UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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| STARR INTERNATIONAL COMPANY, INC., INDIVIDUALLY AND DERIVATIVELY ON BEHALF OF AMERICAN INTERNATIONAL GROUP, INC., Plaintiff, - against - FEDERAL RESERVE BANK OF NEW YORK, Defendant, and AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation, Nominal Defendant. | No. 11-cv-8422 (PAE) <br> AMENDED VERIFIED COMPLAINT <br> JURY TRIAL DEMANDED |

Plaintiff Starr International Company, Inc. ("Starr International") individually, and derivatively on behalf of nominal defendant American International Group, Inc. ("AIG" or the "Company"), alleges for this Verified Complaint with knowledge as to its own acts and status and acts taking place in its presence, and upon information and belief as to all other matters, as follows:

## NATURE OF THIS ACTION

1. This is a direct and shareholder derivative action brought by Starr International on behalf of itself and on behalf of nominal party AIG against the Federal Reserve Bank of New York ("FRBNY") as controlling shareholder and controlling lender for violating duties owed to

Starr International and AIG and for coercing, inducing, and requiring AIG directors and officers to take actions contrary to the best interests of AIG and AIG shareholders other than FRBNY.

2. As described in more detail in *Starr International Co. v. United States*, No. 11-cv-00779 (Fed. Cl. Nov. 21, 2011), filed in the Court of Federal Claims before this action was commenced, beginning in September 2008 and continuing until at least January 2011, the Government imposed a series of transactions on AIG that deprived AIG and its shareholders of tens of billions of dollars. In the initial transaction on September 17, 2008, FRBNY provided AIG with a fully secured $85 billion line of credit at an initial annual cost of 14.5% in interest and fees, and AIG agreed to give up approximately 80% of its equity to the United States Treasury.

3. Both the punitive interest rate imposed on AIG and the appropriation of the Company's common shares were discriminatory, unprecedented, and inconsistent with liquidity assistance offered by the Government to other comparable firms at the time. As described in *Starr International Co. v. United States*, those transactions represented discriminatory takings of the property and property rights of AIG and its shareholders without due process or just compensation in violation of the Equal Protection, Due Process, and Takings Clauses of the United States Constitution.

4. Those transactions also resulted, beginning on September 17, 2008, in FRBNY controlling AIG as a controlling shareholder and controlling lender.

5. As a result of FRBNY's position and power as a controlling shareholder and controlling lender, FRBNY owed fiduciary duties, and other duties and obligations, to AIG and its shareholders. FRBNY's control and position also enabled it to control AIG's officers and directors and to cause them to act contrary to the best interests of AIG and AIG shareholders

other than FRBNY. This action seeks to recover damages for the harm done to AIG and its shareholders after FRBNY began to control AIG.

6. For more than two years, beginning in September 2008, FRBNY repeatedly breached its duties to AIG and its shareholders. For example, beginning in November 2008, FRBNY orchestrated a complex series of transactions by which AIG was required to transfer $5 billion in equity to an entity (Maiden Lane III, or "ML III") controlled by FRBNY, in addition to the $35 billion of cash collateral previously posted by AIG to its credit default swap counterparties to secure "collateralized debt obligations" ("CDOs") held by the counterparties. FRBNY then used its control over ML III effectively to pay AIG's credit default swap counterparties 100 cents on the dollar for CDOs which at the time could have been compromised for substantially less than 100 cents on the dollar. Moreover, FRBNY required AIG, in addition to paying 100 cents on the dollar, to provide its counterparties with releases of claims related to those CDOs.

7. FRBNY was ostensibly motivated in these transactions by a desire to help the credit default swap counterparties weather the financial crisis without confronting the public and political opposition that FRBNY feared would arise if it aided the counterparties openly and directly. Regardless of whether FRBNY's support of the counterparties was good or bad public policy, in using AIG and AIG's assets to accomplish a secret "backdoor bailout" of AIG's counterparties, FRBNY breached the duties it, and those acting in concert with FRBNY, owed to AIG. As a result of this breach, AIG and its shareholders lost billions of dollars.

8. FRBNY then concealed both the identity of the counterparties receiving payments as well as the fact that those counterparties were paid in full. FRBNY's efforts to conceal the identity of the counterparties and the fact that they were paid 100 cents on the dollar evidences

FRBNY's awareness of the impropriety of its conduct. Eventually, the identities of the counterparties and the fact that they received payment in full were disclosed, prompting extensive criticism of FRBNY. Although FRBNY then attempted to justify its failure to obtain concessions from the counterparties by offering various excuses, subsequent governmental and non-governmental investigations and analyses have demonstrated that those justifications were at best pretextual.

9. FRBNY also breached its duties to AIG and AIG shareholders by engaging in self-dealing for its benefit and AIG's detriment.

10. For example, during the time FRBNY controlled AIG, an approximately two-thirds interest in cash collateral previously posted by AIG to secure the ML III CDO obligations was transferred to FRBNY without fair consideration and without shareholder approval.

11. FRBNY also breached its duties to Common Stock shareholders of AIG by participating in, and causing AIG's officers and directors to participate in, the evasion of AIG's existing Common Stock shareholders' right to approve the massive issuance of the new Common Stock shares required to complete the Government's taking of a nearly 80% interest in the Common Stock of AIG.

12. Under Delaware law, the existing Common Stock shareholders were entitled to a separate class vote to decide whether the authorized Common Stock of the Company would be increased to allow the demanded appropriation of a nearly 80% interest in that Common Stock. In connection with FRBNY's "bailout" transaction, AIG shareholders commenced an action in the Delaware Court of Chancery expressly to ensure that this requirement be met. AIG's commitments in that action, subsequent securities filings by AIG, and the controlling Stock Purchase Agreement itself, all explicitly contemplated that the approximately 80% interest in the

Common Stock of AIG could be appropriated only if the holders of the Common Stock of AIG approved, by a separate class vote, an amendment to the AIG Certificate of Incorporation to increase the authorized shares of the Company.

13. The actual vote of the Common Stock shareholders rejected the increase in authorized shares. Nevertheless, during the period FRBNY controlled AIG, FRBNY deliberately circumvented that vote. In so doing, FRBNY again breached the duties it owed to, and caused AIG's officers and directors to act contrary to the best interests of, AIG and AIG shareholders other than FRBNY.

14. In addition, as described in more detail below, in a series of self-dealing transactions, FRBNY used its control over AIG to divert the rights and assets of AIG and its shareholders to itself and favored third parties, including taking two-thirds of the residual value of ML III even though it contributed no equity and even though the entire residual value was based on cash collateral AIG had posted before FRBNY took control of AIG.

15. Prior to and after FRBNY assumed control of AIG, FRBNY internally recognized that there were alternatives available to the actions that FRBNY was taking and causing AIG to take that were much more favorable to AIG and its shareholders than the actions actually taken. One of those alternatives was providing guarantees, which FRBNY had the authority to do. Another alternative was filing an involuntary bankruptcy petition for AIG. However, FRBNY did not pursue such alternative actions or present such alternatives to AIG's Board.

16. FRBNY's actions during the period it controlled AIG as a controlling shareholder and controlling lender breached its duties to AIG and its shareholders and caused AIG and its shareholders substantial damages.

## THE PARTIES

17. Plaintiff Starr International Company, Inc., is a Panama Corporation with its principal place of business in Switzerland. The sole common stockholder of Starr International is a charity that provides millions of dollars of support to humanitarian, educational, and medical causes. It is currently and was at all relevant times, a shareholder of AIG. At the time of the conduct at issue in this action Starr International was one of the largest shareholders of AIG Common Stock.

18. Nominal Party AIG is a Delaware corporation with its principal executive offices located at 180 Maiden Lane, New York, New York. AIG is a holding company that provides a broad range of insurance and financial services through its subsidiaries in the United States and internationally.

19. Defendant Federal Reserve Bank of New York is one of 12 regional Reserve Banks. FRBNY's principal place of business is located at 33 Liberty Street in New York, New York.

## JURISDICTION

20. This Court has federal question jurisdiction under 12 U.S.C. § 632, which expressly provides that "all suits of a civil nature at common law or in equity to which any Federal Reserve bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of all such suits". Venue in this District is proper pursuant to 28 U.S.C. § 1391(b)(1) because defendant Federal Reserve Bank of New York's principal place of business is located in this District.

## FACTUAL ALLEGATIONS

### I. Background of AIG

21. AIG was founded in 1967. Under the leadership of Maurice R. "Hank"

Greenberg, who took over as CEO in 1968, AIG became a publicly held company in 1969 and grew into the world's largest group of insurance and financial services companies. When Mr. Greenberg retired as CEO in March 2005, AIG's market capitalization was more than $130 billion. In early 2008, AIG's market capitalization was also more than $130 billion.

## II. AIGFP and Credit Default Swaps

22. One of AIG's businesses, beginning in the 1980s, was entering into contracts called "derivatives," in which one party in effect paid the other party a fee to take on the risk of a business transaction. This business was conducted by AIG Financial Products ("AIGFP"), a wholly owned subsidiary of AIG.

23. In 1998, at the request of J.P. Morgan Chase & Co. ("JPM"), AIGFP expanded the business of taking on risk in financial transactions entered into by AIG's clients (called "counterparties") in exchange for periodic payments to include writing a type of financial insurance on a structured debt offering JPM was assembling. The insurance provided that if the underlying debt securities JPM was offering failed to perform as expected and did not generate sufficient cash to allow the securities to meet their interest payment obligations, AIGFP would, in effect, buy the securities from the holders at the initial offering price, thereby taking on the risk that the securities would not perform. This was an early form of what came to be known as a "credit default swap" (or "CDS").

