



“Plans”). Each of the plaintiffs was a Participant in the DCP, and many were also Covered Executives pursuant to the SIP.

3. Pursuant to the Plans, the plaintiffs’ deferred compensation was credited to Deferred Compensation Accounts (“DCAs”) established by the DCP, or SIP accounts established by the SIP (“SIP Accounts”). The DCAs and SIP Accounts were created in each of the plaintiffs’ names and maintained on AIG FP’s books.

4. The stated purposes of the Plans were (i) to incentivize performance by top employees, (ii) to provide employees with equity in AIG FP so that their interests would be aligned with those of AIG FP’s shareholders, and (iii) to encourage retention.

5. According to the Plans, AIG FP was to make installment payments with interest on the plaintiffs’ DCA and SIP Account balances. AIG FP was also permitted to use the money in the plaintiffs’ DCAs and SIP Accounts as capital to fund its business, so long as it later restored and paid the money it took from the plaintiffs’ accounts.

6. In addition to the compensation the plaintiffs were required to defer into their DCAs and SIP Accounts, AIG FP repeatedly implored the plaintiffs to voluntarily defer more money into the accounts, and assured them that they were making a good investment in their employer’s business.

7. In or around 2007 through early 2009, AIG and AIG FP were reportedly at the brink of insolvency and needed to increase their liquidity.

8. Around the same time, AIG FP credited its losses against the plaintiffs’ DCAs and SIP Account balances—which resulted in the fiction that the DCA and SIP Account balances were negative—so as to avoid paying the plaintiffs their deferred compensation and bonuses.

9. Thereafter, AIG FP stopped making installment payments to the plaintiffs on the purported basis that the DCA and SIP Account balances were negative.

10. At the same time, AIG FP assured its employees that it would restore the DCA and SIP Account balances (as AIG FP was contractually obligated to do by the Plans), and pay the plaintiffs the money they were owed.

11. With these assurances in place, AIG FP continued to require employees to defer compensation into their DCAs and SIP Accounts and to encourage them to defer even more compensation into these accounts voluntarily. Thus, despite the fictionally negative balances in their accounts, and in the midst of the financial crisis, the plaintiffs were required to continue to defer their compensation into their DCA and SIP Accounts with the understanding that AIG FP would eventually pay them back.

12. Upon information and belief, after the 2008 financial crisis, AIG returned to profitability in July 2011 and repaid all debts owed to the U.S. Government by December 2012 so that the Government realized a profit of over \$20 billion.

13. Pursuant to the DCP and SIP, AIG FP was required to restore the plaintiffs' DCA and SIP Account balances to their full amounts. In particular, AIG FP had until the end of 2013 to restore and pay the amounts AIG FP took from the DCA and SIP accounts, plus interest.

14. However, in breach of its obligations, in a letter dated July 31, 2014, AIG FP informed the plaintiffs that it would not restore or pay their DCA or SIP Account balances.

15. Upon information and belief, in 2019, AIG was ranked 66<sup>th</sup> in the Fortune 500 list. Today, AIG's profits are in the billions of dollars, and it continues to operate globally in the financial and insurance industries.

16. Today, AIG FP also continues to operate as a going concern and a wholly-owned subsidiary of AIG.

17. Pursuant to a guarantee agreement (the “General Guarantee Agreement”) between AIG and AIG FP, AIG is required to pay the obligations of AIG FP, which means that AIG FP has remained solvent throughout this time.

18. Despite its return to profitability, repayment of its government obligations, its continuation as a solvent business, and its legal obligations under the Plans, AIG FP did not adopt a repayment plan to restore the deferred compensation it owed to the plaintiffs.

19. As a result of, among other things, AIG FP’s failure to (i) restore and pay the DCA and SIP Account balances by the end of 2013, or (ii) adopt a restoration plan when it was able to do so to return the money it owes to the plaintiffs, the plaintiffs have been damaged in excess of \$185 million.

## **I. THE PARTIES:**

### ***The Plaintiffs:***

20. Many of the plaintiffs currently reside in Connecticut, and the subject matter of this action is the same with respect to all of the plaintiffs.

21. Plaintiff Lee Arthurs is a resident of New York, New York. Mr. Arthurs was employed by AIG FP from August of 1988 to January of 2006.

22. Plaintiff David Ackert is a resident of Nevada. Mr. Ackert was employed by AIG FP from March of 1994 to February of 2007.

23. Plaintiff Mitchell Bell is a resident of Connecticut. Mr. Bell was employed by AIG FP from March of 1998 to August of 2011.

24. Plaintiff Erik Bengtson is a resident of New York. Mr. Bengtson was employed by AIG FP from June of 1994 to June of 2009.

25. Plaintiff Paul Bradshaw is a resident of Westport, Connecticut. Mr. Bradshaw was employed by AIG FP from February of 1996 to September of 2010.

26. Plaintiff Thomas Buttke is a resident of Weston, Connecticut. Mr. Buttke was employed by AIG FP from August of 1997 to July of 2009.

27. Plaintiff John Cappetta is a resident of La Jolla, California. Mr. Cappetta was employed by AIG FP from October of 1992 to February of 2006.

28. Plaintiff David Chang is a resident of Connecticut. Mr. Chang was employed by AIG FP from May of 2001 to November of 2015.

29. Plaintiff Robert Chang is a resident of Greenwich, Connecticut. Mr. Chang was employed by AIG FP from March of 1995 to December of 2015.

30. Plaintiff Jason DeSantis is a resident of Redding, Connecticut. Mr. DeSantis was employed by AIG FP from June of 1998 to May of 2009.

31. Plaintiff Richard Fabbro is a resident of Scarsdale, New York. Mr. Fabbro was employed by AIG FP from March of 1994 to February of 2010.

32. Plaintiff Kenneth Farrar is a resident of Norwalk, Connecticut. Mr. Farrar was employed by AIG FP from April of 2003 to October of 2008.

33. Plaintiff Jonathan Fraade is a resident of Connecticut. Mr. Fraade was employed by AIG FP from April of 1996 to May of 2009.

34. Plaintiff Carl Giesler Jr. is a resident of Texas. Mr. Giesler was employed by AIG FP from September of 2007 to December of 2008.

35. Plaintiff James Haas is a resident of Florida. Mr. Haas was employed by AIG FP from March of 1996 to July of 2011.

36. Plaintiff Charles Hsieh is a resident of Stamford, Connecticut. Mr. Hsieh was employed by AIG FP from September of 2000 to March of 2010.

37. Plaintiff Thomas Kalb is a resident of Houston, Texas. Mr. Kalb was employed by AIG FP from July of 2003 to June of 2006.

38. Plaintiff Thomas Kushner is a resident of Connecticut. Mr. Kushner was employed by AIG FP from July of 2004 to October of 2008.

39. Plaintiff Robert Leary is a resident of Florida. Mr. Leary was employed by AIG FP from April of 1995 to July of 2007.

40. Plaintiff Jonathan Liebergall is a resident of South Carolina. Mr. Liebergall was employed by AIG FP from May of 1991 to January of 2016.

41. Plaintiff Nathaniel Litwak is a resident of Chappaqua, New York. Mr. Litwak was employed by AIG FP from May of 2002 to May of 2009.

42. Plaintiff Brendan Lynch is a resident of Fairfield, Connecticut. Mr. Lynch was employed by AIG FP from November of 1993 to January of 2011.

