

AMERICAN INTERNATIONAL GROUP INC

Form DEF 14C

December 10, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14C

**INFORMATION STATEMENT PURSUANT TO SECTION 14(c) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
- Definitive Information Statement

AMERICAN INTERNATIONAL GROUP, INC.
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Information Statement, if Other Than the Registrant(s))

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on the table below per Exchange Act Rules 14c-5(g) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
 - (1) Amount Previously Paid:

(2) Form, Schedule or Registration No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

NOTICE OF SHAREHOLDER ACTION TAKEN PURSUANT TO WRITTEN CONSENT

**American International Group, Inc.
180 Maiden Lane
New York, New York 10038**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED
NOT TO SEND US A PROXY.**

This Notice and the accompanying Information Statement are being furnished to inform the shareholders of record as of the close of business on December 7, 2010 (the Record Date) of American International Group, Inc., a Delaware corporation (AIG), of the following corporate actions (collectively, the Issuance), which are subject to the closing of the Recapitalization (as defined and described in the accompanying Information Statement) (the Closing):

The issuance of shares of AIG's common stock, par value \$2.50 per share (AIG Common Stock), as follows: (i) 562,868,096 shares of AIG Common Stock to the AIG Credit Facility Trust, a trust established for the sole benefit of the United States Treasury (the Trust) in exchange for all the outstanding shares of AIG's Series C Perpetual, Convertible, Participating Preferred Stock, par value \$5.00 per share, (ii) 924,546,133 shares of AIG Common Stock to the United States Department of the Treasury (the Treasury Department) in exchange for all the outstanding shares of AIG's Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share, and (iii) 167,623,733 shares of AIG Common Stock to the Treasury Department as partial consideration in exchange for the outstanding shares of AIG's Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share.

The issuance of 20,000 shares of a new series of AIG's preferred stock designated as Series G Cumulative Mandatory Convertible Preferred Stock to the Treasury Department as partial consideration in exchange for the outstanding shares of AIG's Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share.

On the Record Date, the Board of Directors of AIG approved the Issuance. Also on the Record Date, the Trust, as holder of a majority of the voting power of AIG's shareholders as of the Record Date, approved the Issuance, subject to the occurrence of the Closing, by written consent in lieu of a special meeting of shareholders.

This Notice and the accompanying Information Statement are first being mailed or transmitted to AIG's shareholders on or about December 10, 2010. The Issuance will occur on or about the later of (i) December 30, 2010, which is 20 days after this Notice and Information Statement are first mailed or transmitted to shareholders, and (ii) the Closing.

This Notice and the accompanying Information Statement constitute notice of corporate action without a meeting by less than unanimous consent of AIG's shareholders pursuant to Section 228(e) of the Delaware General Corporation Law and Section 1.11 of AIG's by-laws. No action is required on your part in connection with this document and no meeting of AIG's shareholders will be held nor will proxies be solicited. The accompanying Information Statement is for information purposes only. We are not asking you for a proxy, and you are requested not to send us a proxy. However, AIG urges you to read the Information Statement in its entirety for a more complete description of the action taken by AIG's shareholders.

By Order of the Board of Directors

JEFFREY A. WELIKSON

Secretary

Date: December 10, 2010

Table of Contents

**American International Group, Inc.
180 Maiden Lane
New York, New York 10038**

INFORMATION STATEMENT

NO VOTE OR OTHER ACTION OF AIG'S SHAREHOLDERS IS REQUIRED IN CONNECTION WITH THIS INFORMATION STATEMENT.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

ABOUT THIS INFORMATION STATEMENT

General

This Information Statement is being furnished by American International Group, Inc. ("AIG") to inform the shareholders of record as of the close of business on December 7, 2010 (the "Record Date") that on the Record Date, the Board of Directors of AIG (the "Board") approved, and the AIG Credit Facility Trust, a trust established for the sole benefit of the United States Treasury (the "Trust"), as holder of a majority of the voting power of AIG's shareholders as of the Record Date, approved by written consent (the "Written Consent"), the following corporate actions (collectively, the "Issuance"), subject to the Closing (as defined below):

The issuance of shares of AIG's common stock, par value \$2.50 per share ("AIG Common Stock"), as follows: (i) 562,868,096 shares of AIG Common Stock to the Trust in exchange for all the outstanding shares of AIG's Series C Perpetual, Convertible, Participating Preferred Stock, par value \$5.00 per share (the "Series C Preferred Stock"), (ii) 924,546,133 shares of AIG Common Stock to the United States Department of the Treasury (the "Treasury Department") in exchange for all the outstanding shares of AIG's Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (the "Series E Preferred Stock"), and (iii) 167,623,733 shares of AIG Common Stock to the Treasury Department as partial consideration in exchange for the outstanding shares of AIG's Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (the "Series F Preferred Stock").

