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IN THE UNITED STATES COURT OF FEDERAL CLAIMS

STARR INTERNATIONAL COMPANY,)
INC., Individually and on)
Behalf of All Others)
Similarly Situated,)
Plaintiffs,) Case No. 11-779C
vs.)
UNITED STATES OF AMERICA,)
Defendant.)
-----)

Courtroom 4
Howard T. Markey National Courts Building
717 Madison Place, N.W.
Washington, D.C.
Wednesday, October 15, 2014
9:30 a.m.
Trial Volume 12

BEFORE: THE HONORABLE THOMAS C. WHEELER

Susanne Bergling, RMR-CRR-CLR, Reporter

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	I N D E X					
	WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS	VOIR
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3	DAHLGREN	2634	2802			
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	EXHIBITS	FOR ID		IN EVID		
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8	Plaintiff's					
9	Number25			2635		
10	Number35			2637		
11	Number97			2790		
12	Number112			2646		
13	Number127			2791		
14	Number155			2650		
15	Number192			2792		
16	Number231			2798		
17	Number243			2652		
18	Number259			2839		
19	Number260			2798		
20	Number261			2668		
21	Number272			2733		
22	Number274			2677		
23	Number275			2698		
24	Number277			2728		
25	Number280			2725		

	EXHIBITS	FOR ID	IN EVID
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2	Plaintiff's		
3	Number301		2649
4	Number304		2660
5	Number305		2662
6	Number311		2746
7	Number315		2793
8	Number324		2735
9	Number325		2696
10	Number327		2697
11	Number333		2739
12	Number344		2766
13	Number375		2712
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19	Number427		2759
20	Number428		2683
21	Number435		2760
22	Number438		2796
23	Number441		2762
24	Number453		2797
25	Number458		2773

	EXHIBITS	FOR ID	IN EVID
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2	Plaintiff's		
3	Number460		2774
4	Number463		2713
5	Number492		2717
6	Number493		2719
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9	Number510		2687
10	Number513		2763
11	Number514		2714
12	Number573		2664
13	Number574		2664
14	Number581		2771
15	Number612		2656
16	Number1607, pages 1-3		2789
17	Number1609		2648
18	Number1635		2786
19	Number1638		2800
20	Number1777		2697
21	Number1795		2784
22	Number2037		2760
23	Number2077		2684
24	Number2088		2764
25	Number2731		2722

1 Defendant 's
2 Number415 2809
3 Number472, page 1 2620
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5 Joint
6 None
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22 *All exhibits premarked for identification prior to
23 trial.
24 *See full attached list of admitted exhibits following
25 transcript.

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

2 - - - - -

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 MS. ACEVEDO: Hi, Your Honor. Good morning,

8 Your Honor.

9 THE COURT: Could I give my opening first?

10 MS. ACEVEDO: Sure.

11 THE COURT: We are on the record for day 12 of

12 Starr International Company versus the United States.

13 Ms. Acevedo, you have the floor.

14 MS. ACEVEDO: Thank you. Michael Schissel,

15 counsel to Douglas Foshee, one of the trustees in this

16 matter, is here, and he wanted to raise a preliminary

17 issue with Your Honor this morning. And I asked

18 Mr. Boies before we began if that would be okay so he

19 doesn't have to sit through Ms. Dahlgren's testimony.

20 Would that be okay with the Court?

21 THE COURT: Sure.

22 Do you want to be heard, sir?

23 MR. SCHISSEL: Yes, Your Honor.

24 THE COURT: Tell me your name, sir.

25 MR. SCHISSEL: Michael Schissel --

1 S-C-H-I-S-S-E-L -- and I'm with Arnold & Porter, and I
2 represent Douglas Foshee, who is one of the former
3 trustees of the AIG Facility Trust.

4 THE COURT: Yes, I have heard his name.

5 MR. SCHISSEL: I'm sure you have, Your Honor.

6 We accepted voluntarily a subpoena from the
7 Plaintiffs back in August, and Mr. Foshee is very
8 interested in complying with that subpoena and coming
9 here and testifying.

10 Unfortunately, a month ago, I gave Plaintiffs
11 some proposed dates, which would be next Monday and
12 Wednesday. They wouldn't commit to a date, wouldn't
13 commit to a date, wouldn't commit to a date, and then
14 Monday -- I get an email late Monday saying that he
15 needs to be here today.

16 Now, Mr. Foshee lives and works in Houston,
17 Texas, is involved in board meetings for a public
18 company this week, and I'm only asking the Court whether
19 or not, if they still want him to testify, is it okay
20 for him to testify Monday or Wednesday as we proposed 30
21 days ago?

22 And unfortunately I have to bother Your Honor
23 with this, because we couldn't reach an accommodation
24 with counsel.

25 THE COURT: Are you located in D.C.?

1 MR. SCHISSEL: I'm located in New York, Your
2 Honor.

3 THE COURT: New York? So, you came down?

4 MR. SCHISSEL: I came down, yes, because they
5 said they were going to call him today. I didn't want
6 to be disrespectful to the Court, so that's why I'm
7 here.

8 THE COURT: Well, thank you for coming.

9 Let me hear from Plaintiffs about this.
10 Mr. Boies?

11 MR. BOIES: Certainly. We have -- it may be
12 that Ms. Rutherford, who -- I will ask for just a
13 moment.

14 We were never given any information as to what
15 Mr. Foshee's commitments were this week. We have worked
16 very hard to accommodate the witnesses' schedules, as I
17 think the Court knows. We told Mr. Foshee that he could
18 testify either today or Friday, and, indeed, we had some
19 dates earlier in the week that were not acceptable to
20 Mr. Foshee. So, we offered him either today or Friday.
21 Thursday, of course, as the Court's aware, we have
22 Mr. Liddy.

23 In terms of the presentation of our case, we're
24 coming now to the end of it, not in terms of chronology
25 necessarily, but our major witnesses are going to be

1 gone and now we're going to have a series of either
2 experts or witnesses who just come on for 10 or 15
3 minutes to manage one point or one document that we have
4 not been able to stipulate.

5 THE COURT: Remind me how much time you
6 anticipate with Mr. Foshee.

7 MR. BOIES: I think it would be in the
8 neighborhood of an hour and a half to two hours. As the
9 Court knows, I sometimes go faster with some witnesses
10 than others for a variety of reasons. So, I can't
11 predict it with great certainty, but he's not going to
12 be a lengthy witness. We might even finish him
13 conceivably, if things went very quickly, in -- in less
14 than 90 minutes.

15 THE COURT: Mr. Schissel, could Mr. Foshee
16 perhaps come on Friday?

17 MR. SCHISSEL: Your Honor, he can't, because his
18 board meetings will go through the end of the day
19 Thursday, and he's in Houston. It's just not practical.
20 And let me make one other point about what Mr. Boies
21 said about the order of these witnesses. I also
22 represent Chet Feldberg, another former trustee, who's
23 testifying on Friday. So, all I'm proposing is that
24 next Monday Mr. Foshee be able to testify here. I don't
25 think that disrupts the orderly flow of his evidence,

1 Your Honor.

2 THE COURT: Mr. Boies, would Monday work for you
3 possibly?

4 MR. BOIES: It is going to be a question of
5 whether we have enough witnesses on Friday. I think
6 that if we were able to fill Friday -- and maybe we
7 would, and I don't know how long Mr. Liddy is going to
8 take, Mr. Liddy might take more than a day -- but what
9 concerns me is that if Mr. Liddy goes relatively
10 quickly, we won't have anything like a full day on
11 Friday.

12 Now, that may not be the absolute worst thing in
13 the world, but as I say, if somebody had said to us
14 earlier that he's got these board meetings, we would
15 have tried to push him into Monday of this week. My
16 experience with board meetings is I don't know of a
17 public corporation that has board meetings that last the
18 whole week. So, I think that while we could always push
19 him until Monday, I think that wouldn't be ideal, and we
20 would have a possible problem on Monday in terms of
21 filling the day.

22 THE COURT: On Friday you mean?

23 MR. BOIES: On Friday.

24 THE COURT: Are you still planning to show me
25 this deposition excerpt?

1 MR. BOIES: That deposition excerpt has tended
2 to grow a little bit, and I suppose partly it's our
3 fault in the sense that we objected to some answers that
4 they had designated without questions, and so they
5 designated the questions, which is fair, but the result
6 has been that that has now grown to where we have -- we
7 will begin with about 35 minutes of our designations,
8 and then that will be followed by somewhat over two
9 hours of the Defendant's designations. So, if the Court
10 wanted to have all that played in open court, we could
11 probably fill Friday with that.

12 THE COURT: Well, I think all things considered,
13 gaps in the trial are always unfortunate but perhaps
14 unavoidable, especially with some of the high-level
15 people that we have appearing as witnesses in this case.

16 So, Mr. Schissel, could we have Mr. Foshee here
17 on Monday morning?

18 MR. SCHISSEL: Yes, Your Honor. I will have him
19 here Monday morning.

20 THE COURT: All right. Let's do it that way.

21 MR. SCHISSEL: Thank you, Your Honor.
22 Appreciate it.

23 THE COURT: Yes.

24 All right. Are we ready to proceed with
25 Ms. Dahlgren?

1 MS. ACEVEDO: Yes, Your Honor. I will go get
2 her.

3 THE COURT: All right.

4 Good morning, Ms. Dahlgren.

5 THE WITNESS: Good morning.

6 THE COURT: Do you understand that you're still
7 under oath in these proceedings?

8 THE WITNESS: I do.

9 THE COURT: All right. Please be seated.

10 THE WITNESS: Thank you.

11 Whereupon --

12 SARAH DAHLGREN

13 a witness, called for examination, having previously
14 been duly sworn, was examined and testified further as
15 follows:

16 DIRECT EXAMINATION (cont.)

17 BY MR. BOIES:

18 Q. Good morning, Ms. Dahlgren.

19 A. Good morning.

20 Q. I'd like to begin just briefly this morning and
21 ask you about the period prior to September 16th of
22 2008. Prior to December -- September 16th, 2008, were
23 you aware of potential liquidity problems at AIG?

24 A. Over the weekend, so the Lehman weekend, we had
25 been monitoring the financial institutions that we were

1 responsible for and had heard through that avenue that
2 there were issues at AIG. But beyond that, I wasn't
3 aware of specifics.

4 Q. And is Lehman weekend the weekend of the 13th
5 and 14th of September, 2008?

6 A. Yes, it is.

7 Q. Let me just ask you to look at two documents.
8 The first is Plaintiffs' Trial Exhibit 25, and the
9 second is Plaintiffs' Trial Exhibit 35.

10 Taking Plaintiffs' Trial Exhibit 25 first, this
11 is an email dated August 7th, 2008, to a variety of
12 people, including yourself. Do you see that?

13 A. Yes, I do.

14 MR. BOIES: And I would offer this exhibit.

15 MS. ACEVEDO: We have no objection, Your Honor.

16 THE COURT: Plaintiffs' Trial Exhibit 25 is
17 admitted.

18 (Plaintiffs' Exhibit Number 25 was admitted into
19 evidence.)

20 BY MR. BOIES:

21 Q. And there is a discussion there with respect to
22 AIG and -- including about how AIG posted a steeper than
23 expected quarterly loss of \$5.36 billion due to massive
24 write-downs related to the credit collapse. Do you see
25 that?

1 A. Yes, I do.

2 Q. And did you receive other similar types of
3 updates with respect to AIG in August and early
4 September of 2008?

5 A. I imagine I did.

6 Q. Let me ask you to turn next to Plaintiffs' Trial
7 Exhibit 35, and this is an email from a Danielle
8 Vicente. Do you see that?

9 A. Yes, I do.

10 Q. And was it -- that is a woman?

11 A. Yes, it is.

12 Q. Did she work in your bank supervision group?

13 A. I believe she did, yes.

14 Q. And then it shows copies to a number of people
15 which do not include you, but can you identify any of
16 the addressees?

17 A. Yes, I can.

18 Q. And would you please do so, together with their
19 titles.

20 A. So, Elise Liebers was an individual within the
21 supervision group, an insurance analyst; Lance Auer was
22 an officer in the supervision group as well; Morten
23 Bech, I believe, was in research at the time; Rick
24 Weaver was in supervision. The other names -- I know
25 James Clark; I just don't know where he worked.

1 Q. What about Christopher --

2 A. Oh, I'm sorry. And Christopher Calabria worked
3 in supervision.

4 MR. BOIES: Your Honor, I would offer this
5 exhibit.

6 MS. ACEVEDO: Your Honor, we are going to object
7 to his offering this with Ms. Dahlgren. She's not on
8 this document. There is nothing to tie her to this
9 document. I don't believe a foundation has been laid --
10 while she's identified -- you know, she's knowledgeable
11 as to who the people are that received it, he has not
12 laid a foundation with respect to her knowledge of the
13 document or the contents therein.

14 THE COURT: Well, it's a Federal Reserve
15 document. It concerns AIG. So, I will admit the
16 document.

17 MS. ACEVEDO: Thank you, Your Honor.

18 THE COURT: Plaintiffs' Trial Exhibit 35 is
19 admitted.

20 (Plaintiffs' Exhibit Number 35 was admitted into
21 evidence.)

22 BY MR. BOIES:

23 Q. There is attached to this email a document
24 apparently authored by Danielle Vicente, September 2,
25 2008, entitled "AIG Liquidity and Access to the PDCF."

1 Do you see that?

2 A. Yes, I do.

3 Q. Did you ever see this document before?

4 A. I don't remember seeing it, no.

5 Q. Were you aware in September, prior to September
6 16th, that the Federal Reserve had considered giving AIG
7 liquidity access to the PDCF?

8 A. I was not aware at that time, no.

9 Q. Did you become aware of that later?

10 A. I became aware after September.

11 Q. When did you become aware that the Federal
12 Reserve had considered giving AIG access to the PDCF for
13 liquidity purposes in early September 2008?

14 A. I don't recall.

15 Q. Was it later in 2008?

16 A. It could have been later in 2008.

17 Q. Let me now turn to the morning of September
18 16th. Before you got the call from Mr. Geithner
19 concerning AIG, your concerns related to Lehman,
20 correct?

21 A. My concerns related to the financial
22 institutions we were responsible for and their exposure
23 to Lehman.

24 Q. And the morning of September 16th, you believed
25 that as a result of the Lehman bankruptcy, there would

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1 be what you referred to as "gridlock in the funding
2 markets," correct?

3 A. That's correct.

4 Q. And that was a matter of concern for you because
5 of the institutions that you supervised, correct?

6 A. That's correct.

7 Q. And you believed that funding markets would be
8 blocked, that no funds would be moving to people and
9 institutions who needed funding in order to meet their
10 obligations, correct?

11 A. That's correct.

12 Q. And that you were seeing panic in the market
13 with institutions not wanting to deal with each other,
14 correct?

15 A. Correct.

16 Q. Now, after you met with Mr. Geithner, you had a
17 conversation with Mr. Dan Jester, correct?

18 A. At some point that day, yes.

19 Q. And at some point that day, Mr. Jester grabbed
20 you and said that you and he needed to call Ed Liddy,
21 correct?

22 A. That's correct.

23 Q. And Mr. Jester described Mr. Liddy as the person
24 who is going to be the new CEO of AIG, correct?

25 A. That's correct.

1 Q. And Mr. Jester told you that you and he needed
2 to get Mr. Liddy acclimated tomorrow morning, so you
3 were going to call Mr. Liddy and arrange that, correct?

4 A. That's correct.

5 Q. And the two of you did call Mr. Liddy. Is that
6 correct?

7 A. We did.

8 Q. And you arranged in that call to meet with
9 Mr. Liddy the following morning at 70 Pine Street. Is
10 that correct?

11 A. That's correct.

12 Q. And in addition, Mr. Jester arranged in that
13 telephone call to meet with Mr. Liddy for breakfast
14 prior to the time that Mr. Liddy came to 70 Pine,
15 correct?

16 A. Yes.

17 Q. Do you know where Mr. Jester's meeting with
18 Mr. Liddy was the morning of September 17th for
19 breakfast?

20 A. I believe it was at his hotel.

21 Q. At Mr. Liddy's hotel?

22 A. That was my understanding, yes.

23 Q. And was Mr. Liddy staying at the Ritz-Carlton?

24 A. I don't remember.

25 Q. Also on September 16th, 2008, you prepared what

1 you described as "an immediate punch list for taking
2 control of AIG," correct?

3 A. Correct.

4 Q. And that was based on a discussion that you had
5 had with other people, correct?

6 A. That was based on a discussion with the team,
7 yes.

8 Q. And could you just describe for the record who
9 that team is or was?

10 A. So, the team was a group of people that I had
11 interacted with in supervision who were around that day,
12 including Steve Manzari, Paul Whynott, and others, who
13 ended up helping us through that period.

14 Q. Now, the morning of September 17th, you did, in
15 fact, meet with Mr. Liddy at his offices, correct?

16 A. That's correct.

17 Q. And was Mr. Jester with you when you met with
18 Mr. Liddy at 70 Pine Street?

19 A. No, he was not.

20 Q. Who was with you when you met with Mr. Liddy, if
21 anyone?

22 A. I believe Steve Manzari was with me, one of the
23 team members from the New York Fed.

24 Q. Following that private meeting with Mr. Liddy,
25 there was then a meeting that you participated in that

1 included Mr. Liddy and AIG senior management, correct?

2 A. That's correct.

3 Q. And could you provide the Court with who those
4 senior management were, to the extent that you remember
5 today?

6 A. It was many of the people on the senior
7 management team, including the CFO, the chief risk
8 officer, the general counsel, and a -- others whose --
9 whose names I don't remember.

10 Q. And at that meeting Mr. Liddy was introduced to
11 the group. Is that correct?

12 A. I don't remember that he didn't -- that he may
13 have introduced himself.

14 Q. And how did he describe himself at the beginning
15 of that meeting?

16 A. I don't recall.

17 Q. Mr. Liddy was clearly the one in charge at that
18 meeting, correct?

19 A. Ed did run the meeting.

20 Q. And not only did he run the meeting, but he was
21 clearly the one in charge, correct?

22 A. He -- he ran the meeting, yes.

23 Q. And by "run the meeting," do you mean that he
24 was clearly the one in charge?

25 A. He was leading the meeting, yes.

1 Q. Let me ask you to look at page 37 of your
2 deposition, particularly lines 4 through 6.

3 A. Um-hum.

4 Q. And there your testimony was:

5 "QUESTION: Did Mr. Liddy chair the meeting?"

6 And the meeting that we're talking about is the
7 meeting that we have just been describing the morning of
8 September 17th with AIG senior management, correct?

9 A. Correct.

10 Q. "QUESTION: Did Mr. Liddy chair the meeting?
11 You said you went into a meeting.

12 "ANSWER: He was clearly the one in charge..."

13 Do you see that?

14 A. Yes, I do.

15 Q. And that was accurate testimony, correct?

16 A. Yes, it was.

17 MS. ACEVEDO: Your Honor, for the record, I'd
18 just like the complete answer to be read. There's no
19 period after "charge." There is further explanation
20 there.

21 MR. BOIES: I'll be happy to read it now. I was
22 coming exactly to that in my next question.

23 BY MR. BOIES:

24 Q. "ANSWER: He was clearly the one in charge, but
25 it wasn't a formal -- it was everybody's getting

1 together. The Fed is coming in and now we are going to
2 talk about what we are going to do."

3 Do you see that?

4 A. Yes, I do.

5 Q. And is it accurate to say that the substance of
6 what was conveyed at this meeting to the AIG senior
7 management is, as you describe it here, "The Fed is
8 coming in and now we are going to talk about what we are
9 going to do"?

10 A. I'm sorry. Was that a -- I was supposed to
11 answer a question? I'm sorry, I didn't hear it.

12 THE COURT: I think that was a question.

13 THE WITNESS: That is what it says, yes.

14 BY MR. BOIES:

15 Q. And --

16 A. I'm sorry.

17 Q. -- and that was accurate, correct?

18 A. That was -- that was what happened during the --
19 that meeting.

20 Q. Yes.

21 Now, the people at that meeting, the AIG senior
22 management were, as you have sometimes described them,
23 shell-shocked and at other times terrified, correct?

24 A. Correct.

25 Q. And following the meeting, you or people working

1 with you prepared talking points for Mr. Liddy. Is that
2 correct?

3 A. Are you describing the timing of preparing
4 talking points?

5 Q. That's a -- that's a good point. I think I
6 assumed something perhaps erroneously with respect to
7 the timing of the talking points.

8 You and people working with you on September
9 17th prepared talking points for Mr. Liddy, correct?

10 A. So, at Mr. Liddy's request on the night of the
11 16th, we prepared some bullet points that we thought he
12 should focus on in his initial interactions with the
13 company.

14 Q. Were those talking points prepared and given to
15 Mr. Liddy before the September 17th morning meeting with
16 AIG senior management?

17 A. Yes. We prepared them and gave them to him on
18 the morning of the 17th.

19 Q. Thank you. That's a helpful clarification.

20 So, these talking points were designed to be
21 talking points that Mr. Liddy would use at that senior
22 management meeting?

23 A. I believe that's what he was intending to do.

24 Q. Let me ask you to look at Plaintiffs' Trial
25 Exhibit 112, which is in your binder and which I would

Starr International Company, Inc. v. USA

1 offer.

2 MS. ACEVEDO: We have no objection, Your Honor.

3 THE COURT: Plaintiffs' Trial Exhibit 112 is
4 admitted.

5 (Plaintiffs' Exhibit Number 112 was admitted
6 into evidence.)

7 BY MR. BOIES:

8 Q. Are these the talking points that you and others
9 working with you prepared for Mr. Liddy at his request
10 for his use at the September 17th morning meeting with
11 AIG senior management?

12 A. This looks like the final talking points.

13 Q. With respect to the work that you were doing
14 with respect to what you described as the AIG monitoring
15 team, you identified various outside consultants
16 yesterday. In addition to the consultants that we
17 identified yesterday that included Morgan Stanley, Ernst
18 & Young, and Davis Polk, was there also a firm, Houlihan
19 Lokey, that assisted you?

20 A. Yes, Houlihan Lokey was brought in when we were
21 doing AIA and ALICO.

22 Q. When was that?

23 A. When we were entering into the March
24 restructuring, March 2009.

25 Q. March 2009.

1 And I've also seen a reference to a Jim
2 McNaughton. Is he somebody that was brought in to
3 provide the Federal Reserve with advice on what was
4 happening with ALICO and AIA?

5 A. Yes, he was.

6 Q. And what was his background?

7 A. He was -- had an investment banking background
8 and experience in M&A.

9 Q. And did there come a time when you also retained
10 BlackRock as a consultant to help you in connection with
11 your AIG monitoring work?

12 A. So, BlackRock helped us with the Maiden Lane II
13 and Maiden Lane III, so they helped run those.

14 Q. Now, you have described at least Ernst & Young
15 as providing what you described as "boots on the ground
16 project management." Do you recall that?

17 A. Yes, I do.

18 Q. And what did you mean by Ernst & Young providing
19 "boots on the ground project management"?

20 A. So, the work that we had to undertake at AIG
21 over the -- certainly at the beginning and then over the
22 course of the time that the loan was outstanding was
23 very complicated. There were many different moving
24 parts, and we needed additional assistance that we
25 didn't have to help manage the various different

1 elements of the -- of the work we did with AIG.

2 Q. Now, with respect to at least Ernst & Young and
3 BlackRock, and perhaps some of the others, there were
4 conflicts that had to be resolved, correct?

5 A. Correct.

6 Q. Let me ask you to look at Plaintiffs' Trial
7 Exhibit 1609, which is in your book and which I would
8 offer.

9 MS. ACEVEDO: We have no objection, Your Honor.

10 THE COURT: Plaintiffs' Trial Exhibit 1609 is
11 admitted.

12 (Plaintiffs' Exhibit Number 1609 was admitted
13 into evidence.)

14 BY MR. BOIES:

15 Q. This is an email at the top from you, on
16 September 19, 2008, at 20:41 Eastern Daylight Time, and
17 this is to Stasia Kelly, who was then the general
18 counsel of AIG, correct?

19 A. Correct.

20 Q. And you say, "Stasia -- just wanted to confirm
21 with you that we have hired E&Y...we talked with Ed this
22 evening on the conflict resolution issues...E&Y proposed
23 something that we are comfortable with...he indicated
24 that as long as you were comfortable, he was fine."

25 Do you see that?

1 A. Yes.

2 Q. And then you say, "In this regard, our E&Y team
3 is starting its work ASAP and may be making requests for
4 information to the firm.

5 "Let me know if you have questions."

6 Do you see that?

7 A. Yes, I do.

8 Q. And did Ms. Kelly have any questions?

9 A. I don't recall on this specific issue.

10 Q. And the "Ed" that's referred to there is Ed
11 Liddy, correct?

12 A. Yes, it is.

13 Q. Let me ask you to next look at PTX 301, which
14 is, again, in your binder and which I would offer.

15 MS. ACEVEDO: We have no objection, Your Honor.

16 THE COURT: Plaintiffs' Trial Exhibit 301 is
17 admitted.

18 (Plaintiffs' Exhibit Number 301 was admitted
19 into evidence.)

20 BY MR. BOIES:

21 Q. This document contains a draft letter to be sent
22 by BlackRock to you and to Mr. Liddy, correct?

23 A. Yes.

24 Q. And this was a letter that was prepared or this
25 is a draft letter that was prepared by Brett Phillips,

1 who was a lawyer at the Federal Reserve Bank of New
2 York, correct?

3 A. That's correct.

4 Q. Was this a draft that Mr. Phillips consulted AIG
5 in connection with its preparation?

6 A. The question is whether Brett consulted AIG in
7 preparation of this letter?

8 Q. Yes.

9 A. I -- I don't -- I don't know.

10 Q. Nobody from AIG is on the email chain that
11 relates to this document, correct?

12 A. It doesn't look like it, no.

13 Q. Let me ask you to look next at Plaintiffs' Trial
14 Exhibit 155, which is in your binder and which I would
15 offer.

16 MS. ACEVEDO: We have no objection, Your Honor.

17 THE COURT: Plaintiffs' Trial Exhibit 155 is
18 admitted.

19 (Plaintiffs' Exhibit Number 155 was admitted
20 into evidence.)

21 BY MR. BOIES:

22 Q. And this is an email from you, September 19th,
23 2008, at 7:29 Eastern Daylight Time, that you sent to a
24 number of people at the Federal Reserve. Is that
25 correct?

1 A. Yes, it is.

2 Q. And this has to do with an 8-K filing that AIG
3 had made on September 18th, correct?

4 A. That's correct.

5 Q. And this was an email that was talking about the
6 fact that this 8-K was going to be corrected. Is that
7 true?

8 A. This is referring to the 8-K that was incorrect,
9 yes.

10 Q. And that you had told AIG had to be "corrected."
11 Is that true?

12 A. Yes. We did tell them that their record needed
13 to be straight.

14 Q. And let me direct your attention to the last
15 sentence in the first paragraph, where you say, "We
16 agreed going forward that all securities filings, press
17 releases, and any other significant releases or
18 communications would be run past our lawyers (Davis
19 Polk) in advance of anything being issued."

20 Do you see that?

21 A. Yes, I do.

22 Q. And when you say "we agreed," you're referring
23 to an agreement between you and Stasia Kelly as general
24 counsel of AIG, correct?

25 A. That's correct.

1 Q. I'm going to ask you to look at a series of
2 documents, all of which relate to the interactions
3 between your group and the AIG people, and in that
4 connection, I'm going to ask you to look at Plaintiffs'
5 Trial Exhibit 243, which I would offer.

6 MS. ACEVEDO: We have no objection, Your Honor.

7 THE COURT: Plaintiffs' Trial Exhibit 243 is
8 admitted.

9 (Plaintiffs' Exhibit Number 243 was admitted
10 into evidence.)

11 BY MR. BOIES:

12 Q. This is an email to you from Dan Jester on
13 September 24th, 2008, where he says, "I spoke with Liddy
14 and asked him for a series of meetings on Friday." And
15 he lists three subjects. One is liquidity, two is sec
16 lending, and three is asset disposition program.

17 Do you see that?

18 A. Yes, I do.

19 Q. What was Mr. Jester's role in working with you
20 in terms of the AIG monitoring?

21 A. Dan was our initial contact at Treasury as it
22 related to the work we were doing over at AIG.

23 Q. And did he participate with you in meetings at
24 AIG?

25 A. I don't recall Dan participating in a meeting

1 over at AIG with me.

2 Q. Did you participate with Mr. Jester in the
3 series of meetings on Friday that he set up with
4 Mr. Liddy, for Friday the week of September 22nd?

5 A. I don't recall.

6 Q. The week of September 22nd was the first week
7 after the execution of the credit agreement, correct?

8 A. Correct.

9 Q. Let me ask you to look at Plaintiffs' Trial
10 Exhibit 293, which I would offer. It's already
11 admitted, I'm told.

12 This is an email that attaches a presentation,
13 and it's headed, "Financial Summary for the Federal
14 Reserve Bank of New York." Do you see that?

15 A. Um-hum. Yes, I do.

16 Q. And it indicates that you prepared -- and
17 perhaps were going to present -- the section related to
18 AIG. Do you see that?

19 A. Yes, I do.

20 Q. And did you, in fact, prepare the section
21 relating to the AIG update?

22 A. Yes, I did.

23 Q. And that begins on page 13 of this exhibit. Is
24 that correct?

25 A. Yes, it does.

1 Q. And it continues through page 21, correct?

2 A. Yes, it does.

3 Q. And on page 19, under the heading that says
4 "FRBNY Status (2)" at the top, it says, "Hands-on
5 interaction." Do you see that?

6 A. Yes, I do.

7 Q. And the hands-on interaction was interaction
8 between your Federal Reserve group and AIG, correct?

9 A. That's correct.

10 Q. And it provides examples of ongoing daily
11 meetings with key corporate managers, continued on-site
12 presence at Financial Products, and multiple daily
13 interactions with CEO, correct?

14 A. Yes.

15 Q. And the CEO there is Mr. Liddy, correct?

16 A. Yes, it is.

17 Q. Now, let me ask you to look next at Plaintiffs'
18 Exhibit 612, which I would offer.

19 MS. ACEVEDO: Your Honor, we have no problem
20 insofar as the document will reference comments by
21 Ms. Dahlgren; however, as you can see from the cover,
22 again, this is not sworn testimony. These are
23 somebody's notes that were taken at a meeting many years
24 ago, which included, it appears from the cover, more
25 than a dozen participants, many of which were not from

1 the New York Fed. And so we would object to testimony
2 or other citation to the comments by those individuals.

