

# AIG's EnCap connection

While their overseas contracts are honored, AIG thumbs its nose at New Jersey

By ROBERT CEBERIO

**D**AY AFTER DAY, news of our nation's financial crisis gets worse, and our outrage as hard-working taxpayers grows. Among the most maddening stories is the now well-known tale of AIG, the embattled insurance giant that has absorbed more than \$170 billion of our federal tax dollars.

Since December, more than \$200 million of this public rescue money has gone straight out the door in the form of bonuses to AIG executives, rewarding the very corporate leaders who helped get them, and all of us, into this mess.

But as the executive director of the New Jersey Meadowlands Commission and someone who grew up in North Arlington, I find there is something that makes my blood boil even hotter. AIG is the parent company of AHA, the insurance firm that holds the \$148.8 million performance bond on a long-delayed landfill remediation project in the Meadowlands.

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**Why should a contract to pay off corporate bigwigs be more important than one to protect people in northern New Jersey?**

So while our federal tax dollars continue to pour into AIG, that company's subsidiary refuses to honor its commitment to finance the cleanup if the project's developer, EnCap, failed to do the job.

Despite lofty promises of pristine open space and millions in economic growth, the developer's performance

**Broken commitment**

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fell far, far short. The company ran out of money long before anything was built, and workers walked off the job before the landfills could be properly contained and capped.

And here we are, more than a decade after work was to start and five years after AHA promised to insure this job. Although the site has been quiet for nearly a year now – and the developer was declared bankrupt in early February

– New Jersey has not seen one dime of this AHA insurance policy.

So, when AIG says it has no choice but to pay the latest round of corporate bonuses, arguing that they are required by contract, I suggest that they take another look at the deal their subsidiary signed with this Meadowlands developer, EnCap.

**People come first**

Why should a contract to pay off corporate bigwigs be more important than

one to protect people in northern New Jersey?

Why does the commitment they made here count less?

After all, as AIG Chairman and CEO Edward Liddy wrote to Treasury Secretary Timothy Geithner in mid-March: "Honoring contractual commitments is at the heart of what we do in the insurance business. I cannot have our clients lose faith in our desire and ability to do just that."

And talk about economic stimulus: Imagine how far that \$148.8 million would go in creating good, blue-collar jobs. This was once considered the largest brownfield project in the state, so remediation alone will employ scores of engineers, laborers and other highly paid workers. And believe me, this project is "shovel-ready."

Clearly, not all our federal bailout dollars have gone to reward executives. AIG has now revealed how it has indeed paid out some of its policies, including between \$40 billion and \$90 billion to banks and other financial institutions – several overseas.

If obligations are being honored, why not honor those that help us here at home?

In fact, it would take less than one-sixth of the \$1.1 billion AIG reportedly paid to the Bank of Montreal to cover AHA's policy with the landfill developer. And I can assure you, if that money



were put to work in Bergen County, taxpayers funding these government bailouts could see some real return on their investment.

And it would be their own investment. Perhaps the greatest irony in the AIG/AHA conundrum is that, since, as taxpayers, we now own about 80 percent of AIG, we are in many ways funding this fight against ourselves.

**Millions in legal fees**

Since May 2008, when the Meadowlands Commission pulled the plug on the landfill remediation project, AHA has spent millions in legal fees and other costs to keep from paying the \$148.8 million bond. Instead of living up to this responsibility, they're fighting

hard to avoid it.

My hope now is that our federal partners, who have been fighting valiantly to secure New Jersey's share of the president's economic stimulus package, can help us persuade AHA to live up to its commitments here in the Meadowlands.

We hope that Sen. Frank R. Lautenberg, who fought with us to protect the region from unregulated rail side dumping, and Sen. Robert Menendez, a member of the powerful banking committee, can work with their colleagues in the Congress to ensure that if AIG is to continue to receive taxpayer-funded bailouts, it should convince its subsidiary AHA to reinvest some of that hard-earned money where it counts most: at home in New Jersey.



AIG Chairman Edward Liddy testifying on Capitol Hill last week as protesters wave placards in the background.