The issuance of 20,000 shares of a new series of AIG's preferred stock designated as "Series G Cumulative Mandatory Convertible Preferred Stock" (the "Series G Preferred Stock") to the Treasury Department as partial consideration in exchange for the outstanding shares of the Series F Preferred Stock.

This Information Statement is being provided pursuant to the requirements under Rule 14c-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to holders of AIG Common Stock entitled to vote or give an authorization or consent to vote in regard to the matters acted upon by the Written Consent.

A copy of the Written Consent executed by the Trust is attached hereto as Appendix A. The several Appendices and Annexes attached hereto form a part of this Information Statement for all purposes.

This Information Statement is first being mailed or transmitted on or about December 10, 2010 to AIG's shareholders of record as of the Record Date. AIG anticipates that the Issuance and the closing of the Recapitalization (as defined below) (the "Closing") will occur on or about December 31, 2010 or on such date thereafter when all conditions to the Closing have been satisfied or waived.

Table of Contents

Reason for the Written Consent

Summary of the Corporate Actions

On September 30, 2010, AIG entered into an agreement in principle (the Agreement in Principle) with the Treasury Department, the Federal Reserve Bank of New York (the FRBNY) and the Trust regarding a series of integrated transactions (the Recapitalization) to recapitalize AIG, including the repayment of all amounts owed under the Credit Agreement, dated as of September 22, 2008 (as amended, the Credit Agreement), with the FRBNY. The Agreement in Principle was superseded by (i) the Master Transaction Agreement, dated as of December 8, 2010 (the Master Transaction Agreement), among AIG, ALICO Holdings LLC, AIA Aurora LLC, the FRBNY, the Treasury Department and the Trust, (ii) the Amended and Restated Purchase Agreement, which will be executed and delivered at or prior to the Closing (the Amended SPA), among AIG, the Treasury Department and the FRBNY and (iii) the Registration Rights Agreement, which will be executed and delivered at or prior to the Closing (the Registration Rights Agreement), between AIG and the Treasury Department (the Master Transaction Agreement, the Amended SPA and the Registration Rights Agreement are referred to herein as the Definitive Agreements). The Master Transaction Agreement is attached hereto as Appendix B-1, the Amended SPA, substantially in the form in which it will be executed at or prior to the Closing, is attached hereto as Appendix B-2, and the Registration Rights Agreement, substantially in the form in which it will be executed at or prior to the Closing, is attached hereto as Appendix B-3.

The purposes of the Recapitalization are to facilitate the full repayment to the FRBNY and the Treasury Department of the financial assistance provided to AIG by the FRBNY and the Treasury Department since September 2008 and to promote AIG's transition from a majority government owned and supported entity to a financially sound and independent entity.

Action by Written Consent

On the Record Date, the Trust, which was established for the sole benefit of the United States Treasury, was the record holder of all 100,000 outstanding shares of the Series C Preferred Stock, which, as of that date, were entitled to approximately 79.75 percent of the voting power of AIG's shareholders entitled to vote on any particular matter. On the Record Date, the Trust delivered to AIG the executed Written Consent approving the Issuance, subject to the Closing.

Voting and Vote Required

AIG is not seeking a consent, authorization or proxy from you regarding the Issuance. Section 228 of the Delaware General Corporation Law (the DGCL) and Section 1.11 of AIG's by-laws permits shareholder action that may be taken at an annual or special meeting of shareholders to be taken instead by written consent signed by holders of outstanding shares having not less than the number of votes necessary to take such action at a meeting.

Pursuant to Section 312.03 of the New York Stock Exchange Listed Company Manual, approval of the Issuance by the holders of shares of AIG Common Stock and Series C Preferred Stock, as of the Record Date, voting together as a single class, is required prior to the Issuance. As described below, because the Trust, as the sole holder of the Series C Preferred Stock, holds a majority of the voting power of AIG's shareholders, the Written Consent is sufficient to approve the Issuance and satisfy Section 312.03.