3 MR. BOIES: My document, I believe, Your Honor,
4 indicates that the participants in this were
5 representatives of the Federal Reserve Bank of New York
6 and representatives of the GAO.

7 THE COURT: That's what it looks like. Isn't
8 this all either Federal Reserve Bank or GAO
9 representatives?

10 MS. ACEVEDO: I'm not able to speak to the
11 people that are identified under the GAO heading. There
12 are several acronyms there who I simply don't know --
13 you know, I don't know who these individuals are and I
14 don't know what their affiliation is, OGC, FMCI, ASM. I
15 don't know what that refers to and I don't know who
16 those people are.

17 MR. BOIES: Your Honor, I also believe it is the
18 case that none of the statements in this document, at
19 least none that I've been able to find leafing through
20 this quickly, are attributed to any of the GAO people.
21 This is either a GAO report or it is a summary of what
22 the FRBNY people said.

23 THE COURT: Yes.

24 MS. ACEVEDO: If I could clarify, Your Honor,
25 irrespective of whether the statements are attributed to

1 GAO or the New York Fed, we have no objection to
2 Ms. Dahlgren testifying to statements that are
3 identified as hers. But insofar as he's going to ask
4 her about statements other people made at the New York
5 Fed or other testimony given by other New York Fed
6 employees, many of those people he's had the opportunity
7 to speak with, including Mr. LaTorre, Your Honor, who
8 was here just last week, so -- and earlier this week.
9 So, we would object to any elicitation of testimony as
10 to those people.

11 THE COURT: Well, I'm going to admit the
12 document. So, Plaintiffs' Trial Exhibit 612 is
13 admitted.

14 MS. ACEVEDO: Thank you, Your Honor.

15 (Plaintiffs' Exhibit Number 612 was admitted
16 into evidence.)

17 BY MR. BOIES:

18 Q. Let me direct your attention to page 16. Before
19 I do that, you participated in a meeting on October
20 14th, 2010, with representatives of the GAO, correct?

21 A. It says I did, but I wasn't on the AIG team at
22 the time, so I don't -- I don't actually remember the
23 meeting.

24 Q. Do you recall that the Federal Reserve Bank of
25 New York had an opportunity to review this record of

1 interview before it was put in final form?

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

3 Q. Let me direct your attention to page 16, and in
4 view of counsel's statement, I want to go through and
5 ask you directly certain questions about what's here.

6 The first two sentences there say, "The Federal
7 Reserve Bank of New York holds regular and frequent
8 dialogue regarding the overall direction of AIG with
9 AIG's CEO, senior leaders and general counsel. They
10 discuss both high level and tactical issues at the
11 corporate level."

12 Is that an accurate statement of the work you
13 and your team were doing?

14 A. When I was on the team, yes.

15 Q. The next two sentences say, "Federal Reserve
16 Bank of New York meets frequently with the operating
17 companies to understand their business performances,
18 management problems, and staffing. There are recurring
19 meetings between FRBNY and AIG to cover the risky
20 categories."

21 Do you see that?

22 A. Yes, I do.

23 Q. And, again, during the period of time that you
24 were responsible for the Federal Reserve's AIG
25 monitoring team, was this an accurate description of

1 what was done?

2 A. Yes, it was -- is.

3 Q. The next sentence says, "Federal Reserve Bank of
4 New York sits in on the steering committee meetings to
5 discuss the details of unwinding AIG and its
6 subsidiaries. In addition, Federal Reserve Bank of New
7 York meets with individual AIG operations on-site."

8 Do you see that?

9 A. I do.

10 Q. And, again, during the time that you were
11 responsible for the monitoring team, was that an
12 accurate statement?

13 A. The sentence that says "FRBNY sits in on the
14 steering committee meetings," the only steering
15 committee meetings I was aware of that we were sitting
16 in on were the FP steering committee meetings to discuss
17 the details of unwinding AIGFP. That was -- that's the
18 only clarification that I would make to that sentence.

19 Q. Were there any steering committees other than
20 the FP steering committee that you were aware of?

21 A. Not a standing committee that I was aware of.

22 Q. The next two sentences, it says, "Federal
23 Reserve Bank of New York directly participates in asset
24 dispositions. For example, the Federal Reserve Bank was
25 involved in meetings regarding AIA and ALICO. FRBNY

1 staff went to analyst meetings in Asia and held regular
2 contact with negotiators on AIA and ALICO. Drafts of
3 the purchase and sales agreements were provided to
4 lawyers as they were generated. FRBNY therefore
5 understood the implications of the dispositions as a
6 creditor and had the insights and information necessary
7 to meet the Bank's obligations under the credit
8 agreement. FRBNY knew about the status of the
9 operations and the responsibilities in guarding its
10 creditor position."

11 Do you see that?

12 A. Yes, I do.

13 Q. And was that, during the time that you were
14 responsible, an accurate description of what was done by
15 the FRBNY monitoring team?

16 A. Yes, it was.

17 Q. The next sentence says, "Under the credit
18 agreement and the associated negative covenants, Federal
19 Reserve Bank of New York has to authorize many of AIG's
20 activities, such as capital injections, asset sales,
21 infrastructure upgrades, and other expenditures."

22 Do you see that?

23 A. Yes, I do.

24 Q. And during the time that you were responsible
25 for the bank's AIG monitoring team, was that an accurate

1 description?

2 A. Yes, it is.

3 Q. Let me ask you to look next at Plaintiffs' Trial
4 Exhibit 304, which I would offer.

5 MS. ACEVEDO: We have no objection, Your Honor.

6 THE COURT: All right. Plaintiffs' Trial
7 Exhibit 304 is admitted.

8 (Plaintiffs' Exhibit Number 304 was admitted
9 into evidence.)

10 BY MR. BOIES:

11 Q. And am I correct that this is an example of one
12 of the filings that AIG was required to make with the
13 Federal Reserve Bank of New York under the revolving
14 credit agreement?

15 A. That is what -- that's what this looks like,
16 yes.

17 Q. And you received this on or about October 17th,
18 2008, correct?

19 A. Correct.

20 Q. Were you responsible at all for evaluating or
21 valuing any of the collateral that AIG had provided to
22 the Federal Reserve Bank pursuant to the credit
23 agreement?

24 A. So, there were a series of activities done early
25 on, and then, over that first weekend -- so the weekend

1 of the 21st, 22nd -- where E&Y produced a valuation of
2 the company that we used for those purposes going
3 forward.

4 Q. And you were involved in that over the weekend
5 of September 21 and 22?

6 A. Yes, that weekend.

7 Q. After that weekend, were you aware that Ernst &
8 Young and Morgan Stanley continued to provide updated
9 valuations of collateral that AIG had pledged in support
10 of the loan from the Federal Reserve Bank?

11 A. We continued to get updated information from our
12 advisors on the condition of the company, which would
13 have included their assessment of the value of the
14 company.

15 Q. And that was updates that would have been
16 provided by -- you say your advisors. Would that have
17 included Ernst & Young and Morgan Stanley?

18 A. Yes, it would have.

19 Q. Now, let me ask you to look next at Plaintiffs'
20 Trial Exhibit 305, which I would enter -- offer.

21 MS. ACEVEDO: Your Honor, we are going to object
22 on foundation and hearsay grounds to this document. It
23 does not appear to have an identification as to the
24 source. It simply says "Privileged and Confidential" in
25 the header, and it's a memo to file, and there's nothing

1 on the document which appears to tie it to Ms. Dahlgren.

2 THE COURT: The Bates number in the lower
3 right-hand corner does say "Federal Reserve Bank of New
4 York-Starr." Would that indicate where it came from?

5 MR. BOIES: Yes, Your Honor.

6 MS. ACEVEDO: It indicates that it was produced
7 by the Federal Reserve Bank of New York. It doesn't
8 indicate that it's one of their documents.

9 THE COURT: That it came from their files? Came
10 from the Federal Reserve Bank of New York files?

11 MS. ACEVEDO: It would have been produced in the
12 litigation in connection with this matter.

13 THE COURT: All right. It concerns AIG?

14 MS. ACEVEDO: It does concern AIG.

15 THE COURT: All right. The objection's
16 overruled. Plaintiffs' Trial Exhibit 305 is admitted.

17 (Plaintiffs' Exhibit Number 305 was admitted
18 into evidence.)

19 BY MR. BOIES:

20 Q. Did you ever see this exhibit in connection with
21 your work as part of the monitoring team?

22 A. I don't remember.

23 Q. Did you receive periodic reports on the
24 identification of real property owned by AIG pursuant to
25 Section 5.10(b) of the credit agreement?

1 A. I would imagine that we did.

2 Q. Let me ask you to look next at Plaintiffs' Trial
3 Exhibit 412, which I would offer.

4 MS. ACEVEDO: We have no objection, Your Honor.

5 THE COURT: Plaintiffs' Trial Exhibit 412 is
6 admitted.

7 (Plaintiffs' Exhibit Number 412 was admitted
8 into evidence.)

9 BY MR. BOIES:

10 Q. Plaintiffs' Trial Exhibit 412 sets forth the
11 Federal Reserve Bank of New York and AIG credit
12 agreement consent procedures, correct?

13 A. Yes, it does.

14 Q. And pursuant to the credit agreement, there had
15 to be a series of consents that would be requested by
16 AIG, and if the Federal Reserve Bank of New York decided
17 to do so, consented to by the Federal Reserve, correct?

18 A. That's correct.

19 Q. Let me ask you to look at Plaintiffs' Trial
20 Exhibits 573 and 574, which are not in your binder and
21 which I will hand you.

22 MS. ACEVEDO: We have no objection, Your Honor.

23 THE COURT: Well, we have just -- I don't have
24 the other document yet.

25 MS. ACEVEDO: I'm sorry.

1 MR. BOIES: And I would now offer Plaintiffs'
2 Trial Exhibit 573 and Plaintiffs' Trial Exhibit 574.

3 MS. ACEVEDO: We have no objection, Your Honor.

4 THE COURT: All right. Plaintiffs' Trial
5 Exhibits 573 and 574 are admitted.

6 (Plaintiffs' Exhibit Number 573 was admitted
7 into evidence.)

8 (Plaintiffs' Exhibit Number 574 was admitted
9 into evidence.)

10 BY MR. BOIES:

11 Q. Let me go first to Plaintiffs' Trial Exhibit
12 573, and can you identify what this document is?

13 A. It looks like a listing of letter agreements
14 under the credit agreement.

15 Q. And these would be letter agreements between AIG
16 and the Federal Reserve Bank of New York?

17 A. Yes, it would.

18 Q. And am I correct that in the column headed
19 "Notes," it indicates who signed the letter agreement on
20 behalf of the Federal Reserve Bank of New York?

21 A. That's what it looks like, yes.

22 Q. And then if you look at Plaintiffs' Trial
23 Exhibit 574 --

24 A. Yes.

25 Q. -- that relates to consent agreements that were

Starr International Company, Inc. v. USA

1 required under the credit agreement for AIG to obtain
2 from the Federal Reserve Bank of New York, correct?

3 A. That's correct.

4 Q. Did you have conversations with Mr. Liddy
5 concerning the compensation of various AIG executives?

6 A. There would have been a number of conversations
7 about compensation with Ed, yes.

8 Q. And in some of those conversations, did you
9 express to Mr. Liddy the Federal Reserve Bank's view as
10 to what should happen to the AIG executive compensation?

11 A. I don't recall all the specific conversations,
12 but I would have been expressing concerns about issues
13 with Ed.

14 Q. Was there ever a time when you expressed a
15 concern about an AIG executive's compensation that
16 Mr. Liddy did not deal with that concern consistent with
17 your request?

18 A. I had a number of conversations with Ed, and Ed
19 made decisions about what he needed to do, and, you
20 know, that was how the conversations generally went.

21 Q. My question was, after your conversations with
22 Mr. Liddy, did he ever decide that he was going to
23 ignore your concerns?

24 A. Ed generally took feedback and processed it in a
25 way that helped him make his decisions.

1 Q. Does that mean that he processed his decisions
2 or processed the feedback he received from you in a way
3 that was consistent with the concerns that you had
4 expressed?

5 A. His decisions often reflected the concerns that
6 we had expressed.

7 Q. Let me ask you to look at Plaintiffs' Trial
8 Exhibit 472, which is already in evidence, and this
9 document refers to a meeting that you and Mr. Baxter had
10 with Mr. Liddy concerning Mr. Benziger's compensation.
11 Do you see that?

12 A. Yes.

13 Q. And do you recall that meeting?

14 A. Not in specifics.

15 Q. Do you recall the substance of what you and
16 Mr. Baxter conveyed to Mr. Liddy concerning
17 Mr. Benziger's compensation?

18 A. I recall that there was a lot of turmoil around
19 the compensation that Steve was to receive after leaving
20 the company.

21 Q. And do you recall what you and Mr. Baxter
22 conveyed, in substance, to Mr. Liddy about
23 Mr. Benziger's compensation?

24 A. I think at the time we would have communicated a
25 level of disbelief that Steve would be getting the level

1 of compensation that he did based on the performance of
2 the company.

3 Q. And subsequent to your meeting, did Mr. Liddy
4 decide that Mr. Benziger was not going to get the
5 compensation that you were concerned with?

6 A. I believe that the outcome was some reduction in
7 his compensation. I don't recall the exact outcome.

8 Q. Okay. You worked -- in addition to working with
9 Mr. Liddy, you worked with Paula Reynolds, correct?

10 A. Yes, I did.

11 Q. And Paula Reynolds was AIG's chief restructuring
12 officer, right?

13 A. Yes, she was.

14 Q. That was a very important position, correct?

15 A. Yes, it was.

16 Q. And what responsibilities did Ms. Reynolds have
17 as AIG's chief restructuring officer?

18 A. The principal one was to help Ed and the company
19 to figure out how the company would be restructured
20 going forward.

21 Q. And Ms. Reynolds had originally been proposed
22 for the position of AIG's chief restructuring officer by
23 the Federal Reserve Bank's counsel, Davis Polk, correct?

24 A. The introduction was made, yes.

25 Q. Let me ask you to look at Plaintiffs' Trial

1 Exhibit 261, which I would offer.

2 MS. ACEVEDO: We have no objection, Your Honor.

3 THE COURT: Plaintiffs' Trial Exhibit 261 is
4 admitted.

5 (Plaintiffs' Exhibit Number 261 was admitted
6 into evidence.)

7 BY MR. BOIES:

8 Q. This is an email from Marshall Huebner, who's a
9 partner at Davis Polk, on September 29, 2008, at 12:36
10 Eastern Daylight Time, to you and Mr. Baxter, Dan
11 Jester, and Ken Wilson, correct?

12 A. Yes, it is.

13 Q. And Mr. Huebner begins by saying, "Update:
14 Paula (described below and cv attached) is potentially
15 (and confidentially) interested in a CRO/CFO role."

16 Do you see that?

17 A. Yes, I do.

18 Q. And "CRO" stands for chief restructuring
19 officer, correct?

20 A. In this context I believe it does, yes.

21 Q. And "CFO" stands for chief financial officer?

22 A. Yes.

23 Q. And Mr. Huebner continues: "We should discuss.
24 She 'totally gets it' and might well be in a great
25 position to have inside (if not on the board)." Do you

1 see that?

2 A. Yes, I do.

3 Q. Did you ever have any discussions with
4 Mr. Huebner about Paula Reynolds?

5 A. Yes, I did.

6 Q. And when did those discussions take place?

7 A. It would have been roughly around this time.

8 Q. It was before Ms. Reynolds was presented as a
9 candidate for the CRO position to AIG. Is that correct?

10 A. Before she was introduced to Ed, yes.

11 Q. And the first person she was introduced to at
12 AIG was Mr. Liddy, correct?

13 A. I believe so, but I am not 100 percent certain.

14 Q. Now, after Ms. Reynolds came to work at AIG, you
15 met with her multiple times a day, correct?

16 A. Initially, yes.

17 Q. And that was because she was one of Mr. Liddy's
18 chief lieutenants, correct?

19 A. That's correct.

20 Q. And she ran a good chunk of the company and was
21 responsible for the disposition of assets for the
22 restructuring of the company, correct?

23 A. That's correct.

24 Q. And you and Ms. Reynolds discussed the issues at
25 the company that needed to be addressed, how the

1 disposition process was going, what were the plans, what
2 would the company look like at the end, how did they
3 think they would get there, where would the company be
4 in the future, correct?

5 A. That's correct.

6 Q. Let me ask you to look at Defendant's Exhibit
7 472, which is in your binder at the back. This is a --
8 or the first page is an email from Michael Silva to you,
9 with copies to other Federal Reserve personnel, dated
10 September 17th, 2008, at 18:22 Eastern Daylight Time,
11 correct?

12 A. Yes, it is.

13 MR. BOIES: Your Honor, I would offer the first
14 page of Defendant's Exhibit 472.

15 MS. ACEVEDO: Your Honor, we would object to
16 offering selective sections of the document into
17 evidence. We think the document should come in as a
18 whole or not at all. And we believe -- it is obviously
19 one of our exhibits. We do believe it should be
20 admitted into evidence.

21 THE COURT: Mr. Boies?

22 MR. BOIES: The first page is an authentic
23 document that the witness can identify. The pages that
24 follow here are very heavily redacted, so heavily
25 redacted that I think it's really difficult to

1 impossible to figure out what they relate to.

2 MS. ACEVEDO: Well, I don't think it's that
3 impossible, because it does say "Attorney-Client
4 Communication," and Azish Filabi, Attorney, Legal
5 Department, is identified as the author, and I do think
6 it's an appropriate redaction.

7 THE COURT: I'm not seeing the redactions right
8 off. Where -- are you --

9 MS. ACEVEDO: On the second to third pages of
10 the exhibit, and the counsel who is speaking there is
11 identified.

12 MR. BOIES: This is Defendant's Exhibit 472.

13 THE COURT: Well, let's see. Oh, wait a minute,
14 I'm in the wrong document. Let me get to the right one.
15 Oh, yes, I -- I'm sorry, I see the redactions.

16 MR. BOIES: Your Honor, if the Court thinks it's
17 more appropriate, I would be prepared to have the other
18 pages come in. I just don't think it's appropriate in
19 the record to have these very heavily redacted pages
20 that people can't figure out, and we know what the first
21 page is and it is a stand-alone document.

22 THE COURT: I'm going to admit the first page of
23 Defendant's Exhibit 472, and if Defendant wants to
24 pursue the remainder of the document, they can do so at
25 an appropriate time.

1 MS. ACEVEDO: Your Honor, can I have
2 clarification as to your ruling with respect to the
3 redactions? Is it your -- I asked this yesterday, and I
4 am going to ask again. Is it your position that if the
5 Government wants to have an exhibit admitted and it is
6 redacted, that the Government may not have that exhibit
7 admitted irrespective of whether it is a legitimate
8 redaction for attorney-client privilege?

9 THE COURT: Well, I think I gave you an
10 explanation yesterday. Did you not understand it?

11 MS. ACEVEDO: I did, but I would like
12 clarification as to when we can get documents in that
13 have -- if at all, if ever, that have redactions.

14 THE COURT: Well, as I said yesterday, that -- I
15 don't have a general rule about this, but I think that
16 redactions are a problem when the Government chooses to
17 offer a document that is heavily redacted and then use
18 it as part of its defense or trial position in the case.

19 MS. ACEVEDO: Thank you, Your Honor.

20 THE COURT: Yes. You have to decide whether you
21 want the whole document or none of it. I think that's
22 where you are.

23 MS. ACEVEDO: Thank you.

24 (Defendant's Exhibit Number 472, page 1 was
25 admitted into evidence.)

1 BY MR. BOIES:

2 Q. Would you look at the first line of text in the
3 first page of Defendant's Exhibit 472. This is an email
4 from you. Is that correct?

5 A. Yes, it is.

6 Q. And you say, "After you and I talked, we are
7 going to have a direct conversation with NYSID" -- and
8 that refers to the New York State Insurance Department,
9 correct?

10 A. Yes, it does.

11 Q. And you say, "(since the discussion so far have
12 been only with their outside counsel)." Do you see
13 that?

14 A. Yes, I do.

15 Q. And the outside counsel you're referring to is
16 the outside counsel for the New York State Insurance
17 Department, correct?

18 A. Yes, it is.

19 Q. And did you, in fact, on or shortly after
20 September 17th, 2008, have direct conversations with the
21 New York State Insurance Department?

22 A. Yes, we did.

23 Q. And did that include conversations with Mr. Eric
24 Dinallo, the Insurance Commissioner for New York?

25 A. Yes, it did.

1 Q. And prior to this email on September 17th at
2 2:41 p.m., there had been discussions that the Federal
3 Reserve Bank of New York had had with outside counsel
4 for the New York State Insurance Department, correct?

5 A. That's what it says here, yes.

6 Q. And were you aware of those discussions at the
7 time?

8 A. I don't recall, no.

9 Q. Do you recall what the New York State Insurance
10 Department told you about AIG's insurance subsidiaries?

11 MS. ACEVEDO: Your Honor, we are going to object
12 here on the grounds of hearsay. What the Department
13 told her is obviously an out-of-court statement that's
14 being offered for the -- its truth.

15 THE COURT: I think it is, Mr. Boies. Do you
16 have a response?

17 MR. BOIES: I think the objection is -- is well
18 taken, Your Honor. There have been a lot of
19 conversations in which the Government has asked for what
20 they were told, but I was asleep at the switch and
21 didn't object. But I do think, if they are going to
22 object, the objection is probably well taken.

23 THE COURT: I mean, you are perfectly right,
24 there have been a fair number of hearsay statements that
25 came in without objection, but I think when we do have a

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1 valid objection -- I mean, in the past, these things
2 have not been objected to, so I've let them come in.
3 But I think on this one, I will sustain the objection.

4 MS. ACEVEDO: Thank you, Your Honor.

5 BY MR. BOIES:

6 Q. Let me ask you to look next at Plaintiffs' Trial
7 Exhibit 270, which is already in evidence. And as a
8 preliminary matter, am I correct that you and others on
9 your monitoring team met directly with rating agencies
10 about AIG?

11 A. When we met in person, it was together with the
12 company.

13 Q. Let me break that down.

14 You had in-person meetings with representatives
15 of rating agencies about AIG that included a
16 representative from AIG, correct?

17 A. That's correct.

18 Q. You also had telephone conversations with
19 representatives of the rating agencies about AIG that
20 did not include AIG representatives, correct?

21 A. I had an initial conversation with each of the
22 agencies that did not include AIG on the phone with me.

23 Q. And the email from you that begins on the second
24 page of Plaintiffs' Trial Exhibit 270 is a record that
25 you made of telephone calls that you made to rating

1 agencies, correct?

2 A. That's correct.

3 Q. And these were calls that you made on October 1,
4 2008, correct?

5 A. That's correct.

6 Q. And these were calls that you made without AIG's
7 participation, correct?

8 A. That's correct.

9 Q. And if you look at the last four lines on the
10 second page of Plaintiffs' Trial Exhibit 270, you say
11 that the Standard & Poor's managing director that you
12 were talking to indicated that S&P doesn't normally talk
13 with governmental agencies about ratings decisions, and
14 then you say, "and I politely reminded her that I was
15 calling as the largest creditor and 80% equity holder of
16 the company...she responded positively to that."

17 Do you see that?

18 A. Yes, I do.

19 Q. And does that accurately describe what you told
20 Standard & Poor's managing director on this call?

21 A. Yes. I was trying to get her attention.

22 Q. And you succeeded, correct?

23 A. I did.

24 Q. And if you go over to page 3, the paragraph with
25 respect to A.M. Best, do you see about five lines down

1 where you write that A.M. Best "asked that AIG provide
2 in writing to them 'permission' to talk with us...I said
3 I would have AIG do that..."?

4 Do you see that?

5 A. Yes, I do.

6 Q. And was that an accurate description of what you
7 told A.M. Best?

8 A. Yes, it is.

9 Q. And did you, in fact, have AIG provide in
10 writing permission for A.M. Best to talk to you?

11 A. I would have gone back to AIG, but it wasn't
12 actually necessary going forward since we never had
13 conversations without the company. I don't know whether
14 AIG responded or not.

15 Q. Let me ask you to look next to Plaintiffs' Trial
16 Exhibit 274, which I would offer.

17 MS. ACEVEDO: We have no objection, Your Honor.

18 THE COURT: Plaintiffs' Trial Exhibit 274 is
19 admitted.

20 (Plaintiffs' Exhibit Number 274 was admitted
21 into evidence.)

22 BY MR. BOIES:

23 Q. This is an email from you on October 2, 2008,
24 the next day from the email we were looking at before,
25 correct?

1 A. Yes, it is.

2 Q. And it says, "Follow up call from S&P." Do you
3 see that?

4 A. Yes, I do.

5 Q. And you spoke again to the same S&P managing
6 director you had spoken to on October 1, Grace Osborne,
7 correct?

8 A. Yes.

9 Q. And you also spoke with Jay True on October 2nd,
10 correct?

11 A. That's what it says, yes.

12 Q. And you say that they had two clarifying
13 questions. Do you see that?

14 A. Yes, I do.

15 Q. And the first one was (as read): "Over the
16 course of the next two weeks, were you or your team
17 speaking with the 'authorization' of the appropriate
18 persons in Treasury and Federal Reserve Bank of New York
19 to describe what you are planning and will be putting in
20 place with AIG?"

21 Do you see that?

22 A. Yes, I do.

23 Q. And that was a question that they asked you on
24 October 2?

25 A. That's what it says here, yes.

1 Q. And is what is said here accurate?

2 A. The explanation?

3 Q. First, is it accurate to say that they asked you
4 that question?

5 A. I -- I imagine, yes. I don't actually remember
6 the phone call, but yes, if I'm recounting it, then I
7 was recounting what I remembered, yes.

8 Q. And would it also be the case that while you
9 don't remember the phone call, you believe that the
10 explanation that follows the question here in your email
11 also would have been what you told them?

12 A. Yes.

13 Q. And is it your testimony that AIG personnel were
14 on this call with Grace Osborne and Jay True?

15 A. It does not look like AIG personnel were on this
16 phone call, no.

17 THE COURT: Mr. Boies, may I ask a question of
18 the witness?

19 MR. BOIES: Yes, please.

20 THE COURT: We may have had something on this
21 before, but I notice your email refers to Dan Jester as
22 contractor, in parentheses?

23 THE WITNESS: Yes.

24 THE COURT: What does that mean?

25 THE WITNESS: I believe that Dan was a

1 contractor to Treasury or had some sort of employment
2 arrangement but may not have been an employee. But I
3 don't know. I'd be -- I'm kind of remembering things
4 about Dan, but it -- that's about the limit of my
5 knowledge.

6 THE COURT: So, you think he may not have been a
7 Treasury Department employee?

8 THE WITNESS: I don't know, and seeing
9 "contractor" there, his emails came back and forth to me
10 with the Treasury ending, not with contractor.

11 THE COURT: Yes, okay. Thank you.

12 BY MR. BOIES:

13 Q. Mr. Jester is someone who had previously been at
14 Goldman Sachs, correct?

15 A. That is my understanding.

16 Q. And did you understand that Mr. Jester continued
17 to hold a substantial amount of Goldman Sachs stock
18 while he was participating with you in this work
19 monitoring AIG?

20 A. I was unaware.

21 Q. You were unaware of that?

22 A. Correct.

23 Q. Did you ever make any inquiry as to what
24 Mr. Jester's qualifications or possible conflicts were
25 in connection with working with you in monitoring AIG?

1 A. At some point in time there were internal
2 discussions at the New York Fed where I was seeking
3 clarification on Dan's role.

4 Q. And who participated in those internal
5 discussions?

6 A. It was a pretty large group of us at the -- at
7 the time.

8 Q. Did that include Mr. Geithner and Mr. Baxter?

9 A. It may have, yes.

10 Q. And when were these discussions?

11 A. Within the first month or so of September 16th.

12 Q. That is, either in late September or sometime in
13 October of 2008?

14 A. Yes.

15 Q. And did there come a time when it was concluded
16 that it was not appropriate to have Mr. Jester continue
17 to play the role that he initially was playing with you
18 in monitoring AIG?

19 A. At some point in time all contact was cut off,
20 and I was told that he was no longer our contact point.

21 Q. And as you understood at the time, was the
22 reason that all contact was cut off with Mr. Jester is
23 that it had been concluded that it was not appropriate
24 for Mr. Jester to continue to play the role that he had
25 been playing with respect to AIG?

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1 A. I'm not certain what I knew at the time.

2 Q. Did you later find that out?

3 A. I later found out that there was some conflict
4 that was not desired, and that's why all contact was cut
5 off between -- between my team and Dan.

6 Q. Did you understand what that conflict was?

7 A. I don't know what I understood at the time, no.

8 Q. At the time, did you understand that Mr. Jester
9 was a special advisor to Secretary Paulson?

10 A. I understood that he was working at the
11 Treasury, and he and the Treasury Secretary had had
12 prior working interactions.

13 Q. And those prior working interactions were when
14 both of them were at Goldman Sachs. Is that correct?

15 A. I believe that -- I believe that's the case.

16 Q. Now, in addition to some of the things that
17 we've been covering, am I correct that one of the things
18 that you did in connection with your role at AIG was to
19 work on recruiting new AIG directors?

20 A. I was asked by Ed at one point to speak to a
21 prospective director, Doug Steenland, in order to try to
22 convince him to join the board. So, in that respect, I
23 was -- I did interact with a director before he joined.

24 Q. Your interaction with Mr. Steenland was not the
25 only role that you played with respect to replacing the

1 board of directors, correct?

2 A. There were earlier discussions about additional
3 board members that Ed may need given some of the
4 resignations that came early from the board.

5 Q. Now, those resignations that came early from the
6 board, those were resignations that the Federal Reserve
7 Board had requested, correct?

8 A. I don't believe so, but I don't know.

9 Q. Let me ask you to look at Plaintiffs' Trial
10 Exhibit 428, which I would offer.

11 MS. ACEVEDO: Your Honor, we have no objection.

12 THE COURT: Plaintiffs' Trial Exhibit 428 is
13 admitted.

14 (Plaintiffs' Exhibit Number 428 was admitted
15 into evidence.)

16 BY MR. BOIES:

17 Q. This is an email dated February 21, 2009, from
18 Michael Hsu. Do you see that?

19 A. Mike Hsu, yes, I do.

20 Q. And who is Mike Hsu?

21 A. Mike Hsu at that time was working for Treasury.

22 Q. And who are the addressees on this?

23 A. So, Matt Kabaker, Jim Lambright, and Neel
24 Kashkari are all Treasury employees.

25 Q. And the first line of this says, "The other

1 thing that Sarah brought up was that the Governors
2 wanted the Federal Reserve Bank of New York to have
3 people lined up to replace the board of directors and
4 assign a successor to Liddy by March 2."

