Chairman Towns, Ranking Member Issa and Members of the Committee. We submit this joint statement of Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee as Trustees of the AIG Credit Facility Trust (the “Trust”). We are appearing at the request of the Committee in connection with its hearing on the collapse and federal rescue of AIG.

The Committee has posed this question: “Is the U.S. taxpayer investment in AIG being adequately protected?” This is the critical question; it motivates all of our considerations and all of our actions. Under the Trust Agreement, we are charged with exercising the voting rights of the shares held in the Trust in the best interests of the U.S. Treasury and with a view towards maximizing the value of the AIG stock held by the Trust. Of course, we are not the only actors with this goal. The Federal Reserve Bank of New York (the “FRBNY”), the Federal Reserve Board, the U.S. Treasury Department, this Committee and the U.S. Congress also have as a goal maximizing the value of the taxpayers’ stock so that the taxpayers can be paid back for the extraordinary financial assistance given to AIG. Each of these bodies has different responsibilities and powers, different perspectives and different resources. But in the end, we are all working toward the same goal. And we know, from our perspective, that we cannot successfully accomplish the tasks assigned to the Trust without the active support and assistance of the Federal Reserve, the Treasury Department and the Congress.

We understand that frustrations have been expressed and questions raised about the financial support for AIG and the role of the federal government in the uncharted waters we all travel. These are all appropriate subjects for inquiry, analysis and debate. However, it is not the
Trustees’ role to analyze the wisdom of the government intervention or to revisit decisions made before we became Trustees that led to the creation of the Trust. Our role is to apply our judgment and experience to the task of maximizing the government’s investment in AIG in order to secure the best possible outcome for the taxpayers. We have accepted this responsibility and approach our task with a sense of duty to our nation. As representatives of the majority shareholder — the U.S. Treasury — we have pursued and will continue to pursue our obligation with the utmost vigor and in the public interest.

We welcome the opportunity to discuss with you our role in this effort. What specifically are our duties and powers? And how should they be exercised to maximize the value of the AIG stock held by the Trust?

**Background on the Creation of the Trust**

First, some history.

In September 2008, the FRBNY, under the authorization of the Board of Governors of the Federal Reserve System and with the support of the Treasury Department, provided an $85 billion credit facility to prevent the imminent collapse of AIG. As part of that transaction, on September 22, 2008, the FRBNY and AIG entered into a Credit Agreement, which required AIG to issue 100,000 shares of convertible preferred stock to the Trust. The Trust was established by the FRBNY for the purpose of acquiring, holding and ultimately disposing of approximately 77.9 percent of the voting stock of AIG.

The Federal Reserve and the Treasury Department made a determination that the Trust was the appropriate vehicle to hold a voting interest in AIG on behalf of the U.S. Treasury. It is our understanding that a trust administered by independent trustees for the benefit of the U.S.
Treasury — in substance, the interest of the U.S. taxpayers — was viewed by Federal Reserve and the Treasury Department as a way to place the government’s interest in AIG in the hands of experienced individuals who could act without risk of conflicts of interest that would be present if such controlling interest was held by the FRBNY or the Department of the Treasury.

Each of us was contacted last fall by representatives of the FRBNY and asked to serve as a Trustee of the Trust. Doug Foshee is Chairman and Chief Executive Officer of El Paso Corporation and chairs the board of directors of the Houston branch of the Federal Reserve Bank of Dallas. Jill Considine recently completed a six-year term as a member of the board of directors of the FRBNY and had retired as Chairman of the Depository Trust & Clearing Corporation. Chester Feldberg retired as non-executive Chairman of Barclays Americas in 2008 and previously, until he retired in 2000, was an employee of the FRBNY for 36 years. We each continue to serve as an independent director on the board of at least one company.

As we considered the proposal, both the importance and the urgency of the mission were impressed upon us. The government was required to commit substantial resources to support the company for the sake of avoiding a collapse that could have had a serious destabilizing effect on the U.S. and global economies. Today, it is imperative that we continue to support AIG’s efforts for the additional reason that if we do not, billions of dollars in taxpayer money could be lost.

Each of us ultimately decided to accept this challenging responsibility.

On January 16, 2009, we were appointed as Trustees by the FRBNY in consultation with the Treasury Department, and we entered into the Trust Agreement, which we are attaching as part of this testimony. We immediately began organizational work and educating ourselves about the task that lay ahead. But it was not until March 4, 2009 that, as required by the September 22, 2008 Credit Agreement between AIG and the FRBNY, AIG issued to the Trust...
100,000 shares of Series C Perpetual, Convertible, Participating Preferred Stock (the “Series C Preferred Stock”). These shares are convertible into, and have voting and dividend rights equal to, approximately 77.9 percent of the issued and outstanding shares of the common stock of AIG that would be outstanding after the conversion of the Series C Preferred Stock in full. It took all that time to have these shares issued in large part because of significant technical and regulatory requirements. AIG operates in all 50 states as well as in approximately 140 foreign jurisdictions. Each has its own set of rules concerning the issuance of a significant block of voting stock, change in control of regulated businesses and the like. AIG worked diligently with the FRBNY and the Trust to ensure that all the jurisdictions were addressed appropriately. With the issuance of the stock on March 4, 2009, we commenced our formal responsibilities as Trustees.