As of the Record Date, there were 140,029,615 shares of AIG Common Stock outstanding and entitled to vote, held by 44,862 shareholders of record, and 100,000 shares of Series C Preferred Stock outstanding and entitled to vote, held by the trustees of the Trust. Each share of AIG Common Stock is entitled to one vote. Each share of the Series C

Preferred Stock is entitled to approximately 5,515,181.7 votes (551,518,174 in the aggregate). On the Record Date, the Trust, as the sole holder of the Series C Preferred Stock, was entitled to 79.75 percent of the voting power of AIG's shareholders entitled to vote on any particular matter. **Accordingly, the action by the Written Consent executed by the Trust is sufficient to approve the Issuance, and no further shareholder action is required.**

Table of Contents

Notice Pursuant to By-laws and the Delaware General Corporation Law

Pursuant to Section 228(e) of the DGCL and Section 1.11 of its by-laws, AIG is required to provide prompt notice of the taking of a corporate action by written consent to AIG's shareholders who have not consented in writing to such action and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting. This Notice and Information Statement serves as the notice required by Section 228(e) of the DGCL and Section 1.11 of AIG's by-laws.

Table of Contents

THE RECAPITALIZATION

Summary of Recapitalization Transactions

Background

In late 2009, AIG and the Treasury Department began discussions to consider a possible transaction with the Treasury Department, the FRBNY and the Trust to repay amounts owed under the Credit Agreement and to permit the government to exit its ownership relationship with AIG. In April 2010, the Board established a committee composed solely of outside directors, the Government Repayment Committee, to evaluate a possible transaction. The Government Repayment Committee comprised Mr. Douglas Steenland as Chairman, Mr. Henry Miller, Mr. Robert S. Steve Miller (until becoming Chairman of the Board, at which time he became an ex officio member) and Mr. Christopher Lynch, with Mr. Morris Offit and the Chairman of the Board as ex officio members.

AIG retained Merrill Lynch, Pierce, Fenner & Smith Incorporated (BofA Merrill Lynch) and Citigroup Global Markets Inc. (Citigroup) as financial advisers to assist in its analysis, and the Government Repayment Committee retained independent counsel and Rothschild Inc. (Rothschild) as its independent financial adviser. Rothschild was retained to assess the work performed by BofA Merrill Lynch and Citigroup and to assist the Committee in its analysis.

AIG then commenced discussions with the Treasury Department, the FRBNY and the trustees of the Trust regarding various proposals. The negotiations were complex and continued throughout the summer. The Government Repayment Committee, in general, met at least weekly, and held additional meetings as necessary to stay abreast of the negotiations.

The negotiations resulted in management recommending to the Government Repayment Committee approval of the Agreement in Principle (which was superseded by the Definitive Agreements), which has the following elements (described in more detail below):

Repayment and termination of the FRBNY Credit Facility, as defined below.

Repurchase and exchange of the SPV Preferred Interests, as defined below.

Issuance of AIG's Series G Preferred Stock.

Exchange of AIG's Series C, E and F Preferred Stock for AIG Common Stock.

Issuance to holders of AIG Common Stock of Warrants to purchase additional shares of AIG Common Stock.

In considering the recommendation of management, the Government Repayment Committee received from each of Citigroup and BofA Merrill Lynch an opinion to the effect that, as of the date of the opinion, and subject to the assumptions and limitations set forth therein, the consideration to be paid by AIG in connection with the exchange of the Series E Preferred Stock and Series F Preferred Stock for AIG Common Stock and the issuance to holders of AIG Common Stock of Warrants to purchase additional shares of AIG Common Stock, taken as a whole, was fair to the holders of AIG Common Stock (other than the Treasury Department, with respect to which no opinion was requested or expressed) from a financial point of view. The fairness opinions rendered by Citigroup and BofA Merrill Lynch do not opine as to the fairness of the exchange of the Series C Preferred Stock for shares of AIG Common Stock. The Government Repayment Committee did not deem it necessary to receive a fairness opinion regarding this exchange because the number of shares of AIG Common Stock received by the Trust for the Series C Preferred Stock was

derived from a previously agreed formula (i.e., the number was determined based upon the number of shares of AIG Common Stock the Trust would otherwise have been entitled to if the Series C Preferred Stock had been converted in accordance with its terms). Each of Citigroup and BofA Merrill Lynch has consented to the inclusion of its opinion as an appendix to this Notice and Information Statement, and copies of such opinions are attached hereto as Appendices C-1 and C-2. Further, the Government Repayment Committee received from its independent adviser, Rothschild, a letter indicating that, subject to the assumptions made and the other

