

STATEMENT OF STEPHEN L. BLAKE

THANK YOU CHAIRMAN DUFF AND CHAIRMAN BARRY,
HONORABLE MEMBERS OF THE COMMITTEE. I APPRECIATE THE
OPPORTUNITY TO APPEAR BEFORE YOU TODAY ON BEHALF OF AIG, AND ITS
MANY EMPLOYEES IN THE STATE OF CONNECTICUT.

MY NAME IS STEPHEN BLAKE. I HAVE WORKED AS A HUMAN
RESOURCES PROFESSIONAL FOR APPROXIMATELY 35 YEARS AND JOINED
AMERICAN GENERAL FINANCIAL SERVICES IN 1997. SINCE 1998, I HAVE
BEEN SENIOR VICE PRESIDENT OF HUMAN RESOURCES FOR AGF, WHICH
WAS ACQUIRED BY AIG IN 2001. FOUNDED IN EVANSVILLE, INDIANA IN 1920,
AGF PROVIDES LOANS, RETAIL FINANCING AND OTHER CREDIT RELATED
PRODUCTS TO MORE THAN TWO MILLION FAMILIES IN 40 STATES, THE
UNITED KINGDOM, PUERTO RICO AND THE VIRGIN ISLANDS. I AM A
MEMBER OF AGF'S SENIOR MANAGEMENT TEAM, AND SERVE ON ITS BOARD
OF DIRECTORS.

IN ADDITION TO MY ROLE AT AGF, I RECENTLY TOOK ON
ADDITIONAL RESPONSIBILITIES AT THE REQUEST OF AIG'S GLOBAL HEAD
OF HUMAN RESOURCES AND THE HEAD OF AIG'S FINANCIAL SERVICES
DIVISION. AS OF SEPTEMBER 2008, I HAVE BEEN ACTING AS HEAD OF
HUMAN RESOURCES FOR AIG'S FINANCIAL SERVICES DIVISION, WHICH
ENCOMPASSES ALL OF AIG'S FINANCIAL SERVICES UNITS, INCLUDING AGF
AND AIG FINANCIAL PRODUCTS (OR FP).

AS YOU CAN IMAGINE, MY JOB OVER THE LAST FEW MONTHS HAS BEEN QUITE A CHALLENGE. I HAVE LEFT MY FAMILY IN THE MID-WEST, WHERE I LIVE, AND HAVE MOVED TO NEW YORK TO HELP MANAGE THE CRISIS WITHIN THE FINANCIAL SERVICES DIVISION. IN THE WAKE OF AIG'S FINANCIAL DIFFICULTIES, WE HAVE HAD TO DEAL WITH EMPLOYEE REDUCTIONS IN FORCE, RESIGNATIONS, AND THE MANY STRESSES AND UNCERTAINTIES OF DEALING WITH THE CONCERNS OF THE THOUSANDS OF EMPLOYEES IN THE FINANCIAL SERVICES DIVISION, INCLUDING THEIR RECENT CONCERNS OVER THE SAFETY OF THEIR FAMILIES. AT FP, THESE CHALLENGES ARE PARTICULARLY SIGNIFICANT BECAUSE OF THE COMPLICATED AND CONTINUING PROCESS OF WINDING DOWN TRILLIONS OF DOLLARS OF EXPOSURE IN COMPLEX FINANCIAL AND DERIVATIVE PRODUCTS.

GIVEN THIS ENVIRONMENT, I WISH TO SAY FIRST AND FOREMOST THAT DURING THE PAST SEVERAL MONTHS, THE 400 MEN AND WOMEN OF FP – LOCATED HERE IN THE STATE OF CONNECTICUT AS WELL AS ABROAD – HAVE WORKED, UNDER TREMENDOUSLY ADVERSE CONDITIONS, AND RECORDED GREAT SUCCESSES. AS OUR CEO, EDWARD LIDDY, NOTED IN HIS TESTIMONY TO CONGRESS LAST WEEK, TODAY'S FP EMPLOYEES DID NOT CREATE THE CREDIT DEFAULT SWAPS THAT WERE AT THE HEART OF THE COMPANY'S LIQUIDITY CRISIS. AND YET, MANY OF THEM HAVE HAD YEARS OF THEIR COMPENSATION

AND "SWEAT EQUITY" IN FP LITERALLY WIPED OUT BY THE LOSSES AT FP -- WHEN ALL IS SAID AND DONE ALMOST 780 MILLION DOLLARS WORTH OF DEFERRED COMPENSATION.

YET, MANY OF THESE EMPLOYEES AGREED TO STAY AT FP TO DO THE DIFFICULT AND ARDUOUS WORK OF HELPING UNWIND FP'S NEARLY 2.7 TRILLION DOLLAR BOOK OF BUSINESS. AND, THEY HAVE DONE THIS DESPITE LONG HOURS, AND WORKDAYS AND WEEKENDS IN THE OFFICE AND AWAY FROM THEIR FAMILIES, AND WITH THE KNOWLEDGE THAT THEY ARE WORKING THEMSELVES OUT OF A JOB. ONE INCENTIVE TO STAY ON AND HELP THE COMPANY DESPITE THE INEVITABLE END TO THE STORY -- WAS AIG'S PROMISE BACK IN EARLY 2008, MANY MONTHS BEFORE THE FEDERAL BAILOUT IN SEPTEMBER, TO MAKE RETENTION PAYMENTS. THIS WAS WELL BEFORE THE COMPANY REQUIRED FEDERAL FINANCIAL ASSISTANCE, AND WAS AGREED TO AT A TIME WHEN THE COMPANY DID NOT FORESEE THE LIQUIDITY CRISIS THAT SUDDENLY BROUGHT AIG TO ITS KNEES. DESPITE WHAT HAS HAPPENED, FP'S EMPLOYEES HAVE STAYED FOCUSED ON THEIR WORK AND, IN THE PAST SEVERAL MONTHS, REDUCED FP'S BOOK OF BUSINESS BY OVER 1 TRILLION DOLLARS.