24. CDSs are contracts that function much like insurance policies for debt securities instruments. In exchange for payments made over a period of time by a counterparty, the party writing the CDS is obligated to pay the counterparty the par value of the referenced debt instrument in the event that instrument defaults. The party writing the CDS then succeeds to the counterparty's interest in the referenced debt instrument.

25. Between the time AIGFP began writing CDSs in 1998 and the time Mr.

Greenberg retired as AIG's CEO in March 2005, AIGFP had written a total of about 200 CDSs totaling approximately $200 billion in notional amount. Most of these CDSs were based on underlying corporate debt.

26. Until Mr. Greenberg retired as CEO in March 2005, AIG carefully scrutinized each CDS transaction entered into by AIGFP to limit and manage the risks assumed. From 1987 through 2004, AIGFP earned approximately $5 billion in profits.

27. After Mr. Greenberg retired, AIGFP increasingly began to enter into credit default swaps on securities that included subprime residential mortgages.

28. Between March 2005 and December 2005, for example, AIGFP wrote approximately another 220 CDSs – more than in the entire period before Mr. Greenberg left AIG. Moreover, most of these new CDSs referenced, not corporate debt, but subprime mortgage debt.

29. The securities that were referenced by the CDSs written by AIGFP included "collateralized debt obligations" ("CDOs"). A CDO is a complex type of structured investment product that is typically backed by a pool of fixed-income assets. The collateral backing of a CDO can consist of various types of assets, including asset-backed securities ("ABSs"). The CDO then essentially repackages the income stream of those assets into separate securities that are tiered by "tranche," that is, arranged in a hierarchy of subordinated payment priority from senior to junior. Each tranche has its own risk profile, with each more senior tranche being less risky than those subordinated to it. Each tranche is purportedly designed to pay an interest rate commensurate with the level of risk assigned to it, which permits each tranche to be rated independently from the other tranches. Thus, an investor in a CDO may choose from among differently rated securities relating to the CDO, each paying an interest rate purportedly

commensurate with the level of risk that the investor will be taking on. CDOs are derivatives, meaning their value is derived from events related to a defined set of reference securities that may or may not be owned by the parties involved.

30. One common type of ABS used to form CDOs was mortgage-backed securities ("MBSs"), usually residential mortgage-backed securities ("RMBSs"), which are securities backed by pools of residential mortgages, often from diverse geographic areas. CDOs can be backed by other types of securities also, and when the flow of new subprime mortgages was insufficient to generate new RMBSs to package together into new CDOs, CDO collateral managers sometimes used securities underlying other CDOs as the asset pool for new CDOs. This type of CDO is sometimes called a "CDO squared" or "synthetic" CDO.

31. In technical terms, a synthetic CDO is a form of collateralized debt obligation in which the underlying credit exposures are taken on using a credit default swap rather than by having a vehicle buy assets such as bonds. A synthetic CDO is a complex financial security used to speculate or manage the risk that an obligation will not be paid (*i.e.*, credit risk). A synthetic CDO is typically negotiated between two or more counterparties that have different viewpoints about what will ultimately happen with respect to the underlying reference securities. Various financial intermediaries, such as investment banks and hedge funds, may be involved in selecting the reference securities and finding the counterparties. Synthetic CDO securities are not typically traded on stock exchanges.

32. In late 2005, senior executives at AIGFP concluded that writing CDSs on CDOs dependent on subprime mortgage debt was unacceptably risky, and in December 2005, AIGFP decided to stop writing new CDSs for CDOs backed by subprime mortgage debt. However, the CDS contracts AIGFP had already written remained on its books. As written by AIG in the

period after Mr. Greenberg left AIG, these CDSs presented at least two types of risk: credit risk and collateral risk.

33. The par value, or "notional" amount, of the CDOs underlying the CDSs written by AIGFP was important because if any of those CDOs defaulted – meaning the CDO could no longer meet its obligations to pay interest to holders of the securities – under the CDS's terms AIG was responsible for paying whatever portion of the obligations to the holders of the securities was not met by the defaulted CDO. In the worst case, AIG would be required in effect to purchase the CDO at full value. If the CDO had no value, this could result in a 100% loss to AIG. This was the "credit risk."

34. "Collateral risk" is the risk that AIG would have to post collateral in connection with a CDS. Because a CDS contract is a form of guarantee, which under certain conditions can require the swap issuer to pay the counterparty up to the notional amount of the CDO, the swap contracts sometimes contain provisions requiring the swap issuer to post cash collateral as an assurance that the issuer of the swap will be able to perform its obligation in the event of a default. Many of AIGFP's CDS contracts written after Mr. Greenberg left AIG contained a provision requiring AIGFP to post cash collateral if AIGFP's credit rating fell or if the valuation or rating of the underlying CDOs fell below a certain threshold.

## III. The Liquidity Issues Facing AIG in the Summer of 2008

35. As has been widely documented, in or about 2007, the previously high-flying housing market began to falter, leading to a cascade of economic problems that precipitated a global financial crisis that reached a flash point in September 2008. These severe problems included rising mortgage default rates, falling home values, failures of hedge funds that had long positions in the mortgage market, and bankruptcies of many subprime mortgage lenders and servicers. These events, which continued throughout 2007 and 2008, increasingly exposed AIG

to heightened risk, particularly collateral risk, on its CDS portfolio, and ultimately contributed to AIG's liquidity crisis in 2008.

36. Beginning in 2007, growing global financial problems – and in particular subprime mortgage issues – caused AIGFP's CDS counterparties to claim that the value of the underlying CDOs was falling precipitously and to make increasingly large collateral calls on AIGFP. Those claims by AIGFP's counterparties increased in the spring and summer of 2008. It was the collateral risk, not the credit risk, that primarily fueled AIG's liquidity problems. Significantly, as discussed in more detail below (*see infra* paragraphs 68-99), even the troubled CDOs transferred to Maiden Lane III have proved ultimately to have substantial value.

37. Despite AIG's diverse holdings, with assets more than sufficient to meet AIGFP's obligations to its counterparties, many of AIG's assets were by nature (and for reasons unrelated to the housing market) relatively illiquid and would have been difficult to sell quickly, or to sell quickly at prices reflecting their value.

38. In addition, beginning around the same time, the securities lending program operated by AIG insurance subsidiaries also began to exert liquidity pressure on AIG. Under that program, those subsidiaries lent securities to counterparties in exchange for collateral, which, after Mr. Greenberg's retirement, the AIG subsidiaries then used to purchase RMBS and other assets. In 2007, AIG began to experience a growing differential between its liability to return that collateral to the counterparties and the fair value of the RMBS and other assets the subsidiaries purchased with that collateral.

39. Although AIG posted substantial amounts of cash collateral to CDS counterparties in or around the summer of 2008 – approximately $14.8 billion in total – AIG would eventually not have liquid assets sufficient to cover future collateral calls and liquidity

shortfalls generated by the securities lending program. As a result, AIG faced a liquidity squeeze in or around July 2008 and continuing into September 2008.

40. In or around July 2008, AIG's then-Chief Executive Officer, Robert B. Willumstad, expressed concern to AIG's Board of Directors regarding a potential liquidity crisis, telling them the only source from which the Company would be able to secure enough liquidity if such a crisis were to occur would be the government.

## IV. Defendant Refused to Allow AIG Access to the Federal Reserve's Discount Window or to Take Other Remedial Measures, Forcing AIG to Accept a Bailout Through Which FRBNY Effectively Took Control of AIG and Became A Controlling Shareholder and Lender of AIG.

41. On July 29, 2008, Mr. Willumstad approached the President of FRBNY to explain AIG's liquidity situation and request access to the Federal Reserve System's discount window, which would have solved AIG's liquidity issues. At the time, AIG's assets substantially exceeded its actual and potential liabilities, making its problem a liquidity problem, not a solvency problem. Nevertheless, FRBNY withheld access to the Federal Reserve's discount window from AIG, despite granting it to other institutions with inferior assets.

42. In response, Mr. Willumstad noted that a number of institutions, including nondepository institutions like AIG, had been permitted access to the discount window after the failure of Bear Stearns Companies, Inc. in March 2008. However, the Federal Reserve continued to decline to permit AIG access to the Federal Reserve's discount window.

43. On September 9, 2008, Mr. Willumstad again met with the President of FRBNY in another unsuccessful attempt to obtain relief, this time by means of becoming a primary dealer – which would have entitled AIG to access the discount window.

44. On September 12, 2008, Standard & Poor's ("S&P") placed AIG on negative credit watch, signaling a potential upcoming downgrade in the company's credit rating as early

as the following week.

45. Over the weekend of September 13-14, 2008, AIG made renewed attempts (all unsuccessful) to obtain discount window access while also initiating efforts to try to identify possible private-sector solutions.

46. AIG also began to consider the potential consequences of a bankruptcy.

47. On the morning of Monday, September 15, 2008, Lehman Brothers Holdings Inc. filed for bankruptcy protection, materially worsening the global financial crisis.

48. In the afternoon of September 15, 2008, the three largest rating agencies, Moody's, S&P, and Fitch Ratings Services, sharply downgraded the long-term credit rating of AIG. The ratings downgrades, combined with a steep drop in AIG's common stock price, prevented AIG from accessing the short-term lending markets. At this point, although the Company was solvent, it faced possible bankruptcy as it would eventually no longer have liquidity sufficient to meet the cash collateral demands of AIGFP's counterparties.