43. Plaintiff Alfred Medioli is a resident of New Jersey. Mr. Medioli was employed by AIG FP from November of 1991 to August of 2009.

44. Plaintiff Matthew Mihaly is a resident of Trumbull, Connecticut. Mr. Mihaly was employed by AIG FP from March of 1998 to October of 2011.

45. Plaintiff JoAnn Palazzo is a resident of Connecticut. Ms. Palazzo was employed by AIG FP from January of 1990 to December of 2006.

46. Plaintiff Eugene Park is a resident of Weston, Connecticut. Mr. Park was employed by AIG FP from March of 2000 to January of 2007.

47. Plaintiff Andrew Partner is a resident of Norwalk, Connecticut. Mr. Partner was employed by AIG FP from November of 1987 to June of 2016.

48. Plaintiff Carl Peterson is a resident of Texas. Mr. Peterson was employed by AIG FP from July of 2003 to March of 2008.

49. Plaintiff Steven Pike is a resident of Littleton, Colorado. Mr. Pike was employed by AIG FP from July of 2003 to April of 2007.

50. Plaintiff Thomas Plagemann is a resident of New York, New York. Mr. Plagemann was employed by AIG FP from October of 2004 to September of 2009.

51. Plaintiff Robert Powell is a resident of Connecticut. Mr. Powell was employed by AIG FP from October of 1997 to October of 2009.

52. Plaintiff Daniel Raab is a resident of New Jersey. Mr. Raab was employed by AIG FP from July of 2003 to April of 2009.

53. Plaintiff Ann Reed is a resident of Darien, Connecticut. Ms. Reed was employed by AIG FP from February of 2003 to July of 2009.

54. Plaintiff Dmitry Satanovsky is a resident of Weston, Connecticut. Mr. Satanovsky was employed by AIG FP from January of 2004 to March of 2019.

55. Plaintiff Paul Schreiner is a resident of Connecticut. Mr. Schreiner was employed by AIG FP from April of 1998 to August of 2009.

56. Plaintiff Mary Heather Singer is a resident of West Hartford, Connecticut. Ms. Singer was employed by AIG FP from February of 1997 to February of 2006.

57. Plaintiff Keith Stein is a resident of Weston, Connecticut. Mr. Stein was employed by AIG FP from November of 1993 to March of 2007.

58. Plaintiff Frank Strohm is a resident of Austin, Texas. Mr. Strohm was employed by AIG FP from January of 1994 to May of 2006.

59. Plaintiff Timothy Sullivan Jr. is a resident of Houston, Texas. Mr. Sullivan was employed by AIG FP from July of 2003 to April of 2007.

60. Plaintiff Chris Toft is a resident of Weston, Connecticut. Mr. Toft was employed by AIG FP from April of 2003 to November of 2015.

61. Plaintiff Joe Tom is a resident of River Vale, New Jersey. Mr. Tom was employed by AIG FP from June of 1996 to April of 2015.

62. Plaintiff Ryan Vetter is a resident of New York. Mr. Vetter was employed by AIG FP from April of 2006 to October of 2008.

63. Plaintiff Steven Wagar is a resident of Norwalk, Connecticut. Mr. Wagar was employed by AIG FP from February of 1996 to May of 2016.

64. Plaintiff Thomas Ward is a resident of Connecticut. Mr. Ward was employed by AIG FP from February of 1987 to April of 2017.

65. Plaintiff Martin Wayne is a resident of Bedford, New York. Mr. Wayne was employed by AIG FP from January of 1987 to late 2008.

66. Plaintiff James Wolf is a resident of Texas. Mr. Wolf was employed by AIG FP from February of 1995 to January of 2007.

***The Defendant:***

67. Defendant AIG FP is a division of and wholly owned subsidiary company of AIG. AIG FP is located at 50 Danbury Road, Wilton, Connecticut, 06897.

## II. JURISDICTION

68. This Court may properly exercise personal jurisdiction over AIG FP under Connecticut law and the due process clause of the Fourteenth Amendment to the United States Constitution. For example, personal jurisdiction over defendant AIG FP is proper in Connecticut under C.G.S.A § 33-929.

69. Personal jurisdiction over defendant AIG FP is proper in Connecticut because, among other things, AIG FP currently maintains a principal place of business in Connecticut, at 50 Danbury Road, Wilton, Connecticut, 06897.

70. According to its corporate registration with the Connecticut Secretary of State, AIG FP is a registered business entity in Connecticut and has appointed an agent for service of process in Connecticut: R & C Service Company, which has a business address at 280 Trumbull Street, Hartford, CT, 06103.

71. According to AIG FP's current registration information in Connecticut, AIG FP's principals maintain a business address at 50 Danbury Road, Wilton, Connecticut, 06897, which is the same as AIG FP's business address in Connecticut.

72. AIG FP's Managing Director and General Counsel, Gregory J. Ruffa, is identified as one of AIG FP's principals in its Corporate Registration and maintains a Connecticut address in Wilton, Connecticut.

73. AIG FP's Chief Financial Officer, Timothy Allison, is identified as one of AIG FP's principals in its Corporate Registration and maintains a Connecticut address in Wilton, Connecticut.

74. AIG FP's Executive Vice President, Timothy Prister, is identified as one of AIG FP's principals in its Corporate Registration and maintains a Connecticut address in Wilton, Connecticut.

75. Further, AIG FP employed each of the plaintiffs during the times relevant to this action at its principal place of business in Connecticut.

76. AIG FP and the plaintiffs were parties to the DCP and SIP, agreements which were made and intended to be performed in Connecticut. The plaintiffs were employed and performed services or other work for AIG FP under the terms of their employment in Connecticut, and performed their obligations under the terms of the DCP and the SIP in Connecticut.

77. In 2019, AIG FP admitted in a proceeding related to this dispute (the English Judgment, discussed in detail below) that it is headquartered in Connecticut.

78. Further, as explained in detail below in Count Four, AIG FP's refusal to pay the plaintiffs' wages violated one or more of Connecticut's wage and hour laws.

### **III. THE DCP AGREEMENT**

79. The DCP is an agreement among participating employees ("Participants") and AIG FP.

80. The DCP was adopted in or around December 1995, and was amended thereafter. The relevant version of the DCP is attached as Exhibit A.

81. The DCP is governed by Connecticut law. *See* DCP § 4.05.

82. Each of the plaintiffs was a "Participant" in the DCP. *See* DCP § 1.13 ("Participant" shall mean an Executive who is participating in this Deferred Compensation Plan.').

83. The purpose of the DCP was to incentivize employees with bonuses, encourage retention, and promote AIG's business. For example, the preamble of the DCP stated:

The Plan provides the Plan participants a sharing of the risks and rewards of AIGFP's business and reflects the participants' commitment to the long term integrity of AIGFP. The Plan objectives are:

1. To promote the formation of capital in AIGFP;

2. To ensure that the interests of AIGFP Executives and AIG are aligned to promote the long term success of AIGFP;
3. To focus AIGFP on success measured not only by revenue growth but also by return on capital, quality of earnings, and enhancement of the AIG name and reputation in financial services;
4. To serve as an investment opportunity that will attract the most talented people to AIGFP and to retain those already here; and
5. To be simple, straightforward and efficient. DCP at 2 (preamble).