5 Do you see that?

6 A. Yes, I do.

7 Q. And did you tell that to representatives of the
8 Treasury Department on or about February 21, 2009?

9 A. Following on discussions that we had about the
10 upcoming restructuring, I would have communicated the
11 feedback that I had received from the Governors, and
12 that is what I'm doing here.

13 Q. Let me ask you next to look at Plaintiffs' Trial
14 Exhibit 2077, which I would offer.

15 MS. ACEVEDO: We have no objection, Your Honor.

16 THE COURT: All right. Plaintiffs' Trial
17 Exhibit 2077 is admitted.

18 (Plaintiffs' Exhibit Number 2077 was admitted
19 into evidence.)

20 BY MR. BOIES:

21 Q. Let me ask you to look at the next-to-last
22 paragraph, the paragraph that begins, "Importantly..."
23 Do you see that?

24 A. Yes, I do.

25 Q. And this is an email from you, on April 3, 2009,

1 on the subject of "Discussion with Ed Liddy," correct?

2 A. Yes, it is.

3 Q. And you were reporting that discussion to
4 Mr. Dudley and Mr. Baxter and a variety of other people,
5 correct?

6 A. Yes.

7 Q. And do you see where you say, "Ed," referring to
8 Mr. Liddy, "then asked me if we (the Federal Reserve
9 Bank of New York) were recruiting directors for the AIG
10 board."

11 Do you see that?

12 A. Yes, I do.

13 Q. And you then say, "I told him that we (the
14 Federal Reserve Bank of New York) weren't doing that,
15 but that as part of the 'restart' plan, the United
16 States Treasury would be recruiting two very high
17 profile directors."

18 Do you see that?

19 A. Yes, I do.

20 Q. You also say that Mr. Liddy indicated that he
21 had received several calls from individuals that had
22 been asked to serve on the AIG board of directors. Do
23 you see that?

24 A. Yes, I do.

25 Q. And you say that Mr. Liddy did not sound

1 pleased. Do you see that?

2 A. Yes, I do.

3 Q. And that was an accurate description of that
4 part of your discussion with Mr. Liddy, correct?

5 A. I imagine it was, yes.

6 THE COURT: Why don't we take a break at this
7 point.

8 MR. BOIES: Yes, Your Honor.

9 THE COURT: We will reconvene at 11:15.

10 (Court in recess.)

11 THE COURT: Thank you very much. Please be
12 seated.

13 Mr. Boies, go ahead.

14 MR. BOIES: Thank you, Your Honor.

15 BY MR. BOIES:

16 Q. In addition to having conversations with Doug
17 Steenland, did you have conversations with Mr. Harvey
18 Golub?

19 A. Yes. Bill Dudley and I had conversations with
20 Harvey Golub to try to persuade him to become the chair.

21 Q. The chair of AIG?

22 A. The chair of the AIG board, yes.

23 Q. And Mr. Golub did, in fact, join the AIG board.
24 Is that correct?

25 A. He -- he did, yes.

1 Q. And did you also have a conversation with
2 Suzanne Johnson about whether or not she should stay on
3 the board?

4 A. I imagine I did have conversations with Suzanne
5 Nora Johnson at some point.

6 Q. And those conversations would have been about
7 whether she should stay on the AIG board, correct?

8 A. That would have been one of the things that I
9 talked to her about, yes.

10 Q. Let me ask you to look at Plaintiffs' Trial
11 Exhibit 510, which I would offer.

12 MS. ACEVEDO: We have no objection, Your Honor.

13 THE COURT: Plaintiffs' Trial Exhibit 510 is
14 admitted.

15 (Plaintiffs' Exhibit Number 510 was admitted
16 into evidence.)

17 BY MR. BOIES:

18 Q. This is an email from you, dated April 28th,
19 2009, to Doug Foshee and Mr. Baxter on the subject of
20 "New Board." Do you see that?

21 A. Yes, I do.

22 Q. And you say you have just gotten off the phone
23 with Mr. Liddy. Is that correct?

24 A. Yes, it is.

25 Q. And if you go down to the bottom paragraph where

1 you talk about the Bollenbach issue?

2 A. Yes.

3 Q. Now, Mr. Bollenbach was an AIG director,
4 correct?

5 A. Yes, he was.

6 Q. And he was a director that you had expressed a
7 view should be replaced, correct?

8 A. I had shared with Ed my concerns about Steve's
9 role as lead director, yes.

10 Q. Those concerns were that you believed
11 Mr. Bollenbach should be replaced as the director,
12 correct?

13 A. I don't know whether I expressed it exactly like
14 that, but I would have expressed concerns about the
15 strength of the lead director.

16 Q. Is it fair to say that, although you don't
17 remember the words, that in substance you conveyed to
18 Mr. Liddy that you believed that Mr. Bollenbach should
19 be replaced as the director?

20 A. The conclusions one would draw about the
21 comments I had about Steve, one would have arrived at
22 that conclusion, yes.

23 Q. And Mr. Bollenbach [sic] then came back and
24 asked whether it would be okay to put Mr. Bollenbach
25 into the transition category rather than in the "out

1 right now" category, correct?

2 A. I think Ed came back to me with that preference,
3 to put him into a different category.

4 Q. And the different category he wanted to put
5 Mr. Bollenbach in was the transition category, rather
6 than the "out right now" category, correct?

7 A. That's what it says, yes.

8 Q. And that was true, correct?

9 A. Yes, it is.

10 Q. And you told Mr. Liddy that although you
11 couldn't speak for anyone else, from your perspective,
12 that would be okay, but you also explained again what
13 your concerns were about Mr. Bollenbach, correct?

14 A. That's correct.

15 Q. And Mr. Bollenbach, in fact, left the board,
16 correct?

17 A. Yes, he did.

18 Q. Now, that was on page 1 of Plaintiffs' Trial
19 Exhibit 510, and I'd like to turn your attention now to
20 page 3, and at the bottom there is an email from
21 Mr. Baxter to you and Mr. Doug Foshee and Mr. James
22 Hennessy on the subject of "New Board." Do you see
23 that?

24 A. Yes. Yes, I do.

25 Q. And Mr. Baxter says, "As promised, I spoke last

1 night with Michael Wiseman from Sullivan & Cromwell,
2 which has long represented AIG on corporate matters."

3 Do you see that?

4 A. Yes, I do.

5 Q. And you understood in April of 2009 that
6 Sullivan & Cromwell was continuing to represent AIG,
7 correct?

8 A. That was my understanding.

9 Q. So that Michael Wiseman, who was a partner at
10 Sullivan & Cromwell, would be a lawyer who was
11 responsible for representing AIG, correct?

12 A. Correct.

13 Q. And Mr. Baxter then goes on, "Michael is an old
14 friend, and he agreed that our conversation would be
15 kept very close. I will address the issues in sequence.
16 (1) Appointment of New Board. It is not necessary to
17 move the new board through the lead director. It is
18 necessary to move it through the Nominating and
19 Governance Committee of the board, but Michael believes
20 this can be done very quickly, and it may be done
21 telephonically. He promised to check this morning with
22 Delaware counsel to confirm this view."

23 Do you see that?

24 A. Yes, I do.

25 Q. And when you received this, did you understand

1 that this was what Mr. Wiseman was telling Mr. Baxter?

2 A. Yes. That's what the email says.

3 Q. At the time, did you have any concerns about
4 talking on a confidential basis to AIG's lawyers without
5 informing AIG or having AIG participate?

6 A. I wasn't -- I wasn't talking to AIG's lawyers
7 without AIG.

8 Q. No, but Mr. Baxter was, correct?

9 A. From this email, yes.

10 Q. And did you have any concern, as the person who
11 was in charge of the AIG monitoring team, that there was
12 anything undesirable about talking on a confidential
13 basis with AIG's lawyers about AIG without involving AIG
14 personnel?

15 A. I don't recall having that concern at this time.

16 Q. Did Mr. Wiseman, in fact, check with Delaware
17 counsel and work on trying to move the new board through
18 the nominating and the governance committee of the AIG
19 board?

20 A. I don't know.

21 Q. Mr. Baxter also says that, with respect to the
22 question of the annual meeting, Mr. Wiseman said, "The
23 new board should be included in the proxy, and the
24 shareholders should vote for the newly appointed board
25 at the Annual Meeting."

1 Do you see that?

2 A. Yes, I do.

3 Q. And did that, in fact, happen?

4 A. Yes. There was an annual meeting, and
5 shareholders did vote for a new board.

6 Q. And that new board consisted of a number of
7 people who had been selected by the Federal Reserve
8 Bank, correct?

9 A. The board members that had been selected for
10 this particular board were selected by the trustees.

11 Q. Well, you say they were selected by the
12 trustees. The trustees didn't find these people, did
13 they?

14 A. The trustees --

15 Q. That's a yes, no, or I don't know.

16 A. -- worked with an outside firm, Spencer Stuart.

17 Q. That's a yes, no, or I don't know question. Did
18 the trustees interview these people?

19 A. Yes, they did.

20 Q. Before you interviewed them?

21 A. Yes, they did.

22 Q. Before anybody from the Federal Reserve Bank
23 interviewed them? Is that your testimony?

24 A. I don't recall interviewing for these directors.

25 Q. Ms. Dahlgren, let me ask the question very

1 simply. Did people from the Federal Reserve Bank
2 interview these directors before they were interviewed
3 by the trustees?

4 A. I don't recall, no.

5 Q. Is your answer that they did not or is your
6 answer that you don't recall?

7 A. If they did, I don't recall it.

8 Q. Let me -- let me go back to a document that's
9 already in evidence, Plaintiffs' Trial Exhibit 310.
10 Could you look at that? This is dated October 19th,
11 2008, correct?

12 A. Yes, it is.

13 Q. And this is an email from you to Mr. Geithner,
14 Mr. Baxter, Mr. Checki, correct?

15 A. Yes, it is.

16 Q. And you say, "I talked further with Ed" --
17 referring to Mr. Liddy -- "tonight on Board members...
18 he said that Ken Wilson had also given him a third
19 name -- Bill Thompson."

20 Do you see that?

21 A. Yes, I do.

22 Q. And then in the second paragraph, you say that
23 Ken Wilson provided two additional names. Do you see
24 that? Marshall Carter and Jerry Grundhofer?

25 A. Yes, I do.

1 Q. And that Marshall -- referring to Marshall
2 Huebner -- had another name that came from several
3 sources that he ran by Ken, Jim Copeland. Do you see
4 that?

5 A. Yes, I do.

6 Q. Now, at the time that all of this discussion is
7 going on, the trust didn't even exist, correct?

8 A. That's correct.

9 Q. And you end by saying, "So, two questions -- are
10 you okay with these three names? And do you have a
11 preference for the next choice? (The first two in line
12 are -- Denis Dammerman and Jim Hance...and Ed has Fred
13 Langhammer's resignation already. Dick Beattie is
14 talking with Marty Feldstein (or did this weekend), and
15 Morris Offit is prepared to hand his resignation to Ed
16 when he asks...)." "

17 Do you see that?

18 A. Yes, I do.

19 Q. And that has to do with requests being made to
20 the existing AIG board to resign, correct?

21 A. Yes, it does.

22 Q. And you were familiar with that in October of
23 2008, correct?

24 A. Yes.

25 Q. And there wasn't any trust in existence at that

1 point, correct?

2 A. No, there was not.

3 Q. And you expressed to Mr. Liddy your belief that
4 most of the existing members of the AIG board should be
5 replaced by new directors, correct?

6 A. I probably had a discussion that roughly said he
7 needed new blood on the board.

8 Q. And, indeed, not just some new blood, as you now
9 describe it, but your view was that most of the existing
10 members of the AIG board should be replaced by new
11 directors, correct?

12 A. I may have said "most" at one point.

13 Q. Let me turn to a question that we've touched on
14 before, which was the consent required to engage in
15 various transactions, and you'll recall testifying that
16 AIG was required to obtain the Federal Reserve Bank of
17 New York's consent to do various things?

18 A. Yes.

19 Q. Let me ask you to look at Plaintiffs' Trial
20 Exhibit 413, which I would offer.

21 MS. ACEVEDO: We have no objection, Your Honor.

22 THE COURT: Plaintiffs' Trial Exhibit 413 is
23 admitted.

24 (Plaintiffs' Exhibit Number 413 was admitted
25 into evidence.)

1 BY MR. BOIES:

2 Q. And can I ask you to explain what this January
3 26th, 2009, document is?

4 A. It looks like it is further clarification on
5 streamlined procedures for consent.

6 MR. BOIES: Am I correct, I offered this
7 exhibit, Your Honor?

8 THE COURT: Yes. It's in evidence without
9 objection.

10 MR. BOIES: Thank you.

11 BY MR. BOIES:

12 Q. Let me ask you to look next at Plaintiffs' Trial
13 Exhibit 325, which I would offer.

14 MS. ACEVEDO: We have no objection, Your Honor.

15 THE COURT: All right. Plaintiffs' Trial
16 Exhibit 325 is admitted.

17 (Plaintiffs' Exhibit Number 325 was admitted
18 into evidence.)

19 BY MR. BOIES:

20 Q. And this describes an effort that was made to
21 get control over AIG's expenditures, correct?

22 A. Yes, it is.

23 Q. And this was something that you and Mr. Jester
24 participated in, correct?

25 A. Yes, it is.

1 Q. And this is as of October 26th, 2008, correct?

2 A. Yes, it is.

3 Q. Let me ask you to look at Plaintiffs' Trial
4 Exhibit 1777, which I would offer.

5 MS. ACEVEDO: We have no objection, Your Honor.

6 THE COURT: Plaintiffs' Trial Exhibit 1777 is
7 admitted.

8 (Plaintiffs' Exhibit Number 1777 was admitted
9 into evidence.)

10 BY MR. BOIES:

11 Q. And am I correct, Ms. Dahlgren, that this email
12 chain has to do with the Federal Reserve Bank of New
13 York's approval of a press release concerning a new CFO
14 for AIG?

15 A. Yes.

16 Q. Let me ask you to look next at Plaintiffs' Trial
17 Exhibit 327, which I would offer.

18 MS. ACEVEDO: We have no objection, Your Honor.

19 THE COURT: Plaintiffs' Trial Exhibit 327 is
20 admitted.

21 (Plaintiffs' Exhibit Number 327 was admitted
22 into evidence.)

23 BY MR. BOIES:

24 Q. And am I correct that this document has to do
25 with Treasury and the Federal Reserve telling AIG what

1 their preference is for when AIG releases its earnings?

2 A. This was trying to coordinate the release of the
3 earnings together with the package that would be
4 announced at the beginning of November, yes.

5 Q. Let me ask you to look next at Plaintiffs' Trial
6 Exhibit 275, which I would offer.

7 MS. ACEVEDO: We have no objection, Your Honor.

8 THE COURT: Plaintiffs' Trial Exhibit 275 is
9 admitted.

10 (Plaintiffs' Exhibit Number 275 was admitted
11 into evidence.)

12 BY MR. BOIES:

13 Q. Am I correct that this email has to do with a
14 meeting -- a two-hour meeting that you had with Ed Liddy
15 and his team on the substance of an investor call that
16 was scheduled for October 3, 2008?

17 A. Yes.

18 Q. And in that meeting, did you provide Mr. Liddy
19 and his team with any set of points for the investor
20 call the following day?

21 A. I don't recall.

22 Q. Did you talk at that meeting with Mr. Liddy and
23 his team about the company not releasing the PowerPoint
24 deck that AIG had originally prepared to release in
25 connection with that investor call?

1 A. I imagine that we had a conversation during that
2 two hours about the wisdom of issuing the PowerPoint
3 deck.

4 Q. And am I correct that you conveyed your view
5 that it was not wise to release the PowerPoint deck?

6 A. I imagine that that's one thing that we
7 conveyed, yes.

8 Q. And do you recall that the decision was made not
9 to release the PowerPoint deck?

10 A. Yes. That's what it says here, that the company
11 decided not to do it.

12 Q. During the time that you were responsible for
13 the AIG monitoring team, did you or people from your
14 team meet with Mr. Liddy prior to each investor call?

15 A. We would meet with the company leading up to big
16 events, including quarterly earnings.

17 Q. Let me ask you to look next at Plaintiffs' Trial
18 Exhibit 387, which I will offer.

19 MS. ACEVEDO: We have no objection, Your Honor.

20 THE COURT: Plaintiffs' Trial Exhibit 387 is
21 admitted.

22 BY MR. BOIES:

23 Q. This is a document that became the email chain
24 concerning comments that you and others had with respect
25 to the speech that Mr. Liddy intended to deliver in Hong

1 Kong in December of 2008, correct?

2 A. Yes, it is.

3 Q. Prior to Mr. Liddy giving speeches, did he or
4 someone from AIG review those speeches with you or
5 others from the Federal Reserve Bank of New York during
6 the time that you were responsible for the AIG
7 monitoring team?

8 A. I don't remember more than this and his
9 testimony as things that Ed formally delivered that were
10 reviewed.

11 Q. Did he make any other speeches that you recall?

12 A. I don't remember.

13 Q. Was there something special about this speech
14 that caused the review that is indicated here?

15 A. This was sent to us from his folks, indicating,
16 you know, a draft that he was going to deliver in Hong
17 Kong. It was his first visit to Asia, and she wanted to
18 make sure we, you know, took a look at it before he
19 delivered it.

20 Q. As you recall, had AIG previously agreed with
21 the New York Fed that before issuing any major
22 communications, they would show them to the New York Fed
23 personnel?

24 A. Stasia had agreed to share with us securities
25 filings and other press releases and things like that.

1 Q. Did that include other communications, not just
2 securities filings, but all significant communications?

3 A. It was a lot of the communications. I can't
4 remember how -- how it was phrased in the email.

5 Q. Let me ask you to look at Plaintiffs' Trial
6 Exhibit 350. Do you have that?

7 A. Yes, I do.

8 Q. This is a memorandum to the file dated November
9 9, 2008, at --

10 THE COURT: It's November 6th. November 6th?

11 MR. BOIES: Yes, it is November -- it is
12 November 6th, Your Honor. I turned to the wrong -- I
13 turned to the wrong document.

14 MS. ACEVEDO: Your Honor, I have --

15 MR. BOIES: November 6th.

16 BY MR. BOIES:

17 Q. Do you see that?

18 A. November 6th, yes.

19 Q. And in the first line there is a reference to
20 what is said to have been an October 28 meeting that you
21 had, together with Ethan James of Davis Polk, with Tim
22 Ryan, Don Farnan, and David Herzog of AIG, correct?

23 A. Yes.

24 Q. And did you, in fact, have that meeting?

25 A. Yes.

1 Q. And was the purpose of the meeting to discuss
2 the management representation process and to
3 specifically request the Federal Reserve be involved in
4 that process, given their credit facility and that it
5 was then a controlling shareholder at AIG in the third
6 quarter?

7 A. I don't recall the exact -- we met before the
8 quarter end with the outside accountants, together with
9 -- with David and AIG, before the issuance of every
10 earnings release.

11 Q. And as you understood it, was that to discuss
12 the management representation process with respect to
13 AIG and its accountants?

14 A. I'm not an accountant, I don't remember exactly
15 what it was, but it's so that we were all consistent in
16 our views of AIG.

17 Q. And did the accountants tell you, in words or in
18 substance, that they needed this from the Federal
19 Reserve because they considered the Federal Reserve a
20 controlling shareholder at AIG?

21 A. I do not remember that that's what they
22 communicated to us. They wanted to talk to us.

23 Q. Let me ask you to look at the second sentence
24 here.

25 MS. ACEVEDO: Your Honor --

1 BY MR. BOIES:

2 Q. -- where it says "The purpose of the meeting..."
3 Do you see that?

4 MS. ACEVEDO: Your Honor, we object to her
5 talking about this document. This is a
6 PricewaterhouseCoopers document. It's not a document
7 that came from the New York Fed's files. It's hearsay.
8 It's being offered for the truth of the matter.

9 THE COURT: Well, it -- Mr. Boies, I mean, it
10 does refer to a meeting with the witness.

11 MR. BOIES: It does, Your Honor, and thus far, I
12 have not offered it. I am simply --

13 THE COURT: Right.

14 MR. BOIES: -- using it to try to refresh her
15 recollection. If that fails, then I might offer it.

16 THE COURT: All right.

17 MR. BOIES: I might not. I'm just seeing if I
18 can refresh her recollection.

19 THE COURT: All right.

20 MS. ACEVEDO: I don't think, in refreshing her
21 recollection, either Mr. Boies or Ms. Dahlgren should be
22 speaking to the document. She can review it, and if it
23 refreshes her recollection, that's fine, but I don't
24 think that it's proper to have testimony elicited with
25 respect to the substance of the document.

1 THE COURT: Overruled.
2 You can go ahead.
3 MS. ACEVEDO: Thank you, Your Honor.
4 BY MR. BOIES:
5 Q. Do you see the second sentence of this document?
6 A. Yes, I do.
7 Q. It talks about the purpose of the meeting?
8 A. Yes, I do.
9 Q. And does that refresh your recollection as to
10 what you were told about the purpose of the meeting that
11 you and others from the Federal Reserve had with the AIG
12 accountants?
13 A. They asked to meet with us regularly and, in
14 addition, before quarter end to understand, you know,
15 what was going on in the company and our views. I don't
16 remember that they said something about the management
17 representation process. They may have. I don't -- I
18 just don't know.
19 Q. And you just don't have a recollection of that
20 one way or the other?
21 A. No.
22 Q. And did they also explain to you that one of the
23 reasons they wanted to talk to you is that they
24 considered that there was now a controlling shareholder
25 at AIG?

1 A. No. That doesn't sound familiar to me.

2 Q. Let me ask you to look again at the sentence
3 that begins, "The purpose of the meeting..." Do you see
4 it?

5 A. Yes, I do.

6 Q. Three lines down, where it talks about how the
7 Fed appears to be functioning, do you see that?

8 A. Yes, I do.

9 Q. Does that refresh your recollection?

10 A. No.

11 Q. Let me go to the next sentence, where there --
12 it begins, "Specifically..." Do you see that?

13 A. Yes.

14 Q. Would you read that sentence to yourself; let me
15 know when you've done it.

16 A. Yes.

17 Q. Did they specifically tell you what they say
18 they told you in this sentence?

19 A. Something to that extent, yes.

20 Q. They told you, in substance, that in a typical
21 quarter, they would ask management for representations,
22 and after reviewing those representations and assessing
23 them, would accept those representations. Do you see
24 that?

25 A. Yes, I do.

1 Q. And did you then explain that given the Federal
2 Reserve's role as the provider of the credit facility
3 and the 79.9 percent interest that was given up by AIG
4 in consideration of the facility, and the fact that the
5 Fed in its role might have plans for company assets or
6 liabilities or other items which were inconsistent with
7 management's plans --

8 MS. ACEVEDO: Your Honor, I am going to object
9 to the question insofar as he said "Did you then
10 explain..." That's not what's articulated here.

11 BY MR. BOIES:

12 Q. Was it explained by somebody?

13 A. PwC may have explained why they were interested
14 in talking to us.

15 Q. And did PwC explain that one of the reasons they
16 were interested in talking with you, because given the
17 Federal Reserve's role as the provider of the credit
18 facility and the 79.9 percent interest that was given up
19 by AIG, the Fed, in its role, might have plans for
20 company assets or liabilities or other items which are
21 inconsistent with management's plans?

22 A. I don't remember the specifics. They wanted to
23 make sure that our views were consistent with what was
24 characterized by management.

25 Q. Okay. That is a shorter way of answering what I

1 was trying to ask.

2 And did you understand that that interest in
3 knowing whether your plans were consistent with
4 management's plans was of special interest to the
5 auditors because of the Federal Reserve's role as the
6 provider of the credit facility and the 79.9 percent
7 equity interest that AIG had given up?

8 A. At this point in time, I would have been mostly
9 focused on the credit facility and our role in the
10 credit facility and the disposition of assets. I just
11 don't remember the 79.9 being an issue at this point, in
12 this discussion.

13 Q. Let me ask you to look next at Plaintiffs' Trial
14 Exhibit 364, which is related to what we've just been
15 talking about. And this is an AIG memo to the file
16 dated November 9, 2008.

17 Is it your understanding that this also is a PwC
18 memorandum?

19 A. That's what it looks like.

20 Q. And the first two lines of this memo refer to a
21 meeting on November 9, 2008, that Don Farnan, Tim Ryan,
22 and David Herzog had with you and Ethan James, correct?

23 A. Correct.

24 Q. And did that meeting, in fact, take place?

25 A. It looks like it did.

1 Q. And the purpose of that meeting was to review
2 the management representation letter in connection with
3 the filing of AIG's third quarter financial statements,
4 correct?

5 A. Yes.

6 Q. And one of the things that you and Mr. James
7 were specifically asked about was management's
8 representation regarding the valuation of the \$23
9 billion preferred stock, correct? If you would look at
10 point number one --

11 A. Okay.

12 Q. -- on the bottom of the first page.

13 A. Yes, I see that.

14 Q. And is it, in fact, the case that at this
15 meeting on November 9, 2008, PwC asked you and Mr. James
16 whether you had reviewed the AIG management
17 representation regarding the valuation of the \$23
18 billion in preferred stock?

19 A. Yes. That's what it says.

20 Q. And you don't have any reason to doubt that, do
21 you?

22 A. No, I don't.

23 Q. And is it true that you and Mr. James indicated
24 that you had reviewed that management representation?

25 MS. ACEVEDO: Your Honor, we're going to object

1 again. These are notes from Tim Ryan, from
2 PricewaterhouseCoopers, and we believe that testimony
3 with respect to a document not in the record is
4 inappropriate. It's hearsay. It's out-of-court
5 statements being offered for the truth.

6 He can ask her if this refreshes her
7 recollection and she can testify to it, but it's
8 improper for him to be reading the document into the
9 record.

10 THE COURT: Mr. Boies?

11 MR. BOIES: My question was:

12 "QUESTION: Is it a fact that at this meeting on
13 November 9, 2008, PwC asked you and Mr. James whether
14 you reviewed the AIG management representation regarding
15 the valuation of the \$23 billion in preferred stock?"

16 And she said:

17 "ANSWER: Yes, that's what it says.

18 "QUESTION: You don't have any reason to doubt
19 that, do you?

20 "ANSWER: No, I don't."

21 I then asked:

22 "QUESTION: And is it true that you and
23 Mr. James had indicated that you had reviewed that
24 management representation?"

25 That is a freestanding question.

1 THE COURT: A stand-alone question, I think
2 that's right.

3 MS. ACEVEDO: It does go to point number one in
4 the document, though, Your Honor. Whether or not he's
5 expressly referencing the document, he is reading
6 material from it, and we just want to put on the
7 record -- we understand Your Honor's ruling. We do want
8 to put on the record our standing objection to that.
9 Thank you.

10 THE COURT: That's fine. Overruled.

11 BY MR. BOIES:

12 Q. Is it true that at this November 9, 2008,
13 meeting that you had with PwC and Mr. Herzog, that you
14 and Mr. James indicated that you had reviewed AIG's
15 management representation concerning the valuation of
16 the \$23 billion in preferred stock?

17 A. It says that we had reviewed the company's
18 process, including KPMG's involvement, yes.

19 Q. And is that accurate?

20 A. If it says it is, then yes.

21 Q. And did you also tell PwC and Mr. Herzog that
22 you felt that the company's process was reasonable and
23 that although you had not made a determination of value,
24 you considered the representation as appropriate?

25 A. That's what it says, yes.

1 Q. And do you have any reason to doubt that?

2 A. No, I don't.

3 Q. Do you believe that that's what you did say?

4 A. Either Ethan or I would have said that.

5 Q. Okay. Let me ask you to look next at
6 Plaintiffs' Trial Exhibit 337, which I would offer.
7 That's already admitted, I'm sorry.

8 Do you recognize this document?

9 A. Yes.

10 Q. And this is an email in which you advise a
11 number of people at the Federal Reserve and Treasury of
12 a draft KPMG valuation report that AIG had sent you,
13 correct?

14 A. Yes.

15 Q. And this is the draft valuation report that was
16 the basis of the management representation that PwC was
17 talking to you about a few days later, correct?

18 A. That's what it looks like, yes.

19 Q. And this valuation of the Series A preferred
20 stock had been done by KPMG, correct?

21 A. That's what it appears, yes.

22 Q. And you were aware, as of the end of October or
23 early November of 2008, that KPMG had estimated the fair
24 value of the preferred stock received as a result of the
25 September 22 AIG credit facility was \$23 billion,

1 correct?

2 A. That's -- that's correct.

3 Q. Let me ask you to go next to Plaintiffs' Trial
4 Exhibit 375, which I believe is not in evidence and
5 which I would offer.

6 MS. ACEVEDO: We have no objection, Your Honor.

7 THE COURT: Plaintiffs' Trial Exhibit 375 is
8 admitted.

9 (Plaintiffs' Exhibit Number 375 was admitted
10 into evidence.)

11 BY MR. BOIES:

12 Q. And this is a cover email to you on November
13 20th, 2008, along with a number of other people,
14 transmitting the final valuation report on the Series A
15 preferred stock, correct?

16 A. That's what it looks like, yes.

17 Q. And you, in fact, received this on or about
18 November 2008, correct?

19 A. November 20th, yes.

20 Q. And at any point in 2008, did you ever express
21 to anyone that you believed that that valuation was
22 inaccurate in any way?

23 A. I don't recall.

24 Q. Let me ask you to turn to Plaintiffs' Trial
25 Exhibit 463, which I would offer.

1 MS. ACEVEDO: We have no objection, Your Honor.

2 THE COURT: Plaintiffs' Trial Exhibit 463 is
3 admitted.

4 (Plaintiffs' Exhibit Number 463 was admitted
5 into evidence.)

6 BY MR. BOIES:

7 Q. On the front page there is an email from you on
8 March 13th, 2009, at 12:32 p.m. Do you see that?

9 A. Yes.

10 Q. And you are attaching a draft AIG press release.
11 Do you see that?

12 A. Yes, I do.

13 Q. And you are asking the addressees to provide
14 comments to Ethan James and another person, who I don't
15 think we've identified in the record yet. Who is that
16 person?