Table of Contents

qualifications and limitations described therein, the opinions rendered by Citigroup and BofA Merrill Lynch were reasonable from a financial perspective. Rothschild has consented to the inclusion of its letter as an appendix to this Notice and Information Statement, and a copy of Rothschild's letter is attached hereto as Appendix D. The opinions of the financial advisors and the letter of Rothschild were provided for the information and assistance of the Board and the Government Repayment Committee, respectively, in connection with their consideration of the Recapitalization, and were limited to the matters set forth therein. Such opinions and the letter of Rothschild were one factor taken into account by the Government Repayment Committee and the Board in making their determinations to recommend and approve the Recapitalization. Such opinions and the letter of Rothschild do not constitute a recommendation to the Board or any shareholder of AIG with respect to the Recapitalization or any other matter and do not recommend specific terms of the Recapitalization. In addition, the Government Repayment Committee considered advice from Citigroup and BofA Merrill Lynch regarding the capital markets transactions contemplated by the Agreement in Principle. After considering management's recommendation, such opinions, advice and other factors, the Government Repayment Committee unanimously recommended approval of the Agreement in Principle to the Board. The Board, after considering the same information as provided to the Government Repayment Committee and taking into account the recommendation of the Government Repayment Committee, unanimously approved the Agreement in Principle, which was entered into on September 30, 2010. The Agreement in Principle was superseded by the Definitive Agreements.

Recapitalization Transactions

The Recapitalization transactions, all of which are to occur substantially simultaneously at the Closing, are to be as follows.

Repayment and Termination of the FRBNY Credit Facility

At the Closing, AIG will repay to the FRBNY in cash all amounts owing under the Credit Agreement (the "FRBNY Credit Facility"), between AIG and the FRBNY, and the FRBNY Credit Facility will be terminated. As of September 30, 2010, the total repayment amount under the FRBNY Credit Facility was approximately \$20 billion. The funds for repayment are to come from the net cash proceeds from the sale in the initial public offering of 67 percent of AIA Group Limited ("AIA") ordinary shares and the sale of American Life Insurance Company ("ALICO"), which closed on October 29, 2010 and November 1, 2010, respectively. The net cash proceeds from the initial public offering of AIA and the sale of ALICO totaled approximately \$27 billion, a portion of which will be loaned to AIG (for repayment of the FRBNY Credit Facility), in the form of secured limited recourse loans, from the special purpose vehicles that hold the proceeds of the sales of AIA and ALICO (the "SPVs", and such loans, the "SPV Intercompany Loans"). The remaining net cash proceeds of approximately \$7 billion will be distributed by the SPVs to the FRBNY, in accordance with the terms of the SPVs' limited liability company agreements.

At the time of repayment and termination of the FRBNY Credit Facility, any remaining unamortized prepaid commitment fee asset, which approximated \$4.7 billion at September 30, 2010, will be written off by AIG through a net charge to earnings.

Repurchase and Exchange of the SPV Preferred Interests

AIG currently has the right to draw down up to approximately \$22.3 billion under the Treasury Department's commitment pursuant to the Securities Purchase Agreement, dated as of April 17, 2009 (such commitment, the "Treasury Department Commitment" and such agreement, the "Series F SPA"), between AIG and the Treasury Department relating to the Series F Preferred Stock. AIG will have the right to designate up to \$2 billion of the Treasury Department Commitment to be available after the Closing for general corporate purposes under a commitment relating to the Series G Preferred Stock described below (the "Series G Drawdown Right"). At the Closing,

AIG will draw down the full amount of the Treasury Department Commitment less any amounts designated by AIG for the Series G Drawdown Right or, if the amount to be so drawn would be in excess of the FRBNY's preferred interests in the SPVs (the SPV Preferred Interests), AIG will draw down such lesser amount (the amount so drawn is called the Series F Closing Drawdown

Table of Contents

Amount). AIG will use the Series F Closing Drawdown Amount to repurchase all or a portion of the FRBNY's SPV Preferred Interests corresponding to the Series F Closing Drawdown Amount (the interests so purchased, the Transferred SPV Preferred Interests) and transfer the Transferred SPV Preferred Interests to the Treasury Department as part of the consideration for the Series F Preferred Stock.

If at the Closing the amount of the SPV Preferred Interests is greater than the Series F Closing Drawdown Amount (after giving effect to any distribution in respect of such interests), then any SPV Preferred Interests not transferred to the Treasury Department at the Closing will continue to be held by the FRBNY and will be senior to the Transferred SPV Preferred Interests held by the Treasury Department. In addition to the proceeds from the monetization, after the Closing, of AIG's remaining ordinary shares of AIA and the MetLife, Inc. securities received from the sale of ALICO, AIG will, subject to applicable regulatory and tax considerations, use the proceeds from any sales or dispositions of its equity interests in Nan Shan Life Insurance Company, Ltd. (Nan Shan), AIG Star Life Insurance Co. Ltd. (AIG Star) and AIG Edison Life Insurance Company (AIG Edison), all of which are classified as held for sale by AIG, and in International Lease Finance Corporation (ILFC), which is not classified as held for sale by AIG, and AIG's and its subsidiaries' interests in Maiden Lane II LLC and Maiden Lane III LLC to repay the SPV Intercompany Loans and thereby provide funds with which the SPVs may pay down the SPV Preferred Interests after the Closing.