I HAVE ALSO WITNESSED THE UNDERSTANDABLE RECENT PUBLIC OUTCRY AGAINST THE RETENTION PAYMENTS AND SEEN THE IMPACT ON AIG AND FP EMPLOYEES. AS DISCUSSED BY MR. LIDDY IN HIS CONGRESSIONAL TESTIMONY LAST WEEK, HE AND OTHER AIG EMPLOYEES HAVE RECEIVED THREATS OF PHYSICAL VIOLENCE TO BE COMMITTED

AGAINST THEMSELVES AND THEIR FAMILIES. HERE IN CONNECTICUT, FP EMPLOYEES HAVE HAD PEOPLE CALL THEIR HOMES TO THREATEN AND INTIMIDATE THEM, AND HAVE FACED PROTESTORS OUTSIDE THEIR HOMES AND AT THEIR OFFICES. WE ARE GRATEFUL THAT CONGRESS HAS ASKED THE FBI TO ASSIST NEW YORK ATTORNEY GENERAL CUOMO IN ASSESSING AND, WHERE REQUIRED, ACTING ON THESE THREATS. I ALSO WANT TO PERSONALLY THANK THE CONNECTICUT STATE POLICE FOR THEIR HELP IN ADDRESSING THESE THREATS.

AS MR. LIDDY EXPLAINED IN HIS CONGRESSIONAL TESTIMONY, IN RESPONSE TO THE RECENT PUBLIC OUTCRY, FP EMPLOYEES HAVE ALSO BEEN ASKED TO RETURN 50 PERCENT OF THE RECENT RETENTION PAYMENTS. MANY HAVE DONE SO. IN FACT, I AM TOLD THAT ALMOST THE ENTIRE SENIOR LEADERSHIP HAS COMMITTED TO RETURN 100 PERCENT OF THE MARCH RETENTION PAYMENTS. SOME EMPLOYEES HAVE ANNOUNCED THEIR INTENTION TO DONATE THESE PAYMENTS TO CHARITY. SOME HAVE TIRED OF THE THREATS AND INTIMIDATION AND HAVE DECIDED TO RESIGN. JUST IN THE LAST 2 WEEKS SEVERAL VALUABLE SENIOR EXECUTIVES HAVE RESIGNED. ALL OF THIS HURTS OUR ONGOING EFFORT TO UNWIND THE BUSINESS AND REPAY THE TAXPAYER AS QUICKLY AS POSSIBLE.

IN MY CURRENT POSITION, I AM FAMILIAR WITH THE BUSINESS REASONS BEHIND FP'S DECISION TO HONOR ITS CONTRACTUAL OBLIGATIONS AND TO MAKE RETENTION PAYMENTS IN MID-MARCH.

HOWEVER, MY KNOWLEDGE IS LIMITED TO MY ROLE AS HEAD OF HUMAN RESOURCES OVERSEEING THE FINANCIAL PRODUCTS UNIT. TO BE CLEAR, BEFORE WE BEGIN WITH QUESTIONS -- I AM NOT A LAWYER. AND I CANNOT SPEAK TO THE LEGAL REASONS BEHIND AIGFP'S DECISION TO MAKE THE RETENTION PAYMENTS. WITH ME, AND AVAILABLE TO TESTIFY, IS MR. PATRICK SHEA, A SENIOR LAWYER WITH A PROMINENT NATIONAL FIRM, WHO HAS SPECIALIZED IN EMPLOYMENT LAW FOR 25 YEARS. HE IS COUNSEL TO AIG AND AUTHOR OF THE LEGAL OPINION TO AIG, A COPY OF WHICH HAS BEEN PROVIDED TO THE COMMITTEE, THAT OUTLINES THE COMPANY'S LEGAL OBLIGATIONS TO MAKE RETENTION PAYMENTS TO FP EMPLOYEES. MR. SHEA IS HERE WITH ME TODAY TO ANSWER ANY QUESTIONS YOU MAY HAVE THAT FALL WITHIN HIS AREAS OF EXPERTISE AND EXPERIENCE.

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I AM HERE TO ANSWER THE COMMITTEE'S QUESTIONS TO THE BEST OF MY ABILITIES. I WANT TO EMPHASIZE THAT FP'S EMPLOYEES ARE HARD AT WORK AND COMMITTED TO WINDING DOWN THE BUSINESS AND, ALONG WITH THE REST OF AIG, TO PAYING BACK THE AMERICAN TAXPAYERS.

WITH THAT, MEMBERS OF THE COMMITTEE, I AM HAPPY TO RESPOND TO YOUR QUESTIONS. THANK YOU.