

**STATEMENT OF CHESTER B. FELDBERG  
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.

My name is Chester Feldberg, and I am a Trustee of the AIG Credit Facility Trust.

-- I am appearing today with Jill Considine and Douglas Foshee, my fellow Trustees, at the request of the Committee in connection with its hearing on the collapse and federal rescue of AIG. We have submitted a joint written statement, which speaks for all of us. As Trustees, we operate collectively.

-- While each of us will make brief oral statements addressing different aspects of our work, I would stress the collaborative nature of our efforts and of our decision-making process.

-- Let me begin by providing you with some brief information on my background and experience.

-- I am a lawyer by training. I joined the Federal Reserve Bank of New York directly out of law school and spent over 36 years at the New York Fed.

- I ran the discount window for over 10 years and spent my last 9 years running Bank Supervision.
- I also served on the New York Fed's Management Committee for many years.
- In these capacities, I was involved in one way or another in many of the major financial crises that arose in the U.S. between the mid-1970's and 2000 when I retired.
- Following my retirement, I joined Barclays Bank as non-executive chairman of their operations in the Americas, with primary responsibility for corporate governance and regulatory matters.
- I served in that capacity until the middle of last year when I retired for the second time.

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- The Chairman's letter to each of us posed the question: "Is the U.S. taxpayer investment in AIG being adequately protected?" This is the critical question; it motivates all of our deliberations and all of our actions.
- Let me now turn to the background of the Trust arrangement.

- The Trust was established by the New York Fed for the purpose of acquiring, holding and ultimately disposing of approximately 77.9 percent of the voting stock of AIG.
- Under the terms of the Trust Agreement, we, the Trustees, are charged with exercising the voting rights of the AIG shares held in the Trust in the best interests of the U.S. Treasury and with a view towards maximizing the value of that stock.
- As we understand it, the rationale for establishing a trust arrangement administered by independent trustees was concern by the Fed and the Treasury regarding potential conflicts of interest if the controlling interest was held by either governmental entity.
- Each of us was contacted last fall by representatives of the New York Fed and asked to serve as a Trustee of the proposed Trust. After much reflection, each of us ultimately decided to accept this challenging responsibility.
- On January 16, 2009, we were appointed as Trustees by the New York Fed and entered into the Trust Agreement, which we are attaching as part of our written testimony.
- We immediately began organizational work and educating ourselves about the task that lay ahead. But it was not until March 4th that AIG

issued stock to the Trust and we commenced our formal responsibilities as Trustees.

-- Since then, we have been impressed with the extraordinary challenges we face in exercising our responsibilities.

-- In fact, many of the factors relevant to whether the value of the taxpayers' stock can be maximized are not within our control.

-- Such factors include:

-- what the market and the economy will look like when company assets are sold or restructured;

-- what decisions the Federal Reserve or the Treasury will make concerning ongoing assistance to the company;

-- what constraints will be imposed by new legislation or regulation on the company's ability to attract or retain the people needed to keep the company running and effectively implement the restructuring plan;  
and

-- whether continuing adverse publicity will affect the company's ability to maintain the value of its businesses.

-- Each of these factors — individually or in combination — will have great influence on the ultimate value of the enterprise, and no one can confidently predict the final outcome at this time.

- The Trustees are committed to seeing through the next chapter in the company's history in the best interests of the Treasury and the taxpayers of this nation.
- We are under no illusions that our task will be easy. Indeed, it may be the most challenging task any of us has undertaken in our professional careers.
- In carrying out our role, we will be guided by our independent assessment and judgment as to what course of action will best protect the interests of the beneficial owners of the Trust — the U.S. Treasury and the U.S. taxpayer.
- We know that to be successful we will need the ongoing support of the Congress, the Administration, and the Federal Reserve. In the end, we are all working toward the same goal.
- I appreciate the opportunity to appear before this Committee. My colleague, Jill Considine, will now explain our duties and limitations under the Trust Agreement in more detail.