As a result of these transactions, the SPV Preferred Interests will no longer be considered permanent equity on AIG's balance sheet, and will be classified as redeemable noncontrolling interests in partially owned consolidated subsidiaries.

Control Rights Related to the SPV Preferred Interests

Under the Master Transaction Agreement, after the Closing, the FRBNY, so long as it holds SPV Preferred Interests, and thereafter the Treasury Department so long as it holds SPV Preferred Interests (the Rights Holder) will have the right, subject to existing contractual restrictions, to require AIG to dispose of its ordinary shares of AIA and the MetLife, Inc. securities AIG received from the sale of ALICO. The consent of the Rights Holder will also be required for AIG to take specified significant actions with respect to Nan Shan, AIG Star, AIG Edison and ILFC (the Designated Entities), including initial public offerings, sales, significant acquisitions or dispositions and incurrence of significant levels of indebtedness. If any SPV Preferred Interests are outstanding at May 1, 2013, the Rights Holder will have the right to compel the sale of all or a portion of one or more of the Designated Entities on terms that it will determine.

Guarantee of SPV Intercompany Loans

The SPV Intercompany Loans will be limited recourse loans that will be secured by AIG's and certain subsidiaries' pledge of their equity interests in the Designated Entities as well as the assets of the AIA SPV and the ALICO SPV, including AIG's ordinary shares of AIA and the MetLife, Inc. securities AIG received from the sale of ALICO. The recourse on the SPV Intercompany Loans is generally limited to foreclosing on the pledged collateral, except to the extent of the fair market value of equity interests of the Designated Entities that are not able to be pledged because of regulatory or tax considerations.

Issuance of AIG's Series G Preferred Stock

Pursuant to the Master Transaction Agreement, AIG and the Treasury Department will amend and restate the Series F SPA to provide for the issuance of 20,000 shares of Series G Preferred Stock by AIG to the Treasury Department at the Closing. The right of AIG to draw on the Treasury Department Commitment (other than the Series G Closing Drawdown Right) will be terminated, and the outstanding shares of Series F Preferred Stock will be exchanged as described under Exchange of AIG's Series C, E and F Preferred Stock for AIG Common Stock below.

The Series G Preferred Stock will initially have an aggregate liquidation preference equal to the amount of funds, if any, drawn down by AIG (such amount not to exceed \$2 billion) on the Treasury Department Commitment after September 30, 2010 but before the Closing (plus an amount to reflect a dividend accrual on such drawdown amount at a rate of 5 percent per annum). From the Closing until March 31, 2012, AIG may draw funds under the Series G Drawdown Right to be used for general corporate purposes, which will increase

Table of Contents

the aggregate liquidation preference of the Series G Preferred Stock by the amount of such drawdown. AIG generally may draw down funds until the aggregate liquidation preference of the Series G Preferred Stock is an amount up to the \$2 billion that may be designated by AIG prior to the Closing. The Series G Drawdown Right will be subject to terms and conditions substantially similar to those in the Series F SPA.

Dividends on the Series G Preferred Stock will be payable on a cumulative basis at a rate per annum of 5 percent, compounded quarterly, of the aggregate liquidation preference of the Series G Preferred Stock and may be paid, at AIG's option, in cash or in increases in the liquidation preference.

The available funding under the Series G Drawdown Right that may be used for general corporate purposes will be reduced by the amount of net proceeds of future AIG equity offerings. If the FRBNY continues to hold any SPV Preferred Interests when any such net proceeds are realized, then (i) an amount will be drawn down under the Series G Drawdown Right equal to the amount of such net proceeds up to \$2 billion (or the total available amount under the Series G Drawdown Right or the amount of the SPV Preferred Interests then held by the FRBNY, if less), (ii) the amount drawn down will be used to purchase a corresponding amount of SPV Preferred Interests from the FRBNY, (iii) such SPV Preferred Interests will then be transferred to the Treasury Department to repay the drawdown in the same manner as at the Closing and (iv) the liquidation preference of the Series G Preferred Stock (as increased by the amount drawn down under clause (i)) will be reduced by an amount equal to such transferred SPV Preferred Interests. Proceeds from an equity offered in excess of the available funding under the Series G Drawdown Right are required to be used to pay down the liquidation preference of the Series G Preferred Stock.