49. Earlier on September 15, 2008, to help AIG address its liquidity crisis, the State of New York, through Governor David Paterson and State Insurance Superintendent Eric Dinallo, offered temporarily to relieve AIG's property and casualty subsidiaries from certain state law capital requirements, thereby freeing $20 billion in capital that AIG could use to improve its liquidity. However, in light of the deteriorating conditions, the absence of movement from the private sector, and the term sheet received from FRBNY the next day, that offer from the State of New York was withdrawn.

**A. The Credit Agreement Between AIG and FRBNY**

50. Notwithstanding the deepening crisis at AIG, FRBNY still denied AIG access to the Federal Reserve's discount window loans and other forms of low cost capital made available

to other comparable institutions that would have relieved the Company's liquidity stress, even while offering such assistance to institutions with inferior assets.

51. On the morning of September 16, 2008, in light of AIG's financial situation and FRBNY's repeated refusal to provide AIG with the same access to the discount window that it had provided on numerous occasions to other similarly situated parties, AIG's CEO informed the Government that AIG needed to consider bankruptcy as a possible course of action. In response, the Government told him that AIG should not do so and instead instructed him to "undo whatever you've done" because of the potential that the Government would make an offer to AIG. The Government, however, did not inform him of the terms of the prospective offer.

(a) Instead, seven weeks after AIG first approached FRBNY to request discount window access, the Government finally took action in the form of an unprecedented and rushed demand in connection with such access which it would grant in the form of a fully secured $85 billion FRBNY revolving credit facility bearing an unprecedented initial annual cost of 14.5% in interest and fees: that AIG grant the Government control of the Company by putting FRBNY in the position of a controlling shareholder and controlling lender and agree to convey an approximately 80% interest in AIG's Common Stock. By this point, FRBNY's delay, its inaccurate statements concerning its intentions to let AIG fail in the event that the Board did not accept the demand, the great damage to the world economy that FRBNY officials have repeatedly stated would have resulted from an AIG bankruptcy, its refusal to grant AIG the assistance it gave to comparable financial institutions, and the resultant threat to AIG's directors of public opprobrium and personal liability that would have resulted if the world economy collapsed as a perceived result of their decision to decline the Government's demand, coerced

AIG's directors and officers into accepting a demand that, as a banker hired to represent FRBNY's interests acknowledged, was unfair and amounted to stealing the Company.

(b) The terms of the deal were based not on an individualized determination of what was necessary to protect the Government's interests, but rather on a private-sector term sheet that a banker hired to represent FRBNY's interests acknowledged to be unfair. Specifically, the Government's non-negotiable demand was based on a term sheet formulated by a private-sector consortium that the Government had assembled. The group was led by one of AIG's largest counterparties, which would later receive $14 billion (including $8.4 billion of AIG cash collateral) as part of the Maiden Lane III deal (*see infra* paragraph 99). Unrestrained by the constitutional requirements of proportionality and just compensation that apply to government exactions, and with the knowledge that FRBNY would deny AIG the assistance it gave to other institutions in need of help, the bankers had planned to use AIG's liquidity problems to try to appropriate most of the Company's equity and extract maximum profit from the deal for their own companies.

(c) A banker hired to represent FRBNY's interests who was present for the discussions and who knew the terms being considered (including the 79.9% equity interest) expressed her worry to an AIG representative that "these guys are going to try to steal the business."

(d) After the attempt to find a private-sector solution failed, the Government did not conduct any independent analysis to determine what terms were reasonably necessary to protect the Government's legitimate interests. Nor did the Government provide assistance on the more favorable terms that it had provided and would continue to provide similarly situated entities with inferior collateral. Instead, the Government simply adopted the key terms of the private-sector term sheet, modified such that the Government Accountability Office found the Government loan to be "considerably more onerous than the contemplated private deal." As a result, the terms demanded by the Government were grossly disproportionate to the Government's interest in protecting the interests of taxpayers in what, without any equity interest, was a fully secured loan with an exorbitant interest rate. When the terms had been finalized, the President of FRBNY himself was concerned that the terms were excessively harsh, but chose to allow fear of unwarranted public criticism to keep him from moderating the terms of the deal in any way.

52. On the afternoon of September 16, 2008, FRBNY delivered a three-page term sheet. The term sheet set forth the $85 billion credit facility, the exceptionally high interest rate, the requirement that any AIG loan pursuant to the credit facility be secured by substantially all of the assets of AIG (which assets at the time substantially exceeded the maximum amount of the credit facility), and the requirement that AIG agree to convey an approximately 80% stake in AIG to the Government for no consideration (other than the making of the fully secured, high interest rate loan). The President of FRBNY personally and expressly told Mr. Willumstad that this was "the only proposal you're going to get." This assertion was not true. However, in the face of these misrepresentations, and while believing the demand for 80% of the Company was outrageous, AIG's Board of Directors was left with no choice. The members of the Board knew that if they refused FRBNY's demands, the blame for a historic global collapse, and the attendant public opprobrium and risk of legal liability, likely would fall on their own shoulders. By irrationally relying on loans in lieu of guarantees, consistently declining to grant AIG liquidity access on the same terms as other similarly situated entities with lower quality collateral, contributing to a credit rating downgrade and interfering with AIG's ability to raise

capital and the general ability to secure private-sector support by repeatedly and inaccurately representing that there would be no Government assistance to AIG, organizing a private-sector effort at a critical time led by two banks with severe conflicts of interest that the Government did not believe had a significant chance of success, demanding consideration it was not legally authorized (by statute or otherwise) to demand, ensuring through its actions and representations that the Board would have only hours to make the decision to avoid a global economic meltdown, informing AIG that it should try to undo its plans for bankruptcy without first informing AIG of its intentions, and falsely and irresponsibly representing that it was willing to risk destroying the global economy if the AIG Board did not accept its extortionate demands, the Government coerced the Board into accepting the Government's demands.

53. AIG's acceptance of the Government's terms was announced publicly before the opening of the next trading day, September 17, 2008. As a result of the provisions of the credit facility making FRBNY a controlling shareholder and controlling lender of AIG, AIG's shareholders and those directors selected independently of FRBNY had lost the ability to control AIG, protect its interests, or remedy acts that damaged it.

54. On September 18, 2008, the day after FRBNY assumed control over AIG, AIG's CEO was unilaterally fired and replaced with a new CEO, Edward M. Liddy, who would be under the control of FRBNY. Neither AIG nor its shareholders had any say in the selection of Mr. Liddy, who lacked experience running a large, multi-faceted financial institution like AIG, as CEO. Mr. Liddy acted, at all relevant times, as if he were the agent of FRBNY and the Government.

55. On September 22, 2008, while FRBNY was in control of AIG, AIG and FRBNY entered into a Credit Agreement ("Credit Agreement") in which FRBNY agreed to extend up to

$85 billion in credit to AIG on a revolving basis to be used by AIG for "general corporate purposes", including "as a source of liquidity to pay principal, interest and other amounts under Indebtedness and other obligations as and when they become due and payable." The interest rate on any loans made pursuant to the Credit Agreement was the three-month LIBOR plus 8.5%, which, with fees, resulted in an initial annual cost to AIG of approximately 14.5%.

56. Loans made pursuant to the Credit Agreement were secured by assets of AIG that, according to a September 2011 Government Accountability Office Report, FRBNY officials described as having "fully secured the Federal Reserve System." As two FRBNY officials stated in Congressional testimony, "AIG had enough high-quality collateral to permit the Federal Reserve to extend a secured loan to provide liquidity to the firm. On September 16th, our focus was on providing liquidity so that AIG could meet its obligations and avoid default. To be clear, we were not making an investment in AIG; we were making a fully secured loan."

57. In addition to requiring AIG to "fully secure" the loan with AIG's assets, and in addition to the excessive interest rate imposed, AIG was required to agree to ultimately issue securities convertible into nearly 80% of AIG's common equity (the "Series C Preferred Stock") to a trust, the only beneficiary of which was the United States Treasury. The trust, which was dissolved on January 14, 2011, was governed by the AIG Credit Facility Trust Agreement dated as of January 16, 2009 ("Trust Agreement"). Despite the Trust Agreement's representations that the Trustees had "absolute discretion and control" over the Series C Preferred Stock, FRBNY controlled the Trust and the Trustees.

58. Despite government arguments to the contrary, the Credit Agreement was imposed upon, and not voluntarily agreed to by, the AIG board. The Government's coercion is evidenced by, among other facts, the Government's unilateral removal of Mr. Willumstad and its

installation of Edward M. Liddy to do FRBNY's bidding.

### B. FRBNY's Control of AIG Through Its Status as Controlling Shareholder and Controlling Lender

59. In addition to the control FRBNY exercised through Mr. Liddy and other AIG Board members who were later also installed by FRBNY, FRBNY had an on-site team led by a senior FRBNY official whose sole task was to monitor AIG's decision-making and financial condition and exercise FRBNY's consent rights under the Credit Agreement, which were utilized by FRBNY to control the day-to-day management of AIG.

60. As a controlling shareholder and controlling lender, FRBNY exercised virtually complete control over AIG, including by directing and influencing AIG's day-to-day management, selecting and otherwise influencing AIG's board of directors, and compelling AIG to enter into unusual and unprecedented transactions, including, for example, the Maiden Lane III transaction discussed below.

61. FRBNY also exercised control over AIG's SEC filings relating to the bailout, including causing AIG to omit significant counterparty information concerning the ML III transaction from SEC filings; undertook to negotiate on AIG's behalf with AIGFP counterparties; exercised control over proxy materials and AIG's annual meeting; appointed and removed directors; and influenced all material business decisions made by AIG.

