
25 you see that?

1 A. I do.

2 Q. And do you see attached, beginning at page 3 of
3 this exhibit, is a copy of the Walker complaint?

4 A. I see that.

5 THE COURT: I'm sorry, Mr. Boies. I don't seem
6 to have this exhibit in my book.

7 MR. BOIES: I apologize, Your Honor. Let me get
8 you a copy.

9 THE COURT: Oh, I'm sorry, Plaintiffs' Trial
10 Exhibit.

11 MR. BOIES: Yes.

12 THE COURT: I was in the --

13 MR. BOIES: Joint?

14 THE COURT: -- JXs.

15 MR. BOIES: Yes. I moved to the Plaintiffs'.

16 THE COURT: Okay, I have it.

17 BY MR. BOIES:

18 Q. And do you see, Mr. Liddy, that this document
19 that went to you on November 5, 2008, attached a copy of
20 the Walker complaint?

21 A. Yes.

22 Q. And there is a one-page summary of that
23 complaint that was provided to you and other members of
24 the AIG board, correct?

25 A. Is this page 1 that you're referring to?

1 Q. Yes.

2 A. Yes.

3 Q. And you would have read this at the time you got
4 it, correct?

5 A. I assume so, yes.

6 Q. And this makes clear that the lawsuit is seeking
7 a declaration that the conversion of the preferred stock
8 that the Federal Reserve Bank got into common stock
9 could not happen without a class vote of the common
10 shareholders, correct?

11 A. That's what this summary says, yes.

12 Q. And you knew that on November 5, 2008, correct?

13 A. I have no recollection of it, Mr. Boies.

14 Q. Now, Joint Exhibit 150, which contains the
15 amended credit agreement -- and if you look at page 186
16 of Joint Exhibit 150, you see that the credit agreement
17 was amended four days later, correct?

18 A. I see that.

19 Q. So, on November 5, there is this lawsuit filed
20 seeking a declaration that there has to be a class vote
21 of the common shareholders, and four days later the
22 credit agreement is amended to provide that there will
23 be a class vote of the common shareholders, correct?

24 A. That's what this document says, yes.

25 Q. And the reason the credit agreement was amended

1 was this Walker lawsuit, correct, sir?

2 A. I have no recollection of that, no.

3 Q. One way or the other?

4 A. One way or the other.

5 Q. You were a named defendant in the Walker
6 lawsuit, correct?

7 A. I don't recall.

8 Q. If you turn to page 3 of Plaintiffs' Trial
9 Exhibit 344, do you see that the first defendant is AIG
10 and the second defendant is you?

11 A. Yes.

12 THE COURT: Mr. Boies, would this be a time for
13 our morning break?

14 MR. BOIES: Yes, it would, Your Honor.

15 THE COURT: All right. Let's reconvene at
16 11:15.

17 (Court in recess.)

18 THE COURT: Please be seated.

19 Let's go ahead.

20 MR. BOIES: Thank you, Your Honor.

21 BY MR. BOIES:

22 Q. Let me ask you to turn next to Joint Exhibit
23 176, which is already in evidence, which is a
24 stipulation and order of dismissal in the Walker
25 lawsuit. Do you see that?

1 A. I have the document, yes.

2 Q. And if you go to page 2 of the exhibit -- and
3 you recall that you and the board were informed of this
4 lawsuit on November 5, correct?

5 A. Yes.

6 Q. And then this indicates that two days later,
7 during a conference with the Court on November 7th,
8 2008, AIG's counsel stated that any amendment to the
9 restated certificate of incorporation to increase the
10 number of authorized common shares or to decrease the
11 par value of the common shares would be the subject of a
12 class vote by the holders of the common stock, and based
13 on this representation, Plaintiffs' counsel agreed that
14 Plaintiffs' request for an order granting this relief is
15 moot.

16 Do you see that?

17 A. I see those words.

18 Q. And then do you see in the next paragraph, the
19 stipulation and the court order goes on to refer to the
20 10-Q in which AIG disclosed the amendment to the credit
21 agreement, which is JX 150?

22 A. I see those words.

23 Q. And I'm not sure I covered this before, but you
24 signed and certified JX 150 personally, correct?

25 A. I -- I don't remember. JX 150 is the credit

1 agreement?

2 Q. JX 150 is the 10-Q, dated November 10, 2008,
3 that is referred to in this stipulation and court order
4 and which disclosed the November 7th amendment to the
5 credit agreement.

6 A. I don't recall, Mr. Boies.

7 Q. Let me ask you to look at page 197.

8 A. Just a second. So, JX 150 is the 10-Q?

9 Q. Yes.

10 A. Which was signed by Kathy Shannon?

11 Q. I think the amendment to the credit agreement
12 was signed by Kathy Shannon.

13 A. I'm sorry. I thought you asked me if I signed
14 and certified the 10-Q.

15 Q. I did.

16 A. Okay.

17 Q. That's why I'm asking you to look at page 197 to
18 refresh your recollection.

19 A. Page 197 of what?

20 Q. Of Joint Exhibit 150.

21 THE COURT: The page is also on the screen right
22 now.

23 BY MR. BOIES:

24 Q. Does that refresh your recollection?

25 A. I don't remember it, Mr. Boies.

1 Q. You do see your signature there.

2 A. I do.

3 Q. Now, after the Walker lawsuit was dismissed, the
4 credit agreement was amended again, correct?

5 A. I don't recall.

6 Q. Do you recall that the credit agreement, after
7 the Walker lawsuit was dismissed, was amended to remove
8 the statement that AIG's board will call a meeting of
9 stockholders as soon as practicable after the issuance
10 of the preferred stock and that at that meeting the
11 stockholders, with the common stockholders voting as a
12 separate class, would consider the reduction in par
13 value and the increase in authorized shares?

14 A. I just don't recall, Mr. Boies.

15 Q. Let me ask you to look at Joint Exhibit 207,
16 which is already in evidence.

17 A. I have the document.

18 Q. And would you look at page 5 of the document.
19 Do you see an exhibit labeled "Amendment No. 3 to Credit
20 Agreement"?

21 A. I do.

22 Q. And do you recall now that the credit agreement
23 was amended a third time?

24 A. Mr. Boies, I really don't remember each of the
25 modifications. I know we modified it in early November

1 because we made substantial changes to the terms.
2 That's when the loan term was extended, the five years,
3 and the interest rate went down, and there were a whole
4 series of things that were adjusted, and that was
5 equally true in March. Each of those would have
6 necessitated a change to the credit agreement. I don't
7 remember each little piece of it.

8 Q. Well, do you remember the little piece of the
9 agreement that related to eliminating the provision that
10 the board was required to call a meeting of stockholders
11 as soon as practicable after the issuance of the
12 preferred stock to vote on reducing the par value of
13 AIG's common stock and increasing the number of
14 authorized shares of common stock? Do you remember that
15 little piece of the agreement?

16 A. I do not.

17 Q. Let me ask you to look at page 17 of Joint
18 Exhibit 207, and do you see the provision opposite the
19 heading "Stockholder vote"?

20 A. Yes.

21 Q. And let me ask you to put in front of you page
22 193 of Joint Exhibit 150. This is the language of the
23 second amendment, the amendment that was dated November
24 7th, 2008.

25 A. Yes.

1 Q. And do you see how the November 2nd -- the
2 November 7th amendment that was provided to the Court in
3 Walker provided that AIG's board will call a meeting of
4 stockholders as soon as practicable after the issuance
5 of the preferred stock, and at that meeting, the common
6 shareholders will vote as a separate class on the
7 matters that we've described? Do you see that?

8 A. I see those words.

9 Q. Now, if you turn to page 17 of Joint Exhibit
10 207, which is the third amendment to the credit
11 agreement that was done after the Walker lawsuit was
12 dismissed, the provision that AIG's board was required
13 to call the shareholders meeting that we just described
14 has been eliminated, correct?

15 A. I see that, yes.

16 Q. And in its place, it says that the Trust will
17 have the right to cause AIG's board of directors to call
18 a special meeting to consider the reduction in par value
19 and to increase the authorized number of shares, right?

20 A. I see those words.

21 Q. And you know that there never was a shareholders
22 meeting at which the common stock, voting as a class,
23 had an opportunity to vote on whether or not to reduce
24 the par value of AIG's common stock or increase the
25 number of authorized shares. You know that, correct?

1 A. I believe that's the case, yes.

2 Q. Now, instead of doing that, it was decided to
3 have a reverse stock split, correct?

4 A. No. The purpose of the reverse stock split, in
5 my mind and my recollection, was very singular. We were
6 in danger of being delisted by the New York Stock
7 Exchange. I did not want that to happen. A stock split
8 is a very traditional way of increasing the stock price,
9 it has nothing to do with valuation, and, therefore, it
10 would have preserved our listing on the New York Stock
11 Exchange. That's why we did the stock split.

12 Q. And when you say that that very singular reason
13 is why you did that stock split, the reverse stock
14 split, do I understand you to be saying that that was
15 the only reason that the reverse stock split was done?

16 A. It's the only reason I wanted it done.

17 Q. Were you aware of any reason that anybody else
18 wanted it done?

19 A. No.

20 Q. If your only reason for wanting to have a
21 reverse stock split was to increase the stock price,
22 that could have been accomplished by applying the
23 reverse stock split to all issued shares and all
24 authorized shares, correct?

25 A. I just don't recall, Mr. Boies. There -- again,

1 it was a -- it was a singular focus on my part. Let's
2 not let the company's stock be delisted. That would
3 have been a bad thing for the shareholders. That's what
4 I focused on.

5 Q. And let's assume that what you wanted to focus
6 on was getting the stock price up and a traditional way
7 of doing that was a reverse stock split, okay? That's
8 what you believed.

9 A. I wanted to focus on us not being delisted from
10 the New York Stock Exchange.

11 Q. And in order to --

12 A. The best way to do that was, I believed, to
13 increase the stock price.

14 Q. All right.

15 A. And that implied fewer shares.

16 Q. Now, as the long-time chairman of the Goldman
17 Sachs audit committee and a very experienced
18 businessman, you know that sometimes companies do have
19 reverse stock splits, correct?

20 A. Yes.

21 Q. And in all the reverse stock splits that you're
22 aware of, other than the AIG one, have you ever heard of
23 a reverse stock split that applied to issued shares but
24 not authorized shares?

25 A. I'm not sure I've ever been involved in a

1 reverse stock split except the one at AIG. As I said, I
2 know companies use it when their stock prices fall, but
3 I'm not sure I was ever involved in one. So, I think I
4 have a sample set of one.

5 Q. Well, sir, based on your knowledge, as I say, as
6 a long-time chairman of the audit committee of Goldman
7 Sachs and as a businessman and a CEO of at least two
8 major companies, were you ever aware of any stock split,
9 other than this AIG one, that split the issued shares
10 but not the authorized shares?

11 A. I never focused on the mechanics of it.

12 Q. Did you know that the AIG stock split was
13 splitting the issued shares but not the authorized
14 shares? Did you know that?

15 A. I have no recollection.

16 Q. Your recollection is you -- is you just don't
17 remember whether you knew that at the time?

18 A. I just have no recollection of the issue.
19 Again, I'm sorry to be repetitive. I didn't want the
20 stock to be delisted from the New York Stock Exchange.
21 That's what I focused on. The mechanics of how you do
22 that I didn't focus on.

23 Q. As a member of the board of directors, you had
24 to approve the proxy statement for the annual meeting at
25 which the reverse stock split was presented, correct?

1 A. Correct.

2 Q. And at that meeting, you would have known that
3 the reverse stock split was going to be applied to
4 issued shares but not authorized shares, correct?

5 A. I just don't know that we would have focused on
6 that fine point.

7 Q. When you say "that fine point," that fine point
8 was what permitted the Federal Reserve Bank to get
9 common shares or the United States Government to get
10 common shares without a class vote, correct?

11 MR. TODOR: Objection. Calls for a legal
12 conclusion.

13 THE COURT: Overruled.

14 THE WITNESS: Mr. Boies, I'll go back to where
15 we started yesterday.

16 BY MR. BOIES:

17 Q. That's a yes, no, or I don't know question, sir.

18 A. Repeat the question.

19 Q. The reverse stock split was what permitted the
20 Government to get common shares of AIG without a class
21 vote, correct?

22 A. I don't know.

23 Q. Did you ever try to find out?

24 A. No.

25 Q. You do know that the Government ultimately got

1 common shares of AIG, correct?

2 A. Yes. They got the 79.9 percent ownership that
3 they bargained for initially.

4 Q. But they got it in common shares, right?

5 A. Yes. I believe that's correct.

6 Q. Do you know how that happened?

7 A. I don't.

8 Q. Did you ever try to find out?

9 A. I did not.

10 Q. Now, you know from your experience in business
11 that companies have to submit their proxies to the SEC
12 before they can be sent to shareholders, correct?

13 A. Yes.

14 Q. And the proxy statement that related to this
15 reverse stock split was presented to the SEC, correct?

16 A. I assume so, yes.

17 Q. And the SEC required AIG to be more specific
18 about what its plans were for the extra authorized but
19 unissued shares of AIG common stock that would result
20 from the reverse stock split, correct?

21 A. I don't recall that.

22 Q. Well, let me ask you to look at Plaintiffs'
23 Trial Exhibit 523, which I would offer.

24 MR. TODOR: No objection.

25 THE COURT: Plaintiffs' Trial Exhibit 523 is

1 admitted.

2 (Plaintiffs' Exhibit Number 523 was admitted
3 into evidence.)

4 BY MR. BOIES:

5 Q. Could you turn to page 3 of the exhibit.

6 A. I have that page.

7 Q. And do you see number 6, paragraph number 6 on
8 that page, where the SEC says to AIG, "You disclose that
9 the overall effect of the reverse stock split will be an
10 increase in authorized but unissued shares of AIG common
11 stock. Please expand your disclosure to describe any
12 specific plans or understandings with respect to the
13 issuance of those shares of AIG common stock. If you
14 have no such plans or understandings, please revise your
15 disclosure to state so."

16 Do you see that?

17 A. I see those words.

18 Q. And as a member of the AIG board of directors,
19 were you informed that the proxy needed to be revised
20 pursuant to this SEC directive?

21 A. I just do not recall.

22 Q. Let me ask you to look at Plaintiffs' Trial
23 Exhibit 528, which I would offer.

24 MR. TODOR: No objection.

25 THE COURT: Plaintiffs' Trial Exhibit 528 is

1 admitted.

2 (Plaintiffs' Exhibit Number 528 was admitted
3 into evidence.)

4 BY MR. BOIES:

5 Q. This is a cover email that went to you and all
6 other members of the AIG board of directors, correct?

7 A. Yes. I see the -- the addressees on the
8 letter -- on the email.

9 Q. And this was June 18th, 2009, correct?

10 A. That's the date, yes.

11 Q. And it attaches a Glass, Lewis & Co. discussion
12 of the proxy that we've been talking about, correct?

13 A. Yes.

14 Q. And who is Glass, Lewis & Co.?

15 A. It's a -- it's a firm that evaluates corporate
16 governance aspects of proxy statements and corporations'
17 behavior.

18 Q. It's a well-known organization, correct?

19 A. It's like ISS.

20 Q. And this was an analysis of the corporate
21 governance aspects of the particular proxy statement
22 that we're talking about, correct?

23 A. It appears to be, yes.

24 Q. And if you look at this document -- and by the
25 way, this is a document that you would have looked at in

1 June of 2009, correct?

2 A. I don't recall it, Mr. Boies.

3 Q. Whether or not you recall it today, this is a
4 document that you would have looked at in connection
5 with your performance of your duties, correct, sir?

6 A. I assume so, but I just don't recall it.

7 Q. And if you look at page 67, this talks about the
8 reverse stock split. Do you see that?

9 A. Yes.

10 Q. And it says, "We agree with the board that it is
11 in the interests of the company -- in the best interests
12 of the company to reduce the number of shares of common
13 stock outstanding and thereby attempt to proportionally
14 raise the price per share of the company's common
15 stock."

16 Do you see that?

17 A. I do.

18 Q. Going to the next paragraph, do you see where
19 they say, "We would prefer that the number of authorized
20 shares of the company's common stock be adjusted in
21 proportion with the reverse stock split"?

22 A. I see those words.

23 Q. Did you consider doing what Glass, Lewis & Co.
24 recommended; that is, having the number of authorized
25 shares of the company's common stock adjusted in

1 proportion with the reverse stock split?

2 A. I don't recall, but Glass Lewis is just -- it's
3 a point of view. It's not a dispositive point of view.
4 I'll go back to the first page and note they also voted
5 against Harvey Golub, which is surprising, as a
6 director.

7 Q. My question really wasn't whether Glass Lewis
8 was running the company or whether their views were
9 dispositive. My question was, did you consider doing
10 what Glass, Lewis & Co. recommended?

11 A. I have no recollection.

12 Q. You do accept, do you not, sir, that you knew at
13 the time that this was a reverse stock split that
14 applied only to issued shares and not authorized shares,
15 correct?

16 A. Mr. Boies, I did not -- I just didn't focus on
17 those mechanics. So, the answer would be no. I wanted
18 the company's stock to remain listed on the New York
19 Stock Exchange.

20 Q. I am going to try to ask one more question
21 that's yes, no, or I don't know.

22 The company's shares could have remained listed
23 on the New York Stock Exchange if you had applied the
24 twenty-to-one reverse stock split to authorized as well
25 as issued shares, correct, sir?

1 A. I don't know. I just don't remember that. I
2 don't know.

3 Q. Okay. And I apologize, there is one follow-up
4 to that answer.

5 Did the question of whether the authorized
6 shares were or were not split have anything to do with
7 the stock price of the AIG shares?

8 A. I don't know. I have no recollection.

9 Q. Okay. Yesterday, you used the term -- in
10 responding to one of my questions, you used the term
11 "repository." Do you recall that?

12 A. No. Could you -- what was the question and what
13 was the answer?

14 Q. I can try to find it, but my question really is,
15 what do you mean by "repository"?

16 A. What was the question and what was the answer?

17 Q. Is it necessary for me to find it in order for
18 you to answer that question?

19 A. I'd be more comfortable answering it then, yes.

20 Q. "Repository" is a word that you frequently use,
21 correct, sir?

22 A. I suppose so, yes.

23 Q. For example, you referred to the Federal Reserve
24 as the repository gatekeeper of the relationship with
25 AIG, correct?

1 A. I don't know. You must have something in front
2 of you that suggests I did.

3 Q. You're right, and let me first just remind you
4 of the question and answer yesterday where, in the
5 course of giving an answer, you said:

6 "Insurance is regulated on a state-by-state
7 basis. There's no repository in the Federal Government
8 as to how insurance companies work." That was the
9 context.

10 A. I recall it.

11 Q. My purpose in asking that was just to try to
12 understand what you meant by "repository," but I'll ask
13 it in the context of something specific to this case,
14 and I would ask you to look at Plaintiffs' Trial Exhibit
15 471, and that is already in evidence and should be in
16 your book.

17 A. I have the document.

18 Q. And I believe we've looked at this before, and
19 this is testimony that you provided to Congress on March
20 18th, 2009, correct?

21 A. Yes.

22 Q. Let me ask you to look at page 84.

23 A. I have the page.

24 Q. And for context, do you see a line in the upper
25 half of the page where it says, "Mrs. Biggert: Okay"?

1 A. Yes.

2 Q. And she was a Congresswoman, correct?

3 A. Yes.

4 Q. And she is asking you questions about the
5 trustees of the trust, correct?

6 A. She is.

7 Q. And you replied, "You know, I have met with the
8 trustees on a number of occasions. They were just
9 appointed approximately the middle of February or so. I
10 don't remember the exact date.

11 "Again, we have reviewed these with the Federal
12 Reserve, and the Federal Reserve is the repository
13 gatekeeper, if you will, of the relationship with AIG."

14 Do you see that?

15 A. I do.

16 Q. And what did you mean by "repository gatekeeper"
17 in that context?

18 A. They were our primary contact point with -- with
19 the Government, as opposed to the Treasury or anything
20 else, and the -- as I said in my response to
21 Ms. Biggert, I -- I don't -- I think the trustees were
22 appointed middle to end of February. So, prior to them
23 being appointed, the Federal Reserve was the coordinator
24 of the relationship.

25 Q. This was in -- on March 18th of 2009, correct?

1 A. Yes.

2 Q. And you don't say "The Federal Reserve was the
3 repository gatekeeper." You say, "The Federal Reserve
4 is the repository gatekeeper," correct, sir?

5 A. That's what the words say, yes.

6 Q. And the trustees were actually appointed in
7 January of 2009, correct, sir?

8 A. Oh, I don't remember. I thought it was later
9 than that. I thought it was February or March.

10 Q. You would have known, back in 2009, when the
11 trustees were appointed, correct?

12 A. Yes.

13 Q. I have just two more short things. First, I may
14 have already asked you this question before, but I can't
15 remember. This goes back to Maiden Lane III. Were you
16 ever aware before it happened that the Federal Reserve
17 was going to offer counterparties releases?

18 A. I was not aware. That strikes me as being a
19 standard procedure.

20 Q. Now, when you say that "strikes you as being a
21 standard procedure," did you know whether AIG had any
22 claims against the counterparties for misrepresentations
23 related to CDOs?

24 A. No.

25 Q. Did you ever make any effort to find that out?

1 A. Not that I recall.

2 Q. Did you ever come to know that AIG concluded
3 that it did have claims against Goldman Sachs and Bank
4 of America and other people in connection with CDOs?

5 A. Not that I recall.

6 Q. You never learned that at any time?

7 A. I -- I just don't remember. I know there have
8 been numerous suits by holders of CDOs and CDSs
9 against -- against the sellers of those. I don't
10 remember whether AIG was a major player in that or not.

