



AIG unit Illinois National abandons lawsuit against Houston business after judge finds intentional destruction of evidence

(Houston, Texas – January 16, 2010) - Units of the massive AIG insurance conglomerate targeted Houston-based Falcon Crest Aviation Supply, Inc., and Falcon Crest Accessories, Inc. with a lawsuit seeking hundreds of thousands of dollars in alleged damages to a Gulfstream business jet formerly owned by one of its insureds. Illinois National Insurance Company (an AIG company), at the behest of AIG Aviation personnel, instigated the lawsuit claiming that Falcon Crest had incorrectly performed an \$800 overhaul of a main wheel assembly later installed on the jet.

But Harris County District Judge Reece Rondon found that the AIG companies involved and their insured had the wheel overhauled, destroying any evidence of alleged problems with it, prior to filing suit or even giving notice of their allegations to Falcon Crest. Judge Rondon sanctioned Illinois National and its insured, entering an order barring all of their expert witnesses from testifying at trial, barring use of any reports about the wheel prepared before it was overhauled, as well as any evidence of alleged damages related to a brake assembly that was replaced before Falcon Crest was ever advised of any claim. Judge Rondon's Order noted, "Plaintiffs had an absolute obligation to preserve the subject wheel in the condition it was in at the time of the testing by the manufacturer, as Plaintiffs knew or should have known that the wheel and the evidence alleged to exist in the paint thereon would be a significant and hotly contested issue at trial". Judge Rondon's order further found that Plaintiffs' conduct gave rise to a presumption that the condition of the wheel at the time it was examined by the wheel's manufacturer, had it been preserved, would have been harmful to Plaintiffs' case.

Without the benefit of any expert testimony, the report on the examination of the wheel, or the ability to put on evidence of alleged damages to the related brake assembly, Illinois

National and its insured agreed to dismiss their lawsuit in exchange for Falcon Crest's agreement not to pursue a counterclaim seeking attorneys fees incurred in defense of the claim.

Falcon Crest's lead counsel Gary Evans explained: "We are pleased the Court held Illinois National and its insured accountable for destroying evidence, but they should have never filed this lawsuit in the first place. Litigation can be devastating for a small business like Falcon Crest, but it is unconscionable for a multi-billion dollar company like AIG to perpetrate a lawsuit like this, knowing even before they filed the lawsuit that they had authorized destruction of key material evidence."

Coats & Evans represents clients in aviation lawsuits, aviation transactions and aviation-related administrative matters. The firm's attorneys are all pilots and have over 15,000 combined flight hours. For more information, contact Coats & Evans, 281-367-7732, or on the web at www.TexasAviationLaw.com. Plaintiffs were represented by Martin Rose, Don Swaim, Ross Cunningham, and Mitchell McCrea of Dallas' Rose•Walker law firm.

The photograph used in this press release depicts the actual aircraft at issue in this lawsuit. The photo was taken by Fernando González Alcobre, and is used with his permission.