62. FRBNY also advised AIG employees not to address members of Congress concerning the "backdoor bailout," asserting that any such disclosures would violate a moratorium on what were defined as "federal lobbying activities" contained in a "Policy on Lobbying, Government Ethics, and Political Activity" at AIG. This requirement was without basis and intended to conceal from the public information regarding the "backdoor bailout"; this effort at concealment again evidences FRBNY's recognition of the impropriety of the treatment

of AIG and its shareholders.

63. FRBNY also undertook to negotiate on AIG's behalf with AIGFP counterparties, ostensibly to secure concessions from such counterparties.

64. In sum, during the period of time immediately following FRBNY's $85 billion loan, FRBNY, as a controlling shareholder and controlling lender of AIG, controlled or influenced virtually every material business decision made by AIG.

65. As an entity that exercised control over AIG and over material decisions affecting the Company, FRBNY stood in a fiduciary relationship to AIG's minority shareholders as well as to AIG itself.

**C. Additional $37 Billion Loan to AIG**

66. On October 8, 2008, the Federal Reserve Board announced that AIG had drawn down from the $85 billion line of credit established by the Credit Agreement and that FRBNY had agreed to provide up to an additional $37.8 billion in cash to AIG collateralized by investment-grade, fixed-income securities from AIG.

**D. Subsequent Restructuring in 2008 and 2009**

67. In November 2008, the Federal Reserve Board implemented financial transactions related to AIG, including:

(i) On or about November 10, 2008, the terms of the Credit Agreement were modified to lower the interest rate to the three-month LIBOR + 3.0% and extend the length of the facility to five years.

(ii) On or about November 25, 2008, the Treasury purchased $40 billion in newly issued AIG Series D Preferred Stock under the Troubled Asset Relief Program ("TARP") and received warrants for 2% of AIG's Common Stock outstanding at an exercise price of $2.50 per share. Some of the proceeds of that transaction were used by AIG to repay FRBNY, which reduced the commitment amount available under the Credit Agreement from $85 billion to $60 billion. As part of that transaction, the terms of the Series C Preferred Stock (which had not yet been issued) were changed, so that it would be convertible into 77.9% of the Common Stock of AIG.

(a) On March 2, 2009, AIG agreed in principle with the Treasury to exchange the Series D Preferred Stock, which had an accruing and compounding dividend, for Series E Preferred Stock having an aggregate value equal to the $40 billion paid for the Series D Preferred Stock plus $1.6 billion of accrued and unpaid dividends. AIG also agreed to issue Series F Preferred Stock to the Treasury in exchange for a commitment by the Treasury to make approximately $30 billion available to AIG. Both transactions closed on April 17, 2009.

(b) On March 4, 2009, AIG issued the Series C Preferred Stock, which immediately gave the Trust 77.9% of the equity voting power of AIG. However, the Series C Preferred Stock could not be converted or exchanged into Common Stock until a majority of the Common Stock shareholders approved an increase in the number of authorized AIG shares. As described below, this approval was never received.

## E. FRBNY Used the Maiden Lane III Transaction to Funnel AIG's Assets to AIG's Struggling CDS Counterparties to the Detriment of AIG and Its Shareholders.

### 1. FRBNY Created Maiden Lane III Ostensibly to Assist AIG in the Termination of Certain CDSs With Certain AIGFP Counterparties.

68. Acting (as always) at the direction and under the supervision of FRBNY, in or around October 2008, AIG was attempting to resolve its liquidity crisis through bilateral discussions with counterparties attempting to negotiate the modification or termination of the CDSs in exchange for cash payments.

69. In the fall of 2008, however, FRBNY decided to create a special purpose vehicle ("SPV") designated Maiden Lane III to resolve AIG's obligations to CDS counterparties. The creation of Maiden Lane III was an inefficient and costly alternative to the other options at the Government's disposal, including a guarantee of the CDS contracts. This option would have given AIG's counterparties, as well as private-sector credit sources, the assurances that the collateral calls under the CDS contracts—one of the main drivers of AIG's liquidity squeeze—otherwise provided, and thus would have significantly improved AIG's liquidity crisis, while potentially costing taxpayers nothing at all. Instead, the Government opted to spend over $60 billion of taxpayer and AIG funds to purchase the CDOs underlying the CDS contracts at full value, using AIG as a vehicle to undertake covert, "backdoor bailouts" to various other favored institutions on terms that breached FRBNY's duties to AIG and its shareholders.

**2. Creation of Maiden Lane III**

70. On November 25, 2008, Maiden Lane III LLC ("ML III") was utilized to purchase from AIG's counterparties approximately $46.1 billion in notional CDO assets. On December 18 and 22, 2008, ML III engaged in a second round of CDO asset purchases totaling approximately $16 billion in notional value.

71. Prior to the formation of ML III, AIG had posted a total of approximately $35 billion in cash collateral to its CDS counterparties to secure the obligations later terminated in connection with the CDO purchases by ML III. At the time ML III was formed, AIG was required to make an additional $5 billion equity investment in ML III. Based on AIG's contribution of $40 billion, FRBNY agreed to lend up to $30 billion to ML III.

72. Although AIG was the only party contributing material equity to ML III, FRBNY is the controlling party and managing member of ML III. Through its control over AIG, FRBNY required AIG to use this vehicle to fund the purchase of CDOs from the counterparties.

73. With respect to the FRBNY loan to ML III, the interest rate is the one-month LIBOR plus 1%, and repayment of the loan is to come from the first proceeds from the CDO portfolio, *i.e.*, by maturity or liquidation of the assets.

74. In addition, as part of ML III, AIGFP and FRBNY (acting through ML III) entered into a "Shortfall Agreement" under which AIG was required to make payments to ML III to the extent that the collateral posted by AIG with counterparties was less than the negative mark-to-market value of the CDS as of October 31, 2008 (and ML III was required to make a payment to AIG to the extent that the posted collateral exceeded the October 31, 2008 market value). ML III returned approximately $2.5 billion of the $35 billion in posted cash collateral to AIG under the Shortfall Agreement, reducing AIG's posted collateral to approximately $32.5 billion.

75. ML III ultimately borrowed approximately $24.3 billion from FRBNY, which together with an equity funding of $5.0 billion provided by AIG and approximately $32.5 billion in cash collateral previously contributed by AIG, were used by ML III to purchase from certain third-party counterparties of AIGFP certain U.S. dollar denominated CDOs.

### 3. FRBNY Permitted the AIGFP Counterparties to Retain the Entire $32.5 Billion in Cash Collateral AIG Posted Prior to ML III, Which Together with What Was Paid by ML III Resulted in the AIGFP Counterparties Receiving Par Value, Which Was Far Higher than Market Value for Those Assets.

76. Under ML III, the AIGFP counterparties received essentially par value – that is, the notional, or face, value – for their CDOs (or close to par value after certain expenses) through a combination of receiving payments from ML III plus retaining cash collateral AIG had previously posted to collateralize its CDS contracts. In return, the counterparties agreed to cancel their CDS contracts with AIG.

77. Of the $35 billion in cash collateral provided to counterparties by AIGFP prior to

ML III, approximately $20.2 billion was funded from the initial $85 billion loan under the Credit Agreement and $14.8 billion was funded by AIG prior to the Credit Agreement. AIG subsequently received $2.5 billion of this amount back pursuant to the Shortfall Agreement.

78. The purchase payments the counterparties received from ML III, together with the prior cash collateral provided by AIG, paid the AIGFP counterparties approximately $62 billion, even though AIG's obligations could have been compromised for substantially less.

79. While it is understandable why the counterparties would desire to receive par value, and while in light of the global credit crisis it might be understandable why FRBNY would want to assist the counterparties in dealing with their liquidity needs, no party who genuinely was focused on protecting the interests of AIG or its shareholders would have implemented this arrangement.

#### 4. FRBNY's Self-Dealing Appropriated Two-Thirds of the Value of the Collateral Posted by AIG to FRBNY.

80. Under the priority of payments (also known as the payment "waterfall") in the ML III transaction, the proceeds ML III received – either in the form of cash from the liquidation of CDOs or the principal and interest payments from retained CDOs – after payment of ML III's fees and expenses were paid first and exclusively to satisfy FRBNY's $24.3 billion loan to ML III. Any proceeds remaining after FRBNY's loan was satisfied would then be used to redeem AIG's equity contribution in ML III.

81. Any ML III proceeds remaining after FRBNY's loan and AIG's equity contribution were satisfied are known as "residual interests" and, under the terms of ML III, split between FRBNY (which receives approximately two-thirds of the residual interests) and AIG (which receives approximately one-third of the interests). This was so even though by definition FRBNY had already received back its entire loan with interest and even though the "residual

interests" were funded entirely by the collateral that AIG alone had furnished.

82. Not only did FRBNY's self-dealing appropriate two-thirds of those residual interests despite having virtually no risk in the ML III transaction after its loan is paid off, FRBNY also refused to use any residual interest proceeds to pay down AIG's outstanding balance under the Credit Agreement.

83. First, FRBNY forced AIG to fund approximately 60% of the par value purchase price ($5 billon in new equity, plus $32.5 billion in previously posted collateral compared to FRBNY's last-in-first-out loan of $24.3 billion), which price far exceeded the market value. Second, and without justification, FRBNY appropriated the majority of the residual returns resulting from the collateral AIG had posted, and without a reduction in AIG's debt to Defendant.

#### 5. FRBNY Paid the ML III Counterparties Par Value Despite the Expectation – Even by Some Counterparties – that FRBNY Would Obtain Discounts from Those Counterparties.

84. At the time ML III was formed, it was expected that concessions, or discounts, would be obtained on the par value of AIGFP counterparties' CDOs purchased for the ML III portfolio.