84. The DCP explained that under a pre-existing arrangement with AIG, Distributable Income was paid 70% to AIG and 30% to AIG FP employees. *See* DCP at 2 (preamble). The DCP formalized this practice:

Under the existing arrangement with AIG, Distributable Income is paid each year on the basis of 70% to AIG and 30% to AIGFP employees. Under the Plan a portion of the Distributable Income, apportioned 70% from AIG and 30% from AIGFP Executives, will not be paid currently but instead will be retained by AIGFP. Such retention will form part of the capital base of AIGFP and, absent losses which exhaust current revenues and reserves, will be paid subsequently to participants according to a schedule tied to the duration of AIGFP's business. The Plan will be administered so that the amounts retained under the Plan will be apportioned between AIG and AIGFP Executives on a 70%/30% basis. DCP at 2-3 (preamble).

85. Distributable Income was defined to mean “with respect to any financial year of AIGFP, revenues, less expenses and credit and market reserves taken for that year, as the same shall be determined by the Board from time to time.” DCP § 1.08.

86. Pursuant to the terms of the DCP, each Participant was assigned a DCA on AIG FP's books. “Deferred Compensation Account” was defined to mean “the account established on AIG Financial Product Corp.'s books in the name of each Participant and of AIG in which, pursuant to Section 3 of this Deferred Compensation Plan, Deferred Compensation amounts are credited to such Participants and to AIG.” DCP § 1.07.

87. Rather than receive cash bonuses, under the DCP, Participants received a Notional Bonus Amount. “Notional Bonus Amount” was defined to mean:

for each Participant in respect of any calendar year, the total notional bonus amount awarded to the Participant from all AIGFP companies, consisting of a cash bonus amount that is paid currently and an amount of Deferred Compensation that is credited by AIGFP to the Participant’s Deferred Compensation Account and distributed to the Participant on a deferred basis subject to and in accordance with the terms hereof. DCP § 1.12.

88. “Deferred Compensation” was defined to mean:

with respect to each deferral, (i) as applied to each Participant, the portion of the Participant's Notional Bonus Amount that is deferred by AIGFP pursuant to Section 3 of this Deferred Compensation Plan, including both amounts subject to automatic deferral and voluntary deferrals and (ii) as applied to AIG, the amount of annual Distributable Income of AIGFP that is otherwise payable by AIGFP to AIG that is subject to automatic deferral pursuant to Section 3 of this Deferred Compensation Plan. DCP § 1.06.

89. AIG FP was also required to credit each Participants’ DCA with their portion of the 30% of Distributable Income due to AIG FP employees, which was called an “Additional Return Payment” (or “equity kicker”). For example, DCP § 3.04 provided:

Additional Return Payment to AIGFP Executives. In addition to interest payable on Deferred Compensation in accordance with Section 3.03, the Deferred Compensation Accounts of Participants (but not AIG) may be credited as of the Interest Reset Date falling in January of each year . . . with such additional earnings of AIGFP (the “Additional Return Payment”) as the President of AIGFP, with the approval of the Board, shall determine; provided that any Additional Return Payments (i) shall be payable only to Participants who are employees of AIGFP as of the date of payment therefor and (ii) shall be allocated among such eligible Participants' Deferred Compensation Accounts on a pro rata basis. Additional Return Payments shall be paid to eligible Participants on each Interest Payment Date for the Interest Period beginning in October of each year based on the balance in such Participants' Deferred Compensation Accounts as of the Interest Reset Date for the Interest Period beginning in October of such year. For the avoidance of doubt, Additional Return Payments shall be paid out of the 30%

portion of annual Distributable Income that is allocable to AIGFP employees. All Additional Return Payments shall be paid net of any taxes required by law to be withheld by AIGFP.

90. The plaintiffs earned interest on their DCA balances on a quarterly basis. DCP §

3.03. For example, DCP § 3.05(e) provided:

All payments of interest, Installment Payments and Additional Return Payments, and any early distribution of amounts credited to a Participant's Deferred Compensation Account, shall be paid to such Participants from the company or companies from which such payment represents compensation for services provided by such Participant; provided that for Participants whose employment has been transferred from an AIGTG group company to an AIG Financial Products Corp. group company in the same country, all such payments shall be paid from the AIG Financial Products Corp. group company to which the Participant has been transferred.

91. Credit for Deferred Compensation was to be applied to each DCA by December 31 of that year. *See* DCP § 3.02. However, the credit would not be payable until the next year's fourth quarter interest payment was due, which would be the first quarter of the following year. *See* DCP § 3.05(b). For example, a December 31, 2006 credit would generate a first scheduled installment payment in January 2008, payable at the same time as Q4 2007 interest.

92. AIG FP was required to provide Participants with quarterly statements that included information about their DCA balances and AIG FP's financial performance. For example, DCP § 4.07 provided:

For so long as the Deferred Compensation Plan is in effect, AIGFP shall provide each Participant and AIG with quarterly Deferred Compensation account statements setting forth (i) the Participant's or AIG's (as the case may be) Deferred Compensation account balance, (ii) the amount of interest and, for account statements covering the quarterly period in which such amounts would be paid, the Additional Return Payment and Installment Payment, if any, paid on such balance during such quarterly period and (iii) the Installment Payment schedule for the Participant or AIG. In addition, AIGFP shall provide Participants and AIG with an AIGFP annual financial summary (which shall include a statement of the

average life of AIGFP's swap transaction portfolio as of the date of such financial information), and shall endeavor to keep Participants who are then employees of AIGFP apprised of material developments involving AIGFP's business or accounting procedures applicable to AIGFP insofar as they relate to the Deferred Compensation Plan.

93. If a Participant died or was permanently disabled, a Participant's total DCA balance became payable as a lump sum. *See* DCP § 3.05(a). In addition, a Committee of AIG FP's CEO, COO, CFO, and Secretary, could direct an Early Distribution of a DCA balance, subject to approval by the Board. *See* DCP § 3.05(c).

94. If there was no early distribution, DCA credits were payable according to an installment payment schedule provided by DCP § 3.05(b):

Except as provided below, amounts in the Participant's Deferred Compensation Account attributable to Deferred Compensation contributions shall be paid to such Participant and to AIG annually in arrears on the Interest Payment Date for the Interest Period beginning in October of each year in equal pro rata installments ("Installment Payments") over a period of time (the "Distribution Period") corresponding to the approximate average life of AIGFP's swap transaction portfolio, as last determined by the Board before the beginning of the calendar year preceding the date of the Deferred Compensation contribution. However, for calendar year 2009 and 2010, the period of time that shall be used is six years, and as to Deferred Compensation contributions made prior to 2009, the installment schedule established under this section as in effect prior to December 31, 2008 shall remain applicable. The Distribution Period for a Deferred Compensation contribution shall commence on the Interest Reset Date in January of the calendar year next succeeding the calendar year in respect of which the Deferred Compensation contribution was made, with the first Installment Payment therefore being distributed on the Interest Payment Date for the Interest Period beginning in October of the calendar year in which the Distribution Period commences. Installment Payments shall be paid net of any taxes required by law to be withheld by AIGFP.

95. AIG FP was permitted to reduce DCA balances in the event that AIG FP sustained realized losses, so long as AIG FP adopted a repayment plan with a defined payment schedule.