AIG may not directly redeem the Series G Preferred Stock while the FRBNY continues to hold any SPV Preferred Interests, but AIG will have the right to use cash to repurchase a corresponding amount of SPV Preferred Interests from the FRBNY, which will then be transferred to the Treasury Department and will accordingly reduce the aggregate liquidation preference of the Series G Preferred Stock. If the FRBNY no longer holds SPV Preferred Interests, the Series G Preferred Stock will be redeemable at any time in cash at AIG's option, at a redemption price equal to the liquidation preference plus accrued and unpaid dividends.

If the FRBNY continues to hold any SPV Preferred Interests on March 31, 2012, AIG will draw down all remaining available funds under the Series G Drawdown Right to the extent of the remaining aggregate amount of those SPV Preferred Interests (or the full remaining available amount, if less). Such funds will also be used to repurchase the SPV Preferred Interests to be transferred to the Treasury Department to repay the draw as described above. If, after giving effect to the foregoing, the Series G Preferred Stock has an outstanding aggregate liquidation preference on March 31, 2012, it will be converted into a number of shares of AIG Common Stock equal to the aggregate liquidation preference plus accrued and unpaid dividends divided by the lesser of \$29.29 and 80 percent of the average volume weighted average price of the AIG Common Stock over the 30 trading days commencing immediately after the date the AIG Common Stock trades without the right to receive the warrants to be issued to holders of AIG Common Stock in connection with the Recapitalization (the Warrants), as described below.

Exchange of AIG's Series C, E and F Preferred Stock for AIG Common Stock

At the Closing, (i) the shares of the Series C Preferred Stock held by the Trust will be exchanged for 562,868,096 shares of AIG Common Stock, which will be distributed by the Trust to, and ultimately held by, the Treasury Department; (ii) the shares of the Series E Preferred Stock held by the Treasury Department will be exchanged for 924,546,133 shares of AIG Common Stock; and (iii) the shares of the Series F Preferred Stock held by the Treasury Department will be exchanged for (a) the Transferred SPV Preferred Interests (as described above), (b) newly issued shares of the Series G Preferred Stock and (c) 167,623,733 shares of AIG Common Stock. After completing the Recapitalization, the Treasury Department will hold 1,655,037,962 shares of newly issued AIG Common Stock, representing ownership of approximately 92.1 percent of the AIG Common Stock that will be

outstanding as of the Closing. After this share exchange and distribution has been completed, the Trust will terminate. AIG has agreed to exculpate and indemnify the trustees of the Trust post-Closing, to waive the right to amounts previously advanced to the Trust, to procure insurance to provide the trustees not less than \$250 million of insurance coverage and to obtain an irrevocable standby letter of credit,

Table of Contents

reasonably acceptable to the trustees of the Trust, in the amount of \$5.2 million for the purpose of indemnifying and reimbursing such trustees to the extent such costs and expenses are not covered or timely paid pursuant to AIG's indemnity.

AIG will enter into the Registration Rights Agreement, which grants the Treasury Department registration rights with respect to the shares of AIG Common Stock issued at the Closing, including:

the right to participate in any registered offering of AIG Common Stock by AIG after the Closing;

the right to demand no more than twice in any 12-month period that AIG effect a registered marketed offering of its shares after the earlier of August 15, 2011 or the date of AIG's completion of a primary equity offering;

the right to engage in at-the-market offerings; and

the right to approve the terms and conditions of any registered offering in which it participates until its ownership falls below 33 percent of AIG's voting securities.

AIG will have the right to

raise up to \$3 billion (and up to an additional \$4 billion with the consent of the Treasury Department) by August 15, 2011 in a registered primary offering; and

in the case that events at AIG's insurance subsidiaries are projected to cause the parent company's aggregate liquidity (cash, cash equivalents and commitments of credit, but not the Treasury Commitment) to be projected to fall below \$8 billion within 12 months of the date of determination that such an event at an AIG insurance subsidiary has occurred, raise the greater of \$2 billion and the amount of the deficit.

Until the Treasury Department's ownership of AIG's voting securities falls below 33 percent, the Treasury Department will have complete control over the terms, conditions and pricing of any offering in which it participates, including any primary offering by AIG. As a result, although AIG has the right to conduct two primary offerings per year, the Treasury Department may decide to participate in those offerings, and to prevent AIG from selling any equity securities. AIG is required to pay all expenses of any registration of shares by the Treasury Department and all underwriting discounts and commissions up to one percent incurred by the Treasury Department.

The issuance of AIG Common Stock in connection with the exchange for the Series C Preferred Stock, the Series E Preferred Stock and the Series F Preferred Stock will significantly affect the determination of net income attributable to common shareholders and the weighted average shares outstanding, both of which are used to compute earnings per share.