85. Securing such concessions or discounts would have provided more loan security to FRBNY in connection with the Credit Agreement and lowered the size of Defendant's overall lending commitment to AIG. Both AIG and FRBNY would have benefitted.

86. Nevertheless, FRBNY made no effort to demand or negotiate concessions and only limited, inconsistent efforts even to give counterparties the opportunity to volunteer concessions.

87. Of the 16 AIGFP counterparties involved in ML III, FRBNY apparently contacted only 8 of them regarding concessions or discounts. Moreover, those contacts were made on or

around November 5 and 6, 2008, and FRBNY only gave those counterparties until the close of business Friday, November 7, 2008, to make an offer with respect to concessions or discounts.

88. If FRBNY had diligently sought concessions, FRBNY would have been able to compromise AIG's obligations for billions of dollars less than what ML III paid.

89. Despite FRBNY's failure to diligently seek concessions, at least one counterparty expressed a willingness to accept concessions or discounts. Another counterparty indicated to FRBNY it was considering a range of discounts. However, FRBNY indicated to those counterparties, and to the other counterparties, that it had decided against concessions and that FRBNY would instead pay all counterparties essentially 100 cents on the dollar, literally turning away counterparties' offers of concessions.

90. In not pursuing (and even refusing to accept) concessions from AIG's CDS counterparties, FRBNY acted contrary to the interests of AIG and its shareholders. Had FRBNY appropriately pursued and accepted concessions, those concessions would have increased the value of AIG's interest in ML III, both in the form of reduced downside risk with respect to AIG's $5 billion equity investment and increased upside potential for AIG's one-third share of the ML III residual income.

#### 6. Not Only Did FRBNY Require that the Counterparties Receive Par Value, It Also Required that They Receive a Release of All Claims that AIG Could Have Asserted Against Them Relating to the CDOs Purchased by ML III.

91. Even though the counterparties were already receiving 100 cents on the dollar, FRBNY also required AIG to execute releases waiving all claims (known or unknown) against the counterparties arising out of the credit default swaps that were canceled through ML III.

92. FRBNY used ML III to secure the cancellation of the CDS contracts by immediately paying to the counterparties, through cash payments and by granting the

counterparties ownership rights over collateral, everything they could conceivably have received in the event that all of the securities covered by the swaps ever defaulted. Those terms were already generous enough to the counterparties and damaging enough to AIG; FRBNY had no legitimate basis, in addition, to provide releases on any possible claims AIG might have, including possible claims arising from AIG's effectively selling insurance on the CDOs.

93. AIG obviously had no need for a release of potential claims that might have been asserted by the counterparties, who by virtue of what they had already received could not possibly have claimed injury either then or in the future. And, there was no need or justification to prematurely release AIG's claims against certain counterparties who had packaged and issued the CDOs before AIG or FRBNY had an opportunity at that time to evaluate the possible merits of any such claims. The strength or weakness of any such possible claims based on the particular facts relevant to particular individual counterparties would determine how much, if any, leverage such claims might give AIG in negotiations with one or more counterparties. There was, however, no basis for giving up all claims against all counterparties for no consideration before any analysis of such strengths and weaknesses had ever taken place. In using its control over AIG and ML III to do so, FRBNY violated its duties to AIG and its shareholders.

**7. Paying the ML III Counterparties Par Value on Assets Worth Far Less Effectuated a "Backdoor Bailout" of AIG's Counterparties at AIG's Expense.**

94. Even though it is filled with, and to a large extent based on, the self-serving assertions of FRBNY and other participants in the process, a November 17, 2009 report by the Office of the Special Inspector General for TARP ("SIG-TARP") entitled *Factors Affecting Efforts to Limit Payments to AIG Counterparties* (the "SIG-TARP Report") concluded that "the structure and effect of FRBNY's assistance to AIG, both initially through loans to AIG, and through asset purchases in connection with Maiden Lane III effectively transferred tens of

billions of dollars of cash from the Government to AIG's counterparties, even though senior policy makers contend that assistance to AIG's counterparties was not a relevant consideration in fashioning the assistance to AIG".

95. A January 25, 2010 Report issued by the U.S. House of Representatives Committee on Oversight and Government Reform likewise suggested that FRBNY had engaged in a "backdoor bailout of AIG's counterparties" through AIG and then attempted to cover it up. The Report reached this conclusion despite again relying on assertions supplied by FRBNY and other participants in the process. The Special United States Treasury Department Inspector General later stated that the secrecy surrounding the deal was "unwarranted" and that his investigation into FRBNY's cover-up could result in criminal or civil charges.

**8. FRBNY Attempted to Cover Up the "Backdoor Bailout" of ML III Counterparties.**

96. In December 2008, and following consultation with FRBNY, AIG filed two Form 8-K statements with the SEC related to ML III after ML III was created. At FRBNY's request, AIG omitted the sentence (which AIG had included in its draft) disclosing that: "As a result of this transaction, the AIGFP counterparties received 100 percent of the par value of the Multi-Sector CDOs sold and the related CDS have been terminated." Also, at FRBNY's insistence, the actual filings did not include the Shortfall Agreement's Schedule A, which contained ML III counterparty and CDO deal information.

97. Shortly after the filing, the SEC noted the Schedule A omission and told AIG that, under agency rules, it must include the schedule for public disclosure or request confidential treatment. In response, AIG, at FRBNY's instance, filed with the SEC on January 14, 2009 two confidential treatment requests for the information in Schedule A.

98. Although AIG and FRBNY still refused to make Schedule A public, continued

pressure from government agencies and Congress prompted AIG to publicly disclose certain CDS counterparty information in a March 15, 2009 press release. According to that AIG press release, which FRBNY controlled, the following amounts were said to be the amounts paid to the following AIGFP counterparties, including the ML III counterparties, in connection with CDO purchases and collateral postings relating to the CDSs (in ($ bn)):

| Counterparty | ML III Payments as of 12/31/08 | Collateral Posted as of 12/31/08 | Total |
|---|---|---|---|
| Societe Generale | 6.9 | 4.1 | 11.0 |
| Deutsche Bank | 2.8 | 2.6 | 5.4 |
| Goldman Sachs | 5.6 | 2.5 | 8.1 |
| Merrill Lynch | 3.1 | 1.8 | 4.9 |
| Calyon | 1.2 | 1.1 | 2.3 |
| Barclays | 0.6 | 0.9 | 1.5 |
| UBS | 2.5 | 0.8 | 3.3 |
| DZ Bank | 1.0 | 0.7 | 1.7 |
| Wachovia | 0.8 | 0.7 | 1.5 |
| Rabobank | 0.3 | 0.5 | 0.8 |
| KFW | 0.0 | 0.5 | 0.5 |
| J.P.Morgan | 0.0 | 0.4 | 0.4 |
| Banco Santander | 0.0 | 0.3 | 0.3 |
| Danske | 0.0 | 0.2 | 0.2 |
| Reconstruction Finance Corp | 0.0 | 0.2 | 0.2 |
| HSBC Bank | 0.0* | 0.2 | 0.2 |
| Morgan Stanley | 0.0 | 0.2 | 0.2 |
| Bank of America | 0.5 | 0.2 | 0.7 |
| Bank of Montreal | 0.9 | 0.2 | 1.1 |
| Royal Bank of Scotland | 0.5 | 0.2 | 0.7 |
| Landesbank Baden-Wuerttemberg | 0.1 | 0.0 | 0.1 |
| Dresdner Bank AG | 0.4 | 0.0 | 0.4 |
| Other | 0.0 | 4.1 | 4.1 |
| **Totals** | **$27.2** | **$22.4** | **$49.6** |

* Amount rounded down to $0.

99. According to the SIG-TARP Report, based on Schedule A (which ultimately became public on January 29, 2010, when AIG filed an 8-K/A disclosing Schedule A in its

entirety) and other documents, the total amounts paid to AIGFP's counterparties were actually as follows (in ($ bn)):

| AIG Counterparty | ML III Payment | Collateral Posted (as of 11/7/08) | Total |
|---|---|---|---|
| Societe Generale | 6.9 | 9.6 | 16.5 |
| Goldman Sachs | 5.6 | 8.4 | 14.0 |
| Merrill Lynch | 3.1 | 3.1 | 6.2 |
| Deutsche Bank | 2.8 | 5.7 | 8.5 |
| UBS | 2.5 | 1.3 | 3.8 |
| Calyon | 1.2 | 3.1 | 4.3 |
| Deutsche Zentral-Genossenschaftsbank | 1.0 | 0.8 | 1.8 |
| Bank of Montreal | 0.9 | 0.5 | 1.4 |
| Wachovia | 0.8 | 0.2 | 1.0 |
| Barclays | 0.6 | 0.9 | 1.5 |
| Bank of America | 0.5 | 0.3 | 0.8 |
| The Royal Bank of Scotland | 0.5 | 0.6 | 1.1 |
| Dresdner Bank AG | 0.4 | 0.0 | 0.4 |
| Rabobank | 0.3 | 0.3 | 0.6 |
| Landesbank Baden-Wuerttemberg | 0.1 | 0.0 | 0.1 |
| HSBC Bank, USA | 0.0* | 0.2 | 0.2 |
| **Totals** | **$27.1** | **$35.0** | **$62.1** |

* Amount rounded down to $0.

## V. The Trust Agreement Established to Control the Nearly 80% Interest in AIG

100. The Trust established to hold the Series C Preferred Stock and intended to hold and dispose of the nearly 80% interest in AIG's Common Stock was governed by the Trust Agreement. The corpus of the Trust consisted entirely of the Series C Preferred Stock.

