

**STATEMENT OF DOUGLAS L. FOSHEE  
BEFORE THE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
U.S. HOUSE OF REPRESENTATIVES  
HEARING ON THE COLLAPSE AND FEDERAL RESCUE OF AIG**

**May 13, 2009**

Chairman Towns, Ranking Member Issa, and Members of the Committee. I'm Doug Foshee.

I'll begin my testimony by providing you with some brief information on my background and experience.

I've spent 27 years in business. I was a banker in Texas for almost a decade, have been employed by two global companies, and have served in leadership roles in so-called "turnaround" situations. I serve on the boards of more than one Fortune 500 Company. I also serve as Chairman of the Houston Branch of the Dallas Federal Reserve Bank.

Perhaps my most relevant experience as it relates to AIG is my current full-time job as Chairman and CEO of El Paso Corporation. I came to El Paso in the wake of a tumultuous time for the company: stock prices falling precipitously, employees indicted and convicted, credit downgrades leading to cash collateral calls in a trading company that included over 40,000 trades, inadequate risk management systems, more than one restated financial statement, rumored bankruptcy, a highly publicized proxy fight that forced a replacement of management and a substantial change in the board, innumerable government investigations and, most

tragically, the loss of morale of its long-time, committed employees, most of whom had nothing to do with the decisions that led to the near demise of this great 80 year old company.

I joined El Paso in 2003 to try, along with a very committed and talented group of employees, to turn all this around. Since then, the team has divested over \$17.5 billion in assets, reduced debt by half, returned our pipelines' investment grade rating, and the company has been recognized by Fortune Magazine as one of its Most Admired Companies in 2008. The statistic that we are most proud of, though, is that in our 2008 biennial employee survey, 91% of our employees said they are proud to work for El Paso – that's compared to 40% in 2004.

I am serving as a Trustee simply because I believe that to whom much is given, much is expected. I feel a deep sense of obligation to the U.S. taxpayers to act as a good steward of the investment that has been made in AIG. And I'm honored to serve in this capacity with my two co-trustees Jill Considine and Chet Feldberg.

### **Board Review and Selection**

One of our most important responsibilities as Trustees is to ensure that AIG has an effective, independent and capable board, and that this board is focused on recruiting and maintaining a strong and effective management team dedicated to prosecuting the company's long term plan. 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, replicates what is the accepted standard for good corporate governance for public companies in the United States.

For these reasons, we have spent considerable effort focused on AIG's board of directors — how it functions, what skills the board members have, and how those skills fit with the needs of a company in AIG's extraordinary circumstances.

We've come to the conclusion that if AIG is to succeed, it needs a fresh start — a reset, if you will — a reset in the eyes of Congress, the American public and other important constituencies. We've recommended five new, highly competent, highly capable, independent director-candidates to the board. We expect that the board will approve those candidates soon, that their names will appear in the proxy statement that the company will be issuing within a week, and that they will be elected at the upcoming shareholders meeting. These five additions, plus Mr. Dammerman, Ms. Nora Johnson, Mr. Liddy, and another new director proposed by the company, will give the company effectively nine new board members. We believe that this action is wholly consistent with our overriding objective as Trustees, to maximize the long term value of the equity held by the AIG Trust, and we look forward to supporting the newly constituted board as it carries out its tasks.

### **Closing**

In closing let me say that as Trustees we recognize there are many, many constituencies that have a perspective on, and in many cases a stake in, the outcome of AIG. Most of them wish it to succeed. Some do not. In the end though, our focus is on maximizing the long term value of the equity that the AIG trust holds. It is through this lens that we see two constituencies to be of significant and under-appreciated importance – The Customers of AIG and The Employees of AIG. If we all as taxpayers wish to recover our investment in AIG, then

everything begins with them. They watch TV and they read the newspapers. Every day AIG's employees have a choice about where to work. And every day AIG's customers have a choice about where they buy their insurance and other products. If they do not choose AIG, then it is a mathematical certainty that the value of this asset that we all now collectively own a piece of goes down. We need to keep these constituencies in mind when the rest of us — the Trustees, and, respectfully, the Treasury Department, the New York Fed, and the Congress — decide how best to proceed.