17 A. Oh, Diego Rotsztain?

18 Q. And who is he?

19 A. He's an attorney at Davis Polk.

20 Q. Okay. So, you're asking the addressees here,
21 who include Calvin Mitchell, Brian Gross, James
22 Hennessy, James Bergin, Alejandro LaTorre, with copies
23 to Steven Manzari, Sandy Krieger, and others, including
24 Mr. Baxter, to please review the draft press release and
25 provide comments to those folks. Is that correct?

1 A. Yes, it is.

2 Q. Let me ask you to look at Plaintiffs' Trial
3 Exhibit 514, which I would offer.

4 MS. ACEVEDO: We have no objection, Your Honor.

5 THE COURT: Plaintiffs' Trial Exhibit 514 is
6 admitted.

7 (Plaintiffs' Exhibit Number 514 was admitted
8 into evidence.)

9 BY MR. BOIES:

10 Q. On the first page there is an email that goes to
11 you and a number of other people from Michael Nelson,
12 and that's on May 11, 2009, at 2:12 p.m., correct?

13 A. Yes.

14 Q. And that attaches a letter that AIG had received
15 the previous Friday from a Congressman, correct?

16 A. Yes, it is.

17 Q. And who is Mr. Michael Nelson?

18 A. He is a Federal Reserve Bank of New York
19 attorney.

20 Q. And Mr. Nelson, after saying that he's attaching
21 this letter, says that he has "tried to engage committee
22 staff." Do you see that? That's in the second
23 paragraph.

24 A. Oh, yes, I do.

25 Q. When Mr. Nelson tried to engage committee staff,

1 do you know whether he involved anybody from AIG?

2 A. I don't know.

3 Q. The primary addressee of Mr. Nelson's email is
4 Mr. William Dudley, correct?

5 A. Yes, it is.

6 Q. And Mr. Nelson says, "It has been suggested to
7 me by more than one Hill staffer that it would be good
8 for you" -- referring to Mr. Dudley -- "to call the
9 Committee's chair."

10 Do you see that?

11 A. Yes, I do.

12 Q. Do you know whether Mr. Dudley did that?

13 A. I don't know.

14 Q. There's a reference in this email, the first
15 paragraph of Mr. Nelson's email, to something called
16 "Project Destiny." Do you see that?

17 A. Yes.

18 Q. And what was Project Destiny?

19 A. I believe that was the name that AIG used
20 internally for the future restructuring of the company.

21 Q. Now, if you turn to page 3, which is the
22 Congressman's letter, the third paragraph says that the
23 AIG memo to the committee noted that Project Destiny
24 enjoyed "...the full participation of the staff of the
25 Federal Reserve Bank of New York and its advisors..."

1 Do you see that?

2 A. Yes, I do.

3 Q. And was that an accurate statement?

4 A. That we participated and understood what the
5 company was doing? Yes.

6 Q. That Project Destiny enjoyed the full
7 participation of the staff of the Federal Reserve Bank
8 of New York and its advisors.

9 A. Yes.

10 Q. Now, the Congressman goes on to say that the
11 committee was "unaware that the Federal Reserve Bank of
12 New York was so heavily involved in the management of
13 AIG." Do you see that?

14 A. Yes, I do.

15 Q. Had you seen this -- well, you had seen this
16 letter because you got a copy, correct?

17 A. Yes.

18 Q. And did you read it at the time?

19 A. I'm sure I did.

20 Q. Other than this letter, were you aware of any
21 expressions from Congress that they were unaware that
22 the Federal Reserve Bank of New York was so heavily
23 involved in the management of AIG?

24 A. I don't recall.

25 Q. Did the Federal Reserve respond to the

1 Congressman's letter?

2 A. I don't -- I don't know. It was not addressed
3 to us, so I don't recall.

4 Q. Let me ask you to look at Plaintiffs' Trial
5 Exhibit 492, which I would offer.

6 MS. ACEVEDO: We have no objection, Your Honor.

7 THE COURT: Plaintiffs' Trial Exhibit 492 is
8 admitted.

9 (P Plaintiffs' Exhibit Number 492 was admitted
10 into evidence.)

11 BY MR. BOIES:

12 Q. This, on the first page, includes an email from
13 Beverly Chase to a number of people, including yourself.
14 Do you see that?

15 A. Yes, I do.

16 Q. And this is dated April 2, 2009, at 11:01. Do
17 you see that?

18 A. Yes, I do.

19 Q. And the subject is "Draft AIG Proxy." Do you
20 see that?

21 A. Yes, I do.

22 Q. And Beverly Chase asks you and the other
23 addressees, "Let us know if you have any questions or
24 comments on the attached changes or on any other part of
25 the draft proxy as soon as possible."

1 Do you see that?

2 A. Yes, I do.

3 Q. Now, the addressees here include Stephen
4 Albrecht, correct?

5 A. Yes.

6 Q. And what was his position?

7 A. He was at the Treasury.

8 Q. And James Hennessy, who has previously been
9 identified as being at the Federal Reserve Bank. Is
10 that correct?

11 A. That's correct.

12 Q. And Michael Hsu, who you have previously
13 identified as being at Treasury. Is that right?

14 A. That's correct.

15 Q. And then there are a number of Davis Polk people
16 copied, correct?

17 A. That's correct.

18 Q. Did you provide any questions or comments on
19 this draft proxy?

20 A. I don't recall.

21 Q. Did others from the Federal Reserve Bank provide
22 any questions or comments on the draft proxy?

23 A. From the Federal Reserve? I don't recall.

24 Q. Let me ask you to look at Plaintiffs' Trial
25 Exhibit 493, which I would offer.

1 MS. ACEVEDO: We have no objection, Your Honor.

2 THE COURT: Plaintiffs' Trial Exhibit 493 is
3 admitted.

4 (Plaintiffs' Exhibit Number 493 was admitted
5 into evidence.)

6 BY MR. BOIES:

7 Q. This indicates that a conference call was
8 scheduled for 8:30 a.m. on April 3rd, 2009, to discuss
9 the proxy material. Is that correct?

10 A. That's correct.

11 Q. And the participants there include you, people
12 from Davis Polk, the three trustees, Mr. Baxter,
13 Mr. Gray, Mr. Hennessy from the Federal Reserve Bank of
14 New York, and two lawyers from Davis Polk and two
15 lawyers from Arnold & Porter, correct?

16 A. That's correct.

17 Q. And did you participate in this conference call?

18 A. I don't recall.

19 Q. You don't have any reason to doubt that you
20 participated, do you?

21 A. I may have been somewhere else -- I actually
22 don't remember the meeting. I may have been somewhere
23 else, I was often double-booked, but I could have
24 participated or not. I just don't remember.

25 Q. Now, there are no AIG personnel on this

1 conference call, correct?

2 A. Not on the invite list, no.

3 Q. Let me ask you to look next at Plaintiffs' Trial
4 Exhibit 503, which I would offer.

5 MS. ACEVEDO: We have no objection, Your Honor.

6 THE COURT: All right. Plaintiffs' Trial
7 Exhibit 503 is admitted.

8 (Plaintiffs' Exhibit Number 503 was admitted
9 into evidence.)

10 BY MR. BOIES:

11 Q. And on the first page there is an email from
12 you, dated April 17th, 2009, at 12:58 a.m., correct?

13 A. Yes.

14 Q. And this is an update on the proxy that was the
15 subject of the prior exhibits, 492 and 493, correct?

16 A. Yes.

17 Q. And this indicates that the United States
18 Treasury didn't want the company to file its preliminary
19 proxy the following day. Do you see that?

20 A. Yes.

21 Q. And was that your understanding on or about
22 April 17th, 2009, that the United States Treasury had
23 indicated that they did not want the company, AIG, to
24 file the preliminary proxy that it had been planning to
25 file on April 17 through April 18?

1 A. Yes.

2 Q. And did AIG ultimately agree to delay the proxy
3 at the request of the United States Treasury?

4 A. That's my understanding, yes.

5 Q. Let me -- let me ask you to look at Plaintiffs'
6 Trial Exhibit 501, which I would offer.

7 MS. ACEVEDO: Mr. Boies, that's not in my
8 binder. Did you say 511?

9 MR. BOIES: No, 501.

10 MS. ACEVEDO: Oh, I'm sorry. 501 is in my
11 binder and we have no objection.

12 THE COURT: All right, thank you. Plaintiffs'
13 Trial Exhibit 501 is admitted.

14 (Plaintiffs' Exhibit Number 501 was admitted
15 into evidence.)

16 BY MR. BOIES:

17 Q. This is an email from you on April 16th, 2009,
18 at 7:25 in the evening, correct?

19 A. Yes, it is.

20 Q. And this is about five hours before the email
21 that is Plaintiffs' Trial Exhibit 503, correct?

22 A. Yes, it is.

23 Q. And you write to Stasia Kelly and Mr. Liddy that
24 you are talking with the United States Treasury at the
25 moment regarding the proxy. Do you see that?

1 A. Yes, I do.

2 Q. And that you want to fill them in later and, if
3 possible, you want to have the U.S. Treasury talk
4 directly to them about their issues. Do you see that?

5 A. Yes, I do.

6 Q. And did you, in fact, fill Ms. Kelly or
7 Mr. Liddy in?

8 A. I would imagine I did.

9 Q. Do you know whether the United States Treasury
10 ever talked to them directly about the United States
11 Treasury's issues with respect to the proxy?

12 A. I don't know. I imagine they did.

13 Q. Let me ask you to look at Plaintiffs' Trial
14 Exhibit 2731, which I would offer.

15 MS. ACEVEDO: We have no objection, Your Honor.

16 THE COURT: Plaintiffs' Trial Exhibit 2731 is
17 admitted.

18 (Plaintiffs' Exhibit Number 2731 was admitted
19 into evidence.)

20 BY MR. BOIES:

21 Q. And this is an email on April 26th, 2009, from
22 Doug Foshee to you, correct?

23 A. Yes, it is.

24 Q. And am I correct that as of April 26th, the AIG
25 proxy had still not been filed?

1 A. That looks right.

2 Q. And Mr. Foshee asks, "Do you have any updated
3 information on when the company wants to file and when
4 Treasury will let them file?" Do you see that?

5 A. Yes, I do.

6 Q. And did you have any such updated information as
7 of April 26th, 2009?

8 A. I'm not -- I'm not sure. I may have. I don't
9 know.

10 Q. Did you ever provide any such updated
11 information to Mr. Foshee?

12 A. I don't know. I imagine if I had it, I would
13 have provided it to him.

14 Q. When was this proxy actually filed, if ever?

15 A. I don't know. I'd have to go back to the
16 record.

17 Q. Let me -- let me turn to the subject of Maiden
18 Lane III, and in that connection, I want to ask you,
19 when did the Federal Reserve Bank begin consideration of
20 Maiden Lane III?

21 A. So, very early in the process, we would have
22 identified the two big issues that needed to be fixed at
23 the company, one being the CDS portfolio and CDO and the
24 other being the RMBS sec lending portfolio. The concept
25 of Maiden Lane III came to fruition at some point in

1 October as we started to work through what would be a
2 solution for the bleed.

3 Q. And am I correct that the concept of Maiden Lane
4 III was a concept that was originated by the Federal
5 Reserve Bank and its advisors?

6 A. There were a number of different ways that both
7 the company's advisors, the company, and we and our
8 advisors, different things that we looked at. I don't
9 remember if -- I don't know who to give credit to for
10 the ultimate structure.

11 Q. Well, you know not to give that credit to AIG,
12 correct?

13 A. There was a lot of good back-and-forth early on
14 between the company, its advisors, and us about how to
15 fix the Maiden Lane -- what the issues were that
16 ultimately resulted in Maiden Lane III. So, lots of
17 different inputs were provided.

18 Q. Let me try to ask my question as clearly as I
19 can. The structure of Maiden Lane III, as it was
20 implemented, was a structure that originated with the
21 Federal Reserve Bank of New York and its advisors,
22 correct?

23 A. The final structure, which required a lot of
24 different legal elements, et cetera, and that was
25 consistent with what we could actually do as the Federal

Starr International Company, Inc. v. USA

1 Reserve Bank of New York, would ultimately have been
2 signed off on by all the people who needed to sign off
3 on it at the New York Fed.

4 Q. Let me ask you to listen to my question. I'm
5 not asking you who signed off on it. I'm asking you who
6 originated this structure. Do you understand what I'm
7 asking?

8 A. And so I don't know who originated the
9 structure. The structure was a conglomeration of a
10 whole bunch of really good ideas that we had to figure
11 out how do you actually make this work within the
12 restrictions that we were under and what we could
13 actually execute. And so ideas were taken, they were
14 modified, and where the original ideas came from, I
15 don't know. It was a whole group of people, including
16 AIG, its advisors, our advisors, and New York Fed
17 personnel.

18 Q. Let me ask you to look at Plaintiffs' Trial
19 Exhibit 280, which I would offer.

20 MS. ACEVEDO: We have no objection, Your Honor.

21 THE COURT: Plaintiffs' Trial Exhibit 280 is
22 admitted.

23 (Plaintiffs' Exhibit Number 280 was admitted
24 into evidence.)

25 BY MR. BOIES:

1 Q. This is an email from you to Dan Jester on
2 October 4, 2008, correct?

3 A. Yes, it is.

4 Q. And you begin talking about how you asked AIG to
5 pull together its plans for winding down AIGFP, correct?

6 A. Yes. That's what it looks like.

7 Q. And this was prepared by AIG, McKinsey, and
8 BlackRock, correct?

9 A. That's correct.

10 Q. And you say that these options are ones that you
11 are proposing to deal with through the Maiden Lane III
12 structure. Do you see that?

13 A. Yes, I do.

14 Q. And was it true on October 4, 2008, that you
15 were proposing to deal with the issues related to
16 winding down AIGFP through the Maiden Lane III
17 structure?

18 A. That is what it says here.

19 Q. And was that true?

20 A. It surprises me we had the Maiden Lane III
21 identified already, but it must have been earlier than I
22 had thought it was, the naming of the Maiden Lane III.
23 What the actual structure was, I don't recall, because
24 that evolved over time.

25 Q. There certainly was a Maiden Lane III structure

1 that you were writing about on October 4, 2008, correct?

2 A. It was likely a special-purpose -- the concept
3 was likely a special-purpose vehicle of some kind since
4 that's what we had done for Maiden Lane I.

5 Q. And you then go on to say that AIG doesn't know
6 of our alternative yet. Do you see that?

7 A. Yes. That's what it says.

8 Q. And that was true, correct?

9 A. They may not have known about the
10 special-purpose vehicle that ultimately was Maiden Lane
11 III.

12 Q. Well, not only may they not have known, they
13 didn't know, and that's what you said on October 4,
14 2008, correct?

15 A. That is what I said.

16 Q. And what you said was true, correct?

17 A. I would imagine it was if I wrote it down here.

18 Q. Yes. Now, you mentioned that the Federal
19 Reserve had considered various alternatives for dealing
20 with the AIGFP issues. Do you recall that?

21 A. Yes.

22 Q. I would ask you to look at Plaintiffs' Trial
23 Exhibit 277, which I would offer.

24 MS. ACEVEDO: We have no objection, Your Honor.

25 THE COURT: Plaintiffs' Trial Exhibit 277 is

1 admitted.

2 (Plaintiffs' Exhibit Number 277 was admitted
3 into evidence.)

4 BY MR. BOIES:

5 Q. And these are a series of emails from October 2
6 and October 3 of 2008, from and to you and a variety of
7 other Federal Reserve personnel, correct?

8 A. Yes. That's correct.

9 Q. And on the first page there is an email from you
10 on October 3 at 12:28 p.m. to Kevin Warsh on the subject
11 of AIG. Do you see that?

12 A. Yes, I do.

13 Q. And you say, "Here's the set of documents we
14 discussed with Deborah, Mark, Jon, Kieran, and Mike
15 today...the PowerPoint walks through the issues/options
16 and the additional support outlines each of the
17 recommendations in a bit more detail..."

18 Do you see that?

19 A. Yes, I do.

20 Q. And then there is attached various options for
21 dealing with the AIGFP issues, correct?

22 A. Yes, it does.

23 Q. And were these the options that, as you
24 understood it, were being provided to AIG as of October
25 2 and October 3 of 2008?

1 A. Are you asking if we provided these -- this
2 document to AIG?

3 Q. Let me begin with that question. That wasn't
4 really my question, but let me begin with that, because
5 I think that's a useful starting point.

6 MS. ACEVEDO: There was a tornado warning issue
7 earlier, so I think that's probably what it must be. I
8 don't know what, if anything, you want us to do. I
9 prefer to stay here and finish this up.

10 THE COURT: I don't know what that was.

11 UNIDENTIFIED SPEAKER: It's a tornado warning.
12 So, people's phones are going off because there's a
13 tornado warning in the area.

14 THE COURT: I think we are probably better off
15 here, don't you think?

16 MR. BOIES: I am certainly more comfortable here
17 than walking outside.

18 BY MR. BOIES:

19 Q. Do you have the question?

20 A. So, the question is whether this document, this
21 two-page document was provided to AIG. I don't believe
22 it was. It would have surprised me if it was. It looks
23 like an internal document.

24 Q. Even if this document wasn't provided to AIG,
25 was AIG informed in early October of 2008 that these

1 were potential options for dealing with the AIGFP issue?

2 A. So, there were a series of conversations early
3 on with Blackstone, who was AIG's advisors, and AIG
4 about how to deal with the CDS/CDO book. I don't recall
5 exactly the timing of those, but there -- there were a
6 series of discussions with advisors about what they were
7 considering in terms of looking at the problems at FP.

8 Q. And did those discussions, although you don't
9 recall the timing of them, did those discussions include
10 a discussion of some or all of the options that are set
11 forth on pages 11 and 12 of Plaintiffs' Trial Exhibit
12 277?

13 A. So, what I recall were discussions about
14 guarantees and guarantees of FP with that -- with that
15 group. I don't recall discussions in that particular
16 one about increasing the 85 billion limit or the sec
17 lending Fed as counterparty. I don't recall those
18 particularly at that time on FP.

19 Q. So, there would have been discussions with
20 Blackstone and AIG about the possibility of guarantees
21 for FP or for the CDS obligations. Is that correct?

22 A. I remember there were conversations, and I think
23 that they covered something like a guarantee, yes.

24 Q. And who was going to provide that guarantee in
25 these discussions?

1 A. The way it was discussed, at least this type of
2 guarantee was a guarantee from the Fed.

3 Q. At any time in those discussions, in or about
4 October of 2008, did anyone suggest that the Fed was
5 unable, from a legal standpoint, to grant such a
6 guarantee?

7 A. That -- that would have been talked about at
8 some point, because that was something that we could not
9 do. But I don't recall when that would have been --
10 would have been discussed and how early in the process.

11 Q. Now, when you say that was something that you
12 could not do, is it your testimony that you were
13 spending all this time preparing these papers about
14 options that you knew you could not do?

15 A. We were preparing a set of solutions that we
16 thought could work subject to the constraints, and the
17 constraints would have been articulated to us by the
18 lawyers, who would have told us what could or couldn't
19 be done, and -- but we wanted to look at all -- all
20 different options, because sometimes that would create
21 another idea about how to solve a problem.

22 Q. Were there lawyers who told you what could or
23 could not be done with respect to guarantees?

24 A. There would have been lawyers who would have
25 helped facilitate, yes.

1 Q. Who were the lawyers who told you what could or
2 could not be done with respect to guarantees?

3 A. I don't recall.

4 Q. Can you give me any lawyer's name who told you
5 what could or could not be done with respect to
6 guarantees?

7 A. I can -- I can guess that Tom and I probably had
8 a conversation about it, but I don't -- I don't
9 literally recall exactly who.

10 Q. Did you ever see anything in writing concerning
11 what the Federal Reserve could or could not do with
12 respect to guarantees?

13 A. I don't recall.

14 Q. Did you ever ask for anything in writing with
15 respect to what the Federal Reserve could or could not
16 do with respect to guarantees?

17 A. I don't remember asking.

18 Q. Now, there's nothing in Plaintiffs' Trial
19 Exhibit 277 that I see that relates to any legal
20 impediment to doing a guarantee, correct?

21 A. If it's here, I don't see it easily.

22 Q. Um-hum. Now, there are at least two different
23 kinds of guarantees that are talked about as options for
24 dealing with AIGFP issues, correct?

25 A. Yes.

1 Q. One is a guarantee of FP. Is that correct?

2 A. Yes, it is.

3 Q. And the other is a guarantee of the multisector
4 CDO portfolio, correct?

5 A. That's correct.

6 Q. Let me ask you to look next at Plaintiffs' Trial
7 Exhibit 272, which I will offer.

8 MS. ACEVEDO: We have no objection, Your Honor.

9 THE COURT: Plaintiffs' Trial Exhibit 272 is
10 admitted.

11 (Plaintiffs' Exhibit Number 272 was admitted
12 into evidence.)

13 BY MR. BOIES:

14 Q. Now, this is a cover email -- it's actually a
15 string of emails, all dated October 1st, 2008, correct?

16 A. That's what it looks like, yes.

17 Q. And this is the -- a day before the first email
18 in the Exhibit 277 we were just looking at, correct?

19 A. Yes.

20 Q. And the first page of Plaintiffs' Trial Exhibit
21 272 is an email from Ann Flynn [sic] to you, with a copy
22 to Dan Jester, correct?

23 A. Yes, it is.

24 Q. October 1st at 9:29 p.m., correct?

25 A. Right. From Amy Flynn.

1 Q. Amy Flynn.

2 And you received this document, together with
3 the attachments, on or about October 1st, 2008, correct?

4 A. Yes.

5 Q. And this attachment also contains various
6 options, correct?

7 A. Yes. It looks like it does.

8 Q. And these are options for dealing with the AIGFP
9 issues, correct?

10 A. It looks like it's a range of options beyond
11 just FP.

12 Q. All of these options, other than the sec lending
13 option, would have been designed to deal, at least in
14 part, with the AIGFP issues, correct?

15 A. That sounds reasonable.

16 Q. Now, there are three different kinds of
17 guarantees proposed for consideration as options in the
18 attachment to Plaintiffs' Trial Exhibit 272, correct?

19 A. Yes.

20 Q. One is a guarantee of AIG, correct?

21 A. Yes.

22 Q. One is a guarantee of FP, correct?

23 A. Yes.

24 Q. And one is a guarantee of the CDS or CDO
25 portfolio, correct?

1 A. Yes.

2 Q. And did you have any discussion of these options
3 on or about October 1st, 2008?

4 A. It looks like -- it looks like we did.

5 Q. And who participated in those discussions?

6 A. I don't recall, but it looks like both Dan and
7 Tim did.

8 Q. And yourself?

9 A. I believe I did.

10 Q. Did anyone from AIG participate in these
11 discussions?

12 A. Likely not.

13 Q. Let me ask you to look at Plaintiffs' Trial
14 Exhibit 324, which I would offer.

15 MS. ACEVEDO: We have no objection, Your Honor.

16 THE COURT: Plaintiffs' Trial Exhibit 324 is
17 admitted.

18 (Plaintiffs' Exhibit Number 324 was admitted
19 into evidence.)

20 BY MR. BOIES:

21 Q. This is an email from you on October 24, 2008,
22 about three weeks after the emails we've just been
23 looking at, correct?

24 A. Yes.

25 Q. And this is addressed to Dan Jester and Timothy

1 Geithner, correct?

2 A. Correct.

3 Q. And you say, "As per my discussion with Tim..."

4 Do you see that?

5 A. Yes, I do.

6 Q. And that's in reference to Mr. Geithner,
7 correct?

8 A. I imagine it is, yes.

9 Q. And then you go on to say, "AIG applies to U.S.
10 Treasury for the TARP Capital Purchase Program; AIG
11 sells Senior Preferred in the amount of \$40B to U.S.
12 Treasury; AIG uses proceeds from U.S. Treasury to retire
13 \$40B of the Federal Reserve Bank of New York revolving
14 facility (which would be spelled out in new loan
15 agreement for \$45B revolving facility); terms on Senior
16 Preferred would be 9% for duration of outstanding
17 (consistent with step-up and consistent with a 'penalty'
18 rate for an institution like AIG)."

19 Do you see that?

20 A. Yes, I do.

21 Q. Now, was this a proposal that was an alternative
22 to the options that we just looked at from October 1, 2,
23 and 3, or is this something that is in addition to those
24 options?

25 A. This looks like it is in addition to the two

1 fixes the Maiden Lane II and Maiden Lane III were
2 developed for.

3 Q. Now, you say that the terms on the senior
4 preferred would be 9 percent. Do you see that?

5 A. Yes, I do.

6 Q. And you say that "this is consistent with
7 step-up and consistent with a 'penalty' rate for an
8 institution like AIG." Do you see that?

9 A. Yes, I do.

10 Q. What is "step-up," as you use that term there?

11 A. I am recounting my discussion with Tim. I can
12 only imagine that the step-up is consistent with the
13 step-up that was in the preferred shares, so the step-up
14 interest rate.

15 Q. The step-up is what?

16 A. The step-up would be -- an interest rate at a
17 lower level, and the step-up being -- the 9 percent
18 being a step-up point, and this is my -- I am trying to
19 remember.

20 Q. But based on your best current understanding,
21 the step-up would be the 9 percent rate. Is that
22 correct?

23 A. As I'm reading this, yes.

24 Q. Now, let me move forward to the end of October
25 and ask you to look at Plaintiffs' Trial Exhibit 333,

1 which I would offer.

2 MS. ACEVEDO: Your Honor, we have no problem
3 with the portion of the document which indicates that
4 she received it, which is the last email, the email on
5 pages 2 and 3, which would be the first in the chain,
6 but this was an AIG document that was produced by AIG
7 from their files, and there's a series of emails after
8 that one to which she is not a recipient, and we would
9 object to her testifying as to that material.

10 THE COURT: Mr. Boies?

11 MR. BOIES: Your Honor, the only email beyond
12 page 2 and 3 that I think is important is the email
13 that's in the middle of the page where the author is
14 writing to David Herzog saying that he spoke to the
15 witness' deputy, and he then describes what the witness'
16 deputy told him, and for my purposes, all that's really
17 important is that the witness' deputy conveyed this
18 instruction. Whether the witness' deputy believed it to
19 be true or whether it was, in fact, true is not as
20 important to me as having it reported that that's what
21 was conveyed by the deputy. So, I would limit -- I
22 would limit this -- could I have just a moment, Your
23 Honor?

24 (Counsel conferring.)

25 MR. BOIES: May I inquire of counsel whether

1 they have Defendant's Exhibit 1512 available? It may be
2 that I can use their exhibit as opposed to mine.

3 MS. ACEVEDO: Your Honor --

4 MR. BOIES: Your Honor, I would offer
5 Defendant's Exhibit 1512, which will suffice for my
6 purposes.

7 MS. ACEVEDO: We will withdraw our objection,
8 Your Honor. Thank you.

9 THE COURT: Your objection is withdrawn?

10 MS. ACEVEDO: Yes. No objection.

11 THE COURT: All right. So, Plaintiffs' Trial
12 Exhibit 333 is admitted.

13 (Plaintiffs' Exhibit Number 333 was admitted
14 into evidence.)

15 THE COURT: Can we take this up after lunch?

16 MR. BOIES: Yes, Your Honor.

17 THE COURT: We will reconvene at 1:45.

18 (Lunch recess, 12:45 p.m. to 1:47 p.m.)

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1 A. Yes, I do.

2 Q. And you understood in October of 2008 that AIG
3 had already started meetings with counterparties about
4 resolving their CDSs, correct?

5 A. Yes.

6 Q. Now, Mr. Wiedman goes on to say, "As the
7 attached lays out, we believe the tear-up price ought to
8 be \$4 billion to \$6 billion, while Goldman now holds \$9
9 billion in collateral and is asking for \$1 billion
10 more."

11 Do you see that?

12 A. Yes, I do.

13 Q. Were you aware in October of 2008 of views by
14 your advisors that the counterparties were demanding
15 more collateral than your advisors believed was
16 appropriate?

17 A. I was aware that the counterparties, through my
18 discussions with AIG, that the counterparties were
19 asking for more than AIG was willing to give.

20 Q. In addition to the counterparties asking for
21 more than AIG was willing to give, was it your
22 understanding from your advisors that the counterparties
23 were demanding more than was appropriate given market
24 prices?

25 A. I would have received this email, and it

1 suggests that the advisors had views. I don't recall
2 actually myself having discussions on this.

3 Q. Ultimately, under ML III, Goldman was paid a
4 certain amount of money both in terms of being allowed
5 to keep collateral and there being an additional payment
6 made, correct?

7 A. That's my understanding, roughly.

8 Q. And do you know how much Goldman received for
9 the CDS position that it had with AIG -- ML III?

10 A. I do not.

11 Q. Do you know if it was more than the 9 billion
12 plus 1 billion that Goldman was asking for here?

13 A. I'm unaware.

14 Q. One way or the other?

15 A. I don't know one way or the other.

16 Q. Let me ask you to look at Joint Exhibit 91,
17 which is already in evidence, and this has to do with a
18 dispute by Societe Generale with AIG over the amount of
19 collateral that needed to be posted, correct?

20 A. That's what it looks like.

21 Q. And this was an email from Dennis Ryan to you
22 and a large number of other people, correct?

23 A. That's what it looks like.

24 Q. And who is Mr. Ryan?

25 A. Dennis was an examiner who I think at the time

1 was responsible for supervision over Societe Generale.

2 Q. And do you know what his view was with respect
3 to the collateral demand that Societe Generale was
4 making?

5 A. I don't know. I would have to read the email to
6 see if there's any content in here, but I don't recall
7 this email.

8 Q. Let me ask you to look at the first paragraph on
9 the second page, where Mr. Ryan writes to you, "The
10 total collateral posted is significantly different than
11 Societe Generale's internal stress test results."

12 Do you see that?

13 A. Yes.

14 Q. And you're familiar with what "internal stress
15 test results" refers to, right?

16 A. Broadly, yes.

17 Q. And this would be the valuation that Societe
18 Generale would put on the CDSs in a context of assumed
19 stress, correct?

20 A. Broadly, yes.

21 Q. And Mr. Ryan goes on, "Societe Generale's stress
22 results report projected losses of approximately \$1
23 billion. This stressed exposure differs significantly
24 from the exposure used to calculate the collateral call
25 value of \$9.6 billion."

1 Do you see that?

2 A. Yes, I do.

3 Q. And what Mr. Ryan is telling you there is that
4 Societe Generale is using one valuation of these
5 securities internally and a very different valuation
6 when it's demanding collateral from AIG, correct?

7 A. What he's describing is that the current demand
8 on collateral is 9.6, based on current value, but that
9 the stress results, which may or may not be about
10 current value, show a loss of approximately a billion.
11 I don't know how else to interpret that.