For example, DCP § 4.01(b) provided:

The outstanding balance credited to the Deferred Compensation Accounts of each Participant and of AIG shall be subject to reduction, from time to time, to the extent of any losses incurred (i) by AIGFP (excluding AIGTG) or (ii) by AIGTG resulting from transactions entered into on or after January 1, 2003, which losses in the case of (i) and (ii) for any year in the aggregate exceed the outstanding market and credit reserves and current year income of AIGFP (excluding outstanding market and credit reserves relating to transactions entered into by AIGTG before January 1, 2003), but before base capital of AIGFP (for the avoidance of doubt including AIGTG, and consisting of equity, retained earnings, if any, and subordinated debt). Such reductions shall be made among the Participants . . . and AIG on a pro rata basis. **AIG Financial Products Corp. shall be obligated subsequently to restore amounts so deducted from Participants' and AIG's account balances, plus accrued interest thereon at the interest rate determined in accordance with Section 3.03 and, in connection therewith, the Board shall adopt a plan (which shall not be subject to the approval of AIG or the Participants) setting forth a schedule under which AIG Financial Products Corp. shall restore amounts deducted from Participants' and AIG's account balances (plus accrued interest thereon).** Any such restoration plan shall provide that any restored amounts shall be paid in 2013; to the extent amounts have not been restored by December 31, 2013, all restoration rights shall permanently lapse except to the extent AIG Financial Products Corp. determines that it may amend the Plan to provide for payment of restored amounts without violating Internal Revenue Code Section 409A. (Emphasis added).

96. Accordingly, pursuant to DCP § 4.01(b), even assuming the 2008 amendment was valid, AIG FP was obligated to restore and pay any amounts deducted from the DCAs, plus interest, by December 31, 2013, and was obligated to adopt a restoration plan in order to do so.

97. If a Participant stopped working at AIG FP, AIG FP was required to continue distributing their DCA balance. For example, DCP § 4.03 provided:

Continuation as Employee. . . . Except as provided in the next sentence, Participants who cease to be employees of AIGFP shall not lose their Deferred Compensation, which shall continue to be distributed as provided in Section 3.05 and to earn interest as provided in Section 3.03 (but not Additional Return Payments

pursuant to Section 3.04). Notwithstanding any provision herein to the contrary, Participants who steal or embezzle from AIG or AIGFP or engage in an act of dishonesty, disloyalty or breach of trust against AIG or AIGFP that is comparable to theft or embezzlement shall lose their right to Deferred Compensation, including all amounts then credited to their Deferred Compensation Account and any interest accrued thereon.

98. DCP § 4.09 stated the intention that amounts awarded or deferred pursuant to the DCP would not be taxable under Internal Revenue Code Section 409A:

It is intended that amounts awarded or deferred under this Plan will not be taxable under Internal Revenue Code Section 409A. This Plan shall be interpreted and administered, to the extent possible, in a manner that does not result in a “plan failure” (within the meaning of Internal Revenue Code Section 409A(a)(1)) of this Plan or any other plan or arrangement maintained by AIG-FP or any affiliate.

#### **IV. AIG FP’S CONDUCT**

##### ***AIG FP Fails to Pay Plaintiffs Under the DCP and SIP***

99. In 2007, because of changes in the way AIG FP booked its losses and the declining financial market at the time, there was a large, negative impact on AIG FP’s 2007 Distributable Income. As a result, there was also a large, negative impact on 2007 bonuses (cash and deferred), and there were no 2007 Additional Return Payments (or “equity kickers”).

100. As discussed below, the SIP was launched in December 2007 to incentivize employees to continue working for AIG FP in spite of these developments.

101. On Monday, September 15, 2008, Lehman Brothers Holdings filed for Chapter 11 protection in New York, an event which triggered a global financial crisis.

102. Shortly after the Lehman bankruptcy, in October 2008, AIG FP and AIG reportedly were brought to the brink of collapse. Purportedly, AIG FP’s 2008 losses overwhelmed not only reserves, current year income, and DCA balances, but also base capital.

103. Deeming AIG “too big to fail,” the Federal Reserve Bank of New York provided AIG with emergency funding. The funding was agreed in principle on September 16, 2008, and formalized shortly thereafter.

104. Pursuant to its agreement with the Federal Government, AIG received a revolving credit facility of \$85 billion. In turn, AIG extended AIG FP a revolving credit facility of \$65 billion. The two credit facilities were formalized on the same day: September 22, 2008.

105. In September 2008, as part of AIG’s bailout, then-Chairman of Allstate Insurance, Edward Liddy, was appointed as AIG’s interim chairman and chief executive officer (“CEO”). This was done at the request of then-Secretary of the U.S. Department of Treasury Hank Paulson. Mr. Liddy assumed his role at AIG for a nominal annual salary of \$1.

106. Executive compensation was a focal point of the bailout and a source of political tension. For example, in a letter to Mr. Liddy, dated October 22, 2008, then Attorney General of New York Andrew Cuomo cautioned that “until the taxpayers are repaid with interest...no funds should be paid out of [AIG’s deferred compensation and bonus] pools to any executives.”

107. Despite the difficult political climate, AIG’s position was that its employees, including the plaintiffs, were entitled to and would receive the compensation they were owed in connection with work they had already performed. In an October 16, 2008 Joint Statement from the N.Y. Attorney General and AIG, Inc., Attorney General Cuomo said, “[t]hese actions are not intended to jeopardize the hard-earned compensation of the vast majority of AIG’s employees, including retention and severance arrangements, who are essential to rebuilding AIG and the economy of New York.”

108. Upon information and belief, in early October 2008, AIG FP decided that at the year end, Participants’ balances would be stated as negative amounts, not merely as nil balances.

AIG FP did this to make it look like the unabsorbed balance of 2008 losses would continue on its books indefinitely, unless and until the losses were absorbed. Practically, this would allow AIG FP to reduce future Plan balances and avoid having to make payments on new credits or credits created by a restoration plan (which AIG FP failed to adopt).

109. Upon information and belief, recognizing the importance of retaining its employees in its effort to rebuild, the head of AIG's financial services division, William Dooley, assured AIG FP's employees in an October 2008 letter that any negative balances in their DCP and SIP Accounts would be restored, as "[b]oth the SIP and the DCP provide for the adoption of a plan for restoring these reductions to AIG and AIGFP participants' deferred compensation accounts."

110. At the end of 2008, AIG FP also instituted the ERP, which was another bonus plan designed to incentivize certain employees to stay with AIF FP, and compensate those employees who did not receive their 2007 bonus compensation or equity kicker. The ERP is explained in more detail below.

111. In a letter dated March 14, 2009, Mr. Liddy confirmed that AIG was aware of its legally enforceable obligation to pay AIG FP's employees the amounts they were owed under the Plans. Mr. Liddy explained to Timothy Geithner (Mr. Paulson's successor as Treasury Secretary) that "[i]n the first quarter of 2008, prior management took significant retention steps at AIG Financial Products," which "guaranteed a minimum level of pay for both 2008 and 2009." Mr. Liddy advised Mr. Geithner that "quite frankly, AIG's hands are tied" and that "[o]utside counsel has advised that these are legal, binding obligations of AIG, and there are serious legal, as well as business, consequences for not paying." It bears note that Mr. Liddy did not personally "participate in any AIG bonus or retention program...and, before September, did not have any relationship with AIG."

112. Upon information and belief, other internal documents of AIG and/or AIG FP demonstrate that AIG FP was obligated to restore the plaintiffs' DCA and SIP Account balances and repay plaintiffs the amounts they were owed pursuant to the Plans.