11 Q. And you never tried to find out?

12 A. You mean after the fact?

13 Q. Either after the fact or when you were there.

14 A. No.

15 MR. BOIES: May I have just a moment, Your
16 Honor?

17 (Counsel conferring.)

18 MR. BOIES: I pass the witness.

19 THE COURT: Okay. Thank you, Mr. Boies.
20 Cross examination, Mr. Todor?

21 MR. TODOR: Yes. Thank you, Your Honor.

22 THE WITNESS: So, do we have a different set of
23 binders for this one, Your Honor?

24 THE COURT: Yes. In fact, Mr. Liddy, I think
25 you have the distinction at this point of producing the

1 largest set of witness binders yet.

2 THE WITNESS: And, Your Honor, I'm noticing the
3 usage of Post-it notes here, and I want to disclose that
4 I am on the board of 3M which makes those Post-it notes,
5 so keep using them.

6 CROSS EXAMINATION

7 BY MR. TODOR:

8 Q. I can still say good morning, Mr. Liddy.

9 A. Good morning, Mr. Todor.

10 Q. Starr's counsel asked you some questions about
11 how you became aware of the opportunity to serve as the
12 AIG CEO and chairman. Do you remember that?

13 A. I do.

14 Q. In your conversations with Secretary Paulson or
15 Mr. Wilson or Mr. Cole, was there any discussion of any
16 precondition of any actions you would take or not take
17 as a condition of you taking the job?

18 A. No.

19 Q. Would you have taken the job if there were such
20 preconditions?

21 A. No.

22 Q. Why not?

23 A. When you're the chairman and CEO of a public
24 company, you need to be able to act in the best
25 interests of the shareholders. Preconditions aren't

1 necessarily conducive to that. This was a firm -- this
2 was a very troubled company, in distress. I didn't need
3 to be hampered by any preconditions.

4 Q. What was your total compensation as CEO and
5 chairman of AIG?

6 A. It was about 8 cents a month. I was there 11
7 months, so 92 cents or something like that.

8 Q. Why did you take the job for that compensation?

9 A. I did not want the company to fail. I thought
10 that would have been just an awful thing for the U.S.
11 economy, for the liquidity system. I thought in helping
12 the company I could help stabilize the U.S. economy and
13 help the country.

14 Q. You were asked some questions about your service
15 on the board of Goldman Sachs. Did you -- were you
16 serving on any other public company boards at the time
17 you became AIG's CEO and chairman?

18 A. I was, the Boeing Corporation and 3M.

19 Q. What, if any, actions did you take to address
20 any potential conflicts of interest arising from your
21 service on the boards of Goldman Sachs, Boeing, or 3M?

22 A. There were no conflicts with 3M. With Boeing, I
23 exited the board at the same time as I exited the board
24 of Goldman Sachs. Boeing was a major seller -- AIG had
25 a subsidiary called ILFC, International Lease Finance.

1 It was a major purchaser of airplanes from Boeing and
2 then it leased them to air carriers. I saw that as an
3 inherent conflict. So, I exited that board I think the
4 same day, the 22nd of September.

5 Q. What, if any, actions did you take to address
6 any potential conflict of interest with respect to
7 Goldman Sachs?

8 A. Well, the first one obviously was I resigned
9 from the board, and then issues particularly around
10 settling credit default swaps, I made sure that I stayed
11 out of that. I did not get involved in it, and either
12 David Herzog or Bill Dooley or Elias handled those
13 negotiations and discussions.

14 Q. Did you believe that you had any conflicts of
15 interest in any action that you took as CEO and chairman
16 of AIG?

17 A. No, not after exiting those boards and
18 inoculating any discussions with those companies.

19 Q. What do you mean by "inoculating" discussions?

20 A. Removing myself. Removing myself from any
21 involvement.

22 Q. Prior to becoming CEO and chairman of AIG, had
23 you previously served at Allstate?

24 A. Yes. I was variously the president, CEO, and
25 chairman of Allstate for 15 or 16 years.

1 Q. Was any of your professional experience at
2 Allstate relevant to your preparation to serve as CEO
3 and chairman of AIG?

4 A. Yes, I believe so. Allstate is a very large
5 insurance company, not as large as AIG, but very strong
6 in certain aspects of the property casualty area, a full
7 array of life products, you know, whole life, fixed
8 annuities, variable annuities, a good-size investment
9 portfolio.

10 So, there were some similarities, and as
11 Mr. Boies alluded to, much of the work at -- on the
12 Goldman Sachs board related to credit default swaps and
13 the capital markets.

14 Q. Did you feel that you had adequate professional
15 preparation to serve as AIG CEO and chairman?

16 A. I did. I had studied the company a lot. We had
17 looked at the company a lot at Allstate just to
18 understand what they were doing and what their market
19 positions were.

20 Q. You were asked some questions about the
21 September 18th, 2008, board meeting in which you were
22 appointed as CEO and chairman. Do you remember that?

23 A. I do.

24 Q. Could you please turn your attention back to
25 JX 94. It was in Plaintiffs' binder. You can also

1 refer to the binder we have handed up to you if you
2 prefer to do so.

3 A. I have the document.

4 Q. I'll direct your attention to page 2 and then
5 the sentence beginning, "Mr. Liddy greeted the
6 directors, asked for their support, and expressed his
7 regret with respect to the circumstances associated with
8 Mr. Willumstad's departure as Chief Executive Officer
9 and Chairman of the Board. Mr. Liddy then left the
10 meeting."

11 Why did you ask for the directors' support?

12 A. It was an incredibly tumultuous period, so the
13 directors were -- were having to take an action to force
14 out Mr. Willumstad and to find a well-qualified new CEO.
15 That's -- that's difficult under any conditions.

16 And the events of the -- that started to unfold
17 roughly the beginning of September and culminated with
18 the credit agreement on the 16th were very difficult for
19 the directors.

20 Q. Why did you leave the meeting?

21 A. In many cases that was the first time I had been
22 exposed to many of the directors. I knew some of them,
23 didn't know them all. So, it was appropriate for me to
24 step aside and let Steve Bollenbach, who was the
25 chairman of the nominating and governance committee,

1 talk about the conversation we had and for them to have
2 a full discussion of my qualifications as the next
3 chairman and CEO.

4 Q. Turning your attention to two paragraphs down
5 from there on page 2, there's a paragraph that states,
6 "Mr. Bollenbach informed the Board that he had spoken
7 with Mr. Liddy at some length the previous evening about
8 a number of governance issues and asked that Mr. Beattie
9 address the Board's fiduciary duties."

10 Could you please describe the substance of your
11 conversation with Mr. Bollenbach the previous evening?

12 A. I don't know that I can describe the substance.
13 I don't think I remember it. It was a -- it was a
14 broad-based due diligence conversation by Mr. Bollenbach
15 that probed my background and my qualifications to serve
16 as chairman and CEO.

17 Q. Did you have an understanding as to whether the
18 directors had the ability to approve or disapprove of
19 your appointment as CEO and chairman?

20 A. Absolutely. They could have said they wanted
21 somebody else. Sometimes I wish they had gotten
22 somebody else.

23 Q. I'll turn your attention to page 5 of the
24 document. Also, at the top of page 4, it says that you
25 had rejoined the meeting by this point.

1 Turning back to page 5, in the third paragraph,
2 there's a paragraph that begins, "Mr. Liddy then stated
3 that this completed the formal business of the meeting
4 but asked that the directors remain so that he could
5 describe his assessment of the situation facing the
6 Corporation."

7 What was your assessment at this time?

8 A. I thought the company faced a very complex
9 liquidity squeeze, in line with that which was affecting
10 many other financial institutions. I was alarmed at the
11 rate at which money was being drawn down from the
12 Federal Reserve, and I knew I had my work cut out for
13 me.

14 Q. Prior to the meeting on September 18th, 2008,
15 what, if anything, did you do to inform yourself as to
16 the situation facing AIG?

17 A. I tried to read any and all available public
18 documents. I mentioned that I had breakfast with Dan
19 Jester on the 17th. He may have provided me some
20 information. I spent time with Bob Willumstad to get
21 his perspective, a broader but higher-level perspective
22 on what the issues were facing the company.

23 Q. Turning your attention to the next paragraph on
24 page 5, it states, "Mr. Liddy stated that the quality of
25 the Corporation's underlying insurance businesses is

1 very high and that he would do everything possible to
2 pay down the government loan, sell non-core businesses
3 and leave the Corporation with a solid core of
4 operations after doing so."

5 Why did you say that?

6 A. Well, I believed it to be the case. I -- I knew
7 AIG's insurance operations well. They were incredibly
8 compelling and powerful businesses. They were a little
9 damaged by the security lending that went on within
10 them, but they were still very strong.

11 It was clear that if we were going to satisfy
12 \$85 billion in a short period of time -- I was very
13 uncomfortable with the two years -- the only way to do
14 that would have been to redefine the company and to exit
15 certain businesses, and I wanted to make certain that
16 the businesses that remained were fit to fight.

17 I did not want to have a wounded animal that
18 died a slow, painful death over the next X number of
19 years. And as it turned out, that's exactly what
20 happened.

21 Q. Did you --

22 A. Exactly what happened is those businesses were
23 fit to fight, and they are doing very well.

24 Q. Was it your understanding that the goal of
25 paying down the government loan and your other goals

1 were consistent?

2 A. Yes. Having \$85 billion added onto the -- added
3 onto the balance sheet of a company is a very difficult
4 thing to absorb. If I could get rid of that loan, it
5 would be very good progress because it means the capital
6 structure would have been more enduring.

7 Q. You were asked some questions during your direct
8 with respect to your assuming the roles of CEO and
9 chairman. Do you recall that?

10 A. I do.

11 Q. Why was it -- why was that your understanding?

12 A. It's not something that we focused on. I
13 assumed I was moving into the position that Bob
14 Willumstad was vacating. He was the chairman and CEO.

15 Q. Did you have an understanding as to the scope of
16 your authority as CEO and chairman at AIG relative to
17 what Mr. Willumstad had?

18 A. I didn't see it as any different. The
19 parameters within which a CEO or chairman operates are
20 reasonably well known.

21 Q. Did you feel constrained in your ability to act
22 as CEO and chairman relative to your previous experience
23 as a CEO?

24 A. I did not. I had been chairman and CEO at
25 Allstate, so I did not.

1 Q. You were asked some questions regarding a
2 securities filing made on September 18th, 2008. Do you
3 recall that?

4 A. I do.

5 Q. Can we please have JX 96 distributed.

6 Mr. Liddy, you have been presented with Joint
7 Exhibit 96, which is in evidence. I direct your
8 attention to page 2 of the document.

9 A. Yes.

10 Q. And there is a reference on this page, in the
11 third paragraph, to the term of "warrant." Do you see
12 that?

13 A. I do.

14 Q. Did you review this particular press release
15 before it was filed?

16 A. No.

17 Q. When did the issue involving a warrant come to
18 your attention?

19 A. Mr. Todor, as I explained to Mr. Boies, on the
20 19th, so after I was the -- had been elected chairman
21 and CEO, our general counsel apprised me of the fact
22 that this document was wrong and needed to be corrected
23 and we were going to correct it with a modified 8-K.

24 And the issue in contention was that no warrants
25 had, in fact, been issued, that that was -- with respect

1 to the takeover, the 79.9 percent, that was still a
2 mechanic that was being negotiated or discussed between
3 the company, its advisors, and the Federal Reserve.

4 Q. Can we have JX 99 distributed, please.

5 Mr. Liddy, you have been presented with JX 99,
6 which is in evidence. Is this the corrected 8-K you
7 were just discussing?

8 A. It appears to be, yes.

9 Q. What is your understanding as to why AIG filed
10 this document?

11 A. "This" being the revised 8-K?

12 Q. Yes, sir.

13 A. Because the one filed the day before was in
14 error. This corrected it.

15 Q. Did you instruct anyone at AIG to file the
16 correction yourself?

17 A. No. Ms. Kelly would have told me that -- and I
18 would have agreed with her -- that we needed to correct
19 the filing, get it right, and so she would have
20 proceeded accordingly.

21 Q. What was your reaction upon hearing this from
22 Ms. Kelly?

23 A. Disappointment. I don't like to file amended
24 documents with the SEC. I probed as to why there was a
25 difference in the two, and that's when I first became

1 aware of the whole issue of the anticipation on the part
2 of AIG that there were going to be warrants but that the
3 issue was still open in the discussion with the Fed.

4 Q. To your knowledge, is the corrected 8-K from --
5 that is JX 99 accurate?

6 A. I believe so.

7 Q. Turning your attention back to JX 94, on page 6,
8 the paragraph at the bottom. Let me know when you're
9 there, sir.

10 A. I'm there.

11 Q. It states: "A number of questions were raised
12 regarding the price and voting rights of the equity
13 interest that was included in the term sheet approved on
14 September 16. Mr. Wiseman stated that those details
15 would be part of the documents that counsel for the
16 Corporation expected to receive shortly, and that until
17 those documents were completed it was not possible to
18 answer the Board's questions on the specifics of the
19 equity interests."

20 What, if any, understanding did you have as to
21 the specifics of the equity interests as of this board
22 meeting on September 18, 2008?

23 A. I'm not sure I had any understanding of these
24 mechanics. As I said, I became aware of this issue on
25 the 19th when we had to file a corrected 8-K.

1 Q. So, I'll direct you in our binder to DX 507. It
2 is, I believe, the first document.

3 A. Sorry, DX?

4 Q. DX.

5 A. Yes, okay. I have the document.

6 Q. And the document marked as DX 507, do you see
7 that the second email in the chain is titled from Robert
8 Gender to yourself and Steven Bensinger?

9 A. Yes.

10 Q. What was Mr. Gender's job?

11 A. He was the company's treasurer, so he looked out
12 after the cash flow and the capital structure of the
13 company.

14 Q. Was it part of his duties to provide you with
15 cash flow information?

16 A. It was, to me and to the others that preceded
17 me.

18 Q. Is this document a cash flow forecast that you
19 received from Mr. Gender?

20 A. I believe so. I have no reason to doubt it.

21 MR. TODOR: We move the admission of DX 507.

22 MR. BOIES: No objection, Your Honor.

23 THE COURT: Defendant's Exhibit 507 is admitted.

24 (Defendant's Exhibit Number 507 was admitted
25 into evidence.)

1 BY MR. TODOR:

2 Q. Turning your attention to the email addressed to
3 you, it states, "Attached are the updated daily cash
4 flow forecasts for the remainder of the year. Included
5 is a Base Case and a Downside Case, both of which are
6 conservative."

7 Could you please explain your understanding of
8 the use of daily cash flow forecasts for AIG at this
9 point in time?

10 A. As I mentioned before, the company was in an
11 acute liquidity crisis. We had cash going out. We had
12 insufficient cash coming in to handle all of that. So,
13 putting together a projection that would tell us where
14 we thought we would be at each -- at the end of each day
15 or week or month was helpful in terms of understanding
16 how to manage what alternatives were available to us to
17 manage the cash flow.

18 Q. I direct your attention to the last page of the
19 document --

20 A. Yes.

21 Q. -- which has a Bates number ending in 5789.

22 A. Yes.

23 Q. This appears to be a chart that says -- there is
24 reference to a base case scenario, adjustments for base
25 case, and a Fed balance. Do you see that?

1 A. I do.

2 Q. Do you understand -- please explain your
3 understanding as to the meaning of the base case
4 scenario, adjustments for base case, and Fed balance.

5 A. Well, the base case would have been the most
6 probable outcome. And then the adjustments to it would
7 have been to add a little conservatism, because these
8 were uncharted waters. So, if the markets continued to
9 go, to slide, and we needed more cash, how bad could it
10 get? And then the last line, the downside case in the
11 loan balance is how much we would borrow.

12 Q. And is the borrowing from the Federal Reserve
13 revolving credit facility?

14 A. Yes.

15 Q. What was the maximum amount that was available
16 on the facility, to your understanding?

17 A. \$85 billion.

18 Q. Turning your attention to the figure for
19 December, is the base case scenario 70 billion?

20 A. It is.

21 Q. And then the downside case loan balance, on the
22 last line, what is the figure for December in that one?

23 A. It was a terrifying 89 billion.

24 Q. Do you have an understanding as to what the
25 consequences would have been for AIG had it had a cash

1 flow need greater than the amount of the Fed revolving
2 credit facility as of September 19, 2008?

3 A. No. I don't know what the -- I don't know what
4 the Fed would have done if we had exhausted the \$85
5 billion, and I didn't want to get into the speculation
6 on that.

7 Q. Was it your understanding that you wanted to
8 avoid borrowing more than 85 billion?

9 A. Oh, yes.

10 Q. Why?

11 A. No guarantee we would get more than \$85 billion
12 and we would be, once again, faced with the prospect of
13 bankruptcy.

14 Q. Why would that result in the prospect of
15 bankruptcy?

16 A. We wouldn't be able to pay our bills.

17 Q. I'll direct your attention to JX 103.

18 A. Yes.

19 Q. This is the board meeting of September 21st,
20 2008.

21 A. Yes.

22 Q. What did you understand to be the purpose of
23 this meeting?

24 A. This was to give the directors one more chance
25 to look at the credit agreement and again affirm what I

1 considered to be a binding decision they made on
2 September 16th.

3 Q. Why did you consider it to be a binding
4 decision, what the board made on September 16th?

5 A. As I mentioned in response to one of Mr. Boies'
6 questions, I thought both parties were acting in that
7 way. Money was flowing from the Federal Reserve into
8 AIG at a fairly aggressive rate.

9 Q. I'll direct your attention to page 2 of the
10 document, to the paragraph beginning, "Mr. Liddy advised
11 the Board that there had been substantial progress in
12 the documentation for the credit facility ('Credit
13 Agreement') with the Federal Reserve Bank of New York
14 (the 'Bank'), and the Corporation will be required by
15 the Bank and the Treasury Department to finalize the
16 documentation and sign the Credit Agreement before the
17 opening of the market the following day."

18 Do you see that?

19 A. I do.

20 Q. What was your basis for that statement?

21 A. The Federal Reserve had told us they wanted to
22 get it -- they wanted to get it signed, and I thought it
23 was in our best interests to get it signed. I was
24 alarmed at the rate at which money was coming into the
25 company.

1 Q. Why did you believe it was in the best interests
2 of AIG to get the agreement signed?

3 A. It was a very politically charged environment.
4 Things could change, the power of Congress or Treasury
5 or what have you to move in different directions. I
6 thought it was a binding agreement. We would have sued
7 if they had changed their minds, but better to get
8 everything pinned down so there's absolute clarity as to
9 the enforceability of the agreement.

10 Q. Had you spoken with your legal advisors before
11 this meeting with respect to the agreement?

12 A. I had. Specifically, with our general counsel,
13 but also with Rodg Cohen and Mr. Reeder and John
14 Studzinski and others at Sullivan & Cromwell and
15 Blackstone.

16 Q. Did you have an understanding as to whether your
17 counsel had had an opportunity to review the
18 documentation for the credit agreement prior to this
19 meeting?

20 A. I don't recall.

21 Q. Do you have an understanding as to whether your
22 financial advisors were aware of the financial
23 ramifications of the agreement prior to this meeting?

24 A. Yes, I believe they were.

25 Q. The next sentence of the document states that,

1 "He" -- you -- "said that the urgency was because there
2 were indications that the Bank was not going to come to
3 the aid of other troubled issuers and turmoil was
4 expected."

5 What was your basis for that statement?

6 A. My discussions with our advisors from Blackstone
7 and JPMorgan. As Mr. Boies alluded to yesterday, there
8 was a fair amount of noise in the system about Morgan
9 Stanley's inability to continue to operate, and others.

10 Q. Starr's counsel directed you to some press
11 releases with respect to the -- Goldman Sachs organizing
12 as a holding company yesterday. Do you recall that?

13 A. I do.

14 Q. Do you recall the date on which that
15 announcement was made?

16 A. I believe the press release that Mr. Boies
17 showed me was the -- was the 21st. It was either the
18 21st or 22nd.

19 Q. And what was the date of this AIG board meeting?

20 A. The 21st.

21 Q. And turning your attention to the first page,
22 was the -- did the board meeting begin at 8:00 p.m.?

23 A. That's what the minutes say.

24 Q. Do you have an understanding as to whether any
25 announcements with respect to the other companies

1 reorganizing as bank holding companies was in the public
2 news at this time?

3 A. I have no recollection of that.

4 Q. After the board meeting, did any board members
5 come to you and say that the information you were giving
6 was inaccurate about indications that the bank was not
7 going to come to the aid of troubled issuers?

8 A. No.

9 Q. Turning your attention to later on page 2, there
10 it states that "Mr. Reeder reviewed a summary of the
11 principal terms of the facility that had been prepared
12 for review by the members."

13 Who was Mr. Reeder?

14 A. Mr. Reeder was one of our advisors. He's a
15 partner at Sullivan & Cromwell.

16 Q. What, if any, impression do you have as to the
17 quality of the legal services provided by Sullivan &
18 Cromwell with respect to the credit agreement?

19 A. Exceptionally high.

20 Q. Turning your attention to page 11 of the
21 document, there is a document that's marked as "Annex
22 A," entitled "Summary of Credit Agreement." Do you see
23 that?

24 A. I do.

25 Q. It says at the top, "S&C Draft of September 22,

1 2008." Was that Sullivan & Cromwell?