Issuance to AIG's Common Shareholders of Warrants to Purchase AIG Common Stock

Shortly after the Closing, AIG will issue to the holders of record of AIG Common Stock immediately prior to the Closing, by means of a dividend, 10-year Warrants to purchase up to 75 million shares of AIG Common Stock in the aggregate at an exercise price of \$45.00 per share. None of the Trust, the Treasury Department or the FRBNY will receive Warrants.

The Treasury Department's Outstanding Warrants

The outstanding warrants currently held by the Treasury Department will remain outstanding following the Recapitalization but no adjustment will be made to the terms of the warrants as a result of the Recapitalization.

Conditions to Closing of the Recapitalization

Among other closing conditions, it is a condition to the Closing that the FRBNY will not hold SPV Preferred Interests with an aggregate liquidation preference in excess of \$2 billion immediately after the

Table of Contents

Closing. Additionally, the financial condition of AIG and certain of its key subsidiaries, taking into account the Recapitalization and the credit rating profiles of such entities, must be reasonably acceptable to the parties to the Master Transaction Agreement and AIG must have in place at the Closing third-party financing commitments that are reasonably acceptable to AIG, the Treasury Department and the FRBNY. Further, AIG must have achieved its year-end 2010 targets for the de-risking of AIG Financial Products Corp., and the trustees of the Trust must be reasonably satisfied with the insurance and indemnification arrangements provided to them in connection with the Recapitalization. The Closing may also be subject to regulatory approvals in certain jurisdictions. Any of the parties may terminate the Master Transaction Agreement if the Recapitalization is not completed by March 15, 2011.

The closing of the Recapitalization is subject to various risks and uncertainties. Even though the Master Transaction Agreement has been executed, numerous factors, many of which are outside of AIG's control, could impair its ability to implement or complete the Recapitalization. In particular, AIG's ability to effect the Recapitalization will be subject to a number of conditions, including regulatory approvals, third-party approvals and satisfactory rating profiles from rating agencies. The Recapitalization could be adversely affected by, among other things:

an inability to secure third-party financing commitments;

declines in AIG asset values or deterioration in its businesses; and

an inability to obtain necessary regulatory approvals or third-party consents for the proposed transactions.

No assurance can be given that AIG will be able to meet the conditions to the completion of the Recapitalization or to otherwise successfully implement the Recapitalization.

The complexity of executing the Recapitalization, combined with the challenges of operating its businesses in the current environment, could place further stress on AIG's internal controls, increase its costs and divert the attention of its management and employees from their normal duties, all of which may adversely affect AIG's business, both in terms of operations and ability to focus on and retain customers.

If AIG is not able to complete the Recapitalization, it is unclear how AIG's businesses, operations and liquidity will be affected. A failure to complete the Recapitalization could result in, among other things, a reduced level of support from the U.S. government, ratings downgrades, inability to access the capital markets and a loss in confidence in AIG by customers. As a result, a failure to complete the Recapitalization could have a material adverse effect on AIG's businesses, operations and liquidity.

The issuance of the shares of AIG Common Stock to the Treasury Department may have adverse consequences for AIG and its subsidiaries with regulators and contract counterparties. The issuance of the shares of AIG Common Stock to the Treasury Department may result in a change of control of AIG. A change of control of AIG triggers notice, approval and/or other regulatory requirements in many of the more than 130 countries and jurisdictions in which AIG and its subsidiaries operate. In light of the large number of jurisdictions in which AIG and its subsidiaries operate and the complexity of assessing and addressing the regulatory requirements in each of the relevant jurisdictions, AIG may be unable to obtain all regulatory consents or approvals that may be required in connection with the Recapitalization.

AIG and its subsidiaries are also parties to various contracts and other agreements that may be affected by a change of control of AIG.

As a result of the issuance of the shares of AIG Common Stock to the Treasury Department, the Treasury Department will become AIG's controlling stockholder. Upon completion of the Recapitalization, the Treasury Department will be

able, to the extent permitted by law, to control a vote of AIG shareholders on substantially all matters, including:

approval of mergers or other business combinations;

a sale of all or substantially all of AIG's assets;

Table of Contents

issuance of any additional AIG Common Stock or other equity securities; and

other matters that might be favorable to the Treasury Department, but not to AIG's other shareholders.

Moreover, the Treasury Department's ability to cause or prevent a change in control of AIG could also have an adverse effect on the market price of AIG Common Stock.

The Treasury Department may also, subject to applicable securities laws, transfer all, or a portion of, the AIG Common Stock to another person or entity and, in the event of such a transfer, that person or entity could become AIG's controlling shareholder. The Treasury Department's rights under the Registration Rights Agreement described above may be assigned to any person purchasing over \$500 million of AIG Common Stock.