113. In addition, a publicly-available March 16, 2009 letter from AIG's and AIG FP's attorneys to the Office of the General Counsel of the Federal Reserve Bank of New York further confirmed that AIG FP's compensation plans, including the ERP, constituted "clear contractual obligation[s] on the part of AIG FP – which [are] guaranteed by AIG – to pay [Guaranteed Retention Awards] to participants who have not been terminated for cause, resigned without good reason, or ... been terminated for failure to meet performance standards in calendar year 2008."

***AIG FP Induced Its Employees to Continue Deferring Compensation to Bolster Its Finances***

114. Throughout this time, AIG FP assured the plaintiffs by reaffirming the terms of the DCP and SIP, and incentivized the plaintiffs to continue working, performing under employment obligations, and waiting for AIG and AIG FP's financial woes to improve.

115. For example, a January 21, 2008 e-mail from William Shirley to all employees said, "[The SIP] now provides that any amounts by which SIP Accounts are reduced pursuant to Section 3.02(a) or (b) (for example, where an employee resigns in 2008 or 2009) will be available for distribution to AIGFP employees in 2013 (in the same manner as, in addition to, the 30% portion of annual Distributable Income that is allocable to AIGFP employees that year)."

116. In 2009, relying on AIG's assurances, many of AIG FP's employees—including many of the plaintiffs in this action—agreed to receive part of the compensation they were owed under the ERP in the form of deferred compensation credited to the SIP plan, with the remainder to be paid in cash.

117. In 2009, AIG FP also requested that many of the AIG FP employees—including some of the plaintiffs—voluntarily pay back a portion of their cash compensation, in order to help

the company address its financial woes and for the purpose of maintaining a positive public perception.

118. In 2010, AIG FP again requested that employees voluntarily pay back some or all of a second cash payment made pursuant to the ERP.

119. In or around 2009 and 2010, AIG employees reported receiving threats by members of the general public who were angered by the amount of cash compensation previously paid to those employees.

120. On information and belief, AIG FP pressured its employees to return some percentage of their cash compensation. As a result, in 2010, some employees, including some of the plaintiffs, returned substantial portions of their hard-earned compensation, ranging up to 20% of their overall compensation for that year.

***After AIG Returned to Profitability, AIG FP Refused to Pay Plaintiffs the Amounts They Are Owed***

121. Upon information and belief, AIG was able to return to profitability in 2011 and to repay any amounts owed to the Treasury and the Federal Reserve in 2012 plus a profit of over \$20 billion.

122. By December 31, 2013, AIG FP should have restored and paid the DCA and SIP Account balances. *See, e.g.*, DCP § 4.01(b); SIP § 4.01(b).

123. In fact, AIG FP could have restored—as it was obligated to do under the Plans—the DCA and SIP Account balances, and repaid the plaintiffs from general corporate funds or by borrowing from AIG under the bailout facility that was in place between AIG and AIG FP. The bailout facility was available to AIG FP for it to meet all “*direct and legitimate business needs.*”

124. However, in a letter dated July 31, 2014, AIG FP informed the plaintiffs that it would not restore their DCA or SIP Account balances, nor would it pay them the amounts it owed

them under the DCP and SIP. *See* July 31, 2014 Letter from AIG FP to DCP and SIP Participants (Exhibit D).

125. Upon information and belief, today, AIG’s financial health has been restored, and the company is profitable. AIG FP continues as a solvent, wholly-owned subsidiary of AIG, which may rely on AIG to cover its financial obligations pursuant to the General Guarantee Agreement.

126. Despite AIG’s financial health; AIG FP’s continued existence as a going concern and wholly-owned subsidiary of AIG; AIG’s and AIG FP’s acknowledgement of and promise to honor the financial obligations stemming from the DCP and SIP; and AIG’s obligations under the General Guarantee Agreement, AIG FP refused to restore the plaintiffs’ DCA or SIP Account balances or pay the plaintiffs the amounts they are owed for their work.

127. Upon information and belief, AIG FP’s obligations to pay the plaintiffs and its breach of those obligations were confirmed by decisions in lawsuits brought in England, (the “English Judgment”), which is attached as Exhibit E, and in France. The English Judgment and the French decisions are described below.

## **V. THE ENGLISH AND FRENCH JUDGMENTS**

### ***The Parties in the English Proceedings***

128. Upon information and belief, in November 2018, the High Court of Justice Queen’s Bench Division, Commercial Court (the “English Court”) entered the English Judgment for breach of contract under Connecticut law against AIG FP and AIG Management France, SA (“Banque AIG” and collectively, the “London Defendants”)<sup>1</sup> in favor of a group of 23 former employees of Banque AIG (the “London Claimants”).<sup>2</sup>

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<sup>1</sup> According to publicly-available documents, Banque AIG was a subsidiary of AIG FP in London that now operates as AIG Management France S.A. (“AIG MF”). Banque AIG was a subsidiary company of AIG FP and AIG Matched Funding Corp., which is itself a wholly owned subsidiary company of AIG FP.

<sup>2</sup> *Tobias Gruber and 22 others v. AIG Management France S.A., AIG Financial Products Corp. and*

129. The London Claimants worked at Banque AIG in London, either employed directly there or seconded to Banque AIG from AIG FP.

130. The London Claimants participated in the Plans at issue here.

### ***The Allegations***

131. In 2016, the London Claimants filed an Amended Particulars of Claim in the English Court. Among other things, they alleged that they were entitled to substantial remuneration by way of deferred bonus payments pursuant to the Plans.

132. Specifically, the London Claimants brought, among other things, claims of breach of contract against Banque AIG and AIG FP under Connecticut law, which governed each of the Plans.

133. The London Claimants alleged that AIG FP and Banque AIG breached their contracts with the claimants when they failed to restore the amounts deducted from the claimants' DCAs, and failed to adopt a restoration plan. The Plans, the London Claimants alleged, "imposed an unqualified obligation on [AIG FP] to put a restoration plan in place; and that Participant balances had to be restored no later than 31 December 2013." *See* English Judgment ¶ 52. When AIG FP failed to take both of these necessary steps—to restore the DCA and SIP Account balances and to adopt a repayment plan—it breached the terms of the Plans.

134. The London Defendants disagreed. They argued that their restoration obligations under the Plans were dependent on AIG FP's profitability. Because of this dependent condition, the AIG Defendants claimed, they were not required to restore DCA balances until—and unless—AIG FP had positive distributable income. *Id.* ¶ 54. According to the London Defendants, AIG

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*American International Group, Inc.*, number CL-2014-000921, in the Commercial Court, Queen's Bench Division, of the High Court of Justice of England and Wales. *See* English Judgment ¶ 178.

FP's purported balance sheet insolvency during the relevant period precluded the restoration of the DCAs.

***The English Decision***

135. The English Court conducted a nine-day hearing in April and May 2018.

136. The hearing included expert witnesses on Connecticut law. The London Claimants called an expert witness who provided the English Court with evidence addressing the applicable principles of contractual construction under Connecticut law. The London Defendants called their own expert to produce evidence on the same topic.

137. The English Court found in favor of the London Claimants on the breach of contract claims. Mr. Justice Baker, who presided over the English proceedings, pointed to AIG FP's continued support from AIG as evidence that AIG FP was financially able to restore DCA balances, and that any purported balance sheet insolvency of AIG FP did not impede its ability to honor its obligations to "restore and pay out previously reduced DCP and SIP balances." *E.g. Id.* ¶¶ 51, 55.