2 A. I believe it was, yeah.

3 Q. Did Sullivan & Cromwell discuss this summary
4 with the board at the September 21st, 2008, board
5 meeting?

6 A. I don't recall that specifically. I assume they
7 did.

8 Q. Were you familiar with the terms of the credit
9 agreement as explained to you by counsel?

10 A. I was.

11 Q. Turning your attention to page 3 of the
12 document, the latter half of the carryover paragraph,
13 there is a statement that, "It was noted that although
14 the Board had originally been led to believe that the
15 form of equity participation by the Treasury Department
16 would be warrants, the form of equity participation to
17 be issued in connection with the Credit Agreement is now
18 proposed to be convertible preferred stock, the terms of
19 which were reflected in a term sheet delivered to Board
20 members prior to the meeting."

21 What was your understanding of this statement?

22 A. Well, as I -- as I recall and I indicated to
23 Mr. Boies, the -- AIG assumed initially that the form of
24 the ownership interest would be conveyed in warrants,
25 because that's what was offered by the private market.

1 That was -- that anticipation was not realized, and this
2 substituted for that anticipation, preferred stock.

3 Q. Moving on in the paragraph, there's a statement
4 that "Mr. Reeder also noted that there had been
5 significant negotiations with the Bank and its counsel."

6 Were you aware of such negotiations taking place
7 in the period between when you became CEO and the time
8 of this board meeting?

9 A. I was.

10 Q. At the time of this board meeting, had AIG
11 started to draw money from the Federal Reserve?

12 A. It had, I think to the tune of 35 or 37 billion
13 dollars.

14 Q. And directing your attention to page 4 of the
15 document, in the paragraph in the middle, there is a
16 statement that "Mr. Liddy informed the members that the
17 Corporation had drawn \$37 billion to date, and
18 Mr. Gender explained that the base cash flow case
19 indicated a draw of \$60 billion by September 30, and \$70
20 billion by mid-October."

21 What, if any, relevance did the draw of \$37
22 billion have in your decision whether to vote in favor
23 of the credit agreement?

24 A. I thought it underscored the need for us to find
25 an appropriate sort of liquidity as quickly as we could.

1 The only game in town was the Federal Reserve.

2 Q. Did you attempt to find alternate methods of
3 funding between September 18 and September 21st?

4 A. I did not. All that work was done prior to
5 September 16th when the board and the Federal Reserve
6 signed the original outline of the credit agreement.

7 Q. Do you have an understanding as to whether your
8 financial advisors said that there were other sources of
9 funding that could have come up with the \$37 billion in
10 this period?

11 A. No. I think they said to the contrary, that
12 nothing had materialized. The work done prior to
13 September 16th had been exhaustive, and the marketplace
14 had considered -- had continued to erode after the 16th.

15 Q. Turning your attention to the next paragraph,
16 there's a statement from a Mr. Studzinski. Who is
17 Mr. Studzinski?

18 A. He was a vice chairman or a chairman at
19 Blackstone.

20 Q. What, if any, impressions did you have of the
21 quality of the financial advice provided by Blackstone
22 to AIG in connection with the credit agreement?

23 A. It was high.

24 Q. The statement states that, "Mr. Studzinski noted
25 the particularly negative effect of bankruptcy on AIG's

1 Asian operations because of the element of trust and
2 security being jeopardized."

3 Did you agree with that statement?

4 A. I agreed with it as far as it went. It wasn't
5 just the Asian operations. It was the U.S. operations.
6 AIG had very substantial U.S.-based life insurance,
7 fixed annuities, and variable annuities.

8 Q. Please explain your understanding as to the
9 significance of the element of trust and security in the
10 context of an insurance company.

11 A. Well, life insurance is a long-term asset. You
12 have to believe that the company is going to be around
13 when you want to collect that life insurance. If you
14 think it's not going to be around, it's going to fail,
15 you will do what you can to extract your money from that
16 life insurance contract as early as possible. You'll
17 either take a loan against it, you will try to cancel
18 it, you will do whatever you can to not have your
19 principal exposed.

20 Q. The next sentence states that "Mr. Studzinski
21 said that even though the terms of the Credit Agreement
22 provided the Government with ownership of 80 percent of
23 AIG, the value that could be preserved through the
24 Government loan was likely more valuable to current
25 shareholders than retaining 100% interest in the

1 bankrupt entity, which might be worth nothing."

2 Did you agree with that statement?

3 A. Yes. Twenty percent of something is better than
4 100 percent of nothing.

5 Q. Did you have an understanding at the time as to
6 what would have happened to AIG's then-current
7 shareholders if AIG had not accepted the credit
8 agreement?

9 A. They would have been wiped out.

10 Q. Why do you say that?

11 A. That's what happens in bankruptcy. Shareholders
12 are the last to be paid.

13 Q. The next sentence of the document states that
14 you "indicated your opinion that \$85 billion would be
15 the maximum amount that the Bank would fund, and
16 cautioned that there were no guarantees that the
17 Corporation could avoid bankruptcy, even with sales of
18 assets and prudent management, but believed if the
19 Corporation moved quickly with a disciplined disposition
20 plan, bankruptcy could be avoided."

21 Why did you say that?

22 A. You know, I wanted to put the board on notice
23 that I thought \$85 billion would be sufficient. In my
24 discussions with the Federal Reserve trying to modify
25 the terms of the agreement, I did not see much

1 willingness to go any further or to modify the terms of
2 the agreement. I was concerned with the cash flow
3 forecast that we had.

4 My -- my recollection of most cash forecasts is
5 that they tend to be short on the amount of cash you're
6 going to have. Trying to put together a forecast in
7 these very uncertain times, I thought the number
8 probably was going to be worse than what it showed on
9 that previous sheet that we looked at.

10 Q. And by the "previous sheet," were you referring
11 to DX 507, the cash flow forecast?

12 A. The cash flow forecast with the base case, yes.

13 Q. Why did you say that there were no guarantees
14 that the corporation could avoid bankruptcy?

15 A. Because there were none. We had a lot of work
16 to do. The market had to stabilize. We had to get
17 about managing our cash. We had to get about disposing
18 of assets or starting a process to dispose of assets.
19 There was an enormous amount of work to do.

20 Q. Later on, did AIG actually need more funding
21 than the \$85 billion?

22 A. That's a complicated question. With Maiden
23 Lanes II and III, it removed liabilities from our
24 balance sheet, which meant we didn't have to keep
25 funding those contracts. When we no longer had to fund

1 those contracts, we didn't need more than the \$85
2 billion. In fact, the \$85 billion was reduced, I think,
3 to \$60 billion with the first credit agreement.

4 So, we -- we transferred liabilities and assets
5 to the Federal Reserve, they purchased them, and we
6 still had some upside potential, but it's -- it's
7 complicated as to how you think about it.

8 Q. Turning your attention to the next sentence, it
9 states that "Several of the directors commented that
10 they did not feel as though they had any choice but to
11 approve the transaction with the Bank because upon
12 bankruptcy of the Corporation, the assets, particularly
13 the regulated insurance companies, would immediately be
14 worth less."

15 Did you have an understanding as to whether, in
16 the event of a bankruptcy, the regulated insurance
17 companies would immediately be worth less?

18 A. Yes. In bankruptcy, there would be nothing left
19 for shareholders.

20 Q. Did you have an understanding as to the effect
21 of bankruptcy on the regulated insurance companies in
22 particular?

23 A. It would have been very difficult for the
24 insurance companies. As I mentioned earlier, insurance
25 companies are regulated on a state-by-state basis.

1 There would have been a grab for assets and for values.
2 It would have been very painful.

3 Q. Turning your attention to the next page of the
4 document, the statement that -- in the first full
5 paragraph, "A further discussion ensued regarding the
6 possibility of other competitive bids. Mr. Studzinski
7 noted that the Credit Agreement does not preclude that
8 possibility, but that in his opinion the likelihood of a
9 competitive bid emerging was quite low."

10 Did you agree with that analysis?

11 A. I did. The -- as I said before, the work prior
12 to September 16th had been comprehensive and exhaustive.

13 Q. Next it states, "Mr. Liddy commented that the
14 facility would allow the Corporation to put a plan in
15 place for the orderly sale of assets to help to preserve
16 their value."

17 What was your basis for that statement?

18 A. If the market stabilized and we could sell these
19 assets over a period of time, longer than two years,
20 that I thought that the assets would provide good value,
21 be able to use the proceeds from those dispositions to
22 pay down the \$85 billion.

23 Q. In the next paragraph it begins by stating that
24 "Mr. Liddy expressed his opinion that in all material
25 respects, the terms of the proposed transaction are

1 consistent with the term sheet presented to the Board at
2 its prior meeting, and Mr. Cohen said that bankruptcy
3 was a worse -- considerably worse alternative now than
4 it was previously."

5 Turning your attention to the first half of that
6 sentence, what was the basis for your opinion?

7 A. It was my discussions with our general counsel
8 and our advisors as to to what extent the final document
9 that the board was being asked to approve compared to
10 the original document which they had approved.

11 Q. Turning your attention to the second half of the
12 sentence, did you have a view at the time as to if
13 bankruptcy was a considerably worse alternative now than
14 it was previously?

15 A. Mr. Boies, as you know, asked me that question.
16 Bankruptcy is a really awful alternative for an
17 insurance company under either measurement date,
18 September 16th or September 18th. I think what had
19 happened is we were -- in addition to all of our other
20 liabilities, we also now owed the Government \$37
21 billion, but I think asset values had continued to
22 erode. So, I think that might have made it marginally
23 more difficult, but the compelling point is bankruptcy
24 is terrible under any conditions.

25 Q. What was your understanding of the change, if

1 any, in the condition of the financial markets between
2 September 18 and September 21?

3 A. They continued to get worse.

4 Q. What, if any, understanding did you have of the
5 effect of the change in the financial markets on AIG's
6 situation?

7 A. I thought our asset values probably were
8 continuing to erode, and I thought the \$85 billion
9 looked like a very substantive lifeline.

10 Q. Earlier you commented on the two-year term of
11 the credit facility. Yes?

12 A. I did.

13 Q. Did you have an understanding as to the effect
14 of the two-year time frame on AIG's ability to sell its
15 insurance assets?

16 A. I did. It was woefully inadequate. We would
17 not have been able to get full value. These were
18 premier assets with large values. To assume that
19 companies would come forth and pay appropriate prices
20 when the marketplace is -- marketplace was in such a
21 point of dislocation couldn't happen.

22 Q. What goes into selling an insurance company?

23 A. Well, it's a classic supply and demand.
24 Somebody has to look at what you have and decide that it
25 would complete their portfolio and they could do more

1 with it than you can. So, you find a -- you find a
2 buyer through use of investment bankers or people would
3 call us, you know, a lot of ways to find interest.

4 Q. Did you have an understanding as to whether the
5 condition of the market in September 2008 would have
6 made it more difficult or less difficult to sell
7 insurance subsidiaries?

8 A. It would have made it much -- much more
9 difficult. 2008 was a very, very uneven financial
10 situation.

11 Q. Turning your attention to page 7, there are a
12 set of resolutions. Did you vote in favor of these
13 resolutions?

14 A. I did, as did each of the other independent
15 directors.

16 Q. Why did you vote in favor of them?

17 A. I viewed we had two choices: Accept the
18 relatively harsh terms of the Federal Reserve's \$85
19 billion credit agreement or we were going to go
20 bankrupt. I viewed the latter to be an unacceptable
21 alternative.

22 Q. What was your basis for concluding that AIG
23 would have gone bankrupt without the credit agreement?

24 A. We had already borrowed \$37 billion four days
25 into the agreement.

1 Q. Did you have an understanding at the time as to
2 whether AIG would continue to need more money than the
3 \$37 billion it had already borrowed?

4 A. The cash forecast said we would need \$70 billion
5 under what I would call a best case and \$100 billion
6 under a worst case.

7 Q. Did anyone coerce you into voting in favor of
8 the credit agreement?

9 A. No.

10 Q. To your knowledge, did anyone coerce any member
11 of the board into voting in favor of the credit
12 agreement?

13 A. No.

14 Q. Did you instruct any member of the board how to
15 vote?

16 A. I did not.

17 Q. Did you have any power to instruct any member of
18 the board how to vote?

19 A. I did not.

20 Q. I'll turn your attention to the document marked
21 JX 107. This is the credit agreement that you were
22 shown during your direct examination, correct?

23 A. Yes. It appears to be.

24 Q. Did you sign this credit agreement on behalf of
25 AIG?

1 A. I believe I did.

2 Q. Why did you do that?

3 A. It was the culmination of the negotiations we
4 had -- which had begun with the Federal Reserve. I
5 wanted to get the arrangement pinned down so nobody had
6 a change of heart.

7 Q. Turning your attention back to page 137 of the
8 document, which you were shown during your direct
9 examination, were you focused on the form of the equity
10 when you were considering whether to sign the credit
11 agreement?

12 A. I did not. I had taken comfort from the fact,
13 back in the minutes to the meeting, as Mr. Beattie
14 pointed out, that it was in spirit what the board had
15 agreed to on the 16th, and the reality was the company
16 had yielded 79.9 percent of the company in exchange for
17 the \$85 billion. I did not focus on the mechanics of
18 it.

19 Q. What were you focused on at the time?

20 A. Cash forecasts that had \$100 billion out the
21 door by the end of October and what to do about that.

22 Q. Turning your attention back to JX 103, and I'll
23 turn your attention to the 13th page of that document.
24 This is titled "Annex B, Summary of Terms of Preferred
25 Stock and Related Issues."

1 A. Yes.

2 Q. Do you have an understanding as to whether a
3 summary of the terms of the preferred stock was
4 discussed with the board at the September 21st, 2008,
5 board meeting?

6 A. I don't recall.

7 Q. Okay. Do you have reason to believe that the
8 board minutes are inaccurate in having this as an annex?

9 A. I do not.

10 Q. Turning your attention back to page 137 of
11 Exhibit -- of JX 107, I'll direct your attention to the
12 fourth item, marked "Consideration." It states,
13 "\$500,000 plus the lending commitment of the Federal
14 Reserve Bank of New York (New York Fed); AIG's board
15 will acknowledge the receipt of value at least equal to
16 the aggregate par value of the shares of Preferred Stock
17 in connection with their issuance."

18 Do you see that?

19 A. I see it.

20 Q. Do you have any reason to believe that that is
21 inaccurate?

22 A. I don't recall it. No, I don't have any reason
23 to believe that.

24 Q. Did AIG have employees who dealt with securities
25 law issues for AIG?

1 A. We had employees and we had advisors, good ones.

2 Q. Who were the internal employees who dealt with
3 securities law issues?

4 A. Stasia Kelly's organization, and she had a
5 separate area under her devoted entirely to that.

6 Q. Do you know who was in charge of that operation?

7 A. I don't remember names.

8 Q. Was Kathleen Shannon involved in securities law
9 issues at AIG?

10 A. She would have been. She was the secretary to
11 the board.

12 Q. And do you recall which outside advisors were
13 advising AIG with respect to securities laws issues at
14 this time?

15 A. I believe Sullivan & Cromwell.

16 Q. Was Rodgin Cohen, a partner at Sullivan &
17 Cromwell, advising AIG?

18 A. He was, as was Mr. Reeder and others, Michael
19 Wiseman.

20 Q. I'll turn your attention to the document marked
21 JX -- oh, so you were asked some questions on direct
22 regarding warrants having an exercise price. Do you
23 recall that?

24 A. I do.

25 Q. And there's a "Consideration" section listed

1 here, correct?

2 A. Yes.

3 Q. Did anyone from your board say to you that AIG
4 was losing out on consideration by not getting an
5 exercise price for warrants as opposed to what it got in
6 the credit agreement?

7 A. They did not.

8 Q. Would you have expected that to be mentioned if
9 someone had said that?

10 A. No, I would not have.

11 Q. The board minutes record what the discussions
12 were of the board at the September 21st, 2008, board
13 meeting, correct?

14 A. Yes, they do.

15 Q. Do you recall any discussion at that board
16 meeting of any board member saying that AIG was missing
17 out on extra consideration by not having an exercise
18 price for warrants?

19 A. I have no such recollection.

20 Q. I'll turn your attention to JX 119, which is a
21 document in evidence. This is a letter signed by you,
22 dated September 26th, 2008 --

23 A. Correct.

24 Q. -- captioned "To our shareholders." What did
25 you understand to be the purpose of this letter?

1 A. It was to let our shareholders know that with
2 ten days' notice, we were going to take actions
3 necessary to effect the preferred stock issuance.

4 Q. Did you have an understanding as to whether
5 there were any New York Stock Exchange rules with
6 respect to having a vote on issuance of preferred stock?

7 A. I simply don't recall. I know there were rules
8 about giving stockholders a notice, and I think that's
9 what we did down at the bottom, where we gave them ten
10 days.

11 Q. Were you relying on your securities advisors
12 with respect to the language in this letter?

13 A. I did.

14 Q. Do you have any reason to believe that the
15 descriptions of facts or the securities issues in this
16 letter are inaccurate?

17 A. I don't.

18 THE COURT: Mr. Todor, shall we break for lunch?

19 MR. TODOR: Yes, Your Honor.

20 THE COURT: All right. We will come back at
21 1:45.

22 (Lunch recess, 12:43 p.m. to 1:46 p.m.)

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AFTERNOON SESSION

(1:46 p.m.)

THE COURT: Thank you. Please be seated.

You may go ahead, Mr. Todor.

MR. TODOR: Thank you, Your Honor.

BY MR. TODOR:

Q. Good afternoon, Mr. Liddy.

A. Mr. Todor.

Q. Turning your attention back to the September 22nd credit agreement, did you believe that signing the credit agreement was in the best interests of AIG?

A. I did.

Q. Why?

A. It pinned down in my mind, beyond a shadow of a doubt, the Government's commitment to the terms of the loan, provided us \$85 billion.

Q. Did you believe that signing the credit agreement was in the best interests of AIG's shareholders?

A. It was. It preserved -- it preserved value for the 20 percent remaining ownership.

Q. Following the execution of the credit agreement, please describe your relationship with the Federal Reserve Bank of New York as a lender.

A. They had loaned us \$85 billion. They were going

1 to want to be involved to protect their investment. I
2 made the decision we would treat them as a full partner.
3 We would invite them under the tent, so to speak.

4 I knew there were changes I had to get done to
5 that credit agreement. I believed the more they knew,
6 the more they understood us, the more they trusted us,
7 the higher the probability that I could get the changes
8 to that credit agreement, which I thought we would need.

9 Q. Was there something called a Federal Reserve
10 Bank of New York monitoring team?

11 A. I'm not sure what the official name was, but it
12 was Sarah Dahlgren and her team.

13 Q. Please describe the nature of your interaction
14 with Sarah Dahlgren and her team.

15 A. Sarah was my primary contact at the Federal
16 Reserve, and then there were people that worked for
17 Sarah that had contact relationships with the folks
18 at -- that worked for me. And we tried to share with
19 them our thoughts on strategy and just basically what we
20 were thinking, so the first time they heard about it
21 wasn't when we were talking about it at a board meeting.

22 Q. Did Ms. Dahlgren or her team have the ability to
23 instruct you what to do?

24 A. They did not.

25 Q. You made reference to board meetings. Please

1 describe the interactions between AIG's board and the
2 Federal Reserve personnel at those board meetings.

3 A. Sarah and/or one of her people would sit in the
4 board meetings, and we would conduct the board meetings
5 the way they normally would. If they felt they wanted
6 to get involved or ask a question, they would. They
7 rarely did. If they had any -- any concerns or anything
8 they wanted to follow up on, they would usually do it
9 after the fact.

10 Q. Were there matters that the board discussed in
11 closed session without the Federal Reserve personnel
12 present?

13 A. There were, in executive session.

14 Q. Why did you do that?

15 A. You know, a board's got fiduciary obligations.
16 There were -- there were items, particularly as it
17 related to personnel and other things, that I didn't
18 feel bore directly on the Federal Reserve's role.

19 Q. Did AIG's board discuss any matters that dealt
20 with its relationship with the Federal Reserve, in
21 particular?

22 A. Not that I can recall.

23 Q. You were asked some questions during your direct
24 with respect to briefing the Federal Reserve personnel
25 after the fact on issues that had been discussed in

1 closed session. Could you please discuss what you
2 discussed after the fact?

3 A. I don't have a specific recollection of much of
4 that, but if in executive session something had been
5 raised which we thought the Federal Reserve should be
6 aware of, we would -- we would mention it to them.

7 Q. Did you disclose the topics that were discussed
8 to the Federal Reserve personnel?

9 A. I don't recall.

10 Q. Did you believe that AIG's board had the ability
11 to consider matters in closed session if it needed to,
12 without the Federal Reserve personnel being aware of the
13 content of those discussions?

14 A. I did and the board did.

15 Q. Did AIG have the ability to manage its own
16 day-to-day operations in its dealings with the Federal
17 Reserve personnel?

18 A. We did.

19 Q. Did AIG have the ability to make the decisions
20 as to what it would do in terms of its own financial
21 situation?

22 A. We did.

23 Q. In your judgment, did the Federal Reserve
24 personnel's involvement at AIG board meetings impair the
25 board's ability to consider the matters presented to it?

1 A. It did not.

2 Q. Why do you say that?

3 A. Well, there were a number of other people at the
4 AIG board meetings. We had a monitor for one of our
5 past transgressions, and there were a few other people
6 there who were there by edict. No, the board -- the
7 board was populated by mature, sophisticated board
8 members, and they were not shy. If they had an issue to
9 raise or they wanted to discuss something, it didn't
10 make much difference who was in the room. They would
11 raise it.

12 Q. Do you have an understanding as to the level of
13 involvement the Federal Reserve had as a lender compared
14 to the level of involvement a private lender would have
15 had in AIG in a similar situation?

16 A. Not specifically. I think a private lender
17 would have understood the insurance business much, much
18 better from the get-go, so I assume they would have been
19 more involved than the Federal Reserve was.

20 Q. When you refer to understanding the insurance
21 business, did you attempt to educate the Federal Reserve
22 personnel as to the insurance business?