12 Q. Let me ask you to go down to the last paragraph
13 that says "Potential Discount Window Issue." It says,
14 "An important note is that \$8.8 billion of the reference
15 assets (AAA CDOs) are posted as collateral at the
16 discount window."

17 Do you see that?

18 A. Yes, I do.

19 Q. And he says, in the next-to-last sentence, that
20 "the value of these assets provided to the window was
21 very high (at or near par)." Do you see that?

22 A. Yes, I do.

23 Q. So, Societe Generale is providing these
24 securities to the Fed as collateral at or very near par,
25 correct?

1 A. If that's -- that's what it says.

2 Q. And you don't have any reason to doubt what
3 Mr. Ryan's telling you.

4 A. I don't have any reason one way or the other,
5 no.

6 Q. And Mr. Ryan goes on to say that Societe
7 Generale, however, when it's dealing with AIG, is
8 valuing the collateral at less than 50 cents on the
9 dollar. Do you see that?

10 A. It says, "Based on these marks" -- that's what
11 you're saying, "Based on these marks"?

12 Q. Yes. "Based on these marks, approximately \$8
13 billion of this collateral is valued at less than 50
14 cents on the dollar."

15 A. That's what it says, yes.

16 Q. So, what's happening is Societe Generale is
17 using one mark in dealing with the Fed and a different
18 mark in dealing with AIG, correct?

19 A. I don't actually -- no, I don't know. I wasn't
20 at the discount window. I don't know what was being
21 used, and I don't know how it was being valued by the
22 discount window.

23 Q. When you received this email from Mr. Ryan, did
24 you understand that Societe Generale was taking a very
25 different view of the value of certain collateral when

1 they posted it to get money from the Fed as opposed to
2 when they tried to get collateral from AIG?

3 A. I don't even know that I read this email. It
4 says that it was sent to me, but this was Wednesday
5 night at whatever time, 20 -- 8:00 at night on
6 Wednesday, after the Tuesday night.

7 Q. So, it's your testimony you don't remember
8 whether you ever read this document?

9 A. I don't know. I may have, I may not have. I
10 don't know.

11 Q. Let me ask you to go to Plaintiffs' Trial
12 Exhibit 311, which I would offer.

13 MS. ACEVEDO: We have no objection, Your Honor.

14 THE COURT: Thank you. Plaintiffs' Trial
15 Exhibit 311 is admitted.

16 (Plaintiffs' Exhibit Number 311 was admitted
17 into evidence.)

18 BY MR. BOIES:

19 Q. This is an email to you from David Herzog,
20 correct?

21 A. Yes, it is.

22 Q. October 20, 2008, correct?

23 A. Yes.

24 Q. And Mr. Herzog at this time, what was his
25 position?

1 A. I believe he was CFO at this point.

2 Q. CFO of AIG?

3 A. Yes.

4 Q. And the subject is "Goldman discussions." Do
5 you see that?

6 A. Yes, I do.

7 Q. And he says, "We are discussing tear ups." Do
8 you see that?

9 A. Yes.

10 Q. And he says, "I want to be in a position to
11 agree with Goldman. I will get approval from Ed, but
12 what about Fed approval?" Do you see that?

13 A. Yes, I see it.

14 Q. And how did you respond to Mr. Herzog's request
15 for Fed approval for a settlement with Goldman on the
16 CDSs?

17 A. I'm not sure how -- I'm not sure how I might
18 have responded to this email.

19 Q. Was Mr. Herzog or AIG ever given approval by the
20 Fed to settle its CDS exposure with Goldman?

21 A. I don't recall that that was an actual
22 interaction that we had, but I don't recall.

23 Q. When you say "I don't recall that that was an
24 actual interaction that we had," what do you mean?

25 A. I mean I don't recall whether we were asked and

1 whether we responded back on the specific question of
2 approval for a Goldman settlement, agreed -- a Goldman
3 agreement.

4 Q. Well, he says, "I want to be in a position to
5 agree with Goldman. I will get approval from Ed, but
6 what about the Fed approval?" Do you see that?

7 A. I do see that.

8 Q. And did you ever respond to him or did anyone
9 ever respond to him about that?

10 A. I don't know, and I don't know what kind of
11 approval he's actually looking for. It could have been
12 relative to the credit agreement.

13 Q. What credit agreement?

14 A. That if -- if funds needed to flow, the company
15 knew they had to at times get consents and waivers and
16 stuff. I don't know whether he's referring to something
17 like that or whether he's referring to something else.
18 I don't know whether I responded or not.

19 Q. Do you see the very first sentence? "We need to
20 talk about settlement parameters."

21 A. Yes, I see that.

22 Q. And that's talking about settling the AIG CDS
23 exposure, correct?

24 A. I -- since it's talking about Goldman
25 discussions, I would guess it's talking about some sort

1 of settlement discussions and how that would be carried
2 out.

3 Q. And he then goes on to say, "We are discussing
4 tear ups." Do you see that?

5 A. Yes, I do.

6 Q. And tear-ups was a way of settling the CDS
7 exposure, right?

8 A. Correct.

9 Q. And then the very next sentence says, "I want to
10 be in a position to agree with Goldman. I will get
11 approval from Ed, but what about Fed approval?" Do you
12 see that?

13 A. I see that.

14 Q. And was it clear to you at the time that you
15 received this that what he was asking for was how to get
16 Fed approval for a settlement with Goldman of the AIG
17 CDS exposure to Goldman?

18 MS. ACEVEDO: Your Honor, asked and answered.
19 He's asked this question now about three times.

20 THE COURT: Overruled. We're still trying to
21 get an answer.

22 MS. ACEVEDO: Thank you, Your Honor.

23 THE WITNESS: So, we had been encouraging the
24 company to do everything they could to get as much of
25 the portfolio cleaned up as they could, and so I don't

1 know what he is asking about, other than we would have
2 continued to push them to try to get as much torn up as
3 they could.

4 BY MR. BOIES:

5 Q. Is it fair to say that you don't remember this
6 email?

7 A. I don't remember this email, but -- yeah.

8 Q. And you don't remember what, if anything, you
9 did in response to it?

10 A. I don't remember, no.

11 Q. Let me now go to Plaintiffs' Trial Exhibit 333,
12 and I think you previously identified Steven Manzari as
13 your deputy. Is that correct?

14 A. Yes, he is -- was.

15 Q. Directing your attention to the email that's in
16 the middle of the first page, the October 31, 2008,
17 10:40 a.m. email. Do you see that?

18 A. Yes.

19 Q. Who is the author of that email?

20 A. Elias Habayeb.

21 Q. And who is that?

22 A. Elias worked at AIG.

23 Q. Do you know what position?

24 A. CEO of FP, I say with a question mark, because I
25 can't remember exactly.

1 Q. And he is writing to David Herzog, who is the
2 CEO of the parent, correct?

3 A. That's correct.

4 Q. And he says, "I spoke to Manzari this morning.
5 He asked me to stand down on all discussions with
6 counterparties on tearing up/unwinding CDS trades on the
7 CDO portfolio."

8 Do you see that?

9 A. Yes, I do.

10 Q. Did your deputy convey that to AIG on or about
11 October 31, 2008?

12 A. I don't know.

13 Q. Did you ever have any discussions with your
14 deputy, Mr. Manzari, about this on or about October 31,
15 2008?

16 A. No, I didn't.

17 Q. Prior to my showing you this document, had you
18 ever seen it before?

19 A. Had I seen this document before?

20 Q. Yeah.

21 A. Yes, I had seen this document before.

22 Q. When had you seen this document?

23 A. A couple weeks ago in some documents that I was
24 shared -- showed.

25 Q. Other than seeing this document a couple of

1 weeks ago in preparation for your testimony here, had
2 you ever seen this document before?

3 A. No, I had not.

4 Q. Prior to seeing this document a couple of weeks
5 ago in preparation for your testimony, had anyone ever
6 told you that your deputy or anyone else at the Federal
7 Reserve Bank had asked AIG to stand down on all
8 discussions with counterparties on tearing up or
9 unwinding CDS trades?

10 A. No.

11 Q. Let me ask you to look at Defendant's Exhibit
12 639, which I believe is in here. At the bottom of the
13 first page, there is an email from you dated November 1,
14 2008, at 11:21 in the morning. Do you see that?

15 A. Yes.

16 Q. And you are giving the addressees an update on
17 your discussions with rating agencies, correct?

18 A. Yes.

19 Q. And you'd had a discussion with Moody's late the
20 day before, correct?

21 A. That's what it says, yes.

22 Q. And Moody's had expressed certain concerns to
23 you about AIG, correct?

24 A. That's what it says, yes.

25 Q. And the first concern that they expressed is set

1 out by you at the top of page 2 of the exhibit, correct?

2 A. Yes, it is.

3 Q. And you write here, "The RMBS and CDO portfolio
4 solutions (the FRBNY special-purpose vehicles) lock in
5 losses, forcing the company to absorb a substantially
6 greater loss relative to what Moody's expected the
7 ultimate losses on this portfolio to be."

8 Do you see that?

9 A. Yes, I do.

10 Q. And did you understand, when Moody's told you
11 that, that they were concerned that what you were
12 proposing to do with Maiden Lane II and Maiden Lane III
13 would lock in losses for AIG and force AIG to absorb a
14 substantially greater loss than Moody's had expected the
15 ultimate losses to be?

16 A. That Moody's was concerned that the losses were
17 capped at the time that the transaction would occur, but
18 that that was more than what Moody's had expected the
19 ultimate loss to be? That's what I understand.

20 Q. What you wrote here is that they were concerned
21 that the FRBNY SPVs -- and that's ML II and ML III,
22 correct?

23 A. Correct.

24 Q. -- would "lock in losses." Do you see that?

25 A. Yes, I do.

1 Q. And that was locking in losses for AIG, correct?

2 A. That's correct.

3 Q. And you also write that "ML II and ML III would
4 force AIG to absorb a substantially greater loss than
5 what Moody's expected," correct?

6 A. Than what Moody's expected the ultimate losses
7 to be on the portfolio over time, yes.

8 Q. And that was leading Moody's to consider a
9 downgrade, correct?

10 A. It was one of the concerns that Moody's had as
11 they were considering the rating, yes.

12 Q. And when they were considering the rating, they
13 were considering a downgrade; they weren't considering
14 an upgrade, right?

15 A. No. They were considering a downgrade.

16 Q. Ultimately, a decision was made to pay the
17 ML III counterparties par value, correct?

18 A. Correct.

19 Q. Did you participate in that decision?

20 A. No, I did not.

21 Q. Was any of your input or advice asked for by the
22 people who were participating in the decision?

23 A. I don't -- I don't think so.

24 Q. All right. I am going to move on to another
25 subject.

1 When did you first become aware that the Federal
2 Reserve Bank of New York proposed a trust to hold the
3 equity that the Federal Reserve was going to receive as
4 consideration for the AIG 13(3) loan?

5 A. I don't know. It was definitely after that
6 Tuesday, but I don't remember at what point, whether it
7 was that week or the following week. I just don't
8 remember.

9 Q. The Tuesday that you're referring to is
10 September 16th?

11 A. The 16th, yes. Correct.

12 Q. Let me try to put it in context. There was a
13 credit agreement that was signed the morning of
14 September 23rd, dated as of September 22nd, correct?

15 A. Correct.

16 Q. Did you find out that a trust was being
17 considered before or after the execution of that credit
18 agreement?

19 A. I think it was in discussions leading up to the
20 credit agreement.

21 Q. And then after that, there was a period of time
22 when a trust document was negotiated, correct?

23 A. I imagine so, but I wasn't involved.

24 Q. Were you aware of when the trust was finally
25 negotiated and executed?

1 A. The trust was executed at the beginning of 2009,
2 in January.

3 Q. And you then had the responsibility for dealing
4 with state insurance regulators concerning the trust,
5 correct?

6 A. Timingwise, I think there was an interaction
7 relative to the trust and the state insurance
8 commissioners. I don't have the timing in my head
9 exactly right.

10 Q. Do you mean that you dealt with the state
11 insurance commissioners after the trust was executed?

12 A. I dealt with the state insurance commissioners
13 before the trust was executed and, likely, after the
14 trust was executed.

15 Q. Let me -- let me ask you to look at Plaintiffs'
16 Trial Exhibits 407, 408, and 410, which I will offer. I
17 apologize for the walk.

18 MS. ACEVEDO: No objection, Your Honor.

19 THE COURT: Thank you. Plaintiffs' Trial
20 Exhibits 407, 408, and 410 are admitted.

21 (Plaintiffs' Exhibit Number 407 was admitted
22 into evidence.)

23 (Plaintiffs' Exhibit Number 408 was admitted
24 into evidence.)

25 (Plaintiffs' Exhibit Number 410 was admitted

1 into evidence.)

2 BY MR. BOIES:

3 Q. Plaintiffs' Trial Exhibit 407 is a submission by
4 Brett Phillips of the Federal Reserve Bank of New York
5 to a variety of people, dated January 16th, 2009, and
6 the subject is "AIG Trust Information Statement."

7 Do you see that?

8 A. Yes, I do.

9 Q. And were you aware of this trust information
10 statement as of January 16th, 2009?

11 A. I imagine I was aware of it, yes.

12 Q. And did you play any role in dealing with the
13 state insurance regulators at this time with respect to
14 the trust?

15 A. I believe that there was a phone call I was
16 involved in with the state insurance commissioners
17 related to the trust.

18 Q. And who else participated, other than the
19 insurance commissioners and their staffs?

20 A. On our end, I would imagine it was Tom Baxter
21 and probably some other Federal Reserve lawyers.

22 Q. Did Mr. Phillips participate in that?

23 A. I don't recall.

24 Q. Did anyone from AIG participate in that call?

25 A. I don't believe so.

1 Q. Did anybody from the trust itself participate in
2 that call?

3 A. I don't recall, no.

4 Q. Let me ask you to look next at Plaintiffs' Trial
5 Exhibit 408, and this is a transmission by Richard
6 Charlton, who's identified as counsel and assistant vice
7 president, Federal Reserve Bank of New York. Do you see
8 that?

9 A. Yes, I do.

10 Q. And it's dated January 21, 2009, correct?

11 A. Yes.

12 Q. And it is transmitting what is referred to as
13 "Multistate Form A." Do you see that?

14 A. Yes, I do.

15 Q. And were you familiar with this at the time that
16 it was done?

17 A. No, not really.

18 Q. You understood that this was a form that was
19 being filed because of the issuance of the 77.9 percent
20 interest in AIG to the trust, correct?

21 A. I understood that there were a lot of forms
22 submitted, but I wasn't involved in most of the trust
23 issuance process.

24 Q. Is it fair to say that this part of the --
25 dealing with the regulators was done by other people at

1 the Federal Reserve Bank and not by you and your people?

2 A. By and large, yes, that's the case.

3 Q. Let me ask you to look next at Plaintiffs' Trial
4 Exhibit 410, and I would ask you if you can identify
5 what this document is.

6 A. It looks like an email from Suzanne Folsom,
7 sharing with us something that she had sent around to
8 other regulators around the world, announcing the target
9 date of the acquisition of preferred shares.

10 Q. And that was as a result of the trust, correct?

11 A. Yes.

12 Q. Now, let me ask you to look at Plaintiffs' Trial
13 Exhibit 427, which I would offer.

14 MS. ACEVEDO: We have no objection, Your Honor.

15 THE COURT: Plaintiffs' Trial Exhibit 427 is
16 admitted.

17 (Plaintiffs' Exhibit Number 427 was admitted
18 into evidence.)

19 BY MR. BOIES:

20 Q. This is Mr. Charlton transmitting on your
21 behalf, on February 20, 2009, a letter that you had
22 written to the Pennsylvania Insurance Department on that
23 same date, correct?

24 A. Yes, it is.

25 Q. And did you write similar letters to other

1 insurance commissioners or departments around the
2 country?

3 A. Yes. I believe we did.

4 Q. In fact, did you write a similar letter to all
5 50 state insurance regulators on February 20th, 2009?

6 A. I believe so.

7 Q. Let me look -- ask you to look at Plaintiffs'
8 Trial Exhibit 2037, which I would offer.

9 MS. ACEVEDO: No objection, Your Honor.

10 THE COURT: Plaintiffs' Trial Exhibit 2037 is
11 admitted.

12 (Plaintiffs' Exhibit Number 2037 was admitted
13 into evidence.)

14 BY MR. BOIES:

15 Q. And this is the comparable letter sent to Eric
16 Dinallo at the New York Department of Insurance,
17 correct?

18 A. Yes, it is.

19 Q. Let me ask you next to look at Plaintiffs' Trial
20 Exhibit 435, which I would offer.

21 MS. ACEVEDO: No objection, Your Honor.

22 THE COURT: Plaintiffs' Trial Exhibit 435 is
23 admitted.

24 (Plaintiffs' Exhibit Number 435 was admitted
25 into evidence.)

1 BY MR. BOIES:

2 Q. And this is further materials being submitted to
3 state insurance commissioners by Richard Charlton of the
4 Federal Reserve Bank. Is that correct?

5 A. That's correct.

6 Q. And if you look at page 8 of Plaintiffs' Trial
7 Exhibit 435, down at the bottom with respect to notices,
8 do you see that?

9 A. Yes, I do.

10 Q. It says, "Any correspondence regarding this
11 document should be addressed to: AIG Credit Facility
12 Trust, c/o James R. Hennessy, Federal Reserve Bank of
13 New York, 33 Liberty Street, New York, New York," and
14 with a copy to Mr. Baxter, Mr. Phillips, and Mr. Ethan
15 James of Davis Polk.

16 Do you see that?

17 A. Yes, I do.

18 Q. And James R. Hennessy was an employee of the
19 Federal Reserve Bank of New York, correct?

20 A. That's correct.

21 Q. And what was his position at this time?

22 A. He was part of the AIG monitoring team.

23 Q. Let me ask you to look at Plaintiffs' Trial
24 Exhibit 441, which I would offer.

25 MS. ACEVEDO: We have no objection, Your Honor.

1 THE COURT: Plaintiffs' Trial Exhibit 441 is
2 admitted.

3 (Plaintiffs' Exhibit Number 441 was admitted
4 into evidence.)

5 BY MR. BOIES:

6 Q. This is a meeting of the AIG credit facility
7 trust on February 27th, 2009. It's at the offices of
8 the Federal Reserve Bank of New York, correct?

9 A. Yes, it is.

10 Q. And how often did you have meetings with the
11 trustees at the Federal Reserve Bank of New York?

12 A. We met early in their tenure probably at least
13 once a month to provide them with updates. I think many
14 of those happened at the Federal Reserve Bank of New
15 York, but occasionally we would go up to other places,
16 like Arnold & Porter's offices, as well.

17 Q. Now, this shows that the trustees had a
18 half-hour meeting with Ed Liddy from 12:30 in the
19 afternoon until 1:00 in the afternoon. Do you see that?

20 A. Yes, I do.

21 Q. Other than that half hour, was any
22 representative of AIG present at this meeting?

23 A. When I was present, there were not others from
24 AIG present. I don't know, when I wasn't there, whether
25 there were or not.

1 Q. Let me ask you to look next at Plaintiffs' Trial
2 Exhibit 513, which I would offer.

3 MS. ACEVEDO: We have no objection, Your Honor.

4 THE COURT: Plaintiffs' Trial Exhibit 513 is
5 admitted.

6 (Plaintiffs' Exhibit Number 513 was admitted
7 into evidence.)

8 BY MR. BOIES:

9 Q. And this is an agenda for a May 1, 2009, AIG
10 trustees meeting, again at the Federal Reserve Bank of
11 New York. Is that correct?

12 A. Yes.

13 Q. Was there any meeting with the trustees between
14 February 27th, 2009, and May 1, 2009?

15 A. Did the -- did the trustees meet between
16 February and May?

17 Q. Let's begin with that, if you know.

18 A. I believe they did, yes.

19 Q. Do you know when?

20 A. No, but there were definitely meetings leading
21 up to the March time frame that they would have had.

22 Q. Were you present at any of those meetings?

23 A. I'm sure I was.

24 Q. What meetings were you present at?

25 A. Meetings that we were providing information

1 about what we were doing and issues that were being
2 faced by the company, providing them up -- the trustees
3 with updates.

4 Q. Approximately how many either in-person or
5 telephonic communications did you have with the trustees
6 between the February 27th meeting and the May 1st
7 meeting?

8 A. More than three and fewer than 15, I think. I'm
9 trying to give a -- we met at least monthly to give them
10 updates. Around the March restructuring, we might have
11 interacted with them more intensely than that, but then
12 it would have gone back to a more routine update.

13 Q. At any of these telephonic or in-person meetings
14 that you had between the February 27th and the May 1st,
15 2009, trustee meetings, was anyone from AIG present?

16 A. There may have been one meeting, but I don't
17 recall exactly.

18 Q. Let me ask you to look at Plaintiffs' Trial
19 Exhibit 2088, which I would offer.

20 MS. ACEVEDO: We have no objection, Your Honor.

21 THE COURT: Plaintiffs' Trial Exhibit 2088 is
22 admitted.

23 (Plaintiffs' Exhibit Number 2088 was admitted
24 into evidence.)

25 BY MR. BOIES:

1 Q. Now, this is an email from April 21st, 2009,
2 from you to Mr. Dudley and others?

3 A. Yes.

4 Q. And the purpose is for you to bring Mr. Dudley
5 up to speed with respect to a meeting or a conversation
6 that you had with the trustees the previous evening,
7 correct?

8 A. Yes.

9 Q. You begin by saying, "Tom, Jim, and I caught up
10 last night with the trustees." Do you see that?

11 A. Yes.

12 Q. And "Tom" is Tom Baxter?

13 A. Tom Baxter.

14 Q. And "Jim," is that James Hennessy?

15 A. Yes, it is.

16 Q. Was that in person or over the telephone?

17 A. I imagine it was on the phone since it was
18 last -- since I refer to last night, but I don't know
19 for sure.

20 Q. Was anyone from AIG present on that telephone
21 call?

22 A. Not that I can tell.

23 Q. Let me turn to the so-called Walker lawsuit.
24 You're familiar with a lawsuit in Delaware referred to
25 as the Walker lawsuit, or are you?

1 A. I've heard of the Walker lawsuit, but I couldn't
2 tell you, until you remind me, what it's about.

3 Q. Do you recall that there was a lawsuit filed in
4 Delaware by AIG's shareholders seeking an order
5 requiring that there be a shareholder vote of common
6 shareholders before there was any issuance of common
7 stock pursuant to the credit agreement?

8 A. That sounds familiar.

9 Q. Let me ask you to look at Plaintiffs' Trial
10 Exhibit 344, which I would offer.

11 MS. ACEVEDO: We have no objection, Your Honor.

12 THE COURT: Plaintiffs' Trial Exhibit 344 is
13 admitted.

14 (Plaintiffs' Exhibit Number 344 was admitted
15 into evidence.)

16 BY MR. BOIES:

17 Q. This is a copy that you received around November
18 5, 2008, of the complaint in the Walker lawsuit,
19 correct?

20 A. Yes.

21 Q. Let me ask you to look next at Plaintiffs' Trial
22 Exhibit 1827, which I would offer. That's already in
23 evidence.

24 And this is an email in which a Davis Polk
25 lawyer sends around to a large number of people a

1 revised draft of the preferred stock and warrant term
2 sheet. Do you see that?

3 A. Yes, I do.

4 Q. Did you receive a copy of this at or about the
5 time it was sent around?

6 A. I'm on the distribution list.

7 Q. And did you understand what the purpose of the
8 revisions were to the draft of the preferred stock and
9 warrant term sheet?

10 A. At the time I may have understood. I would have
11 to reread this now to take me back to what this was
12 referring to. I'm sorry.

13 Q. Now, were you aware of the settlement of the
14 Walker lawsuit?

15 A. No.

16 Q. Were you aware that the Walker lawsuit was
17 settled?

18 A. No.

19 Q. And I take it your answer would be that you do
20 not know how, if at all, it was settled, if it was
21 settled?

22 A. No, I don't.

23 Q. Were you still in your position with respect to
24 the AIG monitoring team when the idea of a reverse stock
25 split was discussed?

1 A. AIG approached us about a reverse stock split in
2 the spring of 2009.

3 Q. And when was there a reverse stock split?

4 A. I believe it was one of the things that was done
5 in the proxy in the spring of 2009.

6 Q. Now, that was the proxy that the Treasury
7 Department asked AIG to delay a number of times,
8 correct?

9 A. Yes. That was the one we talked about earlier.

10 Q. And the proxy that we talked about earlier was a
11 proxy that would have provided for a shareholder vote
12 with respect to expanding the number of common shares to
13 permit the preferred shares the Government had from
14 being converted into common shares, correct?

15 A. I don't remember all of the things on the proxy.

16 Q. No, not all of the things, but do you remember
17 that the proxy did provide for a shareholder vote of the
18 AIG shareholders?

19 A. Yes. I think that was part of the proxy.

20 Q. And do you understand that a reverse stock split
21 had the effect of avoiding a shareholder vote of common
22 shareholders on whether or not to permit the exchange or
23 conversion of the Government's preferred stock into
24 common stock?

25 A. I don't know. I don't remember at the time.

1 The discussion was about needing to do the stock split
2 so that they could stay listed on the New York Stock
3 Exchange. I don't remember other elements of it, but --
4 I just wasn't involved.

5 Q. Do you remember any purpose of the reverse stock
6 split, other than to prevent AIG from being delisted?

7 A. I don't remember the conversations.

8 Q. Without remembering the conversations, do you
9 remember whether there was any purpose of the reverse
10 stock split, other than to prevent AIG's stock from
11 being delisted by the New York Stock Exchange?

12 A. The only thing I remember is the listing issue,
13 and I don't remember the other.

14 Q. Let me -- let me turn to the -- let me turn to
15 the subject of the interest rate that was charged on the
16 AIG credit facility. Did you participate in the
17 decision as to the interest rate that would be charged
18 to AIG?

19 A. No, I did not.

20 Q. Were you aware that there were people at the
21 Federal Reserve Bank who believed that the interest rate
22 charged AIG was too high?

23 A. Over time, yes, but on that date, no.

24 Q. When did you first become aware that there were
25 people at the Federal Reserve Bank that believed that

1 the interest rate charged AIG was too high?

2 A. Early on, as we were thinking through what
3 needed to be done between September and the November --
4 what ended up being the November restructuring, one of
5 the things that we talked about was the credit facility
6 and various terms of the credit facility, including the
7 interest rate.

8 Q. And did there come a time when you came to
9 believe that the interest rate charged AIG pursuant to
10 the credit facility was actually counterproductive for
11 the Federal Reserve because it was hurting AIG and
12 possibly imperiling the ability of AIG to repay the
13 Federal Reserve?

14 A. One of the concerns clearly expressed by the
15 rating agencies in our discussions was the interest rate
16 and the ability of the company to continue to service
17 the debt, and that was a concern.

18 Q. And that was a concern that you personally had
19 had, correct?

20 A. That was also a concern that I shared.

21 Q. Let me ask you to look at Plaintiffs' Trial
22 Exhibit 145. It's already in evidence.

23 Do you recall receiving this email chain on or
24 about September 18th, 2008?

25 A. I'm sure I -- I'm sure I saw it.

1 Q. Let me -- let me ask you to look at Plaintiffs'
2 Trial Exhibit 581, which I would offer.

3 MS. ACEVEDO: Your Honor, we are going to object
4 to this exhibit on the grounds of hearsay. It's a
5 document that was produced by Starr, and it appears to
6 be some interview notes of an interview that was done
7 with Ms. Dahlgren, among other people from the New York
8 Fed.

9 MR. BOIES: Your Honor, I will, as I have with
10 some other exhibits, offer this for the truth of the
11 matters asserted, except that to the extent that the
12 document refers to statements by persons other than
13 government personnel, I will offer those statements not
14 for the truth of the matter asserted but only for
15 context, Your Honor.

16 THE COURT: Is that acceptable?

17 MS. ACEVEDO: Yes, Your Honor.

18 THE COURT: All right. Plaintiffs' Trial
19 Exhibit 581 is admitted, with the restrictions as noted.

20 MS. ACEVEDO: Thank you, Your Honor.

21 (Plaintiffs' Exhibit Number 581 was admitted
22 into evidence.)

23 BY MR. BOIES:

24 Q. This is a memorandum relating to interviews that
25 took place, by the Financial Crisis Inquiry Commission,

1 of you and Shari Leventhal and Michael Patrick on April
2 30th, 2010, correct?

3 A. Yes, it is.

4 Q. And one of the things that you told the
5 Financial Crisis Inquiry Commission is that after the
6 credit agreement, the markets changed considerably
7 between September and November, correct?

8 A. Are you reading from a -- I'm sure I did. I
9 just don't know if you're reading from the document.

10 Q. Let me direct your attention to the last
11 paragraph on page 2 of Plaintiffs' Trial Exhibit 581 --

12 A. Yes.

13 Q. -- where it's talking about how things had been
14 getting worse, and then the next-to-last complete
15 sentence on the page says, "It wasn't just AIG -- it was
16 the financial markets. It felt like looking into the
17 abyss. Looking at AIG just showed how bad the market
18 was. It kept getting worse and worse and worse. The
19 problems were building and building and building because
20 the markets were getting worse and worse and worse."

21 Do you see that?

22 A. Yes, I do.

23 Q. And particularly in that context, the terms of
24 the AIG credit facility were viewed by the rating
25 agencies -- and, ultimately, by you -- as being too

1 onerous and counterproductive, correct?

2 A. That's correct.

3 Q. Let me ask you to turn to a question related to
4 Maiden Lane III and, in particular, related to whether
5 the counterparty names and amounts would or would not be
6 publicly disclosed. Do you recall that issue?

7 A. Yes.

8 Q. And let me ask you to look at Plaintiffs' Trial
9 Exhibit 458, which I would offer.

10 MS. ACEVEDO: We have no objection, Your Honor.

11 THE COURT: All right. Plaintiffs' Trial
12 Exhibit 458 is admitted.

13 (Plaintiffs' Exhibit Number 458 was admitted
14 into evidence.)

15 BY MR. BOIES:

16 Q. And this was something that was sent to you by
17 Ms. Kelly, the AIG general counsel, on March 12th, 2009,
18 at 19:25 Eastern Daylight Time, correct?

19 A. Yes, that's correct.

20 Q. And this indicated that AIG planned to file
21 materials relating to Maiden Lane III without redacting
22 counterparty names and amounts, correct?