138. Applying Connecticut law, Mr. Justice Baker found that AIG FP breached its obligations under the Plans when it failed to adopt a restoration plan, as required by the DCP § 4.01(b)[3]-[6]. Mr. Justice Baker held that such a restoration plan was required to provide for repayment of restored balances no later than 2013. *Id.* ¶¶ 71-121.

139. Mr. Justice Baker also found that the Plan participants' entitlement to have the Plan balances restored and paid was unqualified. *Id.* ¶¶ 100-101.

140. The English Court made further findings as to AIG FP's solvency and ability to make the required payments to DCP Participants. It noted that AIG FP was a going concern and had not been placed into formal insolvency proceedings. *Id.* ¶ 75.

141. The English Court found that, “under the bail-out facility [AIG FP] had *materially unlimited general funds* available to it at all times . . . because of the bail-out facility, [a] negative balance sheet did not deprive [AIG FP] of working capital and/or general funds.” *Id.* ¶ 55 (emphasis added). Despite arguments by the defendants to the contrary, AIG FP “had the bail-out facility as its primary, and for present purposes *materially unlimited*, source of general funds.” *Id.* (emphasis added). Mr. Justice Baker called the London Defendants’ argument that AIG FP’s balance sheet insolvency precluded restoration “false logic” that “substantially infected their case on the construction of the restoration obligations.” *Id.* ¶ 55.

142. The London Claimants claimed that unpaid amounts credited to their DCAs totaled approximately US \$108 million. However, the English Court noted that this figure was only for the 23 London Claimants, and that there were potentially “300 eligible employees in all.” *Id.* ¶ 49. According to the English Court, the total potential claims of all eligible employees could be \$800 million. *Id.* ¶ 50.

143. The English High Court scheduled a separate assessment for damages, to be heard in January 2020.

144. Separately, AIG FP and Banque AIG sought, and were granted, permission to appeal the English Court’s decision. Arguments in that appeal were heard on November 25-27, 2019.

### ***The French Decisions***

145. Upon information and belief, former employees have also brought—and won—similar claims in France. In two separate proceedings, two former employees of Banque AIG were awarded 8.7 million euros in damages after a French court determined that Banque AIG improperly withheld bonus payments. The French court noted that Banque AIG had withheld these payments

as a means to force employees to bear the brunt of the bank's losses.

## **VI. AIG FP'S BREACH OF THE DCP**

146. As detailed above, AIG and AIG FP repeatedly encouraged the plaintiffs to defer additional portions of their compensation into the DCP so as to provide additional capital to AIG FP.

147. The plaintiffs performed under the DCP. For example, they continued their employment through the relevant payment periods and deferred their compensation as required by the DCP.

148. Pursuant to the DCP, over the course of their employment with AIG FP, the plaintiffs deferred substantial portions of their compensation from AIG FP.

149. In breach of its contractual obligations, AIG FP did not restore the plaintiffs' DCA balances, and did not pay the plaintiffs their earned compensation credits including interest.

150. In breach of its contractual obligations, AIG FP did not adopt any restoration plan, as required by DCP § 4.01(b).

151. In a letter dated July 31, 2014, AIG FP expressly stated its intention not to make any payments under the DCP, which—along with AIG FP's failure otherwise to perform under the DCP—constitutes a breach of the DCP.

152. As a result of AIG FP's breach of the DCP, the plaintiffs have suffered monetary damages in the millions of dollars.

## **COUNT TWO: BREACH OF THE SIP**

1-152. The plaintiffs reassert the allegations in paragraphs ¶¶ 1-152 of Count One as if set forth fully herein.

## I. THE SIP AGREEMENT

153. The SIP is an agreement among AIG FP and certain employees (“Covered Executives”).

154. The plaintiffs who are Covered Executives under the SIP include: Mitchell Bell, Erik Bengtson, Paul Bradshaw, Thomas Buttke, David Chang, Robert Chang, Jason DeSantis, Richard Fabbro, Kenneth Farrar, Jonathan Fraade, James Haas, Charles Hsieh, Thomas Kushner, Jonathan Liebergall, Nathaniel Litwak, Brendan Lynch, Alfred Medioli, Matthew Mihaly, Andrew Partner, Thomas Plagemann, Robert Powell, Daniel Raab, Ann Reed, Paul Schreiner, Chris Toft, Joe Tom, Steven Wagar, Thomas Ward, and Martin Wayne.

155. The SIP was adopted in January 2008, and was amended thereafter. The relevant version of the SIP is attached as Exhibit B.

156. The SIP is governed by Connecticut law. *See* SIP § 4.05.

157. Covered Executives included only those employees who would have received a DCP Notional Bonus Amount of at least \$1,250,000 and/or a DCP Additional Return Payment in 2007. *See* SIP § 2.01.

158. AIG FP introduced the SIP to incentivize certain employees to continue working at AIG FP after AIG FP began struggling financially and certain employees did not receive Additional Return Payments under the DCP in 2007. For example, the preamble of the SIP explained:

As a result of the valuation adjustments associated with AIGFP’s super senior credit derivative business, the Notional Bonus Amounts available in 2007 have been affected, and there will be no Additional Return Payment for 2007 under the Deferred Compensation Plan . . . . The purpose of the 2007 SIP is to provide an additional compensation opportunity for Covered Executives while at the same time: (i) providing incentives for Covered Executives to continue developing, promoting and executing AIGFP’s business, (ii) recognizing the serious effect that the unrecognized losses

associated with the valuation adjustment have had, (iii) continuing to ensure that AIGFP's and its employees' interests are aligned with those of AIG and AIG's shareholders, and (iv) building and maintaining the formation of capital in AIGFP, including for purposes of ensuring that amounts are available to absorb losses in the event that AIGFP realizes losses on super senior credit derivatives that would have an impact on AIGFP's capital structure.

159. The SIP included provisions meant to encourage employees to continue working at AIG FP for a number of years, so that they would eventually receive a bonus or equity payment. For example, the SIP provided that if any Covered Executive resigned prior to January 1, 2009, their SIP Account "shall be reduced to zero" and they "shall have no further right to amounts credited to such account." *See* SIP § 3.02(a). If a Covered Executive resigned between January 1, 2009, and January 1, 2010, they would receive one-third of their SIP bonus. *See* SIP § 3.02(b) ("If the employment . . . of a Covered Executive terminates on or after January 1, 2009 but prior to January 1, 2010 for any reason other than as a result of dismissal (or termination) without cause or death or permanent disability, the SIP Account of such Covered Executive shall be reduced by an amount equal to two-thirds of the amount credited thereto . . .").

160. In other words, in order to receive a full SIP bonus, a Covered Executive would have to continue working for AIG or AIG FP until January 2, 2010.

161. SIP Accounts, similar to DCAs, were "established on [AIG FP's] books in the name of each Covered Executive and of AIG in which . . . 2007 SIP Credits for Covered Executives and AIG are recorded." *See* SIP at 10 (definitions).

162. Unless the participating employee died or was permanently disabled, the SIP payments were payable according to SIP § 3.05(a):

Payment. Unless payment occurs on an earlier date pursuant to Section 3.05(b) below, the outstanding balance, if any, credited to a Covered Executive's or AIG's SIP Account as of the Interest Payment Date for the Interest Period beginning in October 2012

shall be paid to such Covered Executive or to AIG, as applicable, on such date.