23 A. Yes, we did.

24 Q. How did you do that?

25 A. I didn't do it specifically, but people who

1 worked for me, they'd make certain that whenever we were
2 talking about business issues or cash flow issues, that
3 the Federal Reserve understood what the nature of those
4 issues were and why they were issues, how an insurance
5 company worked.

6 Q. Why were you doing that?

7 A. I wanted to treat them as a partner. I wanted
8 them to understand the business. I wanted them to
9 understand what we were trying to get done
10 strategically. I wanted them to understand what assets
11 were going to be core, which ones were going to be
12 disposed of.

13 Q. Turning your attention to the condition of the
14 financial markets between the signing of the credit
15 agreement and the beginning of November 2008, what was
16 your understanding of the condition of the financial
17 markets during this period?

18 A. What were your dates?

19 Q. Between September 22nd, 2008, and the beginning
20 of November 2008.

21 A. They continued to get worse. Asset values
22 dropped. Liquidity got tighter.

23 Q. What, if any, effects did that have on AIG's
24 financial situation?

25 A. Put more pressure on us because there were more

1 collateral calls as asset values dropped. There were
2 more collateral calls on the various FP products and on
3 the securities lending.

4 Q. I'll direct your attention to JX 149. This is
5 marked as an SEC Form 8-K/A, filed by AIG on November
6 10th, 2008. Do you see that, sir?

7 A. I do.

8 Q. I direct your attention to the second page of
9 the document.

10 A. Yes.

11 Q. It states and item, "Results of Operations and
12 Financial Condition." Do you see that?

13 A. I do.

14 Q. It states, "On November 10, 2008, AIG issued a
15 press release reporting its results for the three- and
16 nine-month periods ended September 30, 2008."

17 I direct your attention to page 4 of the
18 document.

19 A. Yes.

20 Q. Is this the press release that is being referred
21 to?

22 A. I believe so, yes.

23 Q. Directing your attention to the first sentence
24 of the press release, what was AIG's reported net loss
25 for the third quarter of 2008?

1 A. \$24.4 billion.

2 Q. What was your understanding of the impact of
3 this reported loss on AIG's financial situation?

4 A. It reduced the equity the company had and,
5 therefore, made it more difficult to support the dollar
6 value of borrowings that we had.

7 Q. Did AIG have dealings with credit rating
8 agencies at this time?

9 A. Yes, we did.

10 Q. Please discuss the relationship, if any, between
11 AIG's reported net loss for the third quarter of 2008
12 and its interactions with the credit rating agencies.

13 A. The rating agencies were concerned from the very
14 beginning with the \$85 billion loan. It's a lot of --
15 it's a large liability to add onto the existing
16 liabilities of a company. So, they were nervous from
17 the get-go.

18 When we reported this loss and had less equity
19 and each dollar of equity had to work harder to support
20 more debt, we were very concerned that we would be
21 downgraded. Had we been downgraded, there would have
22 been more capital calls relative to the FP products.

23 Q. Did you have an understanding as of November
24 10th, 2008, as to the potential consequences of a
25 ratings downgrade for AIG's continued survival?

1 A. We did. We thought it could have been very
2 problematic.

3 Q. What did you do about it?

4 A. We embarked upon changes to the credit agreement
5 which dramatically strengthened our financial position.
6 So, some of the debt was removed and it was replaced by
7 equity pursuant to TARP. Equally importantly, the term
8 of the loan was extended from two years to five years.
9 The interest rate calculation became more favorable to
10 AIG.

11 And there were two financial initiatives put in
12 place, Maiden Lanes II and III, which removed the
13 securities lending assets and the liabilities and the FP
14 assets and liabilities from our balance sheet. They
15 were the source of most of the cash flow out of the
16 company.

17 Q. I'll direct your attention to page 16 of the
18 document. This is a -- is this an AIG press release?

19 A. It appears to be, yes.

20 Q. The title is "U.S. Treasury, Federal Reserve and
21 AIG Establish Comprehensive Solution for AIG."

22 Did you work with the U.S. Treasury and Federal
23 Reserve on the set of transactions discussed in this
24 press release?

25 A. We did.

1 Q. Did you ask for assistance from the Treasury and
2 Federal Reserve?

3 A. We did.

4 Q. Why were you asking for assistance?

5 A. I was very concerned we were going to penetrate
6 the \$85 billion, and with the losses that we incurred,
7 the rating agencies would downgrade us.

8 Q. Turning your attention to the \$85 billion
9 figure, were you concerned as of the time leading up to
10 November 10th, 2008, that AIG would exceed the \$85
11 billion level of the Federal Reserve revolving credit
12 facility?

13 A. I was concerned about it every day I was there.

14 Q. Would a change in the value of financial market
15 assets have had any connection with whether AIG would
16 have run a risk of going over the \$85 billion level on
17 the revolving credit facility?

18 A. Yes. It would have heightened the risk.

19 Q. Why is that?

20 A. Well, when assets go down in value, you have
21 to -- if you believe that they are permanent, you have
22 to write them down, it becomes an element of loss. The
23 loss reduces your equity. When you reduce the equity
24 and you still have the same amount of debt, you have a
25 ratings issue. If the rating agencies downgraded us, we

1 would have had more capital calls on the -- on the
2 credit derivatives.

3 Q. Turning your attention to the press release, the
4 second paragraph quotes you saying that "These
5 agreements are a dramatic step forward for AIG and all
6 of its stakeholders."

7 Why did you say that?

8 A. It was true.

9 Q. By "stakeholders," who did you mean?

10 A. Well, shareholders, bondholders, everybody who
11 touched AIG.

12 Q. Do you believe that these agreements were in the
13 best interests of AIG?

14 A. They were.

15 Q. Did you believe that these agreements were in
16 the best interests of AIG's shareholders?

17 A. I did.

18 Q. Why was that?

19 A. It kept the company solvent.

20 Q. Turning your attention back to the press
21 release, it states, "Today's actions send a strong
22 signal to our policyholders, business partners, and
23 counterparties that AIG is on the road to recovery. Our
24 comprehensive plan addresses the liquidity issues that
25 threatened AIG and gives us the financial flexibility to

1 complete our restructuring process successfully for the
2 benefit of all of our constituencies."

3 Why did you say that?

4 A. I believed it to be factually correct.

5 Q. Turning your attention to the next paragraph, it
6 states that -- you continued, "The \$85 billion emergency
7 bridge loan was essential to prevent an AIG bankruptcy,
8 which would have caused incalculable damage to AIG, our
9 economy and the global financial system."

10 Why did you say that?

11 A. It was accurate.

12 Q. The next sentence states, "Thanks to decisive
13 action by Congress, Treasury, and the Federal Reserve,
14 there are now additional tools available to create a
15 durable capital structure that will make possible an
16 orderly disposition of certain of AIG's assets and a
17 successful future for the company. Our goal is to repay
18 taxpayers in full with interest, and emerge as a focused
19 global insurer that will create meaningful value for
20 taxpayers and other stakeholders."

21 Why did you say that?

22 A. I believed it to be absolutely the -- the
23 correct outcome of what we had put in place. Congress
24 had recently passed TARP, that was a reference to the
25 new tool, and the Federal Reserve and Treasury had given

1 us a much -- a much easier credit agreement.

2 Q. Following that statement, there's a series of
3 bullet points. What are these bullet points?

4 A. It laid out the particulars of the changes to
5 the Federal Reserve relationship.

6 Q. I'll turn your attention to the first bullet,
7 the "Preferred Equity Investment." Was that the TARP
8 investment?

9 A. It was.

10 Q. Did you contact someone asking for a TARP
11 investment?

12 A. I called Secretary Paulson.

13 Q. Why did you do that?

14 A. I was very concerned about the size of the loss
15 and the -- the impending damage that it could do to the
16 capital structure of the company.

17 Q. Did AIG and the Treasury agree on a TARP
18 investment?

19 A. Yes. I'm not sure "agree" -- yes, Treasury
20 indicated to us what they were prepared to do, and we
21 took it.

22 Q. Did you have legal and financial advisors
23 advising you on the particulars of the arrangement?

24 A. We did.

25 Q. How much money did AIG receive as a consequence

1 of this TARP investment?

2 A. As the press release says, \$40 billion of
3 investment.

4 Q. What did AIG do with the money?

5 A. We used it to fund our daily obligations.

6 Q. Did part of it reduce the balance on the
7 revolving credit facility?

8 A. It did. The credit facility was lowered to 60
9 billion, I believe.

10 Q. Do you have an understanding as to whether AIG
11 needed the TARP capital injection in order to survive?

12 A. We did.

13 Q. Why is that?

14 A. Equity. We couldn't continue to have more and
15 more debt with less and less equity.

16 Q. Do you have an understanding as to whether AIG
17 would have needed to file bankruptcy as of November 2008
18 if it had not received the TARP investment?

19 A. We -- we made no such judgment, but we would
20 have been in a very serious situation.

21 Q. Turning your attention to the next bullet,
22 there's a description of a revised credit facility.
23 What were the changes made to the credit facility?

24 A. The interest rate was lowered. The fee was --
25 interest rate was on the undrawn commitments as opposed

1 to the full amount. And I believe the term to repay the
2 loan was extended from two to five years.

3 Q. Were these changes in AIG's favor?

4 A. Hugely. It's what I had tried to get -- what I
5 had tried to negotiate when I first got there, but they
6 said -- yesterday was very current, that I was not going
7 to make much progress. But seven weeks later, we made a
8 lot of progress.

9 Q. Do you have an understanding as to why you were
10 able to make progress at this point?

11 A. The financial markets had continued to
12 deteriorate. The Fed had -- the Federal Government had
13 more tools available to it, such as TARP, and I think
14 the Federal Reserve understood AIG much better in
15 November than it did in September.

16 Q. The next bullet is described as "Resolution of
17 U.S. Securities Lending Program." Is that what is
18 sometimes referred to as Maiden Lane II?

19 A. It is.

20 Q. What was the purpose of this agreement?

21 A. As I mentioned earlier, the two areas of
22 significant cash outflow from the companies were
23 securities lending and the credit default swaps. Under
24 this agreement, the assets and liabilities of the
25 securities lending and credit default swaps were removed

1 from AIG's balance sheet, so we had no further
2 responsibility for cash payments on those.

3 And in return, the Federal Reserve had a much
4 longer investment horizon. They could hold those assets
5 until they recovered in value. We could not. So, the
6 Federal Reserve got something that, if they could hold
7 long enough, would have value, and we retained, I think,
8 about a third of the upside on that.

9 Q. Did AIG have the opportunity to negotiate as to
10 what percentage of the upside it would -- it would keep
11 on Maiden Lane II?

12 A. It was negotiated. There are accounting
13 conventions, which I don't remember what they are, as to
14 how much ownership interest you can have and still be
15 able to remove it from your balance sheet. So, the more
16 ownership you keep, the more likely it has to stay on
17 your balance sheet. I believe the percentage we settled
18 on was about -- close to the maximum that we could get
19 and still be able to remove it from our balance sheet.

20 Q. With respect to the fourth bullet point,
21 "Reduction of Exposure to Multisector Credit Default
22 Swaps," is that what is sometimes referred to as Maiden
23 Lane III?

24 A. It is.

25 Q. Why did you enter into that transaction?

1 A. The same logic as securities lending. It was --
2 it was important to remove that cash drain and liability
3 off of our balance sheet, which meant we wouldn't
4 penetrate the \$85 billion cap, which was now 60 because
5 of the TARP equity infusion, we wouldn't penetrate that.

6 Q. Did AIG retain some of the upside on Maiden Lane
7 III?

8 A. We did. I think about -- about the same
9 percentage.

10 Q. Did you have the opportunity to negotiate with
11 respect to the amount of upside AIG would keep on Maiden
12 Lane III?

13 A. We did, again, within the -- within the
14 restrictions of what the accounting conventions were and
15 are.

16 Q. Were you concerned about a ratings downgrade
17 prior to these agreements being announced on November
18 10, 2008?

19 A. I was once I saw the size of the loss, which was
20 primarily attributable to writing down the asset values.

21 Q. Is there a reason you announced these
22 transactions in the same 8-K that you announced your
23 third quarter loss?

24 A. Yes. We wanted to give the market some calmness
25 and give the rating agencies some idea that we had a

1 more permanent solution to the capital structure.

2 Q. I'll turn your attention to JX 144. These are
3 the minutes of the November 9th, 2008, board meeting
4 that you were asked about during your direct.

5 A. Yes.

6 Q. What did you understand to be the purpose of
7 this board meeting?

8 A. To approve these transactions.

9 Q. Turning your attention to page 2 of that
10 document, it states -- and I'm directing your attention
11 to the third full paragraph, beginning "Mr. Liddy."

12 A. Yes.

13 Q. It states, "Mr. Liddy advised the Board that the
14 Corporation had reached agreement on a substantially
15 improved basis for the relationship with the Federal
16 Reserve Bank of New York and the Treasury, and the
17 meeting would allow a good discussion prior to
18 approval."

19 Did you believe that these agreements were a
20 substantially improved basis for your relationship with
21 the Federal Reserve and Treasury?

22 A. I not only believed it, they were.

23 Q. Did you believe it was important for the board
24 to have a good discussion prior to approval of these
25 agreements?

1 A. Yes. I have always been very transparent with
2 the board. They got full access to anything that we
3 were considering doing.

4 Q. To your knowledge, was the board given relevant
5 information about these transactions prior to their
6 vote?

7 A. Certainly at the meeting. I don't recall if
8 they got additional material in advance of that, but
9 certainly at the meeting, they would have had more than
10 adequate time to consider.

11 Q. Turning your attention to page 3 of the document
12 and the last full paragraph, it states that you "advised
13 the board that management and the Fed representatives
14 had been working with the rating agencies every day."

15 Were you doing that?

16 A. The company was, yes.

17 Q. Why was it important to work with the rating
18 agencies every day at this time?

19 A. Because of what I said before. I didn't want
20 them to lower the ratings, and it was important to have
21 Sarah Dahlgren involved in that so she could see the
22 pressure points.

23 Q. I'll turn your attention to page 4 of the
24 document, the paragraph beginning, "Mr. Liddy
25 commented..." I'll direct your attention to the third

1 sentence. It states that you "explained that the
2 arrangement reflects an evolution in the Government's
3 strategy to address the systemic worldwide global
4 capital issues."

5 Why did you say that?

6 A. It reflects what had transpired. When Lehman
7 Brothers was under duress, the Federal Reserve and
8 Treasury made the decision not to provide a lifeline.
9 When AIG was under duress, they made the decision to.
10 With respect to some of the troubled banks, they had a
11 different approach. Eventually, they got to TARP. So,
12 you can see a revision and evolution in their thinking.

13 Q. With respect to your thinking, who were you
14 looking to help at this time?

15 A. Well, still the Federal Reserve, although
16 Treasury now, with its TARP program, was -- was also an
17 investor in AIG.

18 Q. And in terms of your role as CEO and chairman of
19 AIG, were you focused on the interests of AIG at this
20 time?

21 A. Yes.

22 Q. Turning your attention to the next sentence, it
23 states that you said "The new arrangement gives AIG more
24 breathing room and margin for error in continued
25 extraordinarily volatile and negative markets."

1 Why did you say that?

2 A. It reflects what was happening. The financial
3 marketplace was still in a very unstable position, and I
4 was very concerned that we would continue to have losses
5 in the fourth quarter, which materialized.

6 Q. Next it states you "added that the new
7 arrangements are much more of a negotiated transaction,
8 with equal partners in this process."

9 Why did you say that?

10 A. I wasn't involved in the original negotiations
11 with the Federal Reserve and the \$85 billion, but I know
12 my attempts to change it were met with quick resistance.
13 There was much more give and take in this revision of
14 the credit agreement.

15 Q. Next it states you "noted AIG's extreme exposure
16 to the vagaries of the ratings process, and noted how
17 important the proposed solutions are to that process."
18 You added that the "new arrangements were not
19 precipitated by the third quarter loss, which was in
20 line with expectations, but represent what Management
21 thinks is best for AIG."

22 Why did you say that?

23 A. It reflected reality.

24 Q. I'll direct your attention to page 9. There is
25 a series of resolutions. Did you vote in favor of these

1 resolutions?

2 A. I did, and the entire board did.

3 Q. To your knowledge, were these resolutions in the
4 best interests of AIG?

5 A. They were.

6 Q. To your knowledge, did anyone coerce you into
7 voting in favor of these resolutions?

8 A. No.

9 Q. To your knowledge, did anyone coerce the board
10 into voting in favor of these resolutions?

11 A. No.

12 Q. In your judgment, were these resolutions in the
13 best interests of AIG's shareholders?

14 A. They were.

15 Q. Why is that?

16 A. All the reasons we've just talked about:
17 stabilized the capital structure, gave us equity instead
18 of debt, took those two areas that were requiring the
19 most cash flow out of the company off our balance sheet
20 so we wouldn't have to continue to be responsible for
21 those.

22 Q. In your direct examination, you were directed to
23 page 52 of this document.

24 A. I have the page.

25 Q. Now, I'm going to direct your attention to the

1 next page of the document, page 53, which you were not
2 directed to in your direct examination.

3 A. Yes.

4 Q. You'll see this is a document marked "Maiden
5 Lane III Term Sheet."

6 A. Yes.

7 Q. I'll direct your attention to the first item,
8 "Total Payment to Counterparty." It states, "Under the
9 Forward Purchase Agreement and the Termination Agreement
10 described below, for the termination of the CDS
11 transactions and the purchase of the Assets,
12 Counterparty will be paid the notional amount for the
13 CDS Transactions, subject to certain adjustments
14 described in the Forward Purchase Agreement."

15 To your knowledge, was this information
16 available to you and the board when you were voting on
17 these resolutions?

18 A. Well, it was, and you'd have to have in a
19 contract that you were going to honor all existing
20 contracts, which would have required payment at notional
21 values.

22 Q. What is your understanding of the term "notional
23 amount"?

24 A. Whatever the par amount was, whatever was agreed
25 to in the contract.

1 Q. Do you have an understanding as to whether your
2 advisors and your Legal and Financial Departments had
3 access to this information?

4 A. "This" being?

5 Q. The paragraph 1 on page 53.

6 A. Yes, they would have.

7 Q. I'll direct your attention --

8 A. Mr. Todor, I just -- I want to make a point.

9 Q. What do you need to say, sir?

10 A. I don't think anybody thought those words meant
11 you couldn't negotiate a lower price to settle those
12 contracts. That would have had to have been something
13 that the counterparties agreed to. You couldn't -- you
14 couldn't simply force it upon them.

15 Q. Do you have an understanding as to what an event
16 of default would have been for one of the agreements
17 with the counterparties?

18 A. You know, I don't remember all the -- all the
19 technicalities of this, but if the company had not paid
20 notional amounts and honored the contractual
21 arrangements, it could have been an event of default.

22 Q. Do you have an understanding as to what an event
23 of default could have meant for AIG's credit ratings at
24 this time?

25 A. It could have triggered bankruptcy.

1 Q. Why is that?

2 A. Once again, if you can't pay your bills, the
3 rating agencies get very concerned about that, and your
4 only choice is to declare bankruptcy.

5 Q. After -- I'll direct your attention to the
6 document JX 150, which you were shown during your direct
7 examination, I believe, and the full version of the
8 document is in the binder we handed up to you.

9 A. I have -- I'm on page 1 of JX 150.

10 Q. And directing your attention to page 5 of
11 JX 150, there is a row about three-fourths of the way
12 down on the "Consolidated Statement of Income (Loss),"
13 entitled "Net income (loss)."

14 Does this show AIG's net loss from the third
15 quarter of 2008?

16 A. It does.

17 Q. And what was that net loss?

18 A. \$37.6 billion.

19 Q. Referring to the -- on page 5, the row "Net
20 Income (Loss)" --

21 A. Yes, for the three months ending September 30th,
22 "Net income (loss): \$37.6 million."

23 Q. And that was the year-to-date loss?

24 A. Correct.

25 Q. And for the third quarter of 2008 alone, what

1 was the loss?

2 A. The number we discussed before, 24.5 billion.

3 Q. I'll direct your attention to page 27 of that
4 document.

5 A. Yes.

6 Q. And halfway down there is an item titled
7 "Revolving Credit Agreement and Guarantee and Pledge
8 Agreement between AIG and the Federal Reserve Bank of
9 New York." Do you see that?

10 A. I do.

11 Q. In the second paragraph -- do you understand
12 this to be a description of the terms of the credit
13 agreement of September 22nd, 2008?

14 A. I do.

15 Q. I'll direct your attention to the second
16 sentence of the second paragraph, where it states,
17 "Pursuant to the Fed Credit Agreement, in consideration
18 for the NY Fed's extension of credit under the Fed
19 Facility and the payment of \$500,000, AIG agreed to
20 issue 100,000 shares, liquidation preference \$5.00 per
21 share, of the Series C Preferred Stock to the Trust."

22 Do you see that?

23 A. I do.

24 Q. Do you have any reason to believe that that
25 statement is inaccurate?

1 A. I don't -- I just don't recall those details.

2 Q. Now, you were asked in your direct examination
3 about page 193 of this document.

4 A. I have it.

5 Q. You were asked about the section of "Stockholder
6 vote."

7 A. Yes.

8 Q. Do you have an understanding as to whether the
9 credit agreement of September 22nd, 2008, had a
10 stockholder vote provision?

11 A. I just do not recall.

12 Q. What issues were you focused on on November 9,
13 2008, other than page 193 of 200 of JX 150?

14 A. The creation and executions of Maiden Lanes II
15 and III, which removed the largest areas of bleeding
16 from our financial statements, and extension of the term
17 from two years to five years, because that way we had
18 some time to get full value for it, and a reduction in
19 the interest rate, which was crippling.