Even in this very short period, we have been impressed with the extraordinary challenges in exercising our responsibilities. Many of the factors relevant to whether the value of the taxpayers’ stock can be maximized are not within our control — what the market and the economy will look like when company assets are sold or restructured, what decisions the Federal Reserve or the Treasury Department will make concerning ongoing assistance to the company, what constraints will be imposed by new legislation or by the Treasury Department or other regulatory agencies on the company’s ability to attract or retain the people needed to keep the company running well and effectively implement the sale of assets, and whether continuing adverse publicity will affect the company’s ability to maintain the value of its businesses. Each of these individually or in combination will have great influence on the ultimate value of the enterprise.

In addition, with respect to the particular role we have been assigned, we recognize that we are in uncharted waters. With no history or precedent to which we can look for guidance, our
anchor is the Trust Agreement itself. We have tried as best we can to honor the terms of that agreement. It tells us what our rights and responsibilities are. But, just as significantly, it tells us what our limitations are.

**The Trustees’ Primary Responsibilities and Limitations**

The Trust Agreement defines our duties, responsibilities and obligations, and we have expressed our role as Trustees under the terms of the Trust Agreement in the mission statement, which we are attaching as part of this testimony. Our primary responsibilities are:

- Voting the AIG stock held by the Trust (the “Trust Stock”) at all meetings of the stockholders of AIG and at any other time such a vote is required, most importantly in connection with the election of directors of AIG;
- Developing and executing a plan to sell or otherwise dispose of the Trust Stock in a value maximizing manner (any ultimate disposition of the Trust Stock is subject to the prior approval of the FRBNY, after consultation with the Treasury Department); and
- Working with senior management and the board of directors of AIG to ensure corporate governance procedures satisfactory to the Trustees.

Equally important, the Trust Agreement says that we should not:

- Directly or indirectly become directors of AIG;
- Be responsible for directing or managing the day-to-day operations of AIG or any of its subsidiaries; or
- Involve ourselves in the corporate governance of AIG beyond the exercise of our rights as majority stockholder under the Trust Agreement.
Explicitly, by the terms of the Trust, we must leave the day-to-day direction and management of AIG to the senior officers of the company and its board of directors.

In defining our role as Trustees, we recognize that other agencies and instrumentalities of the government have significant roles in AIG’s future — especially the Federal Reserve and the Treasury Department. Each is involved in issues that range from AIG’s financial performance and evolving restructuring plans to its compensation policies and corporate governance, risk management and control practices. In particular, the FRBNY, as AIG’s major creditor, has significant staff working on AIG and residing at the company to monitor financial and other key developments, and they keep us well informed. The Trustees have tried to avoid, to the extent possible, redoing work that had been done. Rather than build our own staff of analysts and advisers at unnecessary cost, we have chosen at least in the first instance to use information gathered by the FRBNY staff, its outside consultants, the Treasury Department, and AIG and its outside consultants. To date, this arrangement has worked well. We have had an open, ongoing dialogue with representatives of the FRBNY on issues of concern to us in our role as majority shareholder. Of course, we have always applied our own independent judgment to the information that we gathered from all sources. And we have engaged our own advisers when we saw a need to do so.

**Actions of the Trustees**

With respect to our role in the area of corporate governance, one of our most important responsibilities is to satisfy ourselves that the company has an effective, independent and capable board, which is focused on recruiting and maintaining a strong and effective management team. This allocation of responsibility between us on the one hand and the board and management on
the other, in addition to being set forth explicitly in the Trust Agreement, also replicates what is
the accepted standard for good corporate governance for public companies in the United States.
It also maximizes the potential for AIG ultimately to pay back the taxpayers’ investment. The
Trustees should not become, in effect, a shadow board or a shadow management team, because
that would make it impossible to recruit and maintain talented directors and managers to do what
needs to be done in these difficult circumstances. And that, in turn, would make it much more
difficult to maximize the value of AIG and pay the taxpayers back.

What have we done to date?

Initially, we sought to listen and learn about AIG’s current situation and challenges from
its senior management, board members, FRBNY and Treasury Department officials and their
outside consultants, and AIG’s external and internal auditors. Based on all these sources of
information, we determined that our first priority should be to focus on enhancing AIG’s
corporate governance framework with a view to restoring public confidence in the company.

