

# The Washington Post

## No criminal charges for executives in troubled AIG subsidiary

Advertisement

By Jerry Markon  
Washington Post Staff Writer  
Saturday, May 22, 2010; A11

The Justice Department has closed its high-profile investigation into current and former executives of an [American International Group](#) subsidiary that was linked to the insurance giant's near collapse, sources familiar with the probe said Friday evening.

Federal prosecutors informed the executives in phone calls on Friday that the two-year investigation was over and would not result in criminal charges, said the sources, who spoke on the condition of anonymity because the decision has not been publicly disclosed.

The executives, who worked at a unit of AIG called Financial Products, were instrumental in designing complex contracts known as credit-default swaps. For a fee, the firm essentially would insure a company's corporate debt in case of default. The products were intended to be a money-maker for the firm and its parent company.

But the subsidiary's entry into credit-default swaps evolved into insuring more volatile forms of debt, including the mortgage-backed securities that helped fuel the real estate boom. The housing downturn exposed AIG to more than \$500 billion in liabilities, threatening the financial stability of dozens of other financial institutions and prompting a massive government rescue in September 2008.

The Federal Reserve and Treasury Department have committed up to \$182 billion to ensure AIG's stability-- the most expensive bailout of a private company in U.S. history. As a result of the rescue, the government owns nearly 80 percent of the company.

Investigators had been examining statements made by executives to determine whether shareholders had received misleading information and whether the company had understated the extent of its accounting losses, sources familiar with the probe have said. The investigation was conducted by FBI agents, working with the U.S. attorney's office in Brooklyn and attorneys from the Justice Department in Washington. Justice Department officials could not be reached for comment Friday night. Sources said the Securities and Exchange Commission is still conducting a parallel civil investigation. The Wall Street Journal reported the end of the criminal investigation on its Web site Friday evening.

"The system worked," said F. Joseph Warin and Jim Walden, attorneys for Joseph Cassano, one of the executives who had been under investigation. Cassano left the company in 2008. The lawyers -- who work with Gibson, Dunn & Crutcher and met with prosecutors throughout the past year -- praised the government and federal agents for being "diligent and professional."

The other two executives no longer under investigation, sources said, are Andrew Forster and Tom Athan. They are still with AIG Financial Products.

### Post a Comment

[View all comments](#) that have been posted about this article.

You must be logged in to leave a comment. [Login](#) | [Register](#)

Submit

Comments that include profanity or personal attacks or other inappropriate comments or material will be removed from the site. Additionally, entries that are unsigned or contain "signatures" by someone other than the actual author will be removed. Finally, we will take steps to block users who violate any of our posting standards, terms of

use or privacy policies or any other policies governing this site. Please review the [full rules](#) governing commentaries and discussions. You are fully responsible for the content that you post.

**Sponsored Links**

**Lawyer Marketing**

Lawyer Advertising, Order 800 Service for a Vanity Toll-Free Number  
[www.TollFree800Legal.com](http://www.TollFree800Legal.com)

**\$13/Month Car Insurance?**

Insurance deal just passed now allows you to get car insurance for \$13  
[CarInsuranceFinder.org](http://CarInsuranceFinder.org)

**Federal Criminal Lawyer**

Need A Criminal Defense Attorney? Search in your local area.  
[JustClickLocal.com](http://JustClickLocal.com)

[Buy a link here](#)

© 2010 The Washington Post Company