23 A. That's correct.

24 Q. And what did you tell Ms. Kelly after that?

25 A. I don't recall exactly what the interaction was.

1 Eventually, the counterparty names were disclosed, but I
2 don't remember the exact response back to Stasia on this
3 email.

4 Q. Let me ask you to look at Plaintiffs' Trial
5 Exhibit 460, which I would offer.

6 MS. ACEVEDO: We have no objection, Your Honor.

7 THE COURT: Plaintiffs' Trial Exhibit 460 is
8 admitted.

9 (Plaintiffs' Exhibit Number 460 was admitted
10 into evidence.)

11 BY MR. BOIES:

12 Q. The email that is Plaintiffs' Trial Exhibit 458
13 was an email from Ms. Kelly to you at 19:25 Eastern
14 Daylight Time, or 7:25 in the evening, on March 2nd,
15 correct?

16 A. So, Trial Exhibit 458 is March 12th, 2009, at
17 7:25? Sorry.

18 Q. Yes.

19 A. Yes, okay. I see that.

20 Q. And Plaintiffs' Trial Exhibit 460 is an email
21 that you sent to Stephanie Heller and a number of other
22 people at 10:29 p.m. that same day, that is, about three
23 hours later, correct?

24 A. Yes.

25 Q. And you write, "I don't think we should disclose

1 anything to AIG on the Maiden Lane structures (until we
2 are ready with our own disclosures)." Do you see that?

3 A. Yes, I do.

4 Q. And the Maiden Lane structures that you refer to
5 there are the Maiden Lane II and the Maiden Lane III
6 structures, correct?

7 A. I believe that's what I would be referring to,
8 yes.

9 Q. As of March 12th, 2009, the Merrill Lynch -- I'm
10 sorry, the Maiden Lane structures had already been
11 defined, correct?

12 A. That's correct.

13 Q. But those structures had not yet been made
14 available to AIG, correct?

15 A. I'm not sure -- AIG had information. I'm not
16 sure what additional information they were requesting
17 without looking further at information.

18 Q. But just from your email on March 12th that's
19 PTX 460, you can tell that as of March 12th, even though
20 the Maiden Lane II and III structures had been defined,
21 those structures were not known by AIG, correct?

22 A. AIG had information going into signing the
23 documentation for Maiden Lanes II and III. This must be
24 additional information about where things were at that
25 particular point in time. Beyond that, I can't -- I

1 don't know what AIG had and what they didn't have.

2 Q. So, beyond being simply able to read your own
3 emails that you don't recall, you don't have any
4 information as to what AIG did or did not have as of May
5 12th. Is that fair?

6 A. If I can -- if I read my email, I could probably
7 figure it out, but no.

8 Q. Let me ask you to look at Plaintiffs' Trial
9 Exhibit 459, which is in evidence. This is another
10 email string dated March 12th, 2009. And on March 12th,
11 on page 3 at the top in the exhibit, James Bergin is
12 writing Ethan James and a number of other people,
13 including yourself. "Have we made the decision to
14 release the entire schedule to the Shortfall Agreement?"

15 And the "Shortfall Agreement" is the Maiden Lane
16 III agreement, correct?

17 A. That's correct.

18 Q. And Mr. Bergin goes on, "I thought we had
19 decided to release counterparty names and amounts." Do
20 you see that?

21 A. Yes, I do.

22 Q. And on March 12th, was that also your view, that
23 you thought it had been decided to release counterparty
24 names and amounts?

25 A. That was my understanding as well.

1 Q. And who, if anyone, opposed releasing
2 counterparty names and results as of March 12th?

3 A. As of March 12th, it looked like there was
4 agreement to disclose the counterparty names and
5 amounts.

6 Q. And were the counterparty names and amounts, in
7 fact, disclosed on or shortly after March 12th?

8 A. I believe they were, yes.

9 Q. And what is that belief based on?

10 A. I'm trying to get the timing right in my head
11 relative to the -- the testimony that was driving some
12 of the back-and-forth on disclosure of counterparty
13 names.

14 Q. Do you recall, without recalling exact dates,
15 that there was a time when the Federal Reserve wanted to
16 not release counterparty names and amounts?

17 A. Yes.

18 Q. And then there came a time when the Federal
19 Reserve agreed to release the counterparty names and
20 amounts, correct?

21 A. Yes.

22 Q. Before the Federal Reserve agreed to release the
23 counterparty names and amounts, how much time had passed
24 from the time that the ML III transaction was signed up
25 and the time that the counterparty names and amounts

1 were released?

2 A. It was a couple of months.

3 Q. And am I correct that the Federal Reserve only
4 agreed to release the counterparty names and amounts
5 after there was considerable dissatisfaction, expressed
6 by Congress and the SEC, about those names and amounts
7 not being disclosed?

8 A. I remember the congressional. I don't remember
9 the SEC expressing dissatisfaction.

10 Q. Were you at all involved in negotiations with
11 the SEC as to whether certain schedules could or could
12 not be kept confidential?

13 A. I remember that there was dialogue with the SEC
14 on that topic. I don't know whether I was there or not.
15 I could have been.

16 Q. Let me turn to the subject of the September 22,
17 2008, credit agreement. Were you aware of drafts of the
18 credit agreement prior to the time that it was executed?

19 A. There were drafting sessions, so out of those
20 drafting sessions I imagine there were drafts made of
21 the credit agreement.

22 Q. But were you aware -- but were you personally
23 aware of the drafts?

24 A. So, I was involved in discussions. I may have
25 received drafts, but I was not the lead person on

1 drafting the credit agreement.

2 Q. Were you aware of whether or not AIG played any
3 role in the drafting of the credit agreement?

4 A. I am not aware, no.

5 Q. Do you know when AIG was first made aware of the
6 contents of the credit agreement?

7 A. Not when they were first made aware, no.

8 Q. During the days of September 17th, 18th, 19th,
9 20th, and 21st, you were having multiple daily contacts
10 with Mr. Ed Liddy, correct?

11 A. Yes.

12 Q. Did Mr. Ed Liddy ever ask you what the contents
13 or provisions of the draft credit facility were?

14 A. In my face-to-face interactions with Ed, I don't
15 remember that, but I know that there was back-and-forth
16 through the lawyers on things that Ed was expressing
17 concern about.

18 Q. What was Ed expressing concern about?

19 A. I believe he didn't like the way the credit
20 agreement looked, and he continued to raise questions
21 about the equity piece.

22 Q. Let me try -- let me try to distinguish between
23 two things, and they may be the same in your mind or
24 they may not be. One is the equity piece, and the
25 second is the credit agreement itself. Mr. Liddy

1 expressed unhappiness with respect to the equity piece
2 of the deal between September 16th and September 21st,
3 correct?

4 A. I believe so, yes.

5 Q. Now, did he also express concern with the draft
6 of the credit agreement; that is, had he even seen a
7 draft of the credit agreement?

8 A. I don't know. I was not in that -- in that
9 process.

10 Q. Did he ever ask you to see a draft of the credit
11 agreement?

12 A. I don't recall.

13 Q. There was a board meeting on the evening of
14 September 21, 2008. Do you recall that?

15 A. I believe there was.

16 Q. Were you present at that board meeting?

17 A. I wasn't present in person. There was a board
18 meeting. The first board meeting that I listened to was
19 by phone, and I can't pinpoint -- but the -- the piece
20 of the board meeting that we were listening to was
21 related to asset dispositions. I don't recall any other
22 pieces of the -- of that particular meeting, and I don't
23 know whether that was the 21st or later.

24 Q. Is it fair to say that you don't recall any
25 discussion at any board meeting that you attended about

1 the terms of the proposed September 22nd credit
2 agreement?

3 A. No.

4 Q. You were aware that the original term sheet
5 provided for warrants, correct?

6 A. I don't know.

7 Q. Were you aware that the executed credit
8 agreement provided that the Government would obtain
9 voting preferred stock?

10 A. That was in the credit agreement, right.

11 Q. Were you aware that at any time prior to the
12 credit agreement there had been a proposal that the
13 equity component would have been something other than
14 voting preferred stock?

15 A. I remember working on the press release, and it
16 was very vague in the press release about the equity to
17 be determined later, the form of that to be determined
18 later, but I don't recall various discussions that we
19 had.

20 Q. Which press release did you work on?

21 A. I worked on the press release that was issued
22 Tuesday night for the Federal Reserve Bank of New York,
23 a Federal Reserve press release.

24 Q. And did you see drafts of that press release?

25 A. I saw drafts of the press release that we

1 issued, yes.

2 Q. And did some of those drafts refer to warrants?

3 A. I don't recall that they did, no.

4 Q. Did any of those drafts refer to preferred
5 stock?

6 A. I don't recall.

7 Q. Let me -- with respect to the credit agreement,
8 there were a number of requirements in the credit
9 agreement for AIG to do certain things and not do
10 certain things without approval, correct?

11 A. Probably, yes.

12 Q. Did you or anyone ever compile a list of what
13 AIG's requirements were under the credit agreement, that
14 is, what they couldn't do without approval and what they
15 had to do to satisfy their obligations under the credit
16 agreement?

17 A. I don't remember -- I did not do that. It's
18 possible that somebody on the team pulled that together
19 and -- or AIG pulled that together.

20 Q. But if they did, you never saw it?

21 A. I -- I may have seen it. I don't know.

22 Q. Okay. With respect to the credit agreement, you
23 understood that credit agreement required that AIG
24 provide collateral for any amount drawn pursuant to the
25 credit agreement, correct?

1 A. Yes.

2 Q. And you understood that the Federal Reserve had
3 in its complete discretion what collateral to accept or
4 not accept, correct?

5 A. I don't know that I understood that at the time.
6 It sounds like it makes sense.

7 Q. And you, from time to time, while you were still
8 responsible for the monitoring of AIG, testified before
9 Congress concerning the extent to which the AIG credit
10 facility was or was not fully secured, correct?

11 A. Correct.

12 Q. And you told Congress that AIG had enough
13 high-quality collateral to permit the Federal Reserve to
14 make the loans that it made, provide the liquidity to
15 the firm that it provided, and that the Federal Reserve
16 was fully secure, correct?

17 A. Our joint testimony, Tom and my joint testimony
18 said that, yes.

19 MR. BOIES: May I have just a moment, Your
20 Honor?

21 THE COURT: Sure.

22 (Counsel conferring.)

23 BY MR. BOIES:

24 Q. Let me ask you to look at Plaintiffs' Trial
25 Exhibit 1795, which I would offer.

1 MS. ACEVEDO: We have no objection, Your Honor.

2 THE COURT: Plaintiffs' Trial Exhibit 1795 is
3 admitted.

4 (Plaintiffs' Exhibit Number 1795 was admitted
5 into evidence.)

6 BY MR. BOIES:

7 Q. This is a document dated October 27th, 2008, an
8 email from you to a number of people on the subject of
9 "AIG Valuation."

10 A. Yes.

11 Q. And you say in the second paragraph, "AIG has
12 been asking us for our valuation on the preferred shares
13 that represent the 79.9%." Do you see that?

14 A. Yes.

15 Q. When did AIG first begin asking the Federal
16 Reserve Bank for the Federal Reserve Bank's valuation of
17 the preferred shares that the Federal Reserve got as a
18 result of the credit agreement?

19 A. AIG started asking questions I'm sure leading
20 into preparing their financial statements for the
21 quarter and trying to get clarification on what they
22 needed to do. So, I don't know. Probably early on,
23 late September, early October.

24 Q. And did the Federal Reserve attempt to come up
25 with a valuation of the preferred shares that the

1 Federal Reserve had received as a result of the
2 September 22 credit agreement?

3 A. The -- the Fed didn't receive preferred shavers
4 as a result of the credit agreement. So, I don't know
5 that the Fed would have ever done that or not.

6 Q. When you say the Federal Reserve didn't receive
7 shares, who received the shares on September 22?

8 A. As far as I know, nothing happened on September
9 22 relative to shares.

10 Q. On September 22, 2008, the Federal Reserve paid
11 for the shares, correct?

12 A. I don't know.

13 Q. You understand that the Federal Reserve was
14 obligated to pay \$500,000 for the shares?

15 A. That sounds familiar.

16 Q. And you understand that that amount was paid on
17 September 22?

18 A. If you're reminding me of that, yes.

19 Q. Let me see if I can find the -- may I have just
20 a moment, Your Honor?

21 (Counsel conferring.)

22 MR. BOIES: Your Honor, there is a document that
23 I am not able to put my hands on. Would this be a
24 possible time for the afternoon break?

25 THE COURT: Sure. Let's take our afternoon

1 break. Let's reconvene at 3:30.

2 (Court in recess.)

3 THE COURT: Thank you. Please be seated.

4 Did you find your document?

5 MR. BOIES: I did, Your Honor, and I will hand
6 it up to the witness and to the Court, Plaintiffs' Trial
7 Exhibit 1635.

8 BY MR. BOIES:

9 Q. This is a document that I do not believe you are
10 copied on, but it is a series of emails from -- from and
11 to other personnel at the New York Fed, Davis Polk,
12 which you have identified as the Federal Reserve Bank's
13 counsel -- is that correct?

14 A. That's correct.

15 Q. -- and the Department of Treasury and Morgan
16 Stanley, which you have identified as a Federal Reserve
17 Bank consultant. Is that correct?

18 A. Correct.

19 MR. BOIES: I would offer Plaintiffs' Trial
20 Exhibit 1635.

21 MS. ACEVEDO: No objection, Your Honor.

22 THE COURT: All right. Plaintiffs' Trial
23 Exhibit 1635 is admitted.

24 (Plaintiffs' Exhibit Number 1635 was admitted
25 into evidence.)

1 BY MR. BOIES:

2 Q. If you look on the second page, there is a
3 provision quoted from the credit agreement. Do you see
4 that?

5 A. Yes.

6 Q. And then at the bottom of the first page, there
7 is an email from Joyce Hansen, September 22 at 8:40 p.m.
8 Do you see that?

9 A. Yes.

10 Q. And it says, "This language seems to require us
11 to pay for the stock before AIG issues it. Should we
12 accept the entire fee and then forgive a \$500,000 loan
13 amount?"

14 Do you see that?

15 A. Yes, I do.

16 Q. And Marshall Huebner then replies, and Marshall
17 Huebner is the lead partner at Davis Polk representing
18 the New York Fed, correct?

19 A. Yes, he was.

20 Q. And he writes, "I actually quite like the idea
21 of paying now. Indeed, I think we should clarify that
22 we are deemed to have paid tonight at closing." Do you
23 see that?

24 A. Yes, I do.

25 Q. And then he says, "Jason -- can you beef up

1 temporality?"

2 And then Jason Kyrwood of Davis Polk replies,
3 "Just saw this and will do."

4 Do you see that?

5 A. Yes, I do.

6 Q. And does that now clarify for you that the
7 amount for the equity was paid on September 22nd or
8 effective September 22nd?

9 A. I -- I guess it does. I don't...

10 Q. And -- and the equity that was acquired on
11 September 22nd was equity that was acquired by the
12 Federal Reserve because there was no trust in existence
13 at the time, correct?

14 A. I have no idea.

15 Q. Well, you know there was no trust in existence.

16 A. I know there was no trust. I have zero
17 knowledge of -- and zero memory of this.

18 Q. Let me ask you to look next at Plaintiffs' Trial
19 Exhibit 1607, and the first few pages of this exhibit
20 are an email from Joseph Sommer to you on September
21 19th, 2008, correct?

22 A. Yes.

23 MR. BOIES: Your Honor, I would offer pages 1 to
24 3 of Plaintiffs' Trial Exhibit 1607. It is, I think, a
25 complete document. I am not offering the remaining

1 pages, in part because they are all black.

2 MS. ACEVEDO: No objection, Your Honor.

3 THE COURT: All right. Plaintiffs' Trial
4 Exhibit 1607 is admitted, limited to the first three
5 pages.

6 (Plaintiffs' Exhibit Number 1607, pages 1-3, was
7 admitted into evidence.)

8 BY MR. BOIES:

9 Q. And the first -- the first line of this exhibit
10 is, "Now that you are the proud new owner of an
11 insurance company..." Do you see that?

12 A. I do.

13 Q. And one of the things Mr. Sommer is suggesting
14 is attendance at a meeting of state insurance
15 regulators. Do you see that?

16 A. Yes, I do.

17 Q. And did you, in fact, attend that meeting?

18 A. I did attend that meeting.

19 Q. Did anyone else from the Federal Reserve Bank
20 attend that meeting?

21 A. Yes. I believe Rich Charlton attended with me.

22 Q. Let me ask you also to look to Plaintiffs' Trial
23 Exhibit 97, which I think I have to hand you.

24 Who are the authors and addressees for the email
25 dated September 16th, 2008, at 21:43 Eastern Daylight

1 Time?

2 A. Chris Calabia, Alexa Philo, and Jonathan Polk
3 all worked at the New York Fed.

4 Q. And what were their positions?

5 A. Chris, I think, headed up our internal analyst
6 function. I believe Alexa worked with him. And
7 Jonathan at the time might have been our head of
8 compliance risk in supervision, I think.

9 MR. BOIES: Your Honor, I would offer
10 Plaintiffs' Trial Exhibit 97.

11 MS. ACEVEDO: Your Honor, we have no objection.

12 THE COURT: All right. Plaintiffs' Trial
13 Exhibit 97 is admitted.

14 (Plaintiffs' Exhibit Number 97 was admitted into
15 evidence.)

16 BY MR. BOIES:

17 Q. And do you see Mr. Calabia, on September 16th,
18 2008, at 21:43 Eastern Daylight Time said, "We own AIG,
19 essentially." Do you see that?

20 A. Yes, I do.

21 Q. What had occurred at or about 21:43 Eastern
22 Daylight Time on September 16th, 2008?

23 A. Timingwise, the press release may have gone out
24 at that time.

25 Q. Let me ask you to look at Plaintiffs' Trial

1 Exhibit 127, which is in your binder, which I would
2 offer.

3 MS. ACEVEDO: We have no objection, Your Honor.

4 THE COURT: Plaintiffs' Trial Exhibit 127 is
5 admitted.

6 (Plaintiffs' Exhibit Number 127 was admitted
7 into evidence.)

8 BY MR. BOIES:

9 Q. The top email that goes to you and a number of
10 other people -- and how do you pronounce the name of the
11 author of that email?

12 A. Helen Mucciolo.

13 Q. Helen Mucciolo writes on September 17, 2008, at
14 20:55 (as read): "I thought we couldn't take them under
15 the FRA." Do you see that?

16 A. Yes, I do.

17 Q. And the "them" refers to warrants, correct?

18 A. That's what I believe, yes.

19 Q. And the FRA is the Federal Reserve Act?

20 A. That would be my assumption, yes.

21 Q. And the previous email, the one she was
22 responding to, says, "I heard that there are problems
23 with Treasury taking warrants." Do you see that?

24 A. Yes, I do.

25 Q. And were you ever aware during the period of

1 September 16th through September 23rd of any problems
2 with the Department of Treasury taking warrants?

3 A. I just don't recall.

4 Q. Let me ask you to look at Plaintiffs' Trial
5 Exhibit 192, which I would offer.

6 MS. ACEVEDO: We have no objection, Your Honor.

7 THE COURT: Plaintiffs' Trial Exhibit 192 is
8 admitted.

9 (Plaintiffs' Exhibit Number 192 was admitted
10 into evidence.)

11 BY MR. BOIES:

12 Q. This is a cover email dated September 21, 2008,
13 with a term sheet attached to it. This is a term sheet
14 that talks about convertible participating serial
15 preferred stock. Do you see that on page 3 --

16 A. Yes, I do.

17 Q. -- under the heading "Securities"?

18 A. Yes.

19 Q. Did you ever see a term sheet that referred to
20 convertible participating serial preferred stock?

21 A. I don't know if I did.

22 Q. Let me ask you to look at Plaintiffs' Trial
23 Exhibit 315, which I would offer.

24 MS. ACEVEDO: We have no objection, Your Honor.

25 THE COURT: Plaintiffs' Trial Exhibit 315 is

1 admitted.

2 (Plaintiffs' Exhibit Number 315 was admitted
3 into evidence.)

4 BY MR. BOIES:

5 Q. The top email in the string is an email from Dan
6 Jester to you, October 21, 2008, 4:54 p.m. Do you see
7 that?

8 A. Yes.

9 Q. And it asks you to forward to the appropriate
10 people at Morgan Stanley a proposal that Mr. Jester had
11 received from Andrew Pincus. Do you see that?

12 A. Yes, I do.

13 Q. Do you recall this proposal?

14 A. Not without looking at it.

15 Q. Please take a moment and look at it.

16 A. (Document review.) Okay.

17 Q. Did you discuss this proposal with Mr. Jester?

18 A. I don't remember whether it was with Dan or
19 whether the discussion was with those who were proposing
20 this. I remember a meeting about something like this.

21 Q. And that was a meeting you participated in?

22 A. I believe I was there.

23 Q. Who else participated in it?

24 A. They came in to the New York -- I believe this
25 is a meeting that they came in to New York Fed, but I

1 don't remember who-all was there.

2 Q. And who came in to the New York Fed?

3 A. I don't -- I don't remember. I would be
4 guessing that it was the people who sent the email, but
5 I don't remember exactly.

6 Q. These were people who came in and made the
7 proposal that is summarized on pages 2 and 3 of
8 Plaintiffs' Trial Exhibit 315. Is that correct?

9 A. Yes.

10 Q. And do you recall who was there from the
11 Government?

12 A. No. I don't remember who was there. I'm sorry.

13 Q. What were the people who came in and made this
14 proposal told?

15 A. I don't remember what they were told at the
16 meeting. I remember when we reviewed the proposal,
17 there were issues that we saw that we didn't think could
18 be overcome.

19 Q. What were the issues that you saw that could not
20 be overcome in your view?

21 A. The ability to actually get new investors in the
22 company at this time, raising of new equity capital.

23 Q. Anything else?

24 A. I'd have to go through. I don't know how all of
25 the conversion suggested here would have actually worked

1 and whether that was something that was possible.

2 Q. Well, what they're asking in terms of the
3 conversion is that the \$85 billion federal loan facility
4 be converted into nonvoting senior preferred stock with
5 terms consistent with those outlined in the TARP Capital
6 Purchase Program, correct?

7 A. That's what it says, yes.

8 Q. And are you saying that the Federal Reserve
9 determined that that would not be practical?

10 A. I don't know that we determined that. I know
11 that there was an \$85 billion facility by the Federal
12 Reserve Bank of New York, and I don't know that it was
13 something that -- that the Fed thought would be easy to
14 do, to do this just natural conversion of the U.S.
15 Treasury, since the Treasury -- it wasn't the Treasury's
16 loan. But beyond that, it was a set of conversations.
17 I don't recall all the details.

18 Q. Was any effort made to see whether the people
19 who were making this proposal could, in fact, raise
20 capital from new investors?

21 A. The billions of dollars? I don't know.

22 Q. Let me ask you to look next at Plaintiffs' Trial
23 Exhibit 438, which I would offer.

24 MS. ACEVEDO: We have no objection, Your Honor.

25 THE COURT: Plaintiffs' Trial Exhibit 438 is

1 admitted.

2 (Plaintiffs' Exhibit Number 438 was admitted
3 into evidence.)

4 BY MR. BOIES:

5 Q. There's an email here from Mr. Dudley to Vice
6 Chairman Kohn, copying you, February 26th, 2009, at 7:40
7 a.m., on the subject of AIG. Do you see that?

8 A. Yes, I do.

9 Q. Mr. Dudley writes: "I got an email from Sarah
10 last night indicating a strong preference at Treasury
11 and at FRBNY not to increase AIG ownership share from
12 the current 79.9 percent as part of the restructuring.
13 Believe it sends the wrong message publicly--creeping
14 nationalization--and to the BoD, management and
15 employees."

16 Do you see that?

17 A. Yes, I do.

18 Q. And did you write an email to Mr. Dudley stating
19 the substance of what is described here?

20 A. I must have.

21 Q. Let me ask you to look at Plaintiffs' Trial
22 Exhibit 453. This is a March 9, 2009, email from Jill
23 Considine to you, and that responds to an email from you
24 to the three trustees, dated March 8, 2009, on the
25 subject of "Update on events of the week."

1 Do you see that?

2 A. Yes.

3 Q. And did you give the trustees regular updates
4 such as this?

5 A. Yes, I did.

6 Q. Let me ask you to look next at Plaintiffs' Trial
7 Exhibit 1607, which I believe I have already offered. I
8 withdraw that.

9 Your Honor, may I inquire whether I offered
10 Plaintiffs' Trial Exhibit 453?

11 THE COURT: You did not.

12 MR. BOIES: I would like to offer that.

13 THE COURT: All right.

14 MS. ACEVEDO: No objection, Your Honor.

15 THE COURT: Plaintiffs' Trial Exhibit 453 is
16 admitted.

17 (Plaintiffs' Exhibit Number 453 was admitted
18 into evidence.)

19 BY MR. BOIES:

20 Q. Let me ask you to look at Plaintiffs' Trial
21 Exhibit 260, which I will hand up and which I would
22 offer.

23 MS. ACEVEDO: No objection, Your Honor.

24 THE COURT: All right. Plaintiffs' Trial
25 Exhibit 260 is admitted.

1 (Plaintiffs' Exhibit Number 260 was admitted
2 into evidence.)

3 BY MR. BOIES:

4 Q. Can you identify what this document is?

5 A. It looks like an email from Stephanie to some
6 lawyers and me, and the subject is "Revised Third Draft
7 Voting Trust."

8 Q. And did you receive drafts of the voting trust
9 in late September and early October of 2008?

10 A. It looks like I did receive these emails.

11 Q. Let me ask you to look at Plaintiffs' Trial
12 Exhibit 231, which I would offer.

13 MS. ACEVEDO: No objection, Your Honor.

14 THE COURT: Plaintiffs' Trial Exhibit 231 is
15 admitted.

16 (Plaintiffs' Exhibit Number 231 was admitted
17 into evidence.)

18 BY MR. BOIES:

19 Q. This is a -- an email from Suzanne Folsom, dated
20 September 23, 2008, at 4:30 p.m. Do you see that?

21 A. Yes.

22 Q. Who was Suzanne Folsom at that time?

23 A. Suzanne Folsom was head of compliance and
24 regulatory relations, I think, was basically her title.

25 Q. And what was your understanding of the purpose

1 of this email at the time?

2 A. It looks like it clarified a meeting that we
3 attended with -- between the New York Fed and AIG.

4 Q. And that was a meeting that you participated in?

5 A. I participated in a lot of meetings and may have
6 been at this meeting. I can't tell whether it's got an
7 attendee list on it or not, but it wouldn't surprise me
8 if I did. I just --

9 Q. That would be the kind of meeting that you
10 regularly attended. Is that fair?

11 A. This would be the kind of meeting that I would
12 have normally attended, yes.

13 Q. Let me ask you to look at Plaintiffs' Trial
14 Exhibit 1638, which I would offer.

15 MS. ACEVEDO: Your Honor, we're actually going
16 to object to this one on hearsay grounds. This is not a
17 document that was produced by the New York Fed, and
18 there's nothing on here that seemingly ties it to Sarah,
19 and we think it's hearsay.

20 MR. BOIES: Your Honor --

21 THE COURT: Mr. Boies?

22 MR. BOIES: -- it was produced by Davis Polk,
23 which was the New York Fed's lawyers. The top email is
24 an email from a Davis Polk lawyer to Suzanne Folsom, who
25 the witness has just identified in a prior email, with a

1 copy to James Hennessy, who the witness has also
2 previously identified as a New York Federal Reserve Bank
3 person. And it contains an email at the bottom from
4 Marshall Huebner, who is the lead Davis Polk partner
5 responsible for representing the New York Fed, to the
6 general counsel of AIG, as well as to Ethan James, who
7 is another Davis Polk partner. The middle email is to
8 Marshall Huebner, the Davis Polk lead partner
9 representing the Federal Reserve, and the general
10 counsel of AIG.

11 THE COURT: I am going to admit the document.
12 So, Plaintiffs' Trial Exhibit 1638 is admitted.

13 MS. ACEVEDO: Thank you, Your Honor.

14 (Plaintiffs' Exhibit Number 1638 was admitted
15 into evidence.)

16 BY MR. BOIES:

17 Q. These string of emails talk about a
18 communications protocol between AIG and the Government,
19 correct?

20 A. Yes. That's what it looks like.

21 Q. And the dates of these emails are September 21
22 through September 23, 2008. During that period of time,
23 were you aware of efforts between AIG and the Federal
24 Reserve Bank to arrive at a communications protocol?

25 A. Following the issues with the 8-K, I know that

1 we had interactions to make sure that we got the right
2 flow of information for review. So, yes, there was some
3 back-and-forth.

4 Q. And the middle email from Kathleen Shannon of
5 AIG to Marshall Huebner, your counsel, says, "As we
6 discussed on Friday, we would like to come up with a
7 framework to share our significant filings and press
8 releases with you and the Federal Reserve prior to
9 filing or issuance. We wish to emphasize that we view
10 the Fed as our partner in this process, and we intend to
11 cooperate fully with their request."

12 Do you see that?

13 A. Yes, I do.

14 Q. And although you do not appear to have received
15 this email directly, do you recall that you were
16 conveyed the substance of that from AIG?

17 A. Yes. AIG provided us and cooperated fully.

18 Q. Now, let me ask you to look at Plaintiffs' Trial
19 Exhibit 1635. I apologize, Your Honor. We've already
20 used 1635 earlier, and it's already been admitted. So,
21 I withdraw that.

22 Your Honor, with that, I pass the witness.

23 THE COURT: All right. Thank you, Mr. Boies.

24 Your witness, Ms. Acevedo.

25 MS. ACEVEDO: Thank you, Your Honor.

1 CROSS EXAMINATION

2 BY MS. ACEVEDO:

3 Q. Good afternoon, Ms. Dahlgren.

4 I believe you testified yesterday that you were
5 the head of the financial institutions supervision
6 group. Is that right?

7 A. That's correct.

8 Q. And when did you become the head of the
9 financial institutions supervision group?

10 A. I took over in January 2011.

11 Q. And when did you join the New York Fed?

12 A. I joined the New York Fed in July of 1990.

13 Q. Can you please briefly summarize for the Court
14 the positions that you've held at the New York Fed,
15 leading up to your current job?

16 A. So, I started in the bank supervision group as
17 an examiner and held various positions within
18 supervision, including an examiner, had responsibility
19 for our payments and IT area, for Y2K. I briefly held a
20 stint outside of the group in our credit risk management
21 area.