20 Q. Following November 2008, please describe your
21 understanding of the condition and change, if any, in
22 the financial markets between November of 2008 and
23 February of 2009.

24 A. They continued to deteriorate. Asset values --
25 long-dated asset values continued to be -- to erode, and

1 it became clear to us that, once again, having to write
2 down the value of the assets, we were going to have a
3 very sizeable fourth quarter loss.

4 Q. And AIG did have a sizeable fourth quarter loss,
5 correct?

6 A. Yes, we did.

7 Q. What was the size of AIG's fourth quarter loss?

8 A. \$55 billion. I think the total loss for the
9 year was 99, and we had 37 through nine months, so what
10 is that, 63, 65 billion?

11 Q. And you can refer to JX 187, which is in
12 evidence. Do you recognize this as AIG's SEC Form 8-K,
13 dated March 2nd, 2009?

14 A. I do.

15 Q. I direct your attention to page 4 of that
16 document.

17 A. Yes.

18 Q. It's titled "AIG Reports Fourth Quarter and Full
19 Year 2008 Loss. Results Reflect Ongoing Severe Market
20 Disruption and Restructuring-Related Charges." Do you
21 see that?

22 A. I do. \$62 billion.

23 Q. And are you referring to the second sentence of
24 the document there?

25 A. Yes, I am. Sorry.

1 Q. What, if any, understanding did you have of the
2 magnitude of that loss relative to AIG's financial
3 position?

4 A. It's similar to what we just discussed. It
5 dramatically eroded the equity, gave rise to concern on
6 the part of the rating agencies that they should
7 downgrade the -- the financial strength of AIG, and we
8 needed one more solution, which we negotiated with the
9 Federal Reserve and Treasury I believe it was March 2nd.

10 Q. Did you ask for assistance from the Treasury or
11 Federal Reserve leading up to March 2nd, 2009?

12 A. I did. I called Mr. Bernanke.

13 Q. What did you ask Mr. Bernanke?

14 A. "Help."

15 Q. Did you receive any help?

16 A. We did.

17 Q. What kind of help did you receive?

18 A. There were a couple different things that
19 occurred in March. We were able to recharacterize
20 Treasury's TARP investment from something that got only
21 partial equity credit to something that got almost all
22 equity credit, and I think that had to do with the
23 cumulative dividend. So, that helped us tremendously.

24 The Treasury offered \$30 billion of standby
25 equity if we needed it, and the Federal Reserve, we had

1 made great progress in lining up the disposition of
2 assets. The Federal Reserve observed that progress and
3 was prepared to give us an advance for what would
4 eventually be dispositions, and that advance reduced the
5 debt.

6 So, the net effect of all that is debt went
7 down, the equity actually went -- the equity of the
8 company actually went up even though we had that rather
9 sizeable fourth quarter loss of \$60 billion.

10 Q. And I'll direct your attention to page 17 of
11 this document.

12 A. I have it.

13 Q. Is this a press release from AIG entitled "U.S.
14 Government Provides Support for Continued Restructuring
15 of AIG"?

16 A. Yes. It appears to be.

17 Q. Does this document describe the transactions
18 you've just discussed?

19 A. Yes.

20 Q. I'll direct your attention to the first bullet
21 point on page 17. It states, "Improved terms of
22 existing U.S. Treasury preferred investment." What is
23 your understanding of that item?

24 A. It's what I just referred to. It was a
25 modification so that the company would get almost full

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1 equity credit instead of only partial credit for the
2 Treasury's TARP investment.

3 Q. Was that a financial change in AIG's favor?

4 A. Enormous.

5 Q. Why do you say "enormous"?

6 A. More equity, a whole lot more equity. So, it
7 helped offset the equity we had lost through the \$61.7
8 billion loss.

9 Q. Do you have an understanding of cumulative
10 versus noncumulative preferred stock?

11 A. Sure.

12 Q. Do you have an understanding as to whether the
13 improved terms of the existing U.S. Treasury preferred
14 investment referred to whether the U.S. -- the TARP
15 preferred would be cumulative?

16 A. I -- I do. That was the major change, as I
17 recall.

18 Q. What does it mean for preferred stock to be
19 cumulative as opposed to noncumulative?

20 A. The cumulative is you keep it. You don't make
21 one dividend payment. You have to just keep adding it
22 up. It accumulates until you make the payment.

23 Q. The second bullet point says, "New standby
24 equity capital facility." Could you please explain your
25 understanding of that item?

1 A. It was an additional \$30 billion of
2 noncumulative preferred stock which, if we had to draw
3 down, would have counted as equity, not debt. So, it
4 gave additional reassurance to the rating agencies.

5 Q. These first two items, are these transactions
6 between AIG and the Treasury Department?

7 A. They are.

8 Q. Did you speak with Treasury Secretary Geithner
9 about these items?

10 A. I don't -- I don't remember.

11 Q. I'll turn your attention to the third item. It
12 states, "Repayment of the FRBNY credit facility." Would
13 you please explain your understanding of that item.

14 A. This is what I just explained. This is advance
15 payments on the eventual disposition of ALICO, which was
16 our non-Southeast Asia life insurance company, and
17 taking AIA public or selling it.

18 Q. What do you mean by "advance payments"?

19 A. The Federal Reserve recognized that those assets
20 would eventually be disposed, particularly because we
21 now had more time to do that, that there was real value
22 in them. So, they gave us credit for that as a
23 reduction in the loan amount.

24 Q. Did AIG retain the upside in these investments?

25 A. Yes.

1 Q. I'll direct your attention to the -- page 18 of
2 this document. There's an item, I guess the fourth
3 bullet, "Reduced cost of FRBNY credit facility." What
4 was your understanding of that item?

5 A. It was a lower interest rate. Interest rates
6 were dropping dramatically at this point in time.
7 Before we had a floor below which we could not go. This
8 eliminated that floor.

9 Q. Did you view that as a financial benefit to AIG?

10 A. I did. As it says, it saved the company about a
11 billion dollars in interest.

12 Q. The next bullet is, "Maintain availability of
13 FRBNY credit facility." What was your understanding of
14 that item?

15 A. We had an ability to go back and borrow money
16 from the Fed if we needed it. It's kind of like the
17 standby equity arrangement we had with Treasury.

18 Q. And by stating -- did you just say a standby
19 agreement? Is this what you're talking about in the
20 second item?

21 A. Yeah. I said it was similar to.

22 Q. Was the second item an additional TARP
23 investment?

24 A. I -- I don't remember whether it was pursuant to
25 TARP or not. I think it was, but I don't remember.

1 Q. Turning your attention to the -- page 18 of this
2 document --

3 A. Yes.

4 Q. -- below the bullets, there's a statement
5 attributed to you. Do you see that?

6 A. I do.

7 Q. In the second sentence, it states, "While we
8 have made meaningful progress, we have concluded, along
9 with Treasury and the Federal Reserve, that additional
10 tools are needed to enable success. The measures
11 announced today provide the necessary U.S. Government
12 support for a plan to establish separate capital
13 structures, including outside ownership for certain AIG
14 companies."

15 Why did you say that?

16 A. It was true. It reflected reality.

17 Q. Do you have an understanding as to the effect,
18 if any, of these arrangements on AIG's capital -- on
19 AIG's credit ratings?

20 A. Mr. Todor, I do. This was the final piece of
21 the puzzle. With this in place, AIG had a capital
22 structure that I thought could -- could endure. We had
23 time to sell assets. We had a plan to sell assets. We
24 had identified buyers for those assets but knew it would
25 take some period of time. The interest and interest

1 rate was much more sustainable than what we had had.
2 This was the final piece of the puzzle. This was the
3 renegotiation of the original term sheet that started
4 on -- I started on September 19th.

5 Q. I'll direct your attention to JX 184. Actually,
6 I'll take a step back. I'll direct your attention to
7 JX 178. JX 178 is titled "Minutes of Meeting of the
8 Finance Committee of AIG, held February 10, 2009." Do
9 you see that?

10 A. I do.

11 Q. And do you see you are listed at the bottom as
12 attending by telephone?

13 A. I do.

14 Q. Directing your attention to page 3 of the
15 document, below the indent, there's a statement that
16 "Mr. Herzog updated the committee on quarterly results,
17 noting the significant open items, including final
18 decisions on Other than Temporary Impairment charges,
19 goodwill impairment charges and deferred tax asset
20 recoverability."

21 A. I do.

22 Q. It states that you "noted the considerable
23 volatility in the range of projected results." What did
24 you mean by that?

25 A. They were just forecasts. Forecasts could go up

1 or down depending upon what happened with the condition
2 of the -- of the capital markets.

3 Q. What are "Other than temporary impairment
4 charges"?

5 A. Permanent reduction in value. If it was just
6 temporary, you didn't have to write it down. If it was
7 permanent, you had to write it down, take the hit
8 against your equity.

9 Q. Did AIG incur an increase in other than
10 temporary impairment charges in the fourth quarter of
11 2008?

12 A. It was the primary driver of that \$61.7 billion
13 loss.

14 Q. Directing your attention to page 4 of the
15 document, the first full paragraph. It's a statement
16 that "Ms. Reynolds updated the Committee on discussions
17 with the New York Fed and the U.S. Department of
18 Treasury on potential restructuring solutions and on
19 sales efforts."

20 Who is Ms. Reynolds?

21 A. She had joined the company in early November as
22 a chief restructuring officer.

23 Q. What was her role as chief restructuring
24 officer?

25 A. To drive the restructuring of the company, to

1 make sure we didn't lose focus on identifying -- on
2 selling the assets which had been identified for sale
3 and executing on those.

4 Q. Did Ms. Reynolds advise you of her efforts as
5 she was working?

6 A. Absolutely.

7 Q. Turning your attention to the next paragraph, it
8 states that "Mr. Schreiber also noted" -- okay, on the
9 previous paragraph, it continues with Ms. Reynolds.
10 "She said that any potential solutions would not be
11 retroactive, and efforts must therefore focus on
12 protecting against the risk of downgrade and events that
13 would trigger additional collateral calls after the
14 significant loss is announced."

15 Did you agree with that statement?

16 A. I did.

17 Q. The next paragraph, it states, "Mr. Schreiber
18 also noted the catastrophic events that would result
19 from a downgrade, including liquidity, capital, and
20 business deterioration issues."

21 Who is Mr. Schreiber?

22 A. He was in our -- he was a head of our strategic
23 planning area.

24 Q. And Mr. Schreiber advised you on his analysis?

25 A. He did.

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1 Q. Did you agree with this assessment from
2 Mr. Schreiber?

3 A. I did.

4 Q. It states, "Mr. Schreiber next described the
5 package of solutions required to stabilize AIG's capital
6 structure, access to liquidity, ratings, and underlying
7 businesses, which work well together but are greatly
8 weakened if the package is not kept whole."

9 Was a package of solutions -- was the package of
10 solutions that you were contemplating those that were
11 executed in the March 2nd, 2009, 8-K we just discussed?

12 A. They were.

13 Q. On the next page, 5, in the first full
14 paragraph, there's a statement that, "In response to a
15 director inquiry, Mr. Liddy said that bankruptcy could
16 be considered if the corporation were downgraded."

17 Why did you say that?

18 A. Well, if our -- if our ratings which were
19 already threatened and low went down, we would have had
20 a number of events of bankruptcy or events of default,
21 which could have forced the company into bankruptcy.

22 Q. Next it states, "He noted the adverse
23 consequences of downgrade, including immediate
24 collateral calls at AIGFP, potential downgrades at the
25 subsidiary level, with the potential for seizures by

1 regulators, inability to close transactions, accelerated
2 surrenders or cancellations of insurance products and
3 inability to continue as a going concern."

4 Why did you say that?

5 A. It was all true and reflected reality.

6 Q. Next it states that you "commented that the New
7 York Fed understands well and that Treasury has begun to
8 more fully appreciate the systemic risk, including the
9 impact on retail customers and the rest of the insurance
10 industry."

11 Why did you say that?

12 A. It reflected the reality of the situation.

13 Q. I'll turn your attention to JX 184. This is
14 titled "Minutes of AIG Meeting of Directors, held March
15 1, 2009."

16 What did you understand to be the purpose of
17 this meeting?

18 A. Among other things, to approve the various
19 changes to the credit agreement and the relationships
20 with Treasury.

21 Q. And did you understand that -- this meeting to
22 be considering the package of agreements that we
23 previously discussed in the 8-K from March 2nd, 2009?

24 A. Yes.

25 Q. Turning your attention to page 2 of the

1 document, the third full paragraph, there's a statement
2 that you "thanked the members for participating in the
3 regular updates and explained that the restructuring
4 plan to be presented is similar to that described
5 previously, including a \$30 billion TARP backstop
6 facility."

7 To your knowledge, is that statement accurate?

8 A. It is. I didn't remember before whether the 30
9 billion was part of TARP or not, but here's the answer
10 to that.

11 Q. Does that refresh your recollection as to
12 whether the 30 million was part of TARP?

13 A. Yes, it does.

14 Q. Next it states, "Ms. Reynolds and Mr. Schreiber
15 added that the plan is the best alternative for both
16 shareholders and bondholders. Mr. Studzinski says that
17 he does not think there is another solution, and this
18 plan does leave some potential for public shareholders
19 to realize value."

20 Did you agree with this advice?

21 A. Yes.

22 Q. Why?

23 A. I thought it was correct. It was the reality.

24 Q. I'll direct your attention to the bottom of page
25 4 of the document, the statement that "Mr. Cohen

1 commented that the revised plan creates the potential
2 for upside for the common stock, as without
3 restructuring AIG's ratings would have been downgraded."

4 Do you see that?

5 A. I do.

6 Q. Was this Rodgin Cohen of Sullivan & Cromwell
7 speaking?

8 A. Yes, it was.

9 Q. Did you agree with this advice?

10 A. I did.

11 Q. On the next page, there's a statement that
12 Mr. Schreiber "explained that the U.S. Government's
13 support for AIG has been based on public policy
14 rationale around systemic risk, and the benefits
15 outweigh the costs, although there is no certainty that
16 the U.S. Treasury will fully recover its preferred stock
17 positions in AIG."

18 Did you agree with this advice?

19 A. I'm not sure I would call it advice. I would
20 just -- I would call it a statement. I thought the
21 statement was accurate.

22 Q. Next it states that Mr. Schreiber "concluded by
23 noting that the revised plan achieves three critical
24 goals -- it improves AIG's financial position, preserves
25 its franchises and provides flexibility."

1 Did you agree with that assessment by
2 Mr. Schreiber?

3 A. I did.

4 Q. I'll turn your attention to page 11 of the
5 document. There's a series of resolutions.

6 A. What page?

7 Q. Eleven.

8 A. Yes.

9 Q. Did you vote in favor of these resolutions?

10 A. I did.

11 Q. Did you believe that these resolutions were in
12 the best interests of AIG?

13 A. I did.

14 Q. Did you believe that these resolutions were in
15 the best interests of AIG's shareholders?

16 A. I did.

17 Q. Why was that?

18 A. For all of the reasons that Mr. Schreiber
19 described before. It provided value for the
20 shareholders, it preserved our flexibility, preserved
21 our ratings, and preserved our franchises.

22 Q. Did you have an understanding as to whether AIG
23 faced a risk of bankruptcy if it did not enter into the
24 transactions set forth here in JX 184?

25 A. Yes. I knew it was entirely possible.

1 Q. Why was that?

2 A. The rating agencies would have downgraded us.
3 Without -- without more equity and less debt, we would
4 have faced a downgrade.

5 Q. You were asked some questions in your direct
6 about the AIG credit facility trust and the trustees.
7 Do you remember that?

8 A. I do.

9 Q. I'll direct your attention to document JX 185,
10 and this document is in evidence, but I'll direct you to
11 its title, "Series C Perpetual, Convertible,
12 Participating Preferred Stock Purchase Agreement."

13 Mr. Liddy, I'll direct your attention to page 14
14 of the document. Did you sign this document?

15 A. I did.

16 Q. Did you believe that this agreement was in the
17 best interests of AIG?

18 A. I did or I wouldn't have signed it.

19 Q. Did you have an understanding when you signed
20 the agreement as to whether AIG had yet issued any
21 preferred stock prior to the date of this agreement?

22 A. I don't have any recollection, Mr. Todor.

23 Q. Did you understand the purpose of this agreement
24 to be to issue the preferred stock that had been
25 described in the September 22nd, 2008, credit agreement?

1 A. I think so. I remember very little about this
2 agreement.

3 Q. I'll direct your attention to page 2 of the
4 document, to the heading "2, Purchase of Series C
5 Preferred Stock," and heading 1, "Agreement to Sell and
6 Purchase." And rather than reading it, I'll just ask,
7 do you have any reason to believe that this section is
8 inaccurate?

9 A. I don't.

10 Q. And I'll direct your attention to page 6 of the
11 document. Actually, back in the section we were looking
12 at on page 2 of the document, the last part of the first
13 sentence states --

14 A. I'm sorry. I'm not with you. I'm on page 2.

15 Q. Page 2 in Section 2.1.

16 A. Um-hum, yes.

17 Q. The third to the last line there states,
18 "Purchase price of \$500,000 with an understanding that
19 additional and independently sufficient consideration
20 was also furnished by FRBNY in the form of its lending
21 commitment under the Credit Agreement."

22 Do you see that?

23 A. I see it.

24 Q. Do you have any reason to believe that that
25 statement is inaccurate?

1 A. I don't, but I have no recollection of it.

2 THE COURT: Mr. Todor, I'm just wondering on
3 this Friday afternoon how a provision of an agreement
4 could be inaccurate. I mean, it's what the parties
5 agreed to, isn't it?

6 MR. TODOR: It is, Your Honor. We're just
7 getting the understanding of one of the signatories.

8 THE COURT: When you have a contract and the
9 provisions are laid out like that, I have problems with
10 accuracy and inaccuracy. It's not a criticism; it's
11 just an observation.

12 MR. TODOR: Thank you, Your Honor.

13 BY MR. TODOR:

14 Q. Did you have an understanding as of the date of
15 this agreement that was any different than what was
16 expressed here in Section 2.1 with respect to the
17 purchase price?

18 A. I just don't recall the agreement, Mr. Todor.

19 Q. After this agreement went into effect, the AIG
20 trustees held the preferred stock, correct?

21 A. I believe that's correct.

22 Q. Please describe your relationship with the AIG
23 trustees.

24 A. They held 80 percent of the shares, by far and
25 away a majority. We -- we tried to keep them informed

1 as to what was going on with the stock. We were on the
2 cusp of an annual meeting, had to make decisions on
3 directors. They wanted to weigh in on items of
4 corporate governance, as any 80 percent shareholder
5 would.

6 Q. Did the presence of trustees affect your ability
7 to make decisions in the best interests of AIG and its
8 shareholders as CEO and chairman?

9 A. It did not.

10 Q. Why not?

11 A. Well, I was CEO of the company, and the CEO of
12 the company works for the board, and the board had
13 fiduciary obligations. The trustees were holders of 80
14 percent of the shares, and they could greatly influence
15 certain aspects of the company, like the directors and
16 the CEO and things of that nature.

17 Q. Did you believe that the trustees' position as
18 holders of this Series C preferred stock impaired your
19 ability to function independently as CEO and chairman?

20 A. No.

21 Q. Why not?

22 A. I just didn't believe it. I don't know how to
23 respond to that. I mean, I was the CEO of the company,
24 appointed by the board, worked for the board. They were
25 80 percent shareholders. Unless they removed me or

1 changed the directors, no, they didn't interfere in the
2 internal workings of the company.

3 Q. You were asked some questions during your direct
4 examination about a reverse stock split. I'll direct
5 your attention to the document that has been marked as
6 Plaintiffs' Trial Exhibit 317, which is at the back of
7 your binder.

8 A. Yes.

9 Q. And I'll direct your attention -- this will be
10 on the second page of the document. Is this a letter
11 you received from the New York Stock Exchange?

12 A. It is.

13 MR. TODOR: Your Honor, I move the admission of
14 PTX 317.

15 MR. BOIES: Your Honor, I don't have an
16 objection to the letter. I think this letter is marked
17 as a defendant's exhibit. It's in here, Defendant's
18 Exhibit 601, and the only difference between Defendant's
19 Exhibit 601 and Plaintiffs' Trial Exhibit 317 is the
20 first page that has all the redactions on it. Unless --
21 unless I am missing something, I think Defendant's
22 Exhibit 601 is the proper document to use for this
23 letter.

24 MR. TODOR: Your Honor, we are happy to move in
25 DX 601. I don't know why Plaintiffs are objecting to

1 the admission of their own exhibit.

2 MR. BOIES: I'm objecting only to the first page
3 that is heavily redacted and sufficiently so so that I
4 don't think we are going to make any sense of it.

5 THE COURT: If it's okay with you, Mr. Todor,
6 let's use Defendant's Exhibit 601. The first page of
7 the other exhibit is nothing but redactions, except
8 noting the author and recipient. So, I'd rather just
9 use 601 on the Defendant's side.

10 BY MR. TODOR:

11 Q. Mr. Liddy, please direct your attention to this
12 document marked as DX 601, which is the second document
13 in the binder we had handed up to you.

14 THE COURT: And which we can admit without
15 objection. Defendant's Exhibit 601 is admitted.

16 (Defendant's Exhibit Number 601 was admitted
17 into evidence.)

18 THE WITNESS: I have the letter.

19 BY MR. TODOR:

20 Q. Did you receive this letter?

21 A. I did.

22 Q. I'll direct your attention -- and was it part of
23 your duties as CEO and chairman to be made aware of
24 events that could possibly deal with the potential
25 delisting of AIG stock?