163. Any payments made under the SIP were independent of the Notional Bonus Amounts described in the DCP. *See* SIP at 1 (preamble).

164. All SIP payments earned interest quarterly and were payable quarterly. *See* SIP § 3.03.

165. Like the DCP, the SIP also provided for Additional Return Payments to Covered Executives. *See* SIP § 3.04.

166. AIG FP was required to provide quarterly SIP Account statements that included information about SIP Account balances and AIG FP's financial performance. For example, SIP § 4.07 provided:

For so long as 2007 SIP Credits remain payable hereunder, AIGFP shall provide each Covered Executive and AIG with quarterly SIP Account statements setting forth (i) the Covered Executive's or AIG's (as the case may be) SIP Account balance, (ii) the amount of any Additional Return Payment and any interest on any Additional Return Payment that is credited to the SIP Account during such quarterly period, and (iii) the amount of interest paid on such SIP Account balance during such quarterly period. In addition, AIGFP shall provide Covered Executives and AIG with an AIGFP annual financial summary, and shall endeavor to keep Covered Executives who are then employees of AIGFP apprised of material developments involving AIGFP's business or accounting procedures applicable to AIGFP insofar as they relate to these 2007 SIP Terms.

167. As with the DCP, AIG FP was obligated under the SIP to restore any amounts deducted from SIP Accounts and was obligated to create a restoration plan in order to do so:

The outstanding balance credited to the SIP Accounts of each Covered Executive and of AIG shall be subject to reduction, from time to time, to the extent of any losses incurred (i) by AIGFP (excluding AIGTG) or (ii) by AIGTG resulting from transactions entered into on or after January 1, 2003, which losses in the case of (i) and (ii) for any year in the aggregate exceed the outstanding

market and credit reserves and current year income of AIGFP (excluding outstanding market and credit reserves relating to transactions entered into by AIGTG before January 1, 2003), but before base capital of AIGFP (for the avoidance of doubt including AIGTG, and consisting of equity, retained earnings, if any, and subordinated debt). Such reductions shall be made on a pro rata basis among the SIP Accounts under the 2007 SIP, and the Deferred Compensation Accounts under the Deferred Compensation Plan, of Covered Executives and AIG. **AIG Financial Products Corp. shall be obligated subsequently to restore amounts so deducted from Covered Executives' and AIG's account balances, plus accrued interest thereon at the interest rate determined in accordance with Section 3.03 and, in connection therewith, the Board shall adopt a plan (which shall not be subject to the approval of AIG or the Covered Executives) setting forth a schedule under which AIG Financial Products Corp. shall restore amounts deducted from Covered Executives' and AIG's account balances (plus accrued interest thereon).** Any such restoration plan shall provide that any restored amounts shall be paid in 2013; to the extent amounts have not been restored by December 31, 2013, all restoration rights shall permanently lapse except to the extent AIG Financial Products Corp. determines that it may amend the Plan to provide for payment of restored amounts without violating Internal Revenue Code Section 409A. SIP § 4.01(b) (emphasis added).

168. Accordingly, pursuant to SIP § 4.01(b), even assuming the 2008 amendment was valid, AIG FP was obligated to restore and pay any amounts deducted from the SIP Accounts, plus interest, by December 31, 2013, and was obligated to adopt a restoration plan in order to do so.

## **II. AIG FP'S BREACH OF THE SIP**

169. AIG FP repeatedly assured AIG FP's employees that AIG FP would continue as a going concern.

170. The plaintiffs who were Covered Executives performed under the SIP. For example, the plaintiffs continued their employment through the relevant payment periods and complied with the required compensation deferral provisions.

171. Pursuant to the SIP, the plaintiffs who were Covered Executives deferred substantial portions of their compensation into their SIP Accounts.

172. In breach of its contractual obligations, AIG FP has not performed under the SIP. For example, AIG FP did not restore the SIP Account balances or pay Covered Executives the earned compensation they were owed plus interest.

173. In breach of its contractual obligations, AIG FP did not adopt a restoration plan as required by the SIP.

174. In a letter dated July 31, 2014, AIG FP expressly stated its intention not to make any payments under the SIP, which—along with its failure to perform under the SIP—constitutes a breach of the SIP. *See* July 31, 2014 Letter from AIG FP to DCP and SIP Participants.

175. As a result of AIG FP’s breach of the SIP, the plaintiffs have suffered monetary damages in the millions of dollars.

**COUNT THREE: BREACH OF THE IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING**

1-175. The plaintiffs reassert the allegations in ¶¶ 1-175 of Count Two as if set forth fully herein.

176. Under Connecticut law, the DCP and the SIP imposed a duty on AIG FP to act in good faith and deal fairly with the plaintiffs.

177. AIG FP breached the covenant of good faith and fair dealing implied in the DCP and the SIP by:

- a) unreasonably failing to pay the plaintiffs their earned compensation;
- b) acting in its own self-interest, as well as in the interest of its parent corporation, AIG, by taking money owed to the plaintiffs and using it as capital to fund AIG FP’s business;
- c) acting in bad faith by repeatedly assuring the plaintiffs that they would receive the payments they were owed pursuant to the DCP and SIP when AIG FP had no intention of paying the plaintiffs;
- d) acting unreasonably and in bad faith by pressuring the plaintiffs to

return compensation they rightfully earned for AIG and AIG FP's benefit;

- e) threatening the plaintiffs who did not volunteer to return their compensation and saying they would release their names to the public.

178. A separate agreement which is relevant to AIG FP's breach of the implied covenant of good faith and fair dealing in the DCP and the SIP is the ERP, which is described below.

## **I. THE ERP**

179. The ERP is an agreement among AIG FP and certain AIG FP employees ("Covered Persons").

180. The ERP was adopted in or around March 2008, was effective as of December 1, 2007, and was amended. The relevant version of the ERP is attached as Exhibit C.

181. The ERP is governed by Connecticut law. *See* ERP § 4.04.

182. "Covered Persons" under the ERP meant:

[A]ll employees and certain designated consultants of [AIG FP] as of March 31, 2008 (excluding any employees or consultants who have notified [AIG FP] of their intent to resign on or prior to such date) who received discretionary incentive compensation, or had a Previous Guarantee, in respect of the 2007 Compensation Year or who have a Previous Guarantee in respect of the 2008 Compensation Year. ERP § 1.14.

183. Many of the plaintiffs were Covered Persons under the ERP.

184. Like the SIP, the ERP was designed to incentivize employees to continue working for AIG FP for a number of years. For example, the preamble of the ERP stated:

The objectives of the Plan are:

1. To provide incentives for AIG-FP's employees and consultants to continue developing, promoting and executing AIG-FP's business;
2. To recognize the uncertainty that the unrealized market valuation losses in AIGFP's super senior credit derivative and originally-rated

AAA cash CDO portfolios have created for AIG-FP's employees and consultants;

3. To ensure that AIG-FP's and its employees' and consultants' interests continue to be aligned with those of AIG and AIG's shareholders;

4. To continue to build and maintain the formation of capital in AIG-FP; and

5. To show the support by AIG of the on-going business of AIG-FP by implementing a meaningful employee retention plan.

185. The ERP provided Guaranteed Retention Awards to Covered Persons so long as they continued to work for AIG through the actual payment. If an employee resigned "without good reason," was fired for cause, or was fired because they failed to "meet performance standards," they would forfeit all or some of the Guaranteed Retention Award. *See* ERP § 3.04.