101. The Trust Agreement purported to provide the Trustees with "absolute discretion and control" over the Series C Preferred Stock, including exercising the voting rights of those shares. Despite these representations, FRBNY controlled the Trust and the Trustees.

102. At the time of its creation, the Trustees of the Trust were Jill M. Considine, Chester B. Feldberg, and Douglas L. Foshee. On February 26, 2010, Mr. Foshee was replaced as a Trustee by Peter A. Langerman.

103. The Trustees had longstanding ties to FRBNY. In particular, Jill Considine recently completed a six-year term as a member of the Board of FRBNY where she served as chairman of the Audit and Operational Risk Committee. Further, from 1991 to 2000, Chester B. Feldberg served as executive vice president in charge of the Bank Supervision Group at FRBNY and was an employee of FRBNY for 36 years, starting as a lawyer in the Bank's Legal Department before moving to the Credit and Capital Markets Group and then the Bank Supervision Group.

104. The Trust Agreement itself directed that "in exercising their discretion" the Trustees "are advised that it is the FRBNY's view that (x) maximizing the Company's ability to honor its commitments to, and repay all amounts owed to, the FRBNY or the Treasury Department and (y) the Company being managed in a manner that will not disrupt financial conditions, are both consistent with maximizing the value of the Trust Stock."

105. Section 2.04(c) of the Trust Agreement also required the Trustees to "take any and all reasonable actions available to them and necessary to cause" the Certificate of Incorporation to be amended to increase the number of authorized shares of Common Stock to 19 billion, and required the Trustees to "Vote or cause to be Voted all of the Trust Stock in favor of" the amendment.

106. In addition, under the "Standard of Care" articulated in the Trust Agreement, the Trustees were indemnified from liability only if each Trustee "(i) acted in good faith in a manner the Trustee reasonably believed to be in accordance with the provisions of this Trust Agreement

and in or not opposed to the best interests of the Treasury and (ii) had no reasonable cause to believe his or her conduct was unlawful."

107. FRBNY exercised control over AIG's SEC filings; undertook to negotiate on AIG's behalf with AIGFP counterparties; exercised control over proxy materials and AIG's annual meeting; appointed and removed directors; and influenced all material business decisions made by AIG.

## VI. Defendant Fully Understood That a Shareholder Vote By Those Holding the Common Stock of AIG Was Required To Legally Implement the Appropriation of an Approximately 80% Interest in AIG Common Stock.

108. Defendant fully understood and was aware that the approval of AIG's Common Stock shareholders would be required in order to increase the number of authorized shares of Common Stock so that the Series C Preferred Stock provided pursuant to Defendant's proposed takeover could be converted or exchanged into approximately 80% of AIG's Common Stock.

109. Moreover, § 242 of the Delaware General Corporation Law, which governs the Charter, is unequivocal that the amendment of a certificate of incorporation to increase the number of authorized shares in a class of stock can be accomplished only through a majority vote of the then-existing outstanding shares in that class. The express purpose of this requirement of corporate law is to protect the property rights and interests of the corporation's shareholders.

110. AIG's then-governing Restated Certificate of Incorporation (the "Charter") did not authorize a sufficient number of shares of Common Stock to permit AIG to transfer an approximate 80% interest in the Common Stock of the Company without the approval of existing shareholders. Specifically, the Charter provided that the number of authorized shares of Common Stock was 5 billion shares, of which more than 3 billion shares had previously been issued or reserved.

## VII. The Delaware Consent Order Protects the Rights of AIG Shareholders

111. On November 4, 2008, a lawsuit was filed in the Delaware Court of Chancery on this very issue to ensure that the rights of the Common Stock shareholders of AIG were respected with regard to Defendant's takeover of the Company. *Walker, et al. v. AIG, et al.*, CA No. 4142-CC. That lawsuit, which included breach of fiduciary duty claims against Mr. Liddy and the Company's then Directors and Officers (the "AIG defendants"), sought, among other things, compliance with Delaware law and "an order declaring that the Super Voting Preferred [the Series C Preferred Stock] is not convertible into common stock absent a class vote by the common stock to increase the number of authorized common shares, as well as all relief appropriate in light of the Board of Directors' failure to call a class vote and failure to act in the interests of the common stockholders who are entitled to reject the dilution of their shares."

112. On February 5, 2009, the Delaware Court of Chancery entered a Stipulation and Order of Dismissal (the "Consent Order") finding the request for this relief to be moot in light of the representation and agreements of AIG that there would be a shareholder vote in which "holders of the common stock will be entitled to vote as a class separate from the holders of the Series C Preferred Stock on any amendment to AIG's Restated Certificate of Incorporation that increases the number of authorized common shares and decreases the par value of the common shares."

**VIII. The Representations of AIG and Defendant in Securities Filings**

113. All representations and disclosures made by AIG and the Government in required securities filings were consistent with the Delaware Consent Order and with AIG's representation upon which the Consent Order was based. These representations and disclosures made clear that the conversion or exchange of the Series C Preferred Stock, as well as the exchange of other preferred stock (Series E and F) acquired by the Government for AIG

common shares, would require a proper class vote of the existing Common Stock shareholders to permit an increase in the authorized number of shares of AIG Common Stock.

114. For instance, in its Form 10-Q for the third quarter of 2008 (filed with the SEC on November 10, 2008), AIG stated: "Under the terms of Fed Credit Agreement . . . After the Series C Preferred Stock is issued, AIG will be *required* to hold a special shareholders' meeting to amend its restated certificate of incorporation to increase the number of authorized shares of common stock to 19 billion and to reduce the par value per share. The holders of the common stock will be entitled to vote as a class separate from the holders of the Series C Preferred Stock on these changes to AIG's Restated Certificate of Incorporation. *If* the increase in the number of authorized shares and change in par value is approved, the Series C Preferred Stock will become convertible into common stock." (emphasis supplied).

115. In its 2009 Form 10-K (filed with the SEC on February 26, 2010), AIG again confirmed that the "Series C Preferred Stock will become convertible into common stock upon the subsequent amendment of AIG's Amended and Restated Certificate of Incorporation, which amendment will *need* to be approved by a separate class vote of the holders of AIG Common Stock. *Upon such amendment*, the AIG Series C Preferred Stock will be convertible into a number of shares of AIG Common Stock representing its voting power at that time." (emphasis supplied).

116. All filings and disclosures by AIG to the Common Stock shareholders of AIG were consistent with the representation that the Government would not complete its proposed appropriation of nearly 80% of the Common Stock of AIG unless the existing Common Stock shareholders, voting as a separate class, approved an increase in the authorized shares of AIG Common Stock to "19 billion."

## IX. The Express Terms of the Stock Purchase Agreement

117. Consistent with Delaware law, the Delaware Consent Order and AIG's representation upon which the Consent Order was based, and the representations made in various securities filings, the Stock Purchase Agreement entered between the Trust and AIG on March 1, 2009 ("Series C SPA"), expressly and unequivocally provides that Defendant and its agents would be permitted to convert the Series C Preferred Stock to a nearly 80% interest in the Common Stock of AIG only upon a valid vote by the existing Common Stock shareholders to "approve the Charter Amendment" that would "reduce the par value of the Common Stock to \$0.000001 per share and increase the number of authorized shares of Common Stock to 19 billion."

118. AIG also covenanted in the Series C SPA to adopt several Board resolutions pursuant to Delaware law, including an amendment to the Charter increasing the number of authorized shares, as to which the Series C SPA specifically stated would require "the holders of the Common Stock voting as a separate class in the case of the Common Stock Amendment Proposal" *and that if not obtained, "the Company shall include a proposal to approve such proposals at each subsequent annual meeting of its shareholders.*" (emphasis supplied).

119. In connection with the shareholder meeting at which such vote was to take place, AIG further covenanted in the Series C SPA to file with the SEC "a preliminary proxy statement *reasonably acceptable to the Trust*". (emphasis supplied). Moreover, under that Agreement, none "of the information . . . in any proxy statement . . . will . . . contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading."

## X. Defendant's Efforts to Take 562,868,096 Shares of the Common Stock of AIG

120. On or around June 5, 2009, AIG submitted its 2009 proxy statement and materials, which were the subject of review and approval by Defendant, in advance of the June 30, 2009 annual shareholder meeting. That statement and materials included a proposal ("Proposal 3") to amend the Charter to increase the number of authorized shares of Common Stock.

121. According to the proxy statement, Proposal 3 required a "for" vote of a majority of the voting power of the outstanding shares of Common Stock and Series C Preferred Stock "plus a 'for' vote of a majority of the outstanding shares of AIG Common Stock, voting as a separate class."

122. At AIG's annual shareholder meeting on June 30, 2009, this Proposal 3 to increase the authorized shares of AIG Common Stock, which was the ***only*** proposal for approval in which the then-existing Common Stock shareholders of AIG were entitled to a vote as a class separate from the controlling vote exercised by the Trust, "***Failed***." That is, the vote contemplated under (i) Delaware law, (ii) the Delaware Consent Order and AIG's representation upon which the Consent Order was based, (iii) all securities filings by AIG and Defendant, and (iv) the Series C SPA itself, and the only vote in which AIG Common Stock shareholders were entitled to a separate vote to protect their property and interests with respect to Defendant's takeover, ***failed***.