1 A. Yes.

2 Q. What was your understanding of the consequences
3 of a delisting of AIG's stock for AIG and its
4 shareholders?

5 A. The trading volume of the stock would go down,
6 would have gone -- would have gone down, so there's no
7 orderly way for a market to be made in the stock. It
8 could have put further downward pressure on the value of
9 the stock.

10 Q. Did you believe it was in the best interests of
11 AIG's shareholders for the stock to remain listed on the
12 Exchange?

13 A. I did.

14 Q. Turning your attention to the three bullet
15 points at the bottom of the first page, the first bullet
16 point listed is (as read): "Average closing share price
17 of not less than \$1 per share over a 30-day trading
18 period."

19 Do you have an understanding as to whether AIG
20 common stock ever was trading below a dollar per share
21 in the period on or around October 14th, 2008?

22 A. I just don't remember the specifics, Mr. Todor.

23 Q. Do you recall there being a risk of AIG common
24 stock trading below a dollar per share in the months
25 between October 2008 and June 2009?

1 A. I just -- I just do not remember.

2 Q. Did you want to make sure that -- did you take
3 some action in response to this letter?

4 A. Yes. I asked the Legal Department and those in
5 charge of keeping our stock registered on the Stock
6 Exchange and our securities lawyers to develop a plan to
7 keep it from becoming delisted.

8 Q. Did you understand that a closing price of \$1
9 per share was one of the criteria that the New York
10 Stock Exchange would use in deciding whether to delist
11 AIG?

12 A. It was one of the things.

13 Q. Who did you talk to within AIG about developing
14 a plan to deal with this issue?

15 A. The general counsel and CFO.

16 Q. And who are those individuals?

17 A. Stasia Kelly and David Herzog.

18 Q. Do you have an understanding of -- as to what
19 AIG did in response to the issue posed by this letter?

20 A. Yes. Several months later, in May or June, they
21 split the stock so that the stock was well above the \$1
22 level.

23 Q. I'll direct your attention to the document
24 marked as JX 218. This document is in evidence and is
25 minutes of a meeting of directors of AIG held May 20th,

1 2009.

2 I'll direct your attention to page 9 of this
3 document. Do you recognize this as a draft proxy
4 statement of AIG?

5 A. Yes.

6 Q. Directing your attention back to page 4 of the
7 document, and I'll refer you to the top of the page,
8 where it states, "Mr. Liddy next requested that the
9 Directors approve the current draft of the Preliminary
10 Proxy Statement and filing with the Securities and
11 Exchange Commission."

12 A. Yes.

13 Q. Was it your understanding that you were asking
14 the directors to approve the proxy statement -- the
15 preliminary proxy statement that is attached in JX 218?

16 A. It was.

17 Q. It states in the third sentence that
18 "Ms. Shannon briefly reviewed the proposals presented by
19 the Board and Mr. Litzky reviewed the shareholder
20 proposals."

21 Please under -- please discuss your
22 understanding of the role of Ms. Shannon in this
23 process.

24 A. She was the secretary to the board and would
25 have helped to shepherd the development of the proxy

1 statement.

2 Q. What is your understanding of Mr. Litzky's role?

3 A. He kind of looked after the -- more of the
4 specific shareholder governance proposals, and so he and
5 Ms. Shannon would have worked together.

6 Q. Following that, there's a series of resolutions.

7 A. Yes.

8 Q. I'll direct your attention to the first
9 resolution. It says, "To elect the 11 nominees
10 specified under 'Election of Directors' as directors of
11 AIG to hold office until the next annual election and
12 until their successors are duly elected and qualified."

13 Do you see that?

14 A. I do.

15 Q. It was your understanding that new directors of
16 AIG were going to be nominated to be voted on at the
17 next shareholder meeting?

18 A. Some new directors.

19 Q. Do you have an understanding as to the role, if
20 any, of the trustees in the selection of nominees for
21 the board?

22 A. Yes. They had selected six new nominees who
23 would join those carryover directors, and that would
24 constitute the board.

25 Q. I'll direct your attention to the fourth item.

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1 It states, "To act upon a proposal to amend AIG's
2 Restated Certificate of Incorporation to effect a
3 reverse stock split of AIG's outstanding common stock at
4 a ratio of one-for-twenty."

5 Is it your understanding that -- what was your
6 understanding of the purpose of that provision?

7 A. To make certain that the stock would continue to
8 be listed on the New York Stock Exchange.

9 Q. Did you vote in favor of the resolution to
10 approve the preliminary proxy statement?

11 A. I did.

12 Q. Did you believe that that was in the best
13 interests of AIG?

14 A. I did.

15 Q. Did you believe it was in the best interests of
16 AIG's shareholders?

17 A. I did.

18 Q. Why was that?

19 A. It gave us the best chance of keeping the stock
20 listed on the New York Stock Exchange.

21 Q. I'll direct your attention to a document marked
22 JX 221. Do you recognize this as the -- directing your
23 attention to the second paragraph in the email, it
24 states, "Attached is a copy of the AIG 2009 Annual
25 Meeting of Shareholders Proxy Statement, as filed with

1 the SEC."

2 Do you understand that to be the case?

3 A. Yes.

4 Q. To your knowledge, did you have the ability to
5 review these proxy proposals before you voted on them at
6 the May 20th, 2009, directors meeting?

7 A. I believe so, yes.

8 Q. To your knowledge, did the board have the
9 opportunity to review the proposals before they voted on
10 them at the May 20th, 2009, directors meeting?

11 A. They did.

12 Q. To your knowledge, did anyone coerce you into
13 voting in favor of these proposals?

14 A. No.

15 Q. Did anyone coerce the board into voting in favor
16 of these proposals?

17 A. No.

18 Q. I'll direct your attention to page 69 of the
19 document, the heading "Proposal 4 -- Amendment of AIG's
20 Restated Certificate of Incorporation to Effect a
21 Reverse Stock Split of Outstanding AIG Common Stock."

22 Do you see that?

23 A. I do.

24 Q. And I'll direct your attention to the
25 next-to-the-last paragraph on the page.

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1 A. Yes.

2 Q. It states, "The primary purpose of the reverse
3 stock split is to increase the per share trading price
4 of AIG Common Stock. AIG believes a reverse stock split
5 will increase the price of AIG Common Stock, and thus
6 allow a broader range of institutional investors to
7 invest in AIG Common Stock, increase other investor
8 interest in AIG Common Stock and help ensure the
9 continued listing of AIG Common Stock on the New York
10 Stock Exchange."

11 To your knowledge, is this statement accurate?

12 A. It is.

13 Q. Are you aware of any reason, other than the
14 reasons listed in this proxy, for the reverse stock
15 split?

16 A. No. My recollection is the reason for the
17 reverse stock split was to keep the stock listed on the
18 New York Stock Exchange.

19 Q. I'll direct your attention to page 70 of the
20 document and to the middle of the second full paragraph
21 on the page.

22 A. Yes.

23 Q. There's a statement in the third sentence,
24 "While the New York Stock Exchange has temporarily
25 suspended the minimum share price requirement, this

1 suspension may be terminated at any time and, in any
2 event, the suspension expires on June 30, 2009."

3 To your knowledge, is this statement accurate?

4 A. I don't remember it. I have no reason to doubt
5 it. I just don't remember it.

6 Q. Directing your attention down to the
7 second-to-last paragraph in this section, there's a
8 statement that "An overall effect of the reverse stock
9 split of the outstanding AIG Common Stock will be a
10 reduction of the total number of outstanding shares of
11 AIG Common Stock approximately in proportion to the
12 one-for-twenty reverse stock split ratio and therefore
13 an increase in authorized but unissued shares of AIG
14 Common Stock."

15 Do you see that?

16 A. I do.

17 Q. Do you have any reason to believe that that
18 statement is inaccurate?

19 A. I don't.

20 Q. Do you have any reason -- okay.

21 Is it your understanding that this statement
22 disclosed whether the reverse split would apply to the
23 authorized shares as opposed to the issued shares?

24 A. I just don't remember the statement. I just
25 don't remember the statement.

1 Q. You have no reason to believe that this
2 statement is inaccurate?

3 A. No. No, I just don't remember it.

4 Q. I'll direct your attention to a document marked
5 DX 814. Mr. Liddy, do you recognize this as an email
6 you received from Kathleen Shannon on June 29th, 2009?

7 A. Yes. I see that on the email.

8 MR. TODOR: Your Honor, we move the admission of
9 DX 814.

10 MR. BOIES: Your Honor, I'm not sure it makes a
11 great deal of difference, but this has a redaction on
12 it, and it's unnecessary because I believe they have
13 produced the unredacted version, and I just think that
14 it would be better to use the unredacted version of the
15 document.

16 MR. TODOR: Your Honor, the redaction here
17 appears to be a redaction made by AIG. There was an
18 agreement for AIG to reproduce some of their documents
19 that were otherwise redacted in unredacted form. I do
20 not know whether this one -- I know that the bulk of
21 those documents were board meetings, and I don't know
22 whether -- and this was one of the ones where they did
23 produce an unredacted version.

24 In any case, my question will not relate to any
25 questions -- any of the message that would have been

1 redacted but simply to the section below, actually,
2 which was from a separate email that had no redactions
3 in it.

4 THE COURT: Well, I will admit the exhibit,
5 Defendant's Exhibit 814, but I would ask you, when you
6 have an opportunity, to submit the unredacted version if
7 you have it in place of this exhibit, and we'll call it
8 814-A.

9 MR. TODOR: If we have it, we will, Your Honor.

10 THE COURT: All right. Otherwise, this will be
11 in the record.

12 (Defendant's Exhibit Number 814 was admitted
13 into evidence.)

14 BY MR. TODOR:

15 Q. Sir, I will direct you to the second email on
16 the chain. It states --

17 A. I'm sorry, the second email in the chain?

18 Q. Yes, where it states, "Good afternoon." Do you
19 see there's a listing for Proposal 1, Proposal 2,
20 Proposal 3, Proposal 4 --

21 A. Oh, yes. Yes.

22 Q. -- and so forth?

23 A. Yes.

24 Q. You'll see that Proposal 4, there's a listing
25 stating that "54.93% of the outstanding shares voting

1 'for.'" Proposal 4?

2 A. Yes.

3 Q. Do you have any reason to believe that that
4 statement is inaccurate?

5 A. No.

6 Q. Do you have an understanding as to whether the
7 majority of outstanding shares of common stock voted in
8 favor of Proposal 4?

9 A. Just what's reflected on this page.

10 Q. Turning your attention back to JX 221, I'll
11 direct your attention to page 18 of the document, and
12 I'll direct your attention to the last paragraph on the
13 page. There's a statement that, "Working with the
14 Board, Edward M. Liddy, AIG's Chairman and Chief
15 Executive Officer, has determined that coincident with
16 the reconfiguration of the Board, the company should
17 also initiate the necessary actions to install a more
18 permanent leadership team and structure. Accordingly,
19 he has informed the Board of his intention to resign
20 from his positions with AIG, including his service as a
21 director, once appropriate permanent replacements are
22 appointed."

23 Did you inform the board of this?

24 A. I did.

25 Q. When did you do that?

1 A. I don't remember. We started -- I was very
2 confident after the March 2nd revision to the credit
3 agreement that the company was on stable footing. There
4 was a plan in place which could be executed and executed
5 well, and the company was -- would be a different
6 company, but it would be in good shape.

7 So, after the hearings in Washington, D.C.,
8 which were particularly arduous, sometime in April, May,
9 I started thinking about it. It was clear that when a
10 new -- when someone owns 80 percent of the shares, they
11 typically want to install their own people. So, the
12 time was right. It was a natural inflection point.

13 Q. And does that answer why you chose to announce
14 your intention to resign?

15 A. It hopefully answers both, when I first started
16 and also why.

17 Q. Did you believe that you had the freedom to
18 decide when you would resign?

19 A. I did.

20 Q. Was it your choice to resign?

21 A. It was.

22 Q. Did you believe that AIG was in danger of
23 failing to survive when you left?

24 A. No. To the contrary, I was -- I was quite sure,
25 and as events proved true, that the company would

1 survive and thrive.

2 Q. Do you believe that AIG was in better condition
3 when you resigned than when you joined it?

4 A. Oh, by a wide margin.

5 Q. Why is that?

6 A. It was threatened with bankruptcy when I joined.
7 It was in a -- while not perfectly stable, it was in a
8 much better position. It had a capital structure that
9 could support it going forward for some period of time.

10 MR. TODOR: Your Honor, may we have a moment?

11 THE COURT: Sure.

12 (Counsel conferring.)

13 MR. TODOR: Your Honor, we pass the witness.

14 THE COURT: All right. Why don't we take our
15 afternoon break and then we will have redirect. We will
16 reconvene at 3:30.

17 (Court in recess.)

18 THE COURT: Before we begin, I have one matter
19 to address. I just received on this break a letter from
20 Mr. Kiernan explaining that he and his colleague in the
21 back would like to access iPads so that they can see a
22 full exhibit more readily as the trial is proceeding.
23 Is that right?

24 MR. KIERNAN: Yes, Your Honor.

25 THE COURT: Okay. And Plaintiff, I understand,

1 has no objection?

2 MR. BOIES: We have no objection, Your Honor.

3 THE COURT: I assume Defendant is fine with
4 this?

5 MR. MIZOGUCHI: Correct, Your Honor.

6 THE COURT: Right. So, I am going to allow that
7 to occur, and I have notified our Clerk's Office not to
8 get too worried if the two of you are accessing exhibits
9 by means of an iPad.

10 MR. KIERNAN: Thank you, Your Honor.

11 THE COURT: But it applies only to you, all
12 right?

13 All right, let's go ahead.

14 MR. BOIES: Thank you, Your Honor.

15 REDIRECT EXAMINATION

16 BY MR. BOIES:

17 Q. Good afternoon, Mr. Liddy.

18 A. Mr. Boies.

19 Q. I would like to begin with what counsel for the
20 Defendant ended with, and you testified that you began
21 thinking about leaving in April or May. Do you recall
22 that?

23 A. Yes.

24 Q. Let me ask you to look at Plaintiffs' Trial
25 Exhibit 429, which I believe is in evidence -- oh, I am

1 told it is not in evidence, so I would offer it.

2 A. I'm sorry, it's not in evidence?

3 THE COURT: Is it in the book?

4 MR. BOIES: It is in our book. It apparently is
5 in evidence, Your Honor.

6 THE COURT: Oh, it is in evidence and in the
7 book?

8 MR. BOIES: Yes, and in the book.

9 BY MR. BOIES:

10 Q. I simply want to direct your attention to one
11 line here. It's on the second page, and it's ten lines
12 down from the top. You can read any portion of this
13 that you want for context, but the portion I'm
14 interested in is when Sarah Dahlgren is writing to the
15 three trustees and a variety of other people, and this
16 is in February of 2009.

17 She says, "I think this might fit into our
18 broader issues on succession for Ed Liddy."

19 Do you see that?

20 A. I see it.

21 Q. Does that refresh your recollection that
22 succession discussions in terms of who would succeed you
23 or if anyone would succeed you began not in April or May
24 but back in February?

25 A. You know, it does not, Mr. Boies. There were

1 plenty of days when I was very frustrated and could have
2 expressed desires to leave, but I -- I had no succession
3 discussions with anybody, and as I said to Mr. Todor,
4 I -- I was very confident after the March 2nd revisions
5 that the company was going to make it. So, I started
6 thinking, and then after the hearings and the
7 appointment of the trustees, it was -- it was clear that
8 I was heading for an inflection point.

9 Q. Let me ask you to turn to the subject of the
10 reverse stock split, and you were shown Joint Exhibit
11 218. Do you recall that?

12 A. I do. Is that the one you had some discussion
13 with Mr. Todor about in terms of which exhibit we would
14 use?

15 Q. No. That was a different exhibit. Joint
16 Exhibit 218, which is in your book, is the minutes of
17 the AIG board of directors meeting on May 20th, 2009.

18 A. I'm sorry, JX 218?

19 Q. Yes, JX 218. In the Department of Justice book,
20 in the white book that you were given.

21 A. Okay. I have JX 218.

22 Q. First, this was a meeting of a board of
23 directors over which you presided. Is that correct?

24 A. Yes.

25 Q. And if you go to page 4 of the exhibit, at the

1 very top, it says, "Mr. Liddy next requested that the
2 Directors approve the current draft of the Preliminary
3 Proxy Statement and filing with the Securities and
4 Exchange Commission."

5 Do you see that?

6 A. I do.

7 Q. And this was the preliminary proxy statement
8 that included the proposal for the reverse stock split,
9 correct?

10 A. Yes.

11 Q. And do I take it that the directors were told
12 that the purpose of the reverse stock split was to avoid
13 delisting?

14 A. That -- that's what they were told, yes. That's
15 one thing that I clearly told them, yes.

16 Q. Were the directors told that there was any
17 reason for the reverse stock split other than to avoid
18 delisting of the company on the New York Stock Exchange?

19 A. I don't recall, Mr. Boies.

20 Q. You were not, at the time of this meeting, aware
21 of any other reason, correct?

22 A. Not that I recall.

23 Q. In the portion that you were directed to by
24 counsel, it was clear that the reverse stock split that
25 was actually proposed to shareholders split issued

1 shares but not authorized shares. Do you recall that?

2 A. Yes.

3 Q. Was there any discussion at this board meeting
4 about giving the shareholders a choice between splitting
5 both issued and authorized or splitting simply the
6 issued shares?

7 A. I do not recall.

8 Q. Did that consideration or alternative ever occur
9 to you?

10 A. Not that I remember.

11 Q. You were aware in May and June of 2009 that a
12 five-to-one split would have solved the New York Stock
13 Exchange listing issue, correct?

14 A. I don't remember that, Mr. Boies. My
15 recollection is we were always looking at -- in the
16 range of twenty-to-one.

17 Q. The stock split proposals, as it started out,
18 weren't twenty-to-one, were they, sir?

19 A. I don't remember where they were when it started
20 out. I remember, in general, that twenty-to-one was
21 very quickly zeroed in on.

22 Q. Is it your testimony that the only reverse stock
23 split proposal that you were aware of was a proposal for
24 twenty-to-one?

25 A. No. Other things were looked at. We quickly

1 got to the point where the conclusion was that
2 twenty-to-one would be the right number.

3 Q. Now, when you say we quickly got to the
4 conclusion that twenty-to-one would be the right number,
5 who participated in those discussions?

6 A. Our general counsel's office, the investor
7 relations individuals, our CFO. We would have gotten
8 advice from outside counsel on it.

9 Q. Is it your testimony that you received
10 somebody's advice that twenty-to-one was the right
11 number for avoiding delisting?

12 A. It's my testimony that I got advice that several
13 alternatives had been looked at. The conclusion was
14 that twenty-to-one was the best way to do it, and it
15 provided us a good margin for error.

16 Q. That's really what I'm asking you. Is it your
17 testimony that the only reason for a twenty-to-one split
18 was to pursue your objective of avoiding delisting of
19 the company's stock on the New York Stock Exchange?

20 A. Say it again, Mr. Boies.

21 Q. Sure. You have said that the only reason that
22 you were aware of to have a reverse stock split was to
23 avoid delisting on the New York Stock Exchange, correct?

24 A. Correct, yes.

25 Q. And you have also said that people told you that

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1 the right split ratio was twenty-to-one, correct?

2 A. Correct.

3 Q. And did they tell you that that ratio of
4 twenty-to-one was the right ratio because it would be
5 the best way to avoid delisting?

6 A. I just don't remember the details of the
7 conversation. I -- I can't recall them.

8 Q. Was there any consideration at all, insofar as
9 it is your testimony, about the effect that a
10 twenty-to-one reverse stock split would have on the
11 ability to furnish common shares to the Government?

12 A. No. I don't remember any such conversations.

13 Q. Let me ask you to look at Joint Exhibit 221.

14 A. Are we staying in the same book?

15 Q. The same book.

16 A. Yes, I have it.

17 Q. And counsel directed your attention to a portion
18 on page 69 where it said, in the next-to-last paragraph,
19 "The purpose of the reverse stock split was..." Do you
20 see that?

21 A. Yes.

22 Q. Which was to increase the per share trading
23 price of AIG common stock. Do you see that?

24 A. I do.

25 Q. Counsel then directed your attention to the

1 third-to-last paragraph on page 70 of the exhibit, where
2 it says, "An overall effect of the reverse stock split
3 of the outstanding AIG Common Stock will be a reduction
4 of the total number of outstanding shares..." Do you
5 see that?

6 A. I do.

7 Q. And it goes on to say that this will result in
8 an increase in authorized but unissued shares of AIG
9 common stock. Do you see that?

10 A. I do.

11 Q. And then I want to direct your attention to the
12 next sentence, which says, "AIG currently has no plans
13 for these authorized but unissued shares of AIG Common
14 Stock other than those shares previously reserved for
15 issuance under AIG's Equity Units, the Warrants and
16 AIG's employee benefit plans."

17 Do you see that?

18 A. I do.

19 Q. And as you understood it in May and June of
20 2009, was that an accurate and complete and truthful
21 statement?

22 A. I don't recall the statement, Mr. Boies. As I
23 mentioned, I -- I wanted to accomplish my primary goal
24 of not having the shares delisted. This did that.

25 Q. Did you know one way or the other, in May and

1 June of 2009, whether AIG at that time had any other
2 plans for these authorized but unissued shares, other
3 than AIG's equity units, warrants, and AIG's employee
4 benefit plans?

5 A. I do not recall them.

6 Q. Let me direct your attention to Joint Exhibit
7 144, which was another document that counsel used with
8 you. Do you recall that you were directed to pages 52
9 and 53 of this exhibit?

10 A. Yes. Joint Exhibit 144, what page?

11 Q. I want to start with what counsel reviewed, and
12 he showed you some text that is opposite the title
13 "Forward Purchase Agreement" on page 53. Do you see
14 that?