22 And then, beginning in 2000, I had
23 responsibility for different parts of our relationship
24 management area, which is responsible for the
25 supervisory program for institutions in the Second

1 Federal Reserve District; held increasing levels of
2 responsibility for that portfolio of institutions up
3 through September 16th, 2008.

4 Q. Thank you.

5 Can you please summarize your educational
6 background?

7 A. I have a bachelor's degree from Cornell, a
8 master's degree from Duke, and another master's degree
9 from NYU.

10 Q. Prior to -- now, I want to talk about your
11 involvement with AIG. Prior to September 16th, 2008,
12 what duties, if any, did you have with respect to AIG?

13 A. So, with respect to AIG specifically, I didn't
14 have any responsibilities for AIG.

15 Q. And can you please describe your involvement
16 with AIG, if any, on the weekend of September 13th to
17 14th, 2008, also known as Lehman weekend?

18 A. So, that weekend, one of the things that we were
19 doing to monitor the institutions we were responsible
20 for was having routine calls with them to understand
21 their exposure, understand what they were seeing in the
22 market, and through that, understood the difficulties
23 AIG was having over that weekend.

24 Q. Were you involved in the decision to lend to
25 AIG?

1 A. No, I was not.

2 Q. Now, you testified that you were the lead of the
3 AIG monitoring team. When did you first learn that the
4 New York Fed would establish a monitoring team?

5 A. So, Tuesday, September 16th, around noon, I was
6 called over to Tim Geithner's office and was asked to
7 take point on what was going to be a loan that was going
8 to be made to AIG that day.

9 Q. Did the New York Fed ever monitor any other
10 institutions as a lender?

11 A. So, in addition to our supervisory
12 responsibilities, the New York Fed did monitor the
13 activities of the primary dealers who borrowed from the
14 primary dealer credit facility, which was set up in
15 March 2008. So, to the extent that we didn't have
16 supervisory responsibilities for the investment banks,
17 for example, we had a handful of people who were
18 monitoring the liquidity of those broker-dealers who
19 weren't otherwise supervised by the Fed.

20 Q. And what did you understand you would be doing
21 as the lead of the monitoring team?

22 A. I think on September 16th, I wasn't quite sure
23 what that meant. What I did that day was actually just
24 try to connect people who needed things, identify
25 resources as people needed, tried to get answers for

1 people. And then it was that night, on Tuesday, when I
2 sat down with a couple of other people within my area
3 and said, you know, that we just made a loan, we're
4 going to need to figure out what we need to do, we're
5 going to need people on the ground tomorrow.

6 Q. And what was the purpose of the AIG monitoring
7 team?

8 A. So, as we were going in on Wednesday morning,
9 our -- you know, one of our primary purposes was to
10 understand what was going on at AIG, understand their
11 financial condition, understand the difficulties that
12 they were in, and to make sure that the funds that were
13 being lent to AIG were being used in an appropriate way.

14 Q. And at some point did the New York Fed agree to
15 lend money to AIG?

16 A. Yes. The New York Fed lent money to AIG.

17 Q. And when did the New York Fed first lend money
18 to AIG?

19 A. The first loan was made on Tuesday, September
20 16th, to AIG.

21 Q. Did you have any responsibility in connection
22 with that loan?

23 A. Not -- other than running point and getting
24 people the answers that they needed to questions during
25 that day. Decisions around that loan were made outside

1 of my purview.

2 Q. And was there any valuation analysis of AIG done
3 prior to that loan on September 16th?

4 A. So, there was information that was produced,
5 valuation information, and I had a discussion that day
6 with somebody that worked in the supervision group about
7 that valuation, and he had produced some analysis that
8 they -- "they" being he and his analysts -- had looked
9 at. So, the -- I understood what the valuation was on
10 that day.

11 Q. Did you have any involvement in that effort, in
12 the valuation?

13 A. Not in the actual valuation itself. I was
14 presented with some information that was produced by
15 Morgan Stanley and others in valuing the collateral.

16 Q. Okay. And why was -- you mentioned Morgan
17 Stanley. Why was Morgan Stanley involved?

18 A. So, Morgan Stanley was involved over the weekend
19 and had provided some information on valuation to us
20 that day.

21 Q. If you can please turn to a document in your
22 binder labeled DX 415. Can you identify this document
23 for the Court?

24 A. It is an email and an attached memo from Rob
25 Patalano.

1 Q. And I want to focus you on the attached memo
2 and, in particular, on a table that's on page 2 of the
3 document.

4 A. Um-hum.

5 Q. There is a table there at the bottom of the page
6 that's labeled "Analyst Valuation Ranges." Do you see
7 that?

8 A. Yes.

9 Q. What does that table show?

10 A. So, what this table shows is a set of valuations
11 made by analysts at Bank of America, UBS, Morgan
12 Stanley, and Citi, that were based on 2Q filings, and
13 this is what the analysts thought the valuations were
14 based on both stock price and the market value equity.

15 Q. Okay. And if you look there under I guess the
16 sort of middle heading, under "MS Scenarios," there's a
17 bull, base, and bear referenced there -- actually, a
18 bear, a base, and a bull. I read it out of order.

19 A. Yes.

20 Q. What's shown there?

21 A. So, these would be estimates by Morgan Stanley
22 for different scenarios. So, the bear scenario being a
23 worst scenario, the base being current, and the bull
24 scenario being a positive scenario, a strong scenario.

25 Q. And did you have any understanding as to the

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1 assumptions that went into these numbers?

2 A. The assumptions being that the base scenario was
3 based on viewing how things were currently, that the
4 bear was something -- that things would get worse, that
5 the bull was -- things would get stronger, but they were
6 all based on information from 10-Q filings from the
7 company.

8 Q. And if I can just direct you to the footnote on
9 the first page of the memo, footnote number 1. It says
10 (as read): "Observations based on information from 2Q
11 2008 and 10Q filing, and investment research reports."

12 A. Um-hum.

13 Q. Do you see that?

14 How, if at all, might that have affected the
15 values that are identified herein?

16 A. So, this was information as of the second
17 quarter, which would have been June, which would have
18 been several months beforehand, and so the information
19 itself would have been dated, and market -- the market
20 did move from June and got worse, but this was based on
21 2Q information. So, the information was dated.

22 Q. Now, you mentioned that on the evening of
23 September 16th, you received a valuation analysis in
24 connection with the loan. Was this the analysis to
25 which you referred?

1 A. Yes. This was the document that I saw that day.

2 Q. Okay. Now, we've focused on this table on page
3 2 of the document -- or page 1 of the memo, whichever
4 you prefer -- and I want to focus now on the document as
5 a whole. For what purpose was this memo used?

6 A. So, on that day, we had to, you know, be sure
7 that we were secured that day for the loan that was
8 going to be made to AIG, which was a \$14 billion loan
9 that day, and this provided an overall sense that, based
10 on what we knew at that time, that we would be secured.

11 MS. ACEVEDO: Your Honor, I would like to move
12 for the admission of DX 415.

13 MR. BOIES: No objection, Your Honor.

14 THE COURT: Defendant's Exhibit 415 is admitted.
15 (Defendant's Exhibit Number 415 was admitted
16 into evidence.)

17 BY MS. ACEVEDO:

18 Q. Okay. I want to switch gears now and talk about
19 the assembly of the monitoring team. You mentioned on
20 Tuesday, just a few moments ago, you determined that you
21 needed people on the ground. When did you assemble the
22 monitoring team?

23 A. So, late Tuesday night, after everything had
24 been done, we sat down and talked through with Steve and
25 a couple others what were the types of people that we

1 thought we would need to help us do the work that we
2 would need to do to monitor the loan over at AIG. We
3 didn't understand the company, and so, you know, one of
4 the things that we knew we would need would be somebody
5 who would actually be able to see how funds were flowing
6 within the company.

7 So, we thought through we're going to need
8 somebody who understands funds transfers, we're going to
9 need somebody who understands funding of liquidity. We
10 knew from what we had been told that there are issues up
11 at the Financial Products area, so we knew we were going
12 to need somebody who had derivatives experience and then
13 basically somebody who understood controls in a company.
14 So, that's the way we assembled the initial team that
15 night.

16 Q. Okay. And that night was Tuesday, September
17 16th?

18 A. Tuesday, September 16th.

19 Q. Thank you.

20 And how large was the team initially? I believe
21 yesterday you said it was initially ten and grew over
22 time. Is that right?

23 A. That's correct.

24 Q. Okay. And why was that?

25 A. So, it started initially as ten people, grew

1 over time both because things got more complicated and
2 we were going to be involved in a much longer period of
3 time. So, we wanted to have people who understood for
4 us both the M&A experience but also some insurance
5 experts and other people who actually worked for the New
6 York Fed. So, we brought on more people over time. It
7 rose to maybe 20 at the -- at the maximum.

8 Q. And Mr. Boies asked you about the fact that the
9 team was supplemented with staff from outside firms, for
10 example, Morgan Stanley and Ernst & Young. Why was
11 that?

12 A. So, one of the first things that I did after I
13 came back on Wednesday was identify that we didn't have
14 the insurance expertise that we were going to need to
15 really understand the company. So, one of the first
16 things that we did was identify somebody who could help
17 us in the insurance area, because we had no experience
18 with insurance.

19 We also knew, based on the initial meeting that
20 we had where we found out that the company had almost no
21 centralized information and was not going to be able to
22 provide us with the information that we needed to
23 monitor the loan and monitor the company, we would need
24 people who could actually help us pull that together.
25 So, we would need more boots on the ground to assist us

1 in that actual day-to-day work as well.

2 Q. And what was Morgan Stanley's contribution to
3 the monitoring team?

4 A. So, once, you know, we understood how things
5 were going to progress in terms of asset sales, we knew
6 we would need to have somebody who could help us
7 understand -- not having any of that experience coming
8 from the Federal Reserve Bank of New York, we would need
9 to have people who could actually give us advice on how
10 that process works and who could assist us in
11 understanding, for purposes of monitoring, how the
12 company was doing. And so Morgan Stanley became our
13 investment advisors, our M&A advisors.

14 Q. How about Ernst & Young? What was their
15 contribution to the monitoring team?

16 A. So, Ernst & Young provided both people, people
17 to help us develop the kinds of MIS we needed to
18 monitor; they provided additional expertise in funding
19 and liquidity; they provided us with additional
20 expertise in derivatives up at Financial Products.

21 We also leveraged their expertise in the real
22 estate area, and they provided us obviously with the
23 deep insurance expertise that we needed.

24 Q. Now, Mr. Boies asked you about why AIG was
25 billed for work that was done in connection with the --

1 for the monitoring team by both Morgan Stanley and Ernst
2 & Young. Do you recall that?

3 A. Yes.

4 Q. Why was that? Why was AIG billed for work done
5 by Morgan Stanley and Ernst & Young in connection with
6 the monitoring team?

7 A. So, one of the pieces of the credit agreement
8 said that the lender's expenses, the expenses incurred
9 by the lender, the Federal Reserve Bank of New York, in
10 carrying out its responsibilities would be reimbursed by
11 the borrower. And so that's the process that was set
12 up, is that anything that we were billed for, we would
13 then bill AIG to the extent it was AIG-related.

14 Q. The team has been referred to as an on-site
15 monitoring team. In fact, where did the team work?

16 A. So, the team's home base was 33 Liberty Street,
17 so the Federal Reserve Bank of New York's headquarters.
18 The team spent a lot of time obviously at headquarters,
19 spent time at other locations, depending on what the
20 particular issue was. We did have a couple of people
21 who spent the majority of their time up at Financial
22 Products, because that was one of the biggest issues
23 that the company had.

24 Q. And how long did the New York Fed monitor the
25 loan?

1 A. So, the New York Fed monitored the loan until
2 AIG paid the loan off and we had no more exposure to
3 AIG.

4 Q. And when was that?

5 A. January 2011.

6 Q. And when did your responsibilities in connection
7 with the AIG monitoring team end?

8 A. September 2010.

9 Q. And why did the New York Fed feel that the
10 monitoring was necessary?

11 A. So, the size of the loan, \$85 billion going into
12 the company, we wanted to make sure that the funds
13 themselves were being used to address the issues within
14 the company and, importantly, wanted to make sure that
15 the loan eventually was paid back. So, we were
16 monitoring to do both of those things.

17 Q. Okay. I want to switch now to a topic that
18 Mr. Boies asked you about earlier, a meeting with
19 Mr. Liddy and senior management on September 17th. Do
20 you recall that?

21 A. Yes.

22 Q. Okay. You testified that you attended a meeting
23 between Mr. Liddy and AIG's senior management on
24 September 17th, 2008. Do you recall that?

25 A. Um-hum, yes.

1 Q. Okay. Were you involved in selecting Mr. Liddy?

2 A. No, I was not.

3 Q. When did Mr. Liddy become the CEO of AIG?

4 A. My understanding is he became the CEO on
5 Thursday, the 18th, when he was voted in by the board.

6 Q. Tell me about the meeting on September 17th.

7 A. So, we met with Ed briefly to introduce
8 ourselves. I went over with Steve to introduce
9 ourselves, to just kind of do a little bit of a
10 meet-and-greet. And then Ed and I and Steve went into a
11 bigger room where most -- much of the senior management
12 team was located and waiting for the meeting.

13 And we introduced ourselves, talked about the
14 role of the Fed in this particular situation. This was
15 a group of individuals who didn't know us at all, had
16 never probably interacted at all with the New York Fed.
17 It was a situation where we had never supervised them,
18 so they didn't really understand who we were and what we
19 were doing.

20 So, we spent our time to try and lay out how we
21 were going to operate; that we would need them to
22 cooperate; that we would need a free flow of
23 information; that we would need, you know, to have the
24 right kind of dialogue in order for things to be able to
25 progress.

1 Q. Did you form any impressions of AIG's business
2 practices at that meeting?

3 A. One of the things that became very clear very
4 early on was that the company was unable to answer basic
5 questions like how much money are you going to need
6 today; and so that suggested to us -- and based on the
7 interactions that we had -- that they had no centralized
8 control and no way of knowing kind of where they needed
9 money and why they needed money.

10 And so that immediately raised concerns about
11 the controls within the company, and that's one of the
12 things that we focused on first, was trying to
13 understand the funding and liquidity of the company.

14 Q. And how did AIG's business practices impact your
15 job as the lead of the monitoring team?

16 A. So, without that kind of centralized control, it
17 required a lot more engagement than might otherwise have
18 been needed since we didn't have any way of
19 understanding, at a top level, the broader issues at the
20 company. So, it meant that we both had to do more of
21 our own work, but we had to hire more, you know, help to
22 do that. And that was E&Y and Morgan Stanley.

23 Q. Okay. I want to ask you about a document that
24 Mr. Boies showed you earlier that references that
25 meeting. If you can turn to PTX 581 in your binder.

1 A. Yes.

2 Q. I'm going to direct you to the second page of
3 the document, to the last sentence in the third
4 paragraph there, where it says, "They were terrified,
5 they were on the brink, and then they were dealing with
6 their lender."

7 Do you see that?

8 A. Oh, yes, I do. Sorry.

9 Q. Do you recall saying those words?

10 A. That they were terrified and they were on the
11 brink?

12 Q. Yes.

13 A. I don't know whether I said those words exactly,
14 but I was definitely communicating that the people in
15 the room that we met with were shell-shocked, they were
16 terrified. This was the night after an \$85 billion
17 loan, an unprecedented thing had happened. Many of them
18 had probably lost their own net worth, and so they were
19 sitting there stunned. So, I don't know whether I said
20 "terrified," but basically I was communicating that this
21 was a company in shock.

22 Q. Now, Mr. Boies didn't ask you about the previous
23 couple sentences, but I am going to. There's language
24 there to the effect that you told senior management that
25 the New York Fed is here and you are going to cooperate.

1 Do you see that?

2 A. Yes, I do.

3 Q. Do you recall saying those words?

4 A. I don't know if -- I don't know exactly what I
5 said, but given the condition of the -- given the
6 condition of the company, understanding that we had just
7 made a \$14 billion loan, and walking into a room and
8 understanding that they still didn't know how much money
9 they were going to have to borrow that night, I was
10 trying to set out that we would need their full
11 cooperation, and so I might have said, "You're going to
12 cooperate," or I might have said, "We expect your
13 cooperation," but I'm sure I talked about cooperation
14 and what we would need from them in order to be able to
15 monitor what we had to monitor.

16 Q. Now, you just mentioned -- you can set that
17 aside. Thank you.

18 You just mentioned that AIG had borrowed \$14
19 billion on Tuesday, September 16th. Did AIG borrow any
20 more money from the New York Fed that week?

21 A. Yes, they did.

22 Q. What did they borrow?

23 A. So, Tuesday night they borrowed 14; Wednesday
24 night they borrowed another 14 billion; Thursday night,
25 they borrowed 6 billion; and Friday night, they borrowed

1 3 billion.

2 Q. What was your responsibility, if any, in
3 connection with those loans?

4 A. So, every day, when they had to borrow money, we
5 were, you know, asked to make sure that we continued to
6 have collateral, and that was -- beyond that, the
7 discount window and others took care of the logistics of
8 getting the money to them.

9 Q. And you mentioned that the monitoring team
10 retained E&Y. Do you recall that?

11 A. Yes.

12 Q. What effort, if any, did E&Y contribute to that?

13 A. So, once we had E&Y on board and we had the
14 weekend, we asked E&Y to do as good a valuation as they
15 could do over the course of that weekend and produce
16 something for us.

17 Q. Did E&Y provide the New York Fed with a
18 valuation analysis?

19 A. Yes, they did.

20 Q. Please turn to JX 105 in your binder. Can you
21 identify this document for the Court?

22 A. This looks like it's the document that E&Y
23 produced over that weekend, the valuation that we asked
24 them to do.

25 Q. Focusing on the first page, the cover page

1 there, there's a reference to "Preliminary Valuation."
2 What did you understand was meant by "Preliminary
3 Valuation"?

4 A. This was E&Y's first pass at being able to
5 provide us with a valuation. They had to use whatever
6 information was actually available at that time in terms
7 of financial information and other data, and so
8 preliminary, I think, is just suggesting that it was
9 their first pass, using that kind of information.

10 Q. Turning now to page 5 of the document, there are
11 three critical limitations listed there. Let's take a
12 look at the second one. It says that AIG would not be
13 downgraded below an A minus. Do you see that?

14 A. Yes.

15 Q. Was there a risk at this time that AIG would be
16 downgraded?

17 A. Yes. AIG had been downgraded the Monday leading
18 into Tuesday, and there was ongoing risk, given the
19 condition of the company, that they would be downgraded.

20 Q. And what would have happened to the value of
21 AIG's collateral posted in connection with the loan if,
22 in fact, it were downgraded?

23 A. So, if there had been a downgrade, the value of
24 the collateral, the value of the company itself would
25 have diminished as a result of that downgrade.

1 Q. Let's take a look at page 10 of the document,
2 and I want to focus on the number 104.7 that's in --
3 there are three columns with numbers there.

4 A. Um-hum.

5 Q. It's in the middle of the bottom of the page.
6 Do you see that?

7 A. Yes.

8 Q. What's that number referring to?

9 A. That number is the total -- it's the total
10 valuation result, and it's bookmarked by a low and a
11 high. So, it's sort of the midpoint, the mid-valuation.

12 Q. And is this the source of the often cited 104.7
13 number?

14 A. Yes. This is the number that we used going
15 forward.

16 Q. And can you describe where it comes from?

17 A. The 104.7 comes from the work that E&Y did to
18 value AIG.

19 Q. Do you recall the amount of the haircut that was
20 applied to this number?

21 A. So, as we thought about -- so, as we, as the
22 lender and the team, thought about whether 104.7 was the
23 right number, we actually took a haircut or a discount
24 to that as well of 25 percent, just to give us room
25 about things that might go wrong going forward, to take

1 into account that the markets weren't, you know, always
2 operating the right way. So, we took our own haircut on
3 top of the 104.7.

4 Q. And did that haircut cover all the risk
5 associated with the collateral?

6 A. The 25 percent was -- was a hard guess for us, a
7 harsh guess for us, but, no, it would not have accounted
8 for the markets getting even, you know, worse than
9 they -- than they eventually did.

10 Q. Did you ever, in September 2008 or thereafter,
11 see a valuation by anybody of what AIG's collateral
12 would have been worth if AIG failed?

13 A. I don't remember -- other than bankruptcy and
14 not worth a lot, I don't remember an actual valuation
15 that would have gone through something like this.

16 Q. Let's take a look at page 17 of the document.
17 There are some limitations identified there. I want to
18 focus on the one in the first bullet point. There's a
19 reference there to simplifying assumptions and limited
20 data. Do you see that?

21 A. Yes.

22 Q. How, if at all, might this limitation have
23 influenced the values identified here?

24 A. So, E&Y was using the information that was
25 provided to them. They may not have had all the

1 information that they would normally have in providing a
2 valuation, and so the data was limited. It could have
3 meant that it was lower or could have meant that it was
4 higher, but that's what the limited and simplifying
5 assumptions is telling us.

6 Q. Let's take a look at page 20, and, again, I want
7 to focus on one of the limitations in the first bullet
8 point there. There's a reference there to "actual
9 future results will vary from those projected."

10 Do you see that?

11 A. Yes.

12 Q. How, if at all, might this limitation have
13 affected the values identified herein?

14 A. So, this was making assumptions about how the
15 world would unfold in one way or another, and that would
16 affect the actual performance of the markets. The
17 actual performance of the company and other companies
18 would affect the -- the value that E&Y developed for us.
19 So, they're just telling us that the actual future
20 results are likely to be different because they can't
21 predict the future.

22 Q. Let's look at the next page, the first bullet
23 point. There's a reference there to "preliminary view
24 of a potential value under a going concern assumption."
25 Do you see that?

1 A. Yes.

2 Q. If AIG were not a going concern, how might the
3 values identified herein have been affected?

4 A. So, a going concern means an operating company,
5 a company that continues to exist. If they were not a
6 going concern, they would have failed, and the values
7 would have been substantially less.

8 Q. Now, I want to talk about a subject -- switch
9 gears and talk about a subject that Mr. Boies asked you
10 quite a lot about, which is your contact with Mr. Liddy.

11 After your initial meeting with Mr. Liddy on
12 September 17th, how often would you meet?

13 A. So, initially I would meet quite frequently with
14 Ed, and, you know, when things were either stressful or
15 we were leading up to restructurings, like November and
16 March, it would be more frequent. Over time, as he
17 brought on additional senior support, as things started
18 to moderate, our interactions would decrease over time.

19 Q. And what would you speak with Mr. Liddy about
20 when you met?

21 A. So, Ed and I would talk about a variety of
22 topics: what we were seeing in the company, issues that
23 raised concerns that we thought he should be aware of,
24 you know, we shared observations about how we thought
25 things were going.

1 We also, you know, were learning from him, you
2 know, what his views were, what his evaluation of the
3 business was, et cetera. So, we were just exchanging
4 information.

5 Q. And what was your role in those conversations
6 with Mr. Liddy?

7 A. So, I wanted to make sure that we were touching
8 base on a regular basis to understand what he was
9 thinking, what he was thinking, you know, in terms of
10 different parts of the company. We wanted to provide
11 our views as well. And so it was really a sharing of
12 information to make sure he understood what we were
13 doing and we could provide him whatever input we had.

14 Q. You mentioned a sharing of information. Did you
15 ever direct Mr. Liddy on behalf of the New York Fed to
16 either take or not take any action?

17 A. No. We didn't direct Ed to take or not take any
18 particular action.

19 Q. You were asked about your contacts with AIG
20 senior management as well. Do you recall that?

21 A. Yes.

22 Q. Following your September 17th meeting with AIG
23 senior management, did you continue to have contact with
24 them?

25 A. Yes, we did.

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1 Q. And why did you do that? Why did you continue
2 interacting with AIG's management?

3 A. So, I and my team continued to interact with key
4 people within the organization, again, to understand how
5 things were running, what was happening, what was
6 happening in the insurance companies, what was happening
7 relative to funding, what was happening relative to FP.
8 So, again, it was understanding what they were both
9 doing, seeing, and then sharing with them our
10 observations as well.

11 Q. And who did you interact with?

12 A. So, I interacted with the CFO, the chief risk
13 officer, the chief restructuring officer, general
14 counsel, head of strategy. So, many of the people who
15 would be considered in the C-suite of the organization.

16 Q. And how frequently would you meet with those
17 individuals?

18 A. Similar to Ed, it would be intense around
19 periods of stress or quarter-end or coming into a
20 restructuring. It became, you know, more regular as
21 things settled down a bit, but that was probably later
22 in 2009.

23 Q. And you were asked in particular by Mr. Boies
24 about contacts you had with Paula Reynolds. Do you
25 recall that?

1 A. Yes.

2 Q. And why did you interact with Ms. Reynolds?

3 A. So, Paula was one of Ed's key people, and so she
4 was also responsible for asset dispositions and for sort
5 of the future strategy of the company. So, Paula and I
6 would interact frequently on those topics, plus she was
7 also responsible for areas like real estate, and so we
8 would interact occasionally on that as well.

9 Q. And generally, what was your role in these
10 discussions with AIG's management?

11 A. Largely sharing what we were seeing. You know,
12 when asked about what I thought about something, I would
13 share that, but it was really information flows, making
14 sure they understood kind of what was happening on my
15 end and I understood what was happening on their end.

16 Q. And did you have any role in the day-to-day
17 management of AIG itself?

18 A. No. I was not a manager at AIG.

19 Q. I want to talk about the 8-K filing that
20 Mr. Boies showed you earlier. Do you recall that?

21 A. Yes.

22 Q. Okay. If you can look at JX 96 in your binder.
23 Can you identify this document for the Court?

24 A. Yes. This is the 8-K that was filed on
25 September 18th, 2008, by AIG.

1 Q. I want to direct your attention to page 2 of the
2 document, to the first sentence of the third paragraph.
3 It says, "In connection with the revolving credit
4 facility, AIG issued a warrant to the Board of Governors
5 of the Federal Reserve that permits the Federal Reserve,
6 subject to shareholder approval, to obtain up to 79.9%
7 of outstanding common stock of AIG," and it continues.

8 Do you see that?

9 A. Yes, I do.

10 Q. What was wrong with this statement?

11 A. AIG hadn't issued a warrant, and that was one of
12 the things that needed to be corrected when it was
13 issued -- when it was reissued.

14 Q. Is there anything else that's wrong with it?

15 A. The shareholder approval, as I understand,
16 is also -- the "subject to shareholder approval" also
17 was not part of the -- what was supposed to be -- was
18 part of what was supposed to be corrected.

19 Q. And how did you learn these mistakes?

20 A. So, I got a phone call on the morning of
21 September 19th, so the Friday morning, from Joyce Hansen
22 at the New York Fed at 6:00 in the morning telling me
23 that I needed to get in to the bank because I needed to
24 get this fixed, this filing issue fixed.

25 Q. And what did you do after you got that telephone

1 call?

2 A. I took a shower. Sorry.

3 I went straight to the Fed. I tried to find an
4 attorney first and found an attorney to help me
5 understand exactly what was going on. And then we
6 called Davis Polk, and then we called the company to
7 tell them that they needed to correct the 8-K because it
8 had incorrect information in it.

9 Q. And why was it important to fix the error?

10 A. So, A, it was wrong, and it was not -- you know,
11 this was -- the \$85 billion, you know, announcement on
12 Tuesday night was, you know, under a lot of scrutiny.
13 We needed to get the right information out there. We
14 needed to make sure that the right information was out
15 there. So, making sure that the market had what it
16 should have was important, and so we wanted to see it
17 corrected.

18 Q. And what was AIG's response?

19 A. They did correct it. And in talking to Stasia,
20 she was obviously apologetic and, you know, fully agreed
21 with us.

22 Q. Let's take a look at JX 99. Can you identify
23 this document for the Court?

24 A. This is the revised 8-K that was issued on the
25 19th.

1 Q. And I want to direct you to the fourth paragraph
2 on the second page of the document that begins with the
3 summary of the terms. Do you see that?

4 A. Um-hum.

5 Q. Did that statement accurately reflect the terms
6 of the loan at the time?

7 A. As I understand it, this reflects what was --
8 what was announced on Tuesday night, yes.

9 Q. Now, if I can have you turn to DX 517 in your
10 binder. Can you identify this document for the Court?

11 A. This is an email that I sent to Joyce, Tom, and
12 others after my call with Stasia.

13 Q. And you mentioned a moment ago that, when I
14 asked you about AIG's reaction, that Stasia Kelly was
15 extremely apologetic. Do you recall that?

16 A. Yes.

17 Q. Okay. If you look at the first line here of
18 your email, there's a reference to "She was incredibly
19 apologetic." Do you see that?

20 A. Yes.

21 Q. Can you elaborate on what you were referring to
22 here?

23 A. Stasia was embarrassed that this happened, and
24 she apologized that both it happened but that they
25 hadn't even considered talking to us in advance before

1 issuing something that characterized our loan.

2 Q. And I want to ask you also about the next
3 sentence, the one that references "receipt of security
4 filings, press releases, and other communications." Do
5 you see that?

6 A. Yes.

7 Q. Mr. Boies asked you about this reference earlier
8 in PTX 155. Do you recall that?

9 A. Yes.

10 Q. Did you, in fact, review all of those materials?

11 A. We reviewed a lot of materials, but I don't
12 believe we reviewed every security filing, press
13 release, et cetera.

14 Q. What did you review?

15 A. So, we reviewed securities filings, press
16 releases, and other things that referenced the -- either
17 the loan or the relationship with the Federal Reserve
18 Bank of New York and/or the Treasury.

19 Q. You can set that aside.

20 I'm going to switch gears now and talk about the
21 credit agreement. You were asked about some consent
22 rights that were set forth in the credit agreement. Do
23 you recall that?

24 A. Yes.

25 Q. Are you familiar with those consent rights in

1 the credit agreement?

2 A. Yes, yes.

3 Q. Can you describe those rights to the Court?

4 A. So, in broad brush, those rights, you know,
5 had -- AIG needed to come to the New York Fed to either
6 get consent or to have provisions waived in order to do
7 certain types of transactions, like capital injections
8 in subsidiaries or using funds that would otherwise have
9 paid down the loan for normal operating business. So,
10 those were the types of things that they needed to come
11 to us for, and that's what was in the consent rights.

12 Q. And you mentioned a moment ago getting things
13 waived. Was there a waiver process related to these
14 consent rights?

15 A. So, internally, within the New York Fed, we set
16 up what we called a waiver process, so that when AIG
17 needed to submit to us a waiver, we had a process
18 internally where it would be reviewed by the team and
19 reviewed by lawyers before it was approved.

