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By Hand

Florence A. Davis, Esq.
President
The Starr Foundation
399 Park Avenue, 17th Floor
New York, NY 10022

Dear Ms. Davis:

I write to bring to your attention certain facts recently uncovered in the course of this Office's continuing investigation under Section 352-(c) of New York's General Business Law relating to the operations of American International Group ("AIG")¹. During that continuing investigation, certain documents that had been stored in AIG's Bermuda offices and were removed from those offices on or about March 25, 2005 by attorneys for Maurice R. Greenberg, AIG's former Chairman and CEO, were produced to this office pursuant to a court order of the Honorable Alvin K. Hellerstein of the Southern District of New York. Those documents, along with additional information obtained thereafter, form the basis of the enclosed Report.

The Report describes three transactions executed by the Estate of Cornelius Vander Starr, who died on December 20, 1968 and who bequeathed his assets to The Starr Foundation (the "Foundation"). The three transactions were designed and carried out by Mr. Greenberg and the other directors of C. V. Starr & Co., Inc. ("CVSCO"), all of whom had been appointed executors of the Estate. The transactions involved sales, for the Foundation's ultimate benefit, in 1969 and 1970 of Mr. Starr's shares in American International Underwriters Far East, Inc. ("Far East"), CVSCO and Starr International Company, Inc. ("SICO"). CVSCO and SICO, which were owned and controlled by Mr. Greenberg and other close associates of Mr. Starr, were the buyers of the Estate's assets.

¹ This investigation has resulted to date in the filing of the action styled The People of the State of New York v. American International Group, Inc., et al., No. 401720/05 (Sup. Ct., N.Y. Cty 2005).



The transactions occurred against the backdrop of a corporate restructuring in which AIG acquired assets from CVSCO and SICO in exchange for stock. Each transaction involving Estate assets shared a common pattern. In each, the executors had a fundamental conflict of interest because they controlled the seller (the Estate), the buyer (CVSCO or SICO) and the ultimate Estate beneficiary (the Foundation). On the one hand, the executors owed a fiduciary duty to both the Estate and the Foundation to maximize the price for sales of the Estate's assets to CVSCO and SICO; on the other, as owners of CVSCO and SICO, the same men had a direct pecuniary interest in minimizing the sale prices. In each transaction, the executors caused the Estate to sell its assets at low prices, "adjusted book value" or less, to CVSCO and SICO; in the corporate restructuring, however, CVSCO and SICO sold the same assets (or shares representing them) to AIG at far higher prices. The Executors were aware of these price differentials. This process enriched CVSCO, SICO, and the executors at the expense of the Estate and the Foundation.

The final accounting of the Estate was filed in 1978. Because the Foundation was controlled by individuals who were simultaneously CVSCO directors and executors of the Starr Estate, and was represented in the Surrogate's Court by the same law firm that represented the CVSCO directors/Starr executors, the Foundation had no independent advocate in the Surrogate's Court proceedings. Not surprisingly, given this conflict-ridden structure, the Foundation raised no objections and made no filings during the proceedings.

In the November 30, 1978 Petition filed in the final accounting of the Estate, Mr. Greenberg and his lawyers represented to both this Office and the Surrogate's Court that the sales of assets by the Estate were made at "fair market value" and "in the best interests of the Estate and Foundation." These statements were not true. Moreover, the Petition omitted important facts, set out in the Report, relating to each of the three transactions mentioned above.

CVSCO and SICO retain large holdings of AIG stock that have been used in part to compensate AIG executives. A very substantial portion of these holdings – shares worth more than \$6 billion today – is directly traceable to the Estate assets that CVSCO and SICO obtained in connection with the three transactions discussed in the Report. There is pending litigation in the United States District Court for the Southern District of New York between AIG and SICO in which AIG has asserted a counterclaim for, among other things, imposition of a constructive trust for AIG's benefit on all of SICO's holdings of AIG stock, including those attributable to sales to SICO by the Estate. Starr International Company, Inc. v. American International Group, Inc., 05-Civ-6283 (BSJ) (S.D.N.Y.). The Foundation likewise may have a claim to these holdings.

Notwithstanding the appreciation in value over the past 30 years of AIG stock held by the Foundation, and despite the generosity of the executors individually to various charitable causes, the questions raised by the events described in the enclosed Report are clear: Were charitable assets of the Foundation as the residual beneficiary of the Estate lost in a series of transactions orchestrated by the very fiduciaries obligated to protect the Estate's interests? Did the Executors benefit by the Foundation's loss? Because the Foundation in the first instance can vindicate its

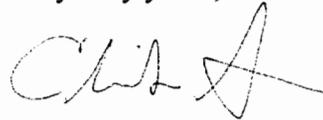
interest in assuring that the full and fair value of its assets redounds to charitable enterprises, and because this Office – under § 8-1.1 and § 8-1.4 of the Estates, Powers and Trusts Law; § 720 of the New York Not-For-Profit Corporation Law; and common law – represents the ultimate charitable beneficiaries of the Foundation, I am forwarding this Report to you for your prompt attention and action.

I urge you and all of the members and directors of the Foundation to read the Report carefully and to consult with independent counsel about the Foundation's appropriate response. Because Mr. Greenberg and other individuals who serve as members and directors of the Starr Foundation also served as Starr Estate Executors, as well as prior or present directors and/or officers of CVSCO, SICO and AIG, I urge you to cause to be appointed an independent committee to evaluate remedies available to the Foundation, including not only the recovery of assets (which may require that the Foundation intervene in the federal litigation between SICO and AIG) but also a reconstitution of the Foundation's structure so as to guarantee it the independence needed to advance its charitable mission into the future.

In evaluating those potential remedies, please note that the statutory limitation period of six years for actions against a fiduciary does not begin to run until the date that the fiduciary leaves his or her position of trust. Westchester Religious Institute v. Kamerman et al., 262 A.D. 2d 131 (1st Dep't 1999); see also Golden Pacific Bancorp v. FDIC, 273 F.3rd 509, 519 (2d Cir. 2001) (adopting and explaining holding in Westchester Religious Institute). Under this rule, the fact that Mr. Greenberg and certain of the surviving executors have been members and directors of the Foundation since Mr. Starr's death in 1968 tolls any relevant statute of limitations as against them. In any case, there is no time bar on motions to reopen a decree of the Surrogate's Court under CPLR 5015(a).

Please advise my Office no later than January 31, 2006 of the Foundation's intended course of action in response to this Report.

Very truly yours,



ELIOT SPITZER
Attorney General

Enclosure

cc: Hon. Barbara S. Jones
United States District Judge

Hon. Eve M. Preminger
Surrogate, New York County Surrogate's Court

Hon. Charles E. Ramos
Justice of the Supreme Court of the State of New York

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