186. A Guaranteed Retention Award would be equal to the Covered Person's 2007 Total Economic Award, which was defined to mean:

[T]he sum of (a) and (b), where (a) is the amount of the discretionary incentive compensation or Previous Guarantee awarded to such Covered Person in respect of the 2007 Compensation Year, before taking into account any deferrals of such compensation under, or contributions of amounts to, the Deferred Compensation Plan... or payments of amounts under the Deferred Compensation Plan... in respect of previous Compensation Years, and (b) is the amount, if any, of the SIP Credit credited to such Covered Person under Section 3.01(a) of the SIP, excluding the amount of such SIP Credit, if any, received in lieu of an Additional Return Payment under the Deferred Compensation Plan... ERP § 1.29.

187. Any payments made under the ERP were expressly subject to the DCP. For example, ERP § 3.05(a) provided:

The payment of 2008 and 2009 Total Awards to Covered Persons who participate in the Deferred Compensation Plan will be subject to partial mandatory deferral and subsequent payment under the Deferred Compensation Plan in accordance with its terms.

188. Under ERP § 3.02(c), AIG was responsible for covering any shortfall in funds available to pay the Guaranteed Retention Awards:

If the aggregate amount of the Guaranteed Retention Awards for the 2008 Compensation Year or the 2009 Compensation Year exceeds the calculated Bonus Pool for such Compensation Year, AIG will cover the shortfall so that Covered Persons are paid their full Guaranteed Retention Awards (subject, for the avoidance of doubt, to deferral pursuant to Section 3.05(a)). Any such Bonus Pool shortfall shall, for purposes of Section 3.07 related to the carry-forward of Capped Realized Losses, be deemed to give rise to a Capped Realized Loss equal to the amount of such shortfall.

189. Payment of non-deferred portions of the Guaranteed Retention Awards was guaranteed by AIG pursuant to a General Guarantee Agreement. ERP § 3.03 provided:

The obligation to pay the Guaranteed Retention Awards described under Section 3.01 is guaranteed by AIG pursuant to the AIG General Guarantee Agreement; provided that amounts deferred under the Deferred Compensation Plan (including Stock-Indexed Deferrals) will not, in accordance with the terms of the Deferred Compensation Plan, benefit from the AIG General Guarantee Agreement.

## **II. AIG FP BREACHED ITS DUTY TO ACT IN GOOD FAITH AND DEAL FAIRLY WITH THE PLAINTIFFS**

190. AIG FP acted in bad faith and impeded the plaintiffs' right to receive benefits that they reasonably expected to receive under the Plans.

191. AIG FP intended to mislead or deceive the plaintiffs. For example, as described above, AIG FP induced the plaintiffs to defer compensation under the ERP into the SIP deferred compensation pools, but later refused to pay the plaintiffs amounts owed under the SIP. AIG FP used this money as capital to fund AIG FP's business.

192. AIG FP acted in its own self-interest and in the self-interest of its parent corporation, AIG, in refusing to fulfill its obligations under the DCP and SIP.

193. As described above, AIG FP threatened the plaintiffs so as to force them to return money they rightfully earned and were owed under the ERP.

194. AIG FP's actions and inactions were an attempt to avoid the spirit of its bargain with the plaintiffs.

195. As a result of AIG FP's breaches of the covenant of good faith and fair dealing, the plaintiffs have suffered damages in the millions of dollars.

**COUNT FOUR: VIOLATION OF CONNECTICUT WAGE AND HOUR LAW,  
CONN. GEN. STAT. ANN. §§ 31-71e—31-72**

1-195. The plaintiffs reassert the allegations in ¶¶ 1-195 of Count Three as if set forth fully herein.

196. As set forth above, AIG FP failed to pay the plaintiffs the wages they were entitled to under the DCP and the SIP in violation of General Statutes §§ 31-71e, 31-72.

197. The payments to the plaintiffs were "wages" as defined in Connecticut General Statutes § 31-71a ("Wages" means compensation for labor or services rendered by an employee, whether the amount is determined on a time, task, piece, commission or other basis of calculation.").

198. Because AIG FP credited its losses against the plaintiffs' DCA and SIP Accounts, payments on those accounts did not occur at regular intervals.

199. Rather, AIG FP was obligated to restore and pay DCA and SIP Account balances by the end of 2013.

200. In a letter dated July 31, 2014, AIG FP informed the plaintiffs that it would not restore or pay their DCA or SIP Account balances.

201. By failing to pay wages, restore the amounts that it owed, or create or execute a restoration plan, among other things, AIG FP acted in bad faith or unreasonably, and its failings

constitute violations of C.G.S.A § 31-71e and § 31-72.

202. By reassuring the plaintiffs that they would eventually be paid, AIG FP acted in bad faith or unreasonably.

203. By asking the plaintiffs to return portions of the money they received as guaranteed payments under the ERP, AIG FP acted in bad faith or unreasonably.

**PRAYER FOR RELIEF**

WHEREFORE, the plaintiffs respectfully request judgment against AIG FP for the following relief:

1. Money damages in excess of \$185 million;
2. Twice the full amount of damages, pursuant to C.G.S.A § 31-72;
3. Pre- and Post-Judgment Interest;
4. Attorney's fees and costs by statute; and
5. Such other legal and equitable relief that this Court deems just and proper.

Respectfully submitted,

HURWITZ SAGARIN  
SLOSSBERG & KNUFF, LLC

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RETURN DATE: DECEMBER 31, 2019

D.N. \_\_\_\_\_

LEE ARTHURS; DAVID ACKERT; MITCHELL BELL; ERIK : SUPERIOR COURT  
BENGTSON; PAUL BRADSHAW; THOMAS BUTTKE; JOHN : J.D. OF FAIRFIELD  
CAPPETTA; DAVID CHANG; ROBERT CHANG; JASON : AT BRIDGEPORT  
DESANTIS; RICHARD FABBRO; KENNETH FARRAR; :  
JONATHAN FRAADE; CARL GIESLER JR.; JAMES HAAS; :  
CHARLES HSIEH; THOMAS KALB; THOMAS KUSHNER; :  
ROBERT LEARY; JONATHAN LIEBERGALL; NATHANIEL :  
LITWAK; BRENDAN LYNCH; ALFRED MEDIOLI; :  
MATTHEW MIHALY; JOANN PALAZZO; EUGENE PARK; :  
ANDREW PARTNER; CARL PETERSON; STEVEN PIKE; :  
THOMAS PLAGEMANN; ROBERT POWELL; DANIEL :  
RAAB; ANN REED; PAUL SCHREINER; DMITRY :  
SATANOVSKY; MARY HEATHER SINGER; KEITH STEIN; :  
FRANK STROHM; TIMOTHY SULLIVAN JR.; CHRIS TOFT; :  
JOE TOM; RYAN VETTER; STEVEN WAGAR; THOMAS :  
WARD; MARTIN WAYNE; JAMES WOLF,

v. :

AIG FINANCIAL PRODUCTS CORP. : DECEMBER 6, 2019

**STATEMENT OF AMOUNT IN DEMAND**

The amount in controversy exceeds \$15,000, exclusive of costs and interest.

HURWITZ SAGARIN  
SLOSSBERG & KNUFF, LLC

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