15 A. "Total Payment to Counterparty"? Is that where
16 you are?

17 Q. It's down a paragraph.

18 A. Yes. It starts out, "Under the Forward Purchase
19 Agreement and the Termination Agreement"?

20 Q. Yes. And he asked you about the reference to
21 "notional amount to counterparty" there. Do you see
22 that?

23 A. I do.

24 Q. And this paragraph is talking about what would
25 happen under a forward purchase agreement substantially

1 in the form of Exhibit B hereto. Do you see that?

2 A. I do.

3 Q. And this was what was presented to the AIG board
4 when the AIG board was making a decision about Maiden
5 Lane III, correct?

6 A. I believe it was, yes.

7 Q. Now, at the time that AIG was making this
8 decision, Exhibit B, the so-called forward purchase
9 agreement, had not yet been drafted, correct?

10 A. I don't recall.

11 Q. Well, look at page 57.

12 A. Right, no, I see that. It looks like the answer
13 is no -- or yes, it had not been drafted.

14 Q. Now, what did exist is if you go to page 45 and
15 you see the reference to termination agreement.

16 A. Yes.

17 Q. And there is a discussion of what is going to
18 happen with each CDS transaction relating to the CDO
19 pool transferred by the seller. Do you see that?

20 A. I do.

21 Q. And it then talks about a termination price.

22 A. I see that.

23 Q. And it says what will be paid is an amount, the
24 termination price, that together with the purchase price
25 and the amount of any concession deducted from the

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1 purchase price equals the percentage of the par value of
2 such CDO Pool as set forth in Appendix A...

3 Do you see that?

4 A. I do.

5 Q. And that was what the board was told was going
6 to be the procedure at the time it approved Maiden Lane
7 III, correct?

8 A. It appears so, yes.

9 Q. Let me ask you, while we're on this exhibit, to
10 look at page 3, and this is a discussion that you
11 introduced that the Fed representatives participated in
12 with respect to the rating agencies and what the rating
13 agencies were expected to do, correct?

14 A. Yes.

15 Q. And there's a reference to Mr. Nath in the last
16 sentence on this page. Do you see that?

17 A. I do.

18 Q. Who is Mr. Nath?

19 A. He was a banker at Blackstone, in their
20 financial restructuring group.

21 Q. And Mr. Nath told the board that "the ratings
22 discussions were contingent on making changes in the Fed
23 relationship and the proposed solutions. Mr. Nath
24 opined that without the progress, AIG would have been
25 downgraded."

1 Do you see that?

2 A. I do.

3 Q. All right. Did anyone tell you that the
4 Government and the Federal Reserve, in particular, had
5 determined that it was important for their interests to
6 make the changes that were being discussed in November
7 of 2008?

8 A. Not that I recall.

9 Q. Let me turn your attention to the way the
10 profits from ML II and ML III were split, and you've
11 said that you thought that AIG got close to the maximum
12 of what it could get without triggering certain
13 accounting conventions that would require the entity to
14 be on your books. Do you recall that?

15 A. I do.

16 Q. Did you receive accounting advice about that
17 from anyone?

18 A. From David Herzog.

19 Q. From David Herzog. Did he give you that advice
20 in writing?

21 A. I don't recall, sir.

22 Q. Do you know if there was any discussion with
23 your outside auditors about that?

24 A. I don't -- I didn't -- I don't recall having any
25 of those -- a discussion like that with outside

1 auditors. I'm sure -- I'm sure our CFO or our
2 controller did.

3 Q. And your CFO was Mr. Herzog?

4 A. He was.

5 Q. Now, you know that AIG's share of the profits
6 was different in ML II and ML III, correct?

7 A. It was modestly different. I think they were
8 pretty similar. Was one 25 and one 33 or I don't -- I
9 don't remember the spread.

10 Q. Well, does it refresh your recollection that AIG
11 had one-third of the profits in ML III?

12 A. I -- yes. It had one-third in one of those two
13 structures. I don't remember which one it was.

14 Q. But you know that it had less in ML II, don't
15 you?

16 A. I believe it did.

17 Q. Was it as little as one-sixth of the profits?

18 A. I don't recall, Mr. Boies.

19 Q. Okay. It's clear, is it not, that if you could
20 get one-third of the profits in ML II, you could have
21 gotten one-third of the profits in ML III, or vice
22 versa, correct?

23 A. I'm not sure. Perhaps -- from an accounting
24 standpoint, perhaps the answer is yes. There may have
25 been other conventions and other reasons for those

1 numbers to be different, because the underlying assets
2 were different.

3 Q. I'm not suggesting that there weren't reasons
4 for the profit-share to be different between the two
5 entities. I'm simply suggesting to you that it is not
6 accurate to say that you got, for ML II and ML III, as
7 much as you could, almost to the maximum that you could,
8 without putting it on your books. Would you accept
9 that?

10 A. No. Sorry for the fine point, but ML II had one
11 type of asset, ML III had a different type of asset.
12 It's a -- one was securities lending. One was credit
13 default swaps, et cetera. It's possible that, as you
14 looked at the application of those accounting
15 conventions, that maybe the type of asset also had an
16 impact on how close you could get to whatever the number
17 was that would cause you to have to keep it on your
18 books. I just don't remember.

19 Q. Do you have any reason at all to believe that
20 the type of asset that was in ML II and ML III made any
21 difference at all as to whether it was consolidated on
22 your books?

23 A. I don't recall. I'm just simply telling you
24 that there were other considerations. Maybe that was
25 one of them, and there were probably other ones. So,

1 the simple fact that they were similar structures
2 doesn't necessarily mean that you get exactly the same
3 percentage.

4 Q. Were there negotiations with respect to what
5 percentage of the profits AIG would have?

6 A. Yes, there were.

7 Q. Who were those negotiations between?

8 A. It would have been between David Herzog and
9 Elias Habayeb and a few others in David Herzog's
10 organization, very familiar with those kinds of
11 products. And then the Federal Reserve, the Federal
12 Reserve -- I suppose at the highest level it was Sarah,
13 would have been Steve Manzari and I don't remember all
14 the individuals from the Federal Reserve.

15 Q. And do you know when those negotiations took
16 place? By "negotiations," I'm talking about
17 negotiations over what percentage of the ML II and
18 ML III profits AIG would get.

19 A. I don't recall.

20 Q. Was it before or after November 9, 2008, the day
21 of the board meeting?

22 A. I assume it was before that.

23 Q. Did anyone tell you before the board meeting
24 about any negotiations between Mr. Herzog or his people
25 and people at the Federal Reserve about the profit

1 split?

2 A. I don't recall, Mr. Boies.

3 Q. Is it consistent with your understanding that
4 the profit split was something that was determined by
5 the Federal Reserve, proposed to AIG, and never changed?

6 A. No. I think there was a legitimate negotiation
7 and discussion, and I think within AIG there were
8 probably differences of opinion as to what the right
9 percentage was.

10 Q. Did you ever see any proposal for the ML III
11 profit division other than one-third/two-thirds?

12 A. Not that I recall.

13 Q. Did anyone ever tell you that anyone had made a
14 proposal for the division of ML III profits other than
15 one-third/two-thirds?

16 A. David Herzog told me that there had been
17 discussions about what should that right number be, and
18 they had agreed 33 percent was it.

19 Q. Did Mr. Herzog or anyone else ever tell you that
20 anyone on his side or on the Fed side had ever made any
21 proposal other than a one-third/two-thirds profit split?

22 A. Yes. I believe people that worked for David
23 Herzog had other ideas.

24 Q. I'm not talking about other ideas. I'm talking
25 about a proposal. Did anybody ever make a proposal to

1 the other side that was different than one-third/
2 two-thirds?

3 A. I can't -- I don't -- I can't answer. I don't
4 know.

5 Q. You do know that Mr. Herzog had expected that
6 the Fed would not pay out at 100 cents on the dollar,
7 correct?

8 A. Yes.

9 Q. And you know that he thought that the Fed would
10 negotiate to get as far below par as possible, correct?

11 A. Yes. He thought it and I think many members of
12 the management team thought the same thing.

13 Q. Let me turn to another area of negotiation. You
14 said, I believe, that you believed that the September 22
15 credit facility agreement was the subject of intensive
16 or extensive negotiations. Is that right?

17 A. The September 22nd, yes, we had -- we first
18 attempted to negotiate hard on the term sheet, and then
19 as we filled in the blanks to arrive at the credit
20 agreement.

21 Q. Who was doing that negotiation?

22 A. It would have been led by David Herzog and our
23 general counsel and our -- our advisors, particularly
24 Mr. Reeder and Mr. Wiseman.

25 Q. And they -- as you understood it, they were

1 negotiating with representatives of the Federal Reserve
2 Bank?

3 A. Correct.

4 Q. As you understood it, was there any negotiation
5 about the form of equity?

6 A. I have no recollection, Mr. Boies.

7 Q. Now, you've said that in addition to trying to
8 negotiate the credit facility agreement, there was an
9 attempt to negotiate the term sheet. Do you recall
10 that?

11 A. Yes.

12 Q. When was there an attempt to negotiate the term
13 sheet?

14 A. I had several discussions with Sarah about the
15 terms of the -- the terms of the term sheet before the
16 21st.

17 Q. Those were discussions in which you were saying
18 that you thought the terms in the term sheet were too
19 harsh and should be changed. Is that correct?

20 A. Yes, particularly as it related to the two years
21 and particularly as it related to the interest rate and
22 to what it applied.

23 Q. And the response to your requests was that there
24 was not going to be any change, correct?

25 A. That's correct. As I said to you -- I'm sorry,

1 I think that those terms had been discussed at the very
2 highest levels of the Federal Reserve and Treasury, and
3 Sarah had no ability to alter them, to change them.

4 Q. You also testified that your financial advisors
5 were aware of the financial ramifications of the credit
6 agreement prior to the September 21st AIG board meeting.
7 Do you recall that?

8 A. Yes.

9 Q. As you understood it, did the change to
10 preferred stock affect the financial ramifications of
11 the credit agreement?

12 A. Not that I recall.

13 Q. When was the first time that you personally
14 reviewed what had been agreed to on September 16th?

15 A. The morning of the 17th, when I first saw it
16 from Dan Jester, and he -- then late in the afternoon on
17 the 17th when I saw the term sheet from Bob Willumstad.

18 Q. Let me ask you to look at your deposition at
19 page 64.

20 MR. TODOR: Your Honor, we object as beyond the
21 scope of cross. The question is whether the witness had
22 personally reviewed what had been agreed to on September
23 16th. Not only has counsel asked extensive questions on
24 this during his direct, but this was not a subject of
25 our cross.

1 THE COURT: Mr. Boies?

2 MR. BOIES: Your Honor, they asked him a number
3 of questions about whether the term sheet had been
4 negotiated and what his knowledge was about the term
5 sheet. That's what I'm exploring.

6 THE COURT: All right. Overruled.

7 BY MR. BOIES:

8 Q. And if I could direct your attention to line 4
9 on page 64.

10 A. Yes.

11 Q. "QUESTION: Prior to the September 21st AIG
12 board meeting, had you personally reviewed what had been
13 agreed to on September 16th?

14 "ANSWER: I had.

15 "QUESTION: When did you first do that?

16 "ANSWER: I don't recall; sometime after
17 September 18th."

18 Do you see that?

19 A. I do.

20 Q. And that was truthful and complete and was as
21 accurate testimony as you could give at the time of your
22 deposition, correct?

23 A. It was. I would just point out the next
24 question.

25 "QUESTION: And somebody gave you a copy of what

1 had been agreed to on September 16th?"

2 And my answer was:

3 "ANSWER: Correct."

4 So, I got a copy on the 16th. When did I look
5 at it? Was it the 17th or the 18th?

6 Q. The question that you referred to, which was the
7 next question I was coming to:

8 "QUESTION: And somebody gave you a copy of what
9 had been agreed to on September 16th. Is that fair?

10 "ANSWER: Correct."

11 A. Yes.

12 Q. And you were then asked:

13 "QUESTION: Who gave you that copy?

14 "ANSWER: I don't recall."

15 A. Correct.

16 Q. And at the time of your deposition, that was as
17 truthful and complete and accurate as you could be,
18 correct?

19 A. Yes.

20 Q. And your deposition was taken closer to the time
21 of the events than the current time, correct?

22 A. Yes. It was taken a year ago.

23 Q. And in preparation for your testimony here, did
24 anybody give you or show you or tell you anything that
25 led you to conclude that you had been given a copy of

1 the term sheet by Mr. Jester and by Mr. Willumstad?

2 A. No. I -- they're the two people that I clearly
3 remember spending time with on the 17th, and I remember
4 seeing the term sheet on -- on that day. One of them or
5 both of them gave it to me.

6 Q. And is it your testimony that when you said that
7 you didn't learn the terms until sometime after the
8 18th, what you meant was they gave you the term sheet on
9 the 17th, but you didn't look at it until after the
10 18th?

11 A. You'll have to forgive me, Mr. Boies. The --
12 those days all just run together, the 17th and the 18th
13 and the 19th and the 20th. They're all one blur. I
14 received a lot of material. When I actually had time to
15 digest it, read it and digest it, it could have been the
16 17th, could have been the morning of the 18th.

17 Q. If you don't remember, I can understand. What
18 I'm just trying to do is distinguish what you do
19 remember and what you don't remember.

20 A. Um-hum.

21 Q. And at the time of your deposition, you thought
22 you hadn't learned these terms until after the 18th,
23 correct?

24 A. Yes.

25 Q. And today you believe you were given a copy of

1 the term sheet perhaps by Mr. Jester, perhaps by
2 Mr. Willumstad; you don't recall which.

3 A. Correct.

4 Q. And do you recall how long the term sheet was
5 that was given to you?

6 A. I don't recall, no.

7 Q. I mean, was it two pages? Was it longer than
8 two pages?

9 A. No, it was short. It was, you know, three or
10 four pages; not 24 pages.

11 Q. Let me direct your attention to Joint Exhibit
12 107, which was a document that counsel for Defendant
13 directed your attention to, and he directed your
14 attention to page 137. Do you have that page?

15 A. I do.

16 Q. And he directed your attention to the
17 "Consideration" paragraph. Do you recall that?

18 A. Yes.

19 Q. And the second sentence says, "AIG's board will
20 acknowledge the receipt of value at least equal to the
21 aggregate par value of the shares of Preferred Stock in
22 connection with their issuance."

23 Do you see that?

24 A. I do.

25 Q. First, did AIG's board ever acknowledge the

1 receipt of value at least equal to the aggregate par
2 value of the shares of preferred stock in connection
3 with their issuance?

4 A. I do not recall, Mr. Boies.

5 Q. Do you know what the aggregate par value of the
6 shares of preferred stock that were being purchased
7 here?

8 A. I do not recall.

9 Q. Do you recall whether it was the same amount
10 that is shown here, that is, \$500,000?

11 A. I just don't recall, Mr. Boies.

12 Q. Let me direct your attention to Defendant's
13 Exhibit 601.

14 A. Are we in the government book still?

15 Q. In the government book.

16 This is a letter to you from the New York Stock
17 Exchange, October 14th, 2008. Do you recall that?

18 A. Yes.

19 Q. And I believe it was your testimony that this is
20 what triggered the idea of having a reverse stock split.
21 Is that correct?

22 A. Yes.

23 Q. How long after October 14th of 2008 was a
24 reverse stock split proposed?

25 A. It was included in the proxy statement in late

1 May, June.

2 Q. Of 2009?

3 A. Correct.

4 Q. How early -- that is, when was the first time
5 that such a proposal was drafted internally, that is,
6 without making it public? When was the first time you
7 internally drafted a proposal for a twenty-to-one
8 reverse stock split?

9 A. I have no recollection.

10 Q. Was it after November 7th, 2008?

11 A. I believe so, yes.

12 Q. And November 7th, 2008, you'll recall, was when
13 there was the conversation with the Court in the Walker
14 case that led the Plaintiffs' counsel to believe that
15 that case was now moot. Do you recall that?

16 A. I recall that discussion that you and I had,
17 yes.

18 Q. And it was after that November 7th conversation
19 in the Walker court that a proposal was first formulated
20 internally to have a reverse stock split. Is that
21 correct?

22 A. I -- I don't -- I don't recall the timing or the
23 dates, Mr. Boies. I assume so, but I just don't recall
24 it.

25 Q. Let me ask you to look at the other New York

1 Stock Exchange letter. While I'm finding that, I'm
2 going to hand you up Joint Exhibit 240.

3 Staying with Defendant's Exhibit 601 just for a
4 minute, the second paragraph, the third sentence says
5 (as read): "We noted that the Company applied to
6 utilize the financial distress exception to the New York
7 Stock Exchange's shareholder approval rules in
8 connection with this issuance...of the preferred stock."

9 Do you see that?

10 A. I do.

11 Q. And what had happened is there had been an audit
12 committee determination as required by the New York
13 Stock Exchange rules that a delay in issuing the stock
14 would be seriously deleterious to the company, correct?

15 A. I don't recall that, but...

16 Q. Let me ask you to look now at Joint Exhibit 240
17 and, in particular, to page 93 -- or let's go to 96
18 first, page 96 of Joint Exhibit 240. Let me know when
19 you have that. Do you have that?

20 A. Yes. Page 96?

21 Q. Yes.

22 A. Of JX 240?

23 Q. Yes.

24 A. Yes.

25 Q. And you notice that in the New York Stock

1 Exchange letter of October 14th, 2008, DX 601, they
2 referenced Section 312.05 of the New York Stock Exchange
3 rules?

4 A. Yes.

5 Q. And Section 312.05 is on page 96 of Joint
6 Exhibit 240, correct?

7 A. Yes.

8 MR. TODOR: Your Honor, we object as beyond the
9 scope of cross. Counsel is introducing a new document,
10 talking about a stock exchange rule that is a separate
11 issue from anything that the witness was asked about on
12 his cross with respect to DX 601, which was over the
13 delisting issue.

14 THE COURT: Well, we did go over the Defendant's
15 Exhibit 601 during your cross.

16 MR. TODOR: Yes, but certainly not Joint Exhibit
17 240 and no discussion of New York Stock Exchange Rule
18 312.05 that I recall.

19 THE COURT: All right. Well --

20 MR. BOIES: Your Honor, I believe they
21 explicitly went over Joint Exhibit 119, and -- although
22 when they went over 119, they didn't direct the witness'
23 attention to the rule that Exhibit 119 is referring to.
24 I think that as part of the cross examination, I'm
25 entitled to show the witness the actual New York Stock

1 Exchange rule that is being relied on here.

2 THE COURT: Overruled.

3 BY MR. BOIES:

4 Q. Now, in your capacity as chief executive officer
5 of two large companies, chairman of the audit committee
6 at Goldman Sachs, a member of other public company
7 boards, you are familiar with the New York Stock
8 Exchange rules, correct?

9 A. I was familiar with some of them. I was -- I've
10 never seen -- I don't recall ever seeing 312.05 before.

11 Q. Well, sir, if you look at Joint Exhibit 119, you
12 write to your shareholders, correct?

13 A. Yes.

14 Q. And you refer to the New York Stock Exchange
15 rules, correct?

16 A. The letter does that, yes.

17 Q. And if you look at paragraph -- the second
18 paragraph here, it says, "The New York Stock Exchange's
19 Shareholder Approval Policy generally would require
20 shareholder approval prior to AIG's issuance of the
21 Preferred Stock."

22 Do you see that?

23 A. I do.

24 Q. You say, "However, the Shareholder Approval
25 Policy provides an exception in cases where the delay

1 involved in securing shareholder approval would
2 seriously jeopardize the financial viability of the
3 listed company."

4 Do you see that?

5 A. I do.

6 Q. And the exception that you were referring to is
7 the exception that is set out in Section 312.05, which
8 is on Joint Exhibit 240 at page 96, correct?

9 A. Yes. My comment, Mr. Boies, is a simple one. I
10 have never seen 312.05, and I don't see where this
11 letter of September 26th references it. It references
12 the rules. It doesn't say it's 312.05 or anything else.

13 Q. You're right, it doesn't, but that is the rule
14 that you were referring to, right?

15 A. Apparently, yes.

16 Q. And the Rule 312.05 is expressly referenced by
17 the New York Stock Exchange in their letter to you that
18 is Defendant's Exhibit 601, correct?

19 A. It is.

20 Q. And that rule, as you understood at the time you
21 wrote your letter on September 26th, 2008, provided an
22 exception to shareholder approval prior to the issuance
23 of preferred stock only where the delay involved in
24 securing shareholder approval would seriously jeopardize
25 the financial viability of the listed company, correct?

1 A. That's what the letter says, yes. Again,
2 Mr. Boies, I did not concentrate on these particulars.
3 I had a singular goal. I didn't want the company's
4 stock to be delisted.

5 Q. Let me try to separate two things, okay? And I
6 may have inadvertently confused it by talking about two
7 different letters, but there are two entirely different
8 issues here, are there not?

9 One issue is the stock exchange rule about when
10 you can be delisted, and the other is the stock exchange
11 rule about when you can issue preferred stock without
12 the shareholder approval.

13 A. Correct. I agree with that, yes.

14 Q. And the relevance of the October 14th, 2008,
15 letter, that is Defendant's Exhibit 601, to the issue
16 that we're talking about now, which is shareholder
17 approval, is simply that the Stock Exchange, in the
18 course of talking about delisting, mentions 312.05 and
19 mentions that they note that you have applied to utilize
20 this exception, correct?

21 A. That's correct.

22 Q. Okay. So, let's leave the delisting issue aside
23 for now and just focus on the shareholder approval
24 issue, okay?

25 A. Yes, although, Mr. Boies, I didn't focus on

1 those shareholder approval issues at this time.