123. However, Defendant, and at Defendant's insistence AIG, had inserted into the proxy materials a mechanism to evade the requirement of an affirmative vote by AIG's Common Stock shareholders by creating a sufficient number of authorized but unissued shares, to hand over nearly 80% of the Common Stock of the Company despite the failure of the required ***independent*** vote of existing Common Stock shareholders. This mechanism was a proposal

("Proposal 4") to amend the Charter to effectuate a reverse 20:1 stock split. This reverse stock split, with respect to which the trust's controlling vote was permitted to participate (and, hence, effectively nullify the vote of AIG's existing common shareholders), was deliberately engineered to ***guarantee*** that sufficient authorized shares of AIG Common Stock were made available to allow the exchange of the Series C Preferred Stock for 562,868,096 shares of the Common Stock of AIG, as well as the exchange of the Series E and F Preferred Stock, ***regardless*** of the outcome of the independent vote of the Common Stock shareholders regarding the proposed increase in the number of authorized shares. Indeed, the reverse stock split vote was engineered to decrease proportionately both the authorized and issued Common Stock shares of AIG ***only if*** the increase in the number of authorized shares was independently approved by the Common Stock shareholders; in the event the Common Stock shareholders rejected an increase in the authorized shares of AIG common stock (as they did), then the 20:1 reverse stock split would ***only*** apply to *issued* shares, but not to *authorized* shares. As a result, if Proposal 3 failed, Proposal 4 would reduce the approximately 3 billion of issued and outstanding Common Stock shares to approximately 150 million shares, but the number of authorized shares would remain at 5 billion. Through these machinations, the number of authorized, but unissued, shares of AIG Common Stock available for conversion or exchange would increase from less than 40% of the outstanding Common Stock to more than 90% of the outstanding Common Stock.

124. The proxy materials accompanying Proposal 4 did not relate the stock split in any manner to Defendant's takeover and desire to appropriate nearly 80% of the Common Stock of the Company. Indeed, the proxy statement misleadingly stated that "AIG currently has no plans for these authorized but unissued shares of AIG Common Stock" other than purposes unrelated to the scheme for which they were actually used. As part of the scheme, ***no*** proposal was

presented that would have allowed the Common Stock shareholders of AIG to vote for a reverse stock split that would apply to ***both*** issued and authorized (but unissued) Common Stock. The vice of Proposal 4 was not that it involved a reverse stock split but that if Proposal 3 failed, Proposal 4 only reverse split the outstanding shares and not the authorized shares so as to permit FRBNY to evade the required common stockholder vote.

125. At AIG's annual shareholder meeting on June 30, 2009, Proposal 3 (voted upon by the separate class of AIG Common Stock shareholders) ***failed***, and Proposal 4, in which Defendant's controlling voting interest was permitted to participate, ***passed***.

126. Pursuant to this "backdoor" scheme to effectively increase the number of shares of authorized Common Stock without a class vote, FRBNY enabled the Series C Preferred Stock to be exchanged for the Common Stock of AIG even though the vote necessary to permit the issuance of those shares of Common Stock had failed.

127. Neither Defendant nor AIG has offered any justification as to why they engineered this scheme to circumvent the requirement of a Charter Amendment vote by the class of existing Common Stock shareholders to increase the authorized shares of AIG Common Stock to 19 billion as specifically contemplated by (i) Delaware law; (ii) the Delaware Consent Order and AIG's representation upon which the Consent Order was based, (iii) all securities filings by AIG and Defendant, and (iv) the Series C SPA itself. Defendant's deliberate and knowing scheme to circumvent the vote of existing Common Stock shareholders on whether to increase the authorized shares of AIG Common Stock was a breach of FRBNY's duties and obligations to AIG and its Common Stock shareholders.

128. On September 30, 2010, AIG announced an "exit plan" that was designed to repay all of AIG's obligations to Defendant and required AIG, among other things, to sell two of

its valuable operating units – namely, American Life Insurance Company (ALICO) and American International Assurance Company Ltd. (AIA). On January 14, 2011, upon completion of the exit plan, the Series C Preferred Stock was exchanged for 562,868,096 shares of AIG Common Stock.

**XI. Defendant's "Exit Plan".**

129. On December 8, 2010, AIG, ALICO, AIA, the Trust, FRBNY and the U.S. Department of the Treasury executed a "Master Transaction Agreement" (the "Recapitalization Plan") superseding, but incorporating most of the terms of, a September 30, 2010 agreement-in-principle.

130. The Recapitalization Plan involved a series of integrated transactions in which AIG would, among other things:

(a) Repay and terminate the Credit Agreement with FRBNY;

(b) Exchange the preferred shares obtained in connection with the Credit Agreement (*i.e.*, the Series C Preferred Stock) and the preferred shares obtained pursuant to TARP (*i.e.*, the Series E and F Preferred Stock) for a total of 92.1% of AIG's common stock (or 1,655,037,962 shares) to be held by the Treasury;

(c) Issue to existing shareholders ten-year warrants for up to 75 million shares of AIG common stock at a strike price of $45 per share; and

(d) Permit Treasury to gradually sell off its 92.1% stake.

131. With respect to Treasury's staggered sell-off of its AIG stake, under the Recapitalization Plan, Treasury has complete control over the terms, conditions, and pricing of any public offerings of shares until its ownership stake in AIG falls below 33%.

132. Also with respect to Treasury's staggered sell-off, an October 1, 2010 Wall Street Journal article noted that "Treasury stands to profit on its AIG shares if it can sell them at about

$29 apiece," although the article further noted that Treasury's "goal is to sell at around $45 per share, the same price at which private shareholders can exercise warrants".

133. On January 14, 2011, upon closing of the Recapitalization Plan (the "Closing"), AIG repaid FRBNY, including the outstanding balance on the original $85 billion Credit Agreement.

134. In addition, upon the closing of the Recapitalization Plan, the Government exchanged its Series C Preferred Stock for 562,868,096 shares of the Common Stock of AIG—more than four times the number of shares of AIG Common Stock outstanding immediately preceding that transaction. Neither the Government nor AIG has offered any explanation for why the Government received 562,868,096 shares of AIG Common Stock when, according to AIG's securities filings, the shares of the Series C Preferred Stock were to be exchanged for the same number of shares into which they could have converted (*i.e.*, approximately 551 million shares of AIG Common Stock)—a difference of approximately 11 million shares—or of what consideration it can even claim was given for these additional shares, which the market valued at approximately $500 million.

(a) After the Government received 924,546,133 shares of AIG Common Stock in exchange for a portion of the Series E Preferred Stock and 167,623,733 shares of AIG Common Stock in exchange for the Series F Preferred Stock as part of the Recapitalization Plan, the 562,868,096 shares of AIG Common Stock received in exchange for the Series C Preferred Stock amount to approximately 31.2% of issued and outstanding AIG Common Stock. This completed the taking of AIG shareholders' interests by the Government, and resulted in the Treasury owning an aggregate 92.1% equity interest in AIG. Forty-five dollars was the strike price for the warrants issued at the Closing, the amount of per share consideration paid for the shares of AIG Common Stock received in exchange for the Series E Preferred Stock (for which $41.6 billion in value had been received by AIG) and Series F Preferred Stock and approximately the market price of common shares of AIG Common Stock on the day of the Closing, thereby reflecting FRBNY's understanding that the 562,868,096 shares of AIG Common Stock exchanged for the Series C Preferred Stock had a market value in excess of $25 billion.

(b) Including accrued dividends, the Government paid an approximate net amount of $49.15 billion in respect of the Series E Preferred Stock and Series F Preferred Stock, and received AIG Common Stock worth the same amount at the closing of the Recapitalization Plan. The Government had paid $500,000 for the Series C Preferred Stock and received AIG Common Stock worth $25.3 billion for it in the same exchange transaction. In connection with the Recapitalization Plan, Bank of America and Citigroup (ironically, two firms that received highly favorable bailouts from the Government) gave fairness opinions for the exchange of the Series E and F Preferred Stock. Unsurprisingly, no fairness opinion was given for the exchange of the Series C Preferred Stock - an exchange that could hardly be deemed "fair" given that the Government was obtaining 562,868,096 shares of AIG Common Stock for virtually nothing.

135. The terms of the Recapitalization Plan were not put to a vote of AIG's private common stock shareholders.

## DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

136. Plaintiff brings Claims I, II, and V as a shareholder's derivative action pursuant to Rule 23.1 of the Federal Rules of Civil Procedure.

137. Plaintiff brings this action derivatively in the right and for the benefit of AIG to redress injuries suffered, and to be suffered, by AIG as a direct result of the violations described

herein. AIG is named as a nominal defendant solely in a derivative capacity.

138. Plaintiff will adequately and fairly represent the interests of AIG and its shareholders in enforcing and prosecuting its rights.

139. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

140. Plaintiff was a shareholder of AIG at the time of the actions complained of herein and remains a shareholder.

141. Since the facts concerning FRBNY's actions began to be revealed, Plaintiff repeatedly inquired of AIG representatives whether AIG would institute proceedings against the Defendant and its affiliates to recover for the wrongs alleged in this complaint. Those inquiries demonstrated that any demand on the AIG Board of Directors would be futile.

142. Moreover, under the applicable "Standard of Care" set forth in section 3.03(a) of the January 16, 2009 Trust holding the voting rights which AIG was required to give up, the trustees could only take actions that are "in or not opposed to the best interests of the Treasury". Section 2.04(d) in turn provides that the Trustees "shall exercise all such Voting and other similar rights with respect to the Trust Stock in accordance with the Applicable Standard of Care (as defined in Section 3.03(a) hereof)." The Trustees were therefore duty bound to elect only Board members who similarly will act only "in or not opposed to the best interests of the Treasury." The Department of the Treasury continues to control approximately 77% of the equity of AIG.

