

(Adds cross-examination in eighth paragraph).

By Bob Van Voris

June 29 (Bloomberg) -- Former American International Group Inc. Vice Chairman Edward Matthews testified that Maurice "Hank" Greenberg's Starr International Co. didn't intend to set up a trust for AIG's benefit, as the insurer claimed in a lawsuit.

Matthews, a voting shareholder in Starr, or SICO, said today at a trial of the suit in federal court in Manhattan that the company was created partly to deter any potential hostile takeover of AIG by funding a deferred-compensation plan for senior executives at the insurer.

Matthews said he told financial analysts in the 1990s that SICO, set up with a \$110 million stake in 1970, helped protect AIG from hostile bids. Any acquirer would have to pay off SICO shareholders, which included AIG's top management, and face competition by them.

"I didn't think that was something any potential hostile takeover candidate would want to undertake," Matthews, who retired from AIG in 2002, testified.

AIG, formerly the world's biggest insurer, claims that SICO was set up to hold AIG stock in trust for the deferred-compensation plan.

### Forced Out

AIG claims SICO improperly sold \$4.3 billion in AIG shares after Greenberg was forced out as AIG's chief executive officer in March 2005 amid allegations of improper accounting at the insurer. New York-based AIG claims SICO unilaterally ended the retirement plan in retaliation for the ouster of Greenberg, 84, and violated its duty to continue paying top AIG executives.

The suit was originally filed by SICO in 2005, seeking the return of \$15 million in artwork and other property it claimed from AIG. The claims on trial were filed by AIG as counterclaims in SICO's suit.

AIG lawyer Eric Alan Stone cross-examined Matthews this afternoon, trying to undercut SICO's claim that it wasn't set up for the benefit of the insurer. Stone asked Matthews about a pair of fairness opinions he drafted for the 1970 transaction while an employee of Morgan Stanley.

AIG attorney Theodore Wells rested his case last week. SICO's lawyer, David Boies, expects to rest his case on July 1.

Jurors will consider whether SICO improperly converted, or took, AIG shares after Greenberg's ouster. U.S. District Judge Jed Rakoff will decide whether SICO breached its fiduciary duty.

AIG has said it will use proceeds of any judgment to help repay the \$182.5 billion bailout package it received from the federal government.

The case is Starr International Co. v. American International Group Inc., 05-cv-06283, U.S. District Court, Southern District of New York (Manhattan).

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