To this end, we have spent considerable effort focused on AIG’s board of directors —
how it functions, what are its committees and how they function, who are the members of the
board and its most important committees, what skills these board members have and how those
skills fit with the needs of a company in AIG’s extraordinary circumstances, and how the board
interacts with senior managers and important outside firms such as its external auditor. We have
attempted to assure ourselves that the board is focused on the crucial corporate objectives of
recruiting and retaining a strong management team, developing and maintaining appropriate
compensation policies, overseeing the effectiveness of the company’s critical financial controls
and risk management, and ensuring that there is a plan which maximizes the long-term value of
the company and that the plan is in place and properly executed. We are actively seeking new
members of the board who could add important skills and perspectives. In all of this, we have had extensive consultation with and cooperation from the FRBNY, which has representatives that attend board meetings, as well as with AIG board members, senior managers and outside consultants.

We have devoted considerable time and energy to these efforts and have made significant progress. We hope to be able to announce news on this front shortly.

**Review and Advice Regarding Governance and Compensation.**

We are well aware of the congressional and public concern over bonuses paid to employees of recipients of federal funds in the current environment. We share the concerns about the payment of large bonuses at a time when AIG was failing and being rescued by the taxpayers. We are committed to ensuring that issues of compensation, including bonuses, at AIG going forward are addressed in a thoughtful, prudent and fair manner. It is essential that the board of directors focus on compensation, because a fair and effective compensation system is necessary to ensure the successful restructuring of AIG and the recovery of the taxpayers’ investment. It will come as no surprise to you that there are potential investors who would like to purchase AIG’s component entities for less than fair value. We will do everything within our authority as Trustees to ensure that this does not happen, including urging the adoption of a compensation policy designed for success. In our view, compensation should be designed to reward long-term, sustainable value creation and align employees’ interests with those of shareholders over the long-term. It should not be structured to encourage and reward undue risk-taking or short-term results.
To these ends, we have asked Mr. Liddy, together with senior management at AIG and its board and appropriate committees of the board, to undertake a broad review of the compensation programs currently in place throughout AIG and to develop by year-end a comprehensive compensation program applicable to AIG as a whole. In our view, this program should be based on the following:

- There should be an overarching performance-based compensation philosophy and consistent approach to compensation across the business units and operations of AIG that includes broad oversight by the board of directors;
- The compensation program should be designed to reward long-term, sustainable value creation; it should include clear and consistent metrics designed to align employees’ interests with those of shareholders over the long term;
- The compensation program should be designed to encourage appropriate risk-taking within the organization;
- The compensation program should provide for the appropriate balance between short-term and long-term compensation; and
- The company should benchmark AIG’s compensation levels against available market data of organizations of similar size and complexity with which AIG competes for talent. These data should be used as a guide in assessing the appropriateness of any compensation plan.

We have expressed these views to Mr. Liddy in a letter which we are attaching as part of this testimony. In that letter, we asked that the Trustees be provided with reports at least quarterly regarding the status of the development of the program.
Review Restructuring/Disposition Plans.

We also have conferred with the management team, the FRBNY and the Treasury Department regarding AIG’s restructuring plan. The goal of this plan is to reduce the systemic risk AIG poses to the U.S. economy and to repay the U.S. taxpayer. This restructuring plan includes the disposition of assets and the stabilization and separation of certain businesses from the holding company in order to maximize the enterprise value of the company for all its stakeholders, as well as the orderly wind-down of AIG Financial Products to minimize the financial risk posed by that business unit.


Another important aspect of good corporate governance is the adequacy of a company’s financial and accounting controls and financial reporting process. We have met with the current chair of the Audit Committee of the board, the company’s independent auditors, the company’s Director of Internal Audit and others to review the status of and risks related to AIG’s financial and accounting controls and financial reporting. We consider this area central to our responsibility to ensure satisfactory corporate governance procedures at the company and an area inextricably linked to the ongoing restructuring and disposition process at the company. We will continue to focus on these issues and will expect the board to do so as well.

Looking Forward

Since the Trust was formed in January, the amount of money the government has at stake in AIG has grown, and the situation has become more complex and challenging. We are committed to seeing through this chapter in the company’s history in the best interests of the
Treasury and the taxpayers of this nation. We are under no illusions that our task will be easy. Indeed, it may be the most challenging task any of us has undertaken in our professional careers. In carrying out our role and responsibilities as Trustees under the Trust Agreement, we will be guided by our independent assessment and judgment as to what course of action will best protect the interests of the beneficial owners of the Trust, the U.S. Treasury and U.S. taxpayers whose interests as shareholders in AIG we were asked to represent. We know that to be successful we will need the support of the Congress, the Administration and the FRBNY.

We appreciate the opportunity to give this statement, which is on behalf of all of us, and we look forward to answering your questions.