2 Q. Well, you certainly wrote a letter to your
3 shareholders about it, correct?

4 A. Well, our -- our SEC attorneys and those that
5 are responsible for our relationships with the New York
6 Stock Exchange would have said, "We need to send this
7 letter out." I would have reviewed it, and I would have
8 tried to understand, okay, are we applying reasonable
9 judgment when we say we have to do it now in lieu of a
10 shareholder meeting. I would not be an expert on 312.05
11 and all the things that relate to it.

12 Q. You did understand enough, though, to understand
13 that the only way you could get an exception to the New
14 York Stock Exchange's rule requiring shareholder
15 approval prior to issuance of the preferred stock was to
16 bring yourself within an exception that depended on a
17 finding that the delay involved in securing that
18 approval could seriously jeopardize the company,
19 correct?

20 A. Yes. We had to use an exception. We were
21 comfortable that that exception applied in this case.

22 Q. The preferred stock, when was that stock,
23 according to your testimony, issued?

24 A. I don't recall, Mr. Boies.

25 Q. Approximately?

1 A. I just -- I have no recollection of when it was
2 issued.

3 Q. Was it issued in March of 2009?

4 A. I don't recall.

5 Q. There's a document in your white binder that
6 Defendant's counsel gave you, Joint Exhibit 185, and
7 this is an agreement dated as of March 1, 2009, between
8 the AIG credit facility trust and AIG, correct?

9 A. Yes.

10 Q. Now, the trust, the AIG credit facility trust,
11 didn't exist until 2009, correct?

12 A. I think that's correct. I don't recall.

13 Q. And what I'm trying to understand is your
14 testimony as to when the preferred stock was issued. If
15 it was issued in 2008, it was obviously not issued to
16 the trust, because the trust didn't exist, correct?

17 A. Yes. The trust was created on this date.

18 Q. I don't want you to be confused. I don't think
19 the trust was actually created on March 1. I think
20 there is a different -- there may very well be a
21 different date for the creation of the trust than for
22 that agreement.

23 A. Okay.

24 Q. But I would represent to you that my
25 understanding is that the trust wasn't created until

1 sometime in 2009.

2 A. Okay. I have no recollection.

3 Q. But you would agree with me that if the trust
4 wasn't created until 2009, the stock -- the preferred
5 stock could not have been issued to the trust in 2008.

6 A. I would agree with that.

7 Q. Yes. And you would agree with me that if the
8 stock was first issued in 2009, there was time between
9 September 22nd, 2008, and 2009 to have a shareholder
10 vote on the issuance of the preferred stock, correct?

11 A. I assume so.

12 Q. Okay. So, the only way that you could take
13 advantage of the delay exception to shareholder approval
14 in connection with delay causing financial distress
15 would be to conclude that the stock was not issued until
16 sometime -- or, I'm sorry, it is Friday afternoon, and I
17 got that exactly backwards.

18 In order to conclude that you could take
19 advantage of the New York Stock Exchange rule exception,
20 you would have to conclude that the stock was being
21 issued as of September 22, 2008, correct?

22 A. Well, I think about it just a little
23 differently. I think when we sent this letter out,
24 we -- we absolutely did believe that we needed to do
25 something quickly. Facts and circumstances could have

1 changed. I just -- I just was -- am not familiar with
2 the whole issuance of that. So, I can't -- I don't know
3 anything about it.

4 Q. At the time that you sent out this letter --

5 A. Yes.

6 Q. -- did you think that the preferred stock had
7 already been issued?

8 A. No, I don't think so. I don't recall.

9 Q. At the time you sent out this letter on
10 September 28, when did you think the stock was going to
11 be issued?

12 A. I'm not sure I thought about it. I -- I
13 don't -- I simply don't recall thinking about this whole
14 issue.

15 Q. You did understand that you couldn't come within
16 this exception of avoiding shareholder votes unless you
17 didn't have time to have a shareholder vote, correct?

18 A. I did understand that, yes.

19 MR. TODOR: Objection. Asked and answered.

20 THE COURT: Overruled.

21 BY MR. BOIES:

22 Q. Let me turn to another subject. Do you recall
23 telling counsel for the Defendant that the reason that
24 you asked for the support of the AIG directors on
25 September 18th was because they could have said they

1 wanted somebody else? Do you recall that?

2 A. Yes.

3 Q. Let me ask you to look at Joint Exhibit 94,
4 which was one of the documents that counsel for the
5 Defendant showed you, and it's in your white binder.
6 These are the minutes of that September 18th, 2008, AIG
7 board meeting, correct?

8 A. Yes.

9 Q. And let me ask you to look at the last
10 paragraph, where it says, "Mr. Beattie explained that
11 these are uncharted waters for any board, but that
12 Mr. Liddy was accepted as Chief Executive Officer as
13 part of the agreement to accept government financing on
14 September 16 and that the board was acting in accordance
15 with its duties to formally implement that agreement by
16 appointing Mr. Liddy as Chief Executive Officer."

17 Do you see that?

18 A. I do.

19 Q. And although you were not present when
20 Mr. Beattie said that, you did see this when you saw
21 these minutes in draft form, correct?

22 A. Yes.

23 Q. And did you understand at that time that at
24 least as far as the AIG board was concerned, your
25 appointment as chief executive officer was part of what

1 they had agreed to accept as a part of the government
2 financing that the board approved on September 16th?

3 A. No, Mr. Beattie [sic], I did not. I assumed,
4 when I had my conversation with Mr. Bollenbach, who was
5 the chairman of the nominating and governance committee,
6 that he was going to do his typical due diligence, and
7 if he found I was not up to the task, he would have said
8 something, and the Treasury Department would have come
9 up with other possible solutions.

10 Q. My question to you is simply, when you read
11 this, as you said you did, you knew what Mr. Beattie had
12 told the board, correct?

13 A. I did.

14 Q. And you knew that Mr. Beattie had told the board
15 that acceptance of you as chief executive officer was a
16 part of the agreement to accept the government financing
17 on September 16.

18 A. No, I didn't read it that way. As accepting the
19 Government's \$85 billion, it was agreed that they would
20 make a change in management, period, full stop.
21 Mr. Bollenbach and the board had to decide whether I was
22 the person to do that. If I -- if they had decided
23 otherwise, as long as they accepted a new chief
24 executive officer, that agreement would have been in
25 place.

1 Q. Do you accept what you just said is inconsistent
2 with what is written here in the minutes?

3 A. I think it could have been more articulately
4 written. It could have been "agreed to accept a new
5 chief executive officer," and then Liddy "had to go
6 through the normal due diligence process with the
7 chairman of the nominating and governance committee and
8 the board had to concur with that." So, it could have
9 been more articulately written.

10 Q. And Mr. Beattie was the lawyer for the board,
11 correct?

12 A. Yes. I believe that's right.

13 Q. And when you saw these minutes in draft form and
14 read them in draft form, as you said you did, you didn't
15 suggest any correction to this, did you?

16 A. No. I didn't necessarily think it was that
17 inconsistent with what I just said to you, and I think
18 Mr. Bollenbach clearly understood what the process was.

19 Q. Now, with respect to Mr. Bollenbach, what the
20 minutes say here is Mr. Bollenbach informed the board
21 that he had spoken to Mr. Liddy at some length the
22 previous evening about a number of appropriate -- a
23 number of governance issues and asked that Mr. Beattie
24 address the board's fiduciary duties.

25 Do you see that?

1 A. I do.

2 Q. There is no mention here of Mr. Bollenbach
3 reporting on any due diligence, correct, sir?

4 A. No, there isn't, but I don't know that minutes
5 have to reflect every single conversation either or
6 every point. They'd be awfully long minutes. I mean,
7 Steve Bollenbach, when we had that meeting, he knew what
8 his role was.

9 Q. It is your understanding, is it not, sir, as a
10 result of all of your many experiences with board
11 minutes, that the important points are supposed to be
12 recorded in the minutes, not every single jot and
13 tittle, but the important points, right?

14 A. Um-hum.

15 Q. Yes?

16 A. And on a number of governance issues that would
17 include due diligence on me as a candidate.

18 Q. That's the way you read it, sir?

19 A. It's a very broad term of art.

20 Q. And when you read these minutes in draft form,
21 as you said you did, you didn't suggest any change to
22 that either, did you?

23 A. I don't recall whether this was as I saw them in
24 draft form or I made changes to them.

25 Q. Well, if you made changes, you didn't change

1 what's here.

2 A. Yes.

3 Q. Let me ask you to look next at Joint Exhibit
4 149, which was a document that counsel for the Defendant
5 covered with you.

6 A. Yes.

7 Q. And I'd like to direct your attention to the
8 second paragraph on page 4 that says, "Commenting on
9 third quarter 2008 results, AIG Chairman and Chief
10 Executive Officer Edward M. Liddy said, 'Third quarter
11 results reflect extreme dislocations and volatility in
12 the capital markets and significant charges related to
13 restructuring activities.'"

14 Do you see that?

15 A. I do.

16 Q. And the extreme dislocations and volatility in
17 the capital markets related to the fact that there was
18 the freezing of credit markets, it was hard to get
19 prices for many of your CDSs, correct?

20 A. And the assets in the securities lending as
21 well.

22 Q. And the assets in the securities lending as
23 well?

24 A. Um-hum.

25 Q. And that as a result, accounting conventions

1 required certain marks to market, correct?

2 A. Correct.

3 Q. So that even though there had not been any loss
4 in terms of a final loss, you had to take into account
5 the fact that the "price" that was attributed to these
6 assets had declined, correct?

7 A. Correct.

8 Q. And you also talk here about significant charges
9 related to restructuring activities. Do you see that?

10 A. I do.

11 Q. And what were those restructuring activities?

12 A. Well, it would have been interest expense on the
13 \$85 billion loan; it would have been whatever
14 contributions we had to make to either ML II or III, I
15 think things of that nature.

16 Q. You then go on to say, "Reported earnings are
17 not indicative of the underlying core earnings power of
18 our insurance businesses, which remain solidly
19 capitalized. Retention of our customers remains strong
20 and reflects the support and loyalty of our long-term
21 partners, intermediaries and sponsors."

22 Do you see that?

23 A. Yes.

24 Q. And you certainly believed that at the time this
25 was published, correct?

1 A. Correct.

2 Q. Let me turn to another subject. You told
3 counsel for the Defendants that in September and perhaps
4 early October you were focused intensely on cash
5 forecasts that had \$100 billion out the door by the end
6 of October. Do you recall that?

7 A. I do.

8 Q. Where did those cash forecasts come from?

9 A. They would have been compiled by the company's
10 treasurer, working with the various finance officers
11 throughout the company, and making assumptions on what
12 the -- what the market was going to do that would
13 require further write-down.

14 Q. Um-hum.

15 A. That's why there was a base case and a -- kind
16 of a worst case.

17 Q. And that would have involved Mr. Robert Gender,
18 correct?

19 A. Yes. Yes, it would.

20 Q. And it would have involved Mr. David Herzog,
21 correct?

22 A. Yes.

23 Q. And they provided you almost immediately after
24 you started with a cash flow forecast, correct?

25 A. Yes.

1 Q. And, indeed, counsel for Defendant went over
2 that cash flow forecast with you, correct?

3 A. Yes.

4 Q. And that cash flow forecast does not show \$100
5 billion out the door by the end of October, correct?

6 A. It had a base case and a worst case. I think
7 the base case had 70 billion out the door by October and
8 95 billion or so by -- under the worst case scenario.

9 Q. Would you accept 85 billion as opposed to 95
10 billion?

11 A. Sure.

12 Q. Okay. If you want to check it, it's the last
13 page of Defendant's Exhibit 507.

14 A. I will accept that if you will accept the fact
15 that those are forecasts made under -- made at times
16 when asset values were very hard to determine. So,
17 applying another little hedge factor to it was
18 appropriate.

19 Q. Well, sir, I would not dispute with you that
20 these numbers may not be entirely reliable, but I was
21 just focusing on what your testimony was. Your
22 testimony was that you were focused on cash forecasts
23 that had \$100 billion out the door by the end of
24 October, right?

25 A. Yes. That was one of the many things I was

1 focused on, yes.

2 Q. And all I'm saying is that if this was the cash
3 forecast that you were talking about, that doesn't show
4 that, correct --

5 A. It shows --

6 Q. -- even under the worst case?

7 A. It shows \$85 million. It shows we fully
8 exhausted the loan by the end of October.

9 Q. Yes. And maybe what you did was simply round up
10 from 85 billion to 100 billion. Is that what you did?

11 A. Yes.

12 Q. Okay.

13 A. And a week later there was another forecast, and
14 it would have shown a larger number.

15 Q. That forecast isn't in the book. Have you seen
16 that forecast recently?

17 A. I have not.

18 MR. BOIES: May I have just a moment, Your
19 Honor?

20 THE COURT: Sure.

21 (Counsel conferring.)

22 MR. BOIES: Your Honor, I pass the witness.

23 THE COURT: All right. Thank you, Mr. Boies.
24 Any further questions, Mr. Todor?

25 MR. TODOR: We have a few, Your Honor. We are

1 confident we will be able to finish by 5:00, but if for
2 some reason we go one or two minutes over, we would ask
3 for the Court's indulgence so that the witness can
4 conclude his testimony today.

5 THE COURT: No, 5:00, that's it.

6 MR. TODOR: We understand the Court's direction,
7 Your Honor, and appreciate it.

8 THE COURT: As soon as I let one person do it,
9 then I'll be opening the flood gates for the rest of the
10 trial.

11 MR. BOIES: Moral hazard, Your Honor, moral
12 hazard.

13 THE COURT: Moral hazard, yes.

14 MR. TODOR: Well, we're almost halfway through,
15 so --

16 THE COURT: So, the second half is going to be
17 much like the first half.

18 RE CROSS EXAMINATION

19 BY MR. TODOR:

20 Q. Mr. Liddy, you were asked a question about
21 whether AIG received the consideration called for in the
22 credit agreement. Do you recall that?

23 A. I do.

24 Q. Could I direct your attention to JX 184. Was
25 this the board meeting where AIG was adopting a

1 resolution with respect to the stock purchase agreement
2 that we had -- that you reviewed during your redirect
3 examination?

4 A. Yes.

5 Q. I'll direct your attention to page 14.

6 A. I have the page.

7 Q. And at the bottom there is a series of
8 resolutions beginning with, "Issuance of Series C
9 Perpetual, Convertible, Participating Preferred Stock."
10 Do you see that?

11 A. I do.

12 Q. I direct your attention to page 16 of the
13 document, and I'll direct your attention to the fourth
14 paragraph. It states, "Further resolved that, in
15 connection with the issuance and sale of the Series C
16 Preferred Stock, the Board hereby determines that the
17 Corporation has received from the New York Fed
18 consideration, the value of which is at least equal to
19 the aggregate par value of the shares of Series C
20 Preferred Stock to be issued and sold."

21 Do you see that?

22 A. I do.

23 Q. Did you vote in favor of this resolution?

24 A. I did.

25 Q. Does this refresh your recollection as to

1 whether AIG received the consideration called for in the
2 credit agreement in connection with the issuance of the
3 Series C preferred stock?

4 A. I'm not sure it refreshes my recollection, but
5 it says they did, so they must have.

6 Q. You have no reason to doubt the accuracy of the
7 resolution?

8 A. No, no.

9 Q. You were asked questions about JX 94. It's the
10 September 18th, 2008, board minutes.

11 A. Yes.

12 Q. You were asked questions about Mr. Beattie's
13 statements on page 2, correct?

14 A. Yes.

15 Q. I'll direct your attention up to the first full
16 paragraph. Were you present at the meeting at the time
17 when Mr. Beattie was giving the statements that are
18 referred to that you were asked about during your
19 redirect?

20 A. I was not.

21 Q. Did you have reason to know, one way or the
22 other, the accuracy of what the transcription was -- of
23 Mr. Beattie's remarks was?

24 A. No.

25 Q. You were asked questions about JX 119. You were

1 asked about application of the New York Stock Exchange
2 exception, correct?

3 A. Yes.

4 Q. I'll direct your attention to the end of the
5 document, where it says, "The preferred stock will be
6 issued when AIG has received all material approvals of
7 governmental authorities required for the issuance and
8 no later than ten days after the date of mailing of this
9 notice to AIG shareholders."

10 To your knowledge, did anyone complain within
11 that --

12 A. Mr. Todor, it says "no earlier than ten days."

13 Q. Yes, "no earlier than ten days."

14 To your knowledge, did anyone complain within
15 ten days of the sending of this letter?

16 A. I have no recollection.

17 Q. Did anyone from the New York Stock Exchange tell
18 you that AIG had done something wrong by using the
19 exception that is referred to here in JX 119?

20 A. Not to my recollection.

21 MR. TODOR: Your Honor, may we have a moment?

22 THE COURT: Sure.

23 (Counsel conferring.)

24 MR. TODOR: No further questions, Your Honor.

25 THE COURT: All right. Thank you, Mr. Todor.

1 Mr. Liddy, that concludes your testimony. Thank
2 you very much for being here and for offering your sworn
3 testimony. You are excused.

4 THE WITNESS: Thank you.

5 THE COURT: All right. I think that's it for
6 the week, right?

7 MR. BOIES: That would be a welcome ruling from
8 the Court, I think from both counsel's standpoint.

9 THE COURT: All right. Before we adjourn today,
10 do we have our witnesses all lined up for next week?
11 Are there any problems or concerns?

12 MR. BOIES: I don't believe so, Your Honor. I
13 think in part because this witness took somewhat longer
14 than I think we had anticipated, we have a full slate
15 for this coming week. We will -- Mr. Cohen, who was
16 scheduled for today, is not able to come, as I
17 understand it, at least early next week, but
18 Mr. Feldberg will be here and Mr. Foshee, as the Court
19 knows from earlier this week, will be here. And then we
20 will follow them with Mr. Golub.

21 THE COURT: All right.

22 MR. BOIES: Then we have the rest of the week
23 laid out the way that we laid it out in our letter to
24 the other side that we gave the Court last -- earlier.

25 THE COURT: Very well.

1 Anything further, Mr. Dintzer? You're the only
2 one standing. That's why I --

3 MR. DINTZER: Not this afternoon, Your Honor.

4 THE COURT: All right.

5 MR. BOIES: I should probably alert the Court to
6 one issue, and that has to do with the attorney-client
7 waiver issue concerning 13(3). We have worked out with
8 the Federal Reserve Bank an acceptable solution to that
9 for the Federal Reserve Board of Governors and for the
10 Federal Reserve Bank. It is still -- we are still
11 talking about whether we have the production that we
12 should have from their outside counsel, and that is
13 something that we will continue to try to come to ground
14 on this weekend, but if we have not, I would raise that
15 with the Court Monday morning to get the Court's
16 guidance.

17 THE COURT: Very well. I'm glad you're making
18 progress.

19 So, we'll stand adjourned until Monday morning
20 at 9:30. Have a good weekend.

21 ALL COUNSEL: Thank you, Your Honor.

22 (Whereupon, at 4:49 p.m., the proceedings were
23 adjourned.)

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CERTIFICATE OF TRANSCRIBER

I, Susanne Bergling, court-approved transcriber,
certify that the foregoing is a correct transcription
from the official digital sound recording of the
proceedings in the above-titled matter.

DATED: 10/18/2014

SUSANNE BERGLING, RMR-CRR-CLR.

1	ADMITTED EXHIBITS		
2	PX	PAGE	DESCRIPTION
3	3	3139	AIG Certificate of Amendment of Certificate of
4			Incorporation (May 26, 1998)
5	4	3143	Certificate of Amendment of Certificate of
6			Incorporation: AIG
7	432	3120	Minutes of Meeting of the Compensation and
8			Management Resources Committee of The Board of
9			Directors: American International Group, Inc.:
10			Held February 24, 2009
11	464	3123	Email (3/13/2009), From: James Hennessy
12			To: Anastasia Kelly, Marc Trevino, cc: Edward
13			Liddy, Thomas Baxter, Sarah Dahlgren
14			re: Resolution of 2008 Bonus Issue
15	523	3169	Letter (5/29/2009), From: SEC
16			To: Kathleen Shannon, re: AIG Preliminary
17			Proxy Statement on Schedule 14A Filed May 21,
18			2009
19	528	3170	Email (6/18/2009 6:42 pm), From: Eric Litzky
20			To: AIG Board of Directors, re:
21			RiskMetrics/ISS Analysis and Glass Lewis
22			Analysis - 2009 AIG Annual Meeting of
23			Shareholders, Attaching Analytic Reports from
24			RiskMetrics and GlassLewis
25			

1	DX	PAGE	DESCRIPTION
2	507	3190	EMAIL FROM ROBERT GENDER TO KATHLEEN SHANNON
3			ET AL SUBJECT FW: CASH FLOW FORECAST WITH
4			ATTACHMENTS CASH FLOW FORECASE SUMMARY AS OF
5			9-19-08.PDF; RECONCILIATION.PDF
6	601	3262	LETTER FROM KATHLEEN SHANNON, NYSE REGULATION
7			TO EDWARD LIDDY RE: CONTINUING CONVERSATIONS
8			ON SOME OF THE QUANTITATIVE AND QUALITATIVE
9			CONTINUED LISTING STANDARDS APPLICABLE,
10			OCTOBER 14, 2008
11	776	3127	EMAIL FROM JAMES HENNESSY TO RICH ASHTON
12			SUBJECT FW: LIDDY LETTER WITH ATTACHMENTS
13	814	3272	EMAIL FROM KATHLEEN SHANNON TO EDWARD LIDDY
14			RE: FW: AIG TABULATION REPORT, WITH ATTACHED
15			UNOFFICIAL TABULATION SUMMARY, MEETING, JUNE
16			30, 2009
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