20 Q. And what types of transactions were covered by
21 these consent rights?

22 A. So, transactions like capital injections into
23 other subsidiaries, the release of funds in a real
24 estate transaction, or when an asset sale was
25 accomplished and there were funds that needed to be held

1 back in order to -- for operating purposes and not pay
2 down the loan, those are the types of things that we
3 needed to waive certain provisions, and that's what --
4 that's what they were.

5 Q. And why did the credit agreement have these
6 consent rights? Do you know?

7 A. So, the consent rights were designed to ensure
8 that money that didn't go to pay down the loan was used
9 for a legitimate corporate purposes. And so that was
10 sort of the balance there, was just making sure that the
11 funds that wouldn't otherwise go to pay down the loan
12 were used for things that AIG -- you know, where it was
13 able to clearly articulate.

14 Q. And what was the monitoring team's
15 responsibility with respect to those consent rights?

16 A. So, the team reviewed the waivers for the
17 substance and for the business case, and then the legal
18 team also did a review to make sure that things were
19 consistent with the legal agreements.

20 Q. Did the consent rights give the New York Fed any
21 ability to direct operational decisions at AIG?

22 A. No, they didn't.

23 Q. Did the consent rights give the New York Fed any
24 ability to direct AIG to enter into any transaction?

25 A. No, they didn't.

1 Q. And Plaintiff asked you about a series of
2 transactions that were documented in PTX 573 and 574.
3 Do you recall that?

4 A. Yes. That long list?

5 Q. There are two long lists.

6 A. Okay, yes. Yes.

7 Q. If you like, you can take a look.

8 A. They're all the way down here. Yes, I have
9 them.

10 Q. How many times were waivers sought pursuant to
11 the consent right provisions of the credit agreement?

12 A. A lot. Many. I'm sorry.

13 Q. How many times was consent withheld?

14 A. Never, to my knowledge.

15 Q. Now, staying on the credit agreement for just a
16 moment, do you have any personal knowledge as to whether
17 the New York Fed paid \$500,000 as a term of the credit
18 agreement?

19 A. I have no idea. I'm sorry.

20 Q. Okay. Let's talk about another topic that
21 Mr. Boies asked you about, which is attendance at board
22 meetings. Do you recall that?

23 A. Yes.

24 Q. Why did you attend AIG board meetings?

25 A. So, one of the provisions in the credit

1 agreement was that the lender needed to be satisfied
2 with the corporate governance of the borrower, and so
3 one way to do that was for me to attend board meetings
4 to observe the corporate governance in action.

5 Q. And when did you begin attending board meetings?

6 A. I don't remember the exact date, but in person,
7 it would have been after the credit agreement. So, the
8 week of September 22nd at some point. I don't remember
9 the first meeting.

10 Q. Did you attend the board meeting where Mr. Liddy
11 was sent up to be CEO?

12 A. No, I did not.

13 Q. Did you attend the board meeting where the
14 credit agreement was approved?

15 A. No, I did not.

16 Q. What was your role at board meetings?

17 A. My role was to observe, observe the interactions
18 of the board, the interactions of management, the
19 interactions of management and the board. And when
20 asked a question, I would speak, but other than that, I
21 didn't have a role, per se.

22 Q. And you anticipated my next question, which was
23 did you ever speak or participate at these board
24 meetings?

25 A. Only when I was asked a question.

1 Q. Did you have a vote at these board meetings?

2 A. No, I did not.

3 Q. What would happen at these meetings, at AIG's
4 board meetings, when AIG would turn to issues relating
5 to its financial relationship with the New York Fed?

6 A. I was dismissed from the room or left.

7 Q. And when you say you were either dismissed or
8 left, would you leave voluntarily or would you be asked?

9 A. I would leave voluntarily, but most of the time,
10 there were enough -- a sufficient number of attorneys in
11 the room that identified it as an issue that I shouldn't
12 be sitting in on, and they made sure I was out of the
13 room.

14 Q. What involvement, if any, did you have in the
15 board's decision-making process on particular
16 resolutions that were before it?

17 A. None.

18 Q. Did you ever instruct the board that it should
19 vote a certain way on any particular issue before it?

20 A. No, I did not.

21 Q. Did you ever inform the board that you expected
22 it would vote a certain way on any particular issue
23 before it?

24 A. No, I did not.

25 Q. Now, I want to go back and focus on the weeks

1 following the execution of the credit agreement. We
2 just spoke about the credit agreement a few minutes ago.

3 Did you have any expectation in September of
4 2008 as to how AIG would repay the New York Fed for
5 money lent pursuant to the credit facility?

6 A. The expectation early on was that they would
7 execute a series of asset sales and that would pay back
8 the New York Fed's loan.

9 Q. And did AIG have a plan for selling assets to
10 repay the loan?

11 A. The -- we saw one -- one of the documents we saw
12 the week of the 22nd was an asset sale disposition plan
13 that AIG had developed.

14 Q. Let me have you turn to PTX 259 in your binder.
15 Do you have it?

16 A. Yes, I do.

17 Q. Can you identify this document for the Court?

18 A. This is an email that Amy sent to Dan, copying
19 me, with the presentation that AIG management made to
20 the board on the 28th of September, on its restructuring
21 plan.

22 Q. Okay. And you can see, if you look at --
23 starting on page 5, there's an AIG global restructuring
24 plan. Do you see that?

25 A. Yes.

1 Q. And you just referenced a plan that you recall
2 seeing in September, an asset sale plan?

3 A. Yes.

4 Q. Is this that plan?

5 A. This looks like -- this does look like the plan,
6 yes.

7 Q. What role, if any, did the New York Fed play in
8 drafting AIG's divestiture plan in September of 2008?

9 A. We had no role in developing this plan.

10 Q. Can I direct you to page 7 of the document?
11 There are three primary objectives identified there. I
12 want to focus on the second one.

13 A. Okay.

14 Q. It references a repayment to the Federal Reserve
15 by December 31st, 2009, and there's also a reference
16 there (as read): "Drawdown as of Friday: \$49 billion."
17 Do you see that?

18 A. Yes, I do.

19 Q. Did AIG, in fact, repay the loan by December
20 31st, 2009?

21 A. No, it did not repay the loan in full by then.

22 Q. And why not?

23 A. Principally because it could not sell assets in
24 order to repay the loan and because conditions worsened
25 at the company after September 28th.

1 Q. Did AIG sell any assets in the fall of 2008?

2 A. If they did, they were small, and I don't
3 remember -- they might have had one small transaction
4 that fall.

5 Q. And why was that?

6 A. A couple of reasons. One was the market was not
7 in good shape, so buyers weren't there, available for
8 assets; and to the extent that there were buyers, they
9 wanted fire sale prices, and AIG couldn't afford to sell
10 its biggest assets at less than what it would need to
11 actually pay down the Fed.

12 Q. Did the New York Fed ever direct AIG to sell any
13 assets to repay the loan?

14 A. No, it did not.

15 Q. You can set that document aside.

16 Your Honor, I would like to move for the
17 admission of PTX 259.

18 MR. BOIES: No objection, Your Honor.

19 THE COURT: Plaintiffs' Trial Exhibit 259 is
20 admitted.

21 (Plaintiffs' Exhibit Number 259 was admitted
22 into evidence.)

23 BY MS. ACEVEDO:

24 Q. Do you recall the amount up to which AIG could
25 borrow under the credit facility?

1 A. The initial amount in September was \$85 billion.

2 Q. And did AIG draw down that full amount?

3 A. No, it didn't draw down that full 85.

4 Q. Why not?

5 A. A series of reasons. One is that additional
6 assistance was provided to AIG in October in the form of
7 a securities lending agreement. That was a facility
8 with the New York Fed that provided \$35 billion or so in
9 additional capacity. So, that was money that AIG didn't
10 have to take down from the original credit facility.

11 They also became a participant at some point, I
12 think it was in October, in the commercial paper
13 credit -- commercial paper funding facility, CPFF, which
14 meant they didn't have to draw down on the amount of
15 the -- the \$85 billion original amount.

16 And then going into November, the Fed and the
17 Treasury did a major restructuring of the loan, which
18 both provided additional funds for AIG but eliminated
19 some of the issues within AIG as well.

20 Q. What was AIG's financial condition in October
21 2008?

22 A. AIG was getting ready to announce a third
23 quarter loss that, year to date, was \$40 billion. So,
24 it was not good.

25 Q. And how did AIG's "not good" financial condition

1 in October 2008 affect your assignment with respect to
2 the monitoring team?

3 A. So, early -- early on it became clear that the
4 rating agencies were very concerned about AIG both
5 because of the -- of the characteristics of the loan
6 that was made to them but also because of the ongoing
7 issues at the company related to what they saw at
8 financial products and the sec lending portfolio. So,
9 the credit rating agencies, you know, threatened to
10 downgrade the company in October and leading into
11 November again.

12 Q. And you mentioned issues at FP. Is that
13 referring to the CDO and CDSs?

14 A. Yes. Principally the issue was the -- was the
15 CDS/CDO portfolio.

16 Q. And just to back up for a moment, you mentioned
17 rating agencies. What do rating agencies do?

18 A. So, the rating agencies in this context rated
19 the senior debt of AIG.

20 Q. And Mr. Boies asked you about a number of
21 conversations that you had with rating agencies during
22 this time and throughout your time as the monitoring
23 team lead. Can you describe the nature of your
24 conversations with the rating agencies at this time, in
25 October of 2008?

Starr International Company, Inc. v. USA

1 A. The -- the nature of the conversation was
2 providing them with information about what the
3 Government was thinking about doing as a way to get the
4 rating agencies not to downgrade in October and to wait
5 for what ultimately would be the restructuring in
6 November before making decisions about whether they
7 would downgrade the company.

8 Q. And you mentioned some of the things that the
9 rating agencies were concerned about. Can you elaborate
10 a little bit on that? What were the rating agencies
11 concerned about at this time?

12 A. They had a couple of concerns. The first was
13 that the \$85 billion loan from the Federal Reserve Bank
14 of New York to AIG sat on top of the senior debt that
15 they rated, and so that was of deep concern to them,
16 because the first funds go to pay off the \$85 billion,
17 and their concern was the senior debt.

18 The second thing that they were concerned about
19 were the continuing drains and collateral calls at FP,
20 and so that was an ongoing source of problems for the
21 company. They were also concerned about the securities
22 lending portfolio, which, again, was a portfolio of
23 RMBS, which were, again, deteriorating, causing
24 additional drains at the company, so they saw two big
25 issues at the company.

1 They were also concerned about just the
2 operating performance and the ability of the company to
3 actually meet the terms of the loan, so that the
4 interest rate was of concern to the rating agencies as
5 well.

6 Q. And you mentioned that the New York Fed loan sat
7 on top of the senior debt. Why was subordination of
8 senior debt to the New York Fed loan a concern?

9 A. The concern was that the company would first, as
10 it got proceeds or as it, you know, made income, would
11 have to pay down the loan, and as the senior debt came
12 due, the company would not be able to pay that if it
13 hadn't already paid down the \$85 billion loan. So, it
14 sat on top of the loan, and that was of concern to them
15 because they are concerned about the senior debt holders
16 being paid back.

17 Q. Did the rating agencies indicate whether they
18 intended to downgrade AIG in October of 2008?

19 A. Yes, they did. They did intend to -- that was
20 the dialogue, was they were going to downgrade absent
21 some -- some action by somebody.

22 Q. And what did you expect would have happened if
23 the rating agencies downgraded AIG?

24 A. So, had the rating agencies downgraded AIG, the
25 additional collateral calls at FP and other places

1 within the company would have been another additional
2 liquidity squeeze on -- liquidity drain on AIG. It is
3 very likely that they would not have been able to meet
4 all of the collateral calls and perhaps would have
5 defaulted and then would have gone into bankruptcy.

6 Q. You mentioned a bankruptcy. Was there a view
7 held by you at the time as to how an AIG bankruptcy
8 would have affected the New York Fed?

9 A. Bankruptcy would have affected the New York Fed,
10 yes. It would have put into question whether we would
11 have been paid back.

12 Q. Did you share that view with others at the New
13 York Fed?

14 A. Yes.

15 THE COURT: Mr. Acevedo, I think we are going to
16 have to stop there for today.

17 MS. ACEVEDO: Sure.

18 THE COURT: We will reconvene tomorrow morning
19 at 9:30.

20 (Whereupon, at 4:58 p.m., the proceedings were
21 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: 10/16/2014

SUSANNE BERGLING, RMR-CRR-CLR

1	I N D E X		
2			
3	EXHIBITS	IN EVID	DESCRIPTION
4	Plaintiff's		
5	Number25	2635	Email (8/7/08 5:31 pm), From: Rohit
6			Bansal, To: Alexa Philo, Anthony
7			Cirillo, Arthur Angulo, Christopher
8			Calabia, Daniel Muccia, Dianne
9			Dobbeck, Homer Hill, James Hodgetts,
10			Jeanmarie Davis, Jim Mahoney, John
11			Kambhu, Jonathan Polk, Joseph
12			Galati, Kevin Coffey, Lance Auer,
13			Linda Rodriguez, Michael Koh, Robert
14			Aller, Robert Galletta, Rohit
15			Bansal, Ron Henry, Sara Cass, Sarah
16			Dahlgren, William Brodows, Zahra
17			El-Mekkawy, re: Markets Meeting 4pm
18			- Thursday, August 7 - Notes
19			
20			
21			
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25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number35	2637	Cover email (9/2/08 3:07 pm), From:
4			Danielle Vicente, To: Ateptaya
5			Rakpraja, Danielle Vicente, Elise
6			Liebers, James Clark, Kevin Messina,
7			Lance Auer, Morten Bech, Rick
8			Weaver, Steve Peristiani, cc:
9			Christopher Calabia, re: AIG
10			Liquidity Metrics, Attachments: AIG
11			Liquidity and Access to the PDCF
12			(9/2/08), Possible Liquidity Metrics
13			for AIG and other Insurance Firms
14	Number97	2790	Email (9/16/08 9:43 pm), From:
15			Christopher Calabia, To: Alexa
16			Philo, Jonathan Polk, re: Re: Been
17			meaning to say...
18	Number112	2646	Email (9/17/2008 9:14), From: Paul
19			Whynott, To: Sarah Dahlgren, cc:
20			Andrew Williams, Sandy Krieger, re:
21			Talking Points
22			
23			
24			
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number127	2791	Email (9/17/2008), From: Helen
4			Mucciolo, To: Haeran Kim, cc:
5			Catherine Kung, Joyce Hansen, Maria
6			Ambrosio, Sarah Dahlgren, re: Re:
7			Warrants
8	Number155	2650	Email (9/19/2008 7:29 am), From:
9			Sarah Dahlgren, To: Joyce Hansen,
10			Thomas Baxter, Richard Charlton, Amy
11			Flynn, James Hennessy, re: Re: Fw:
12			AIG 8K
13	Number192	2792	Email (9/21/2008), From: Gregory
14			Evans, To: Scott Alvarez, cc: Donald
15			Hammond, Maria Ambrosio, Brenda
16			Richards, re: Re: Are you aware that
17			AIG "Warrants" are turning into
18			preferred shares? And attached
19			Summary of Terms of Preferred Stock
20			and Related Issues
21			
22			
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1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number231	2798	Email (9/23/2008 4:30 pm), From:
4			Suzanne Folsom, To: James Hennessy,
5			Sarah Dahlgren, Ethan James,
6			Anastasia Kelly, Steven Bensinger,
7			Cecilia Norat, Chris Nixon, Patricia
8			Skigen, Andrew Holland, Robert
9			Diubaldo, Victoria Zaydman,
10			Katherine Segersten, Wayne Cimon
11			re: September 22, 2008 Meeting
12			Between the Federal Reserve and
13			AIG's Regulatory Group and AIG
14			Business Leaders
15	Number243	2652	Email (9/24/2008 7:43 pm), From: Dan
16			Jester, To: Sarah Dahlgren
17			re: Update
18			
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1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number259	2839	Email (9/28/2008 3:45 pm), From: Amy
4			Flynn, To: Dan Jester, cc: Sarah
5			Dahlgren, re: ZFRSSE - AIG Board
6			presentation materials, Attaching
7			AIG Companies' D&O Insurance
8			Programs, Agenda for AIG Meeting of
9			Board of Directors: September 28,
10			2008, AIG Global Restructuring Plan
11			(September 28, 2008 Draft for
12			Discussion)
13	Number260	2798	Email (9/28/2008 6:55 pm), From:
14			Stephanie Heller, To: Brett
15			Phillips, Denley Chew, James
16			Hennessy, Sarah Dahlgren, Richard
17			Charlton, re: Fw: Revised Third
18			Draft Voting Trust
19	Number261	2668	Email (9/29/2008 12:36 pm), From:
20			Marshall Huebner, To: Thomas Baxter,
21			Sarah Dahlgren, Dan Jester, Ken
22			Wilson, re: AIG Board/Mgmt.
23			Attaching CV for Paula Rosput
24			Reynolds
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number272	2733	Email (10/1/2008), From: Amy Flynn
4			To: Sarah Dahlgren, cc: Dan Jester
5			re: Re: Fw: 8:30 Thursday Call
6			Attaching Chart of FRBNY Short-Term
7			Solutions & Notes titled "Maiden
8			Lane II and III"
9	Number274	2677	Email (10/2/2008 4:08 pm)
10			From: Sarah Dahlgren
11			To: Dan Jester, Timothy Geithner,
12			Michael Silva, Thomas Baxter
13			re: Follow up call from S&P
14	Number275	2698	Email (10/2/2008 6:58 pm), From:
15			Sarah Dahlgren, To:
16			Command.aig@dpw.com, Timothy
17			Geithner, Michael Silva
18			re: Update as of 6:45 this evening
19	Number277	2728	Email (10/3/2008 12:28 pm), From:
20			Sarah Dahlgren, To: Terrence Checki,
21			Sandy Krieger, Meg McConnell
22			re: Fw: Aig, Attaching a set of
23			documents
24			
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number280	2725	Email (10/3/2008 12:28 pm), From:
4			Sarah Dahlgren, To: Terrence Checki,
5			Sandy Krieger, Meg McConnell
6			re: Fw: Aig, Attaching a set of
7			documents
8	Number301	2649	Email (10/16/2008 4:32 pm), From:
9			Stephanie Heller, To: Sarah Dahlgren
10			re: Re: Fw: FRBNY - AIG Consent
11			Letter
12	Number304	2660	Email (10/17/2008), From: Marie
13			McCormack, To: Sarah Dahlgren
14			cc: Joyce Hansen, Marshall S.
15			Huebner, Bradley Y. Smith, Susan D.
16			Kennedy, Sarah Ryan, Victoria
17			Zaydman, John Langione, Attaching
18			Memo from John Langione re:
19			Identification of Real Property
20			Owned by AIG; AIG Other Invested
21			Assets reported on Sch. 15.1;
22			Spreadsheet: Combined Foreclosure
23			List; Spreadsheet: American Interntl
24			Group - Real Estate as of December
25			31, 2007: By-Company Analysis

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number305	2662	Memo (10/17/2008), From: John
4			Langione, Director - Accounting
5			Controls, Corporate Comptroller's
6			Group, re: Identification of Real
7			Property Owned by AIG
8	Number311	2746	Email (10/20/2008 11:55 am), From:
9			David Herzog, To: Sarah Dahlgren
10			re: Goldman discussions
11	Number315	2793	Email (10/21/2008 4:54 pm), From:
12			Dan Jester, To: Sarah Dahlgren,
13			Marshall Huebner, re: Fw: Message
14			from Mickey Kantor, Attaching AIG
15			Framework
16	Number324	2735	Email (10/24/2008 4:32 pm), From:
17			Sarah Dahlgren, To: Dan Jester, cc:
18			Timothy Geithner, re: Structure
19			
20			
21			
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1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number325	2696	Email (10/26/2008 6:56 pm), From:
4			James Hennessy, To: Dan Jester, cc:
5			Sarah Dahlgren, re: AIG Expenses
6			Attaching October 10, 2008 Letter
7			from R. Booth to AIG Colleagues, AIG
8			Slides on Expense Policy Guidebook:
9			October 16, 2008, Document re:
10			Executive Compensation Limits under
11			TARP
12	Number327	2697	Email (10/27/2008 5:58 pm), From:
13			David Herzog, To: Sarah Dahlgren
14			re: RE: Update
15	Number333	2739	Email (10/31/2008 5:57 pm)
16			From: David Herzog, To: Elias
17			Habayeb, cc: William Dooley
18			re: RE: Quarterly control process
19	Number344	2766	Email (11/5/08 1:18 pm), From: E.
20			Litzky, To: Members of the AIG Board
21			of Directors, re: New Delaware
22			Complaint - NY Fed Loan, Attaching
23			2008.11.04 Walker v. AIG Complaint
24			
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number375	2712	Email (11/20/2008 10:07 am), From:
4			Anthony Valoroso, To: Stephen
5			Albrecht, cc: Sarah Dahlgren, Maria
6			Ambrosio, Steven Manzari, Steve
7			Belcher, re: AIG Preferred Stock
8			Valuation - Final Report
9			Attaching KPMG PowerPoint on
10			Valuation of Series A Preferred
11			Stock
12	Number407	2756	Email (1/16/2009 5:52 pm), From:
13			Brett Phillips, re: AIG Trust
14			Information Statemen,
15			Attachment: Statement Regarding the
16			Acquisition of Control of American
17			International Group, Inc. By AIG
18			Credit Facility Trust, A Trust
19			Established for the Benefit of the
20			United States Treasury and Exhibits
21			
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1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number408	2756	Email (1/21/2009), From: Richard
4			Charlton, To: John Kenny, Martha
5			Lees (New York State Insurance
6			Department), re: Confidential
7			regarding AIG, Attaching Multistate
8			Form A - Statement Regarding the
9			Acquisition of Control of or Merger
10			with a Domestic Insurer
11	Number410	2756	Email (1/22/2009 3:16 pm), From:
12			Suzanne Folsom, To: Sarah Dahlgren,
13			James Hennessy, Brett Phillips,
14			Richard Charlton, Ethan James, cc:
15			Katherine Segersten, Victoria
16			Zaydrum, Wayne Cimon, Debra Drake,
17			Amanda Hollander, re: FW: AIG
18			Update: AIG Trust Information
19			Statement, Attaching Statement
20			Regarding the Acquisition of Control
21			of AIG by AIG Credit Facility Trust
22	Number412	2663	FRBNY/AIG Credit Agreement Consent
23			Procedures
24			
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number413	2695	Email (1/26/2009), From: Victoria
4			Zaydman, To: Sarah Dahlgren, James
5			Hennessy, Ethan T. James, cc: Paula
6			Reynolds, Anastasia Kelly, Suzanne
7			Folsom, Deborah Drake, re:
8			Streamlined Consent Letter Agreement
9			Attaching FRBNY/AIG Credit Agreement
10			Consent Procedures
11	Number427	2759	Email (2/20/2009 12:49 pm), From:
12			Richard Charlton, To: Joel Ario, cc:
13			Sjohnson@state.pa.us,
14			rbrackbill@state.pa.usc, re:
15			CONFIDENTIAL MATERIAL REGARDING AIG
16			ATTACHED: PLEASE DO NOT FORWARD
17			Attaching Letter from Sarah Dahlgren
18			to Joel Ario re Communications
19			relating to 79.9% equity interest in
20			the form of convertible preferred
21			shares
22	Number428	2683	Email (2/21/2009), From: Michael Hsu
23			To: Matthew Kabaker, James
24			Lambright, Neel Kashkari, re: Mgmt
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number435	2760	Email (2/25/2009 12:29 pm), From:
4			Richard Charlton, re: Confidential
5			Material Regarding AIG Attached:
6			Please Do Not Forward, Attachment:
7			1/16/2009 Statement Regarding the
8			Acquisition of Control of American
9			International Group, Inc. By AIG
10			Credit Facility Trust, A Trust
11			Established For The Benefit of the
12			United States Treasury
13	Number438	2796	Email (2/26/2009 7:40 am), From:
14			William Dudley, To: Ben Bernanke,
15			Donald Kohn, cc: Michael Schetznel,
16			Michael Silva, Thomas Baxter, re:
17			AIG
18	Number441	2762	Email (2/26/2009 9:30 pm), From:
19			David Gross, re: AIG Credit Facility
20			Trust - Meeting with the Trustees
21			Attaching Meeting Agenda for
22			February 27, 2009 Meeting with
23			Trustees
24			
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number453	2797	Email (3/9/2009 10:42 am), From:
4			Jill Considine, To: Sarah Dahlgren
5			re: Re: Update on events of the
6			week...
7	Number458	2773	Email (3/12/2009 7:25 pm), From:
8			Anastasia Kelly, To: Sarah Dahlgren,
9			James Hennessy, cc: Kathleen Shannon
10			re: FW: Counterparties, Attaching
11			proposed SEC filings
12	Number460	2774	Email (3/12/2009 10:29 pm), From:
13			Sarah Dahlgren, To: Stephanie
14			Heller, cc: Alejandro LaTorre, Helen
15			Mucciolo, James Hennessy, James
16			Bergin, Sandy Krieger, Steven
17			Manzari, Zachary Taylor, re: Re:
18			Just wanted to clear up some things
19	Number463	2713	Email (3/13/2009), From: Thomas
20			Baxter, To: Scott Alvarez
21			re: Fw: Counterparty release
22	Number492	2717	Email (4/2/2009), From: James
23			Lambright, To: Michael Hsu
24			re: Re: Draft AIG Proxy--Heads Up
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number493	2719	Email (4/2/2009 5:57 pm)
4			From: Suhayla Monro
5			To: Chet Feldberg, Charles Gray,
6			Doug Foshee, Ethan James, James
7			Hennessy, Jill Considine, Kevin
8			Barnard, Marshall Huebner, Peter
9			Zimroth, Sarah Dahlgren, cc: Carmen
10			Sanchez, Cindy Guan, Helen Ayala,
11			Suhayla Monroe
12			re: Information Update - Description
13			has changed: Conference Call: Proxy
14			Material
15	Number501	2721	Email (4/16/2009), From: Sarah
16			Dahlgren, To: Anastasia Kelly,
17			Edward Liddy, re: Proxy
18	Number503	2720	Email (4/17/2009 7:42 pm), From:
19			James Hennessy, To: Terrence Checki
20			re: Fw: Update on Proxy Issue and
21			UST concerns
22	Number510	2687	Email (4/28/2009 2:34 pm), From:
23			Sarah Dahlgren, To: Doug Foshee, cc:
24			Thomas Baxter, re: RE: New Board
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number513	2763	Email (5/1/2009 10:17 am), From:
4			Helen Ayala, To: Charles Duffy,
5			David Lees, Gregory Farmer, Michael
6			Schetzel, Michael Silva, Sarah
7			Dahlgren, Suhayla Monroe, Susan
8			Cicio, re: Re: May 1 Agenda
9	Number514	2714	Email (5/11/2009 2:39 pm, From:
10			Michael Nelson, To: Michael Silva,
11			Michael Schetzel, re: Fw: Possible
12			need to call a Congressman tonight
13			or tomorrow
14	Number573	2664	Chart of Letter Agreements Under the
15			Credit Agreement and the Guarantee
16			and Pledge Agreement
17	Number574	2664	Chart of Consent Requests under the
18			FRBNY/AIG Credit Agreement
19			Streamlined Procedures
20	Number581	2771	FCIC Memorandum for the Record:
21			Sarah Dahlgren (April 30, 2010)
22	Number612	2656	GAO Record of Interview (10/14/2010)
23			Federal Reserve Bank of New York
24			presentation on AIG to Discuss Federal
25			Reserve System assistance to AIG

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number1607,		Email (9/19/2008 5:11 pm)
4	pages		From: Joseph Sommer
5	1-3,		To: Sarah Dahlgren
6			re: Fw: Invitation to the MTG-2008
7			Winter National Meeting
8			re: Fw: Invitation to the MTG-2008
9			Winter National Meeting
10	Number1609	2648	Email (9/19/2008), From: Sarah
11			Dahlgren, To: Anastasia Kelly, cc:
12			Amy Flynn, re: Re: Stasia Kelly
13	Number1635	2786	Email (9/23/2008), From: Jason
14			Kyrwood, To: Marshall Huebner, et
15			al., re: RE: New Language for Review
16			and Approval
17	Number1638	2800	Email (9/23/2008), From: Ethan James
18			To: Suzanne Folsom, cc: James
19			Hennessy, re: FW:
20	Number1777	2697	Email (10/16/2008 1038 PM), From:
21			Sarah Dahlgren, To: Nick Ashooh, cc:
22			Anastasia Kelly, Mitchell Calvin,
23			Ethan James, Marshall Huebner,
24			Suzanne Folsom, re: Release
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number1795	2784	Email (10/27/2008 10:02 pm), From:
4			Sarah Dahlgren, To: Marc Symons,
5			Eric Bischof, Peter Juhas, Steven
6			Manzari, cc: Amy Flynn, re: Fw: AIG
7			Valuations
8	Number2037	2760	Letter (2/20/2009), From: Sarah
9			Dahlgren, To: Eric Dinallo re:
10			Issuance of a controlling 77.9%
11			equity interest in the form of
12			convertible preferred shares by AIG
13			to the AIG Credit Facility Trust
14	Number2077	2684	Email (4/3/2009 10:11 pm), From:
15			Sarah Dahlgren, To: William Dudley,
16			Thomas Baxter, James Hennessy,
17			Terrence Checki, Meg McConnell,
18			Michael Silva, Michael Schetznel,
19			Sandy Krieger, cc: Michael Alix,
20			Steven Manzari, re: Discussion with
21			Ed Liddy
22			
23			
24			
25			

1	EXHIBITS	IN EVID	DESCRIPTION
2	Plaintiff's		
3	Number2088	2764	Email (4/21/2009 7:25 am), From:
4			Sarah Dahlgren, To: William Dudley,
5			cc: James Hennessy, Thomas Baxter,
6			Michael Schetzel, Steven Manzari
7			re: Followup discussions with
8			Trustees
9	Number2731	2722	Email (4/26/2009), From: Doug Foshee
10			To: Sarah Dahlgren, re: Proxy
11			
12	Defendant's		
13	Number415	2809	EMAIL FROM ROBERT D
14			PATALANO TO SARAH DAHLGREN
15			RE: AIG EVALUATION
16	Number472,	2672	EMAIL FROM MICHAEL SILVA TO
17	page 1		SARAH DAHLGREN SUBJECT
18			RE:FW: SUMMARY - CONF CALL
19			WITH OUTSIDE COUNSEL
20			
21			
22			
23			
24			
25			