143. The Trustees, under the control and direction of FRBNY, exercised their voting rights to elect a majority of the 14 members of the current Board – all consistent with the applicable "standard of care" discussed above—and the Department of the Treasury exercised its

right as sole holder of the Series E Preferred Stock and Series F Preferred Stock to elect two additional members of the current Board. Further, 11 of the 14 members of the current Board became AIG Board members for the first time after the formation of the Trust or, once the Trust was dissolved, after the Government's receipt of a vast majority of outstanding voting shares. On May 11, 2011, after the Trust was dissolved and the vast majority of outstanding voting shares were transferred to the Department of the Treasury, all 14 members of the current Board were elected at the Annual Meeting of Shareholders.

144. Plaintiff has not made a demand on other shareholders to bring this lawsuit. Such an act would be futile and useless because the vast majority of outstanding voting shares are held by the Department of the Treasury. Further, AIG is a publicly traded company with millions of shares outstanding that are not controlled by the Department of the Treasury and thousands of shareholders. Making demand on such a number of shareholders would be impossible for Plaintiff, which has no way of finding out the names, addresses or phone numbers of shareholders. Moreover, making a demand on all shareholders would force Plaintiff to incur huge expenses, even assuming all shareholders could be individually identified.

## CLAIM I – BREACH OF FIDUCIARY DUTY (DERIVATIVE)

145. Plaintiff incorporates by reference and realleges each and every allegation contained in ¶¶ 1-144, as though fully set forth herein.

146. At all relevant times, by reason of its control of AIG and its power to act on behalf of AIG, as described above, Defendant owed the Company duties, including the obligation of good faith, fair dealing, loyalty, and due care.

147. As demonstrated above, Defendant violated its duties to AIG by taking actions, including actions that involved self-dealing, that were deliberately contrary to the interests of the Company.

148. AIG has suffered injury as a direct and proximate result of Defendant's unlawful actions, including but not limited to monetary injury. As a result of the conduct alleged herein, Defendant is liable to AIG.

**CLAIM II – REQUIRING AND/OR INDUCING AIG OFFICERS AND DIRECTORS TO ACT CONTRARY TO THE BEST INTERESTS OF AIG SHAREHOLDERS OTHER THAN FRBNY (DERIVATIVE)**

149. Plaintiff incorporates by reference and realleges each and every allegation contained in ¶¶ 1-144 and 145-148, as though fully set forth herein.

150. At all relevant times, the officers and directors of AIG owed fiduciary duties to AIG's shareholders.

151. Defendant, with knowledge or reckless disregard of the fact that it gave AIG's officers and directors no choice but to take action contrary to the best interests of AIG shareholders (other than FRBNY) as a result of their participation in the actions alleged above, used its power and authority as controlling shareholder and controlling lender to require and induce such action, and knowingly participated in, aided and abetted, directed, and solicited such action.

152. AIG has suffered injury as a direct and proximate result of Defendant's unlawful actions, including but not limited to monetary injury. As a result of the conduct alleged herein, Defendant is liable to AIG.

**CLAIM III – BREACH OF FIDUCIARY DUTY (DIRECT)**

153. Plaintiff incorporates by reference and realleges each and every allegation contained in ¶¶ 1-144, 146-148, and 150-152, as though fully set forth herein.

154. At all relevant times, by reason of its control of AIG, including without limitation as a result of its position as a controlling lender and shareholder, Defendant owed AIG's

common shareholders including Plaintiff duties, including the obligation of good faith, fair dealing, loyalty, and due care.

155. Defendant repeatedly violated the duties it owed to Plaintiff, including as described above.

156. Plaintiff has suffered injury as a direct and proximate result of Defendant's unlawful actions, including but not limited to monetary injury. As a result of the conduct alleged herein, Defendant is liable to Plaintiff and all similarly situated shareholders.

**CLAIM IV – REQUIRING AND/OR INDUCING AIG OFFICERS AND DIRECTORS TO ACT CONTRARY TO THE BEST INTERESTS OF AIG SHAREHOLDERS OTHER THAN FRBNY (DIRECT)**

157. Plaintiff incorporates by reference and realleges each and every allegation contained in ¶¶ 1-144, 146-148, 150-152, and 154-156, as though fully set forth herein.

158. At all relevant times, the officers and directors of AIG owed fiduciary duties to Plaintiff.

159. Defendant, with knowledge or reckless disregard of the fact that it gave AIG's officers and directors no choice but to take action contrary to the best interests of AIG shareholders (other than FRBNY) as a result of their participation in the actions alleged above, used its power and authority to require and induce such action, and knowingly participated in, aided and abetted, directed, and solicited such action.

160. Plaintiff has suffered injury as a direct and proximate result of Defendant's unlawful actions, including but not limited to monetary damage. As a result of the conduct alleged herein, Defendant is liable to Plaintiff.

**CLAIM V – CONSTITUTIONAL CLAIMS (DERIVATIVE)**

161. Plaintiff incorporates by reference and realleges each and every allegation contained in ¶¶ 1-144, 146-148, 150-152, 154-156, and 158-160, as though fully set forth herein.

162. The Equal Protection, Due Process, and Takings Clause of the United States Constitution protect companies and shareholders from having their property and property rights taken by the Government, in a discriminatory manner, without due process or without just compensation.

163. FRBNY has asserted that in exercising its control over, and acting on behalf of, AIG it did not act in an official, governmental capacity or at the direction of the Department of Treasury.

164. To the extent the proof at or prior to trial shows that FRBNY did in fact act in a governmental capacity, or at the direction of the Department of Treasury, the improper conduct described above constitutes the discriminatory takings of the property and property rights of AIG without due process or just compensation.

165. AIG has suffered injury as a direct and proximate result of such takings, including but not limited to monetary damage. As a result of the conduct alleged herein, Defendant is liable to AIG, and AIG is entitled to relief.

**CLAIM VI – CONSTITUTIONAL CLAIMS (DIRECT)**

166. Plaintiff incorporates by reference and realleges each and every allegation contained in ¶¶ 1-144, 146-148, 150-152, 154-156, 158-160, and 162-165, as though fully set forth herein.

167. The Equal Protection, Due Process, and Takings Clause of the United States Constitution protect companies and shareholders from having their property and property rights taken by the Government, in a discriminatory manner, without due process or without just compensation.

168. FRBNY has asserted that in exercising its control over, and acting on behalf of, AIG it did not act in an official, governmental capacity.

169. To the extent the proof at or prior to trial shows that FRBNY in fact acted in a governmental capacity, the improper conduct described above constitutes the discriminatory takings of the property and property rights of Plaintiff without due process or just compensation. Plaintiff has suffered injury as a direct and proximate result of such takings, including but not limited to monetary damage. As a result of the conduct alleged herein, Defendant is liable to Plaintiff and Plaintiff is entitled to relief.

WHEREFORE, Plaintiff Starr International demands judgment against Defendant as follows:

A. Finding that Plaintiff may maintain this action on behalf of AIG and that Plaintiff is an adequate representative of AIG;

B. Finding that the Defendant has breached and/or conspired to breach its duties to AIG and to Plaintiff;

C. Finding that Defendant has coerced, induced, and required AIG officers and directors to act contrary to the best interests of AIG and AIG shareholders other than FRBNY;

D. Determining and awarding to AIG the damages sustained by it as a result of the violations set forth above from Defendant;

E. Awarding AIG the costs and disbursements of this action attributable to the claims brought on behalf of AIG, including reasonable attorneys' and experts' fees, costs and expenses;

F. Determining and awarding to Plaintiff the damages sustained by it as a result of the violations set forth above from Defendant;

G. Awarding Plaintiff the costs and disbursements of this action attributable to the claims brought on behalf of Plaintiff, including reasonable attorneys' and experts' fees, costs and expenses; and

H. Granting such other relief, including equitable and injunctive relief, as this Court may deem just and proper.

Dated: New York, New York
February 1, 2012

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*Attorneys for Plaintiff Starr International Company, Inc.*

# VERIFICATION

I, Edward E. Matthews, hereby verify as follows:

1. I am a Director of Starr International Company, Inc. ("Starr"). I make this Verification in connection with the filing of the foregoing amended complaint.

2. I am authorized to make this Verification on Starr's behalf.

3. Starr currently holds shares of American International Group, Inc. and has held such shares continuously at all times relevant to the amended complaint.

4. I have reviewed the amended complaint and know the contents thereof. I verify that the allegations as to Starr and allegations as to which I have personal knowledge are true. With respect to the remaining allegations, I am familiar with the factual basis for those allegations and verify them to be true to the best of my knowledge, information, and belief.

5. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 25th day of January 2012 at New York, New York.

Edward E. Matthews

Edward E. Matthews

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

| | |
|---|---|
| STARR INTERNATIONAL COMPANY, INC., INDIVIDUALLY AND DERIVATIVELY ON BEHALF OF AMERICAN INTERNATIONAL GROUP, INC., Plaintiff, - against - FEDERAL RESERVE BANK OF NEW YORK, Defendant, and AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation, Nominal Defendant. | No. 11-cv-8422 (PAE) |

## CERTIFICATE OF SERVICE

Pursuant to the Stipulation and Order entered by the Court on January 23, 2012, and after obtaining the consent of Defendant Federal Reserve Bank of New York and Nominal Defendant American International Group, Inc. to file Plaintiff's Amended Verified Complaint and to serve the Amended Verified Complaint via electronic mail, I hereby certify that on this 1st day of February, 2012, I caused Plaintiff's Amended Verified Complaint to be served via electronic mail on:

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*Counsel for Defendant Federal Reserve Bank of New York.*

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Dated: February 1, 2012

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