Possible future sales of AIG Common Stock by the Treasury Department could adversely affect the market for AIG Common Stock. AIG has granted the Treasury Department the registration rights described above. Although AIG can make no prediction as to the effect, if any, that sales by the Treasury Department would have on the market price of AIG Common Stock, sales of substantial amounts of AIG Common Stock, or the perception that such sales could occur, could adversely affect the market price of AIG Common Stock.

Effective Date of Issuance

Under Rule 14c-2 promulgated under the Exchange Act, the Issuance may not be effected until at least December 30, 2010, 20 calendar days after the date this Notice and Information Statement was first mailed or transmitted to shareholders. The Issuance will occur simultaneously with the Closing. AIG currently expects the Closing to occur on or about December 31, 2010 or on such date thereafter when all conditions to the Closing have been satisfied or waived.

Table of Contents**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF****AIG Common Stock**

The following table contains information regarding the only persons who, to the knowledge of AIG, beneficially own more than five percent of AIG Common Stock outstanding as of December 7, 2010.

| Name and Address | Shares of Common Stock Beneficially Owned | |
|--|--|------------|
| | Number | Percent |
| Fairholme Capital Management, L.L.C.; Fairholme Funds, Inc.; Bruce R. Berkowitz (collectively, Fairholme)(1) 4400 Biscayne Boulevard 9th Floor Miami, FL 33137 | 39,990,099 | 28.558%(2) |
| C.V. Starr & Co., Inc.; Edward E. Matthews; Maurice R. Greenberg; Starr International Company, Inc.; Universal Foundation, Inc.; (collectively, the Starr Group)(3) 399 Park Avenue 17th Floor New York, NY 10022(4) | 14,111,480 | 10.077% |

- (1) Based on a Schedule 13D as amended through November 18, 2010 filed by each member of Fairholme (the Fairholme Schedule 13D), the members of Fairholme specifically disclaim beneficial ownership in the shares of AIG Common Stock reported in the Fairholme Schedule 13D except to the extent of their pecuniary interest therein. Item 5 to the Fairholme Schedule 13D provides details as to the voting and investment power of each member of Fairholme. All information provided with respect to Fairholme is provided based solely on the information set forth in the Fairholme Schedule 13D. This information has not been updated to reflect changes in the ownership by the members of Fairholme of AIG Common Stock that are disclosed in filings made by one or more members of Fairholme under Section 16 of the Exchange Act. In each case, this information may not be accurate or complete and AIG takes no responsibility therefor and makes no representation as to its accuracy or completeness as of the date hereof or any subsequent date.
- (2) Based on the shares of AIG Common Stock outstanding at December 7, 2010, these ownership interests would represent approximately 28.558 percent of AIG Common Stock for Fairholme Capital Management, L.L.C. and Mr. Berkowitz and 25.773 percent of AIG Common Stock for Fairholme Funds, Inc.
- (3) Based on a Schedule 13D as amended through March 17, 2010 filed by each member of the Starr Group (the Starr Group Schedule 13D), the members of the Starr Group do not affirm the existence of a group. Each of the Maurice R. and Corinne P. Greenberg Family Foundation, Inc., the Maurice R. and Corinne P. Greenberg Joint Tenancy Company, LLC and C.V. Starr & Co. Inc. Trust no longer has the power to vote or direct the disposition of any shares of AIG Common Stock. Item 5 to the Schedule 13D dated June 5, 2009 filed by each member of the Starr Group provides details as to the voting and investment power of each member of the Starr Group, as well as the right of each other member of the Starr Group to acquire AIG Common Stock within 60 days. All information provided with respect to the Starr Group is provided based solely on the information set forth in the

Starr Group Schedule 13D. This information has not been updated to reflect changes in the ownership by the members of the Starr Group of AIG Common Stock that are disclosed in filings made by one or more members of the Starr Group under Section 16 of the Exchange Act. In each case, this information may not be accurate or complete and AIG takes no responsibility therefor and makes no representation as to its accuracy or completeness as of the date hereof or any subsequent date.

- (4) This is the principal office for all individuals and entities in the Starr Group, other than Starr International Company, Inc., which has a principal office at Baarerstrasse 101, CH-6300 Zug, Switzerland; and the Universal Foundation, which has a principal office at Mercury House, 101 Front Street, Hamilton HM 12, Bermuda.

Table of Contents

AIG's Series C Preferred Stock

The trustees of the Trust, c/o Kevin F. Barnard, Arnold & Porter LLP, 399 Park Avenue, New York, New York 10022, hold all of the 100,000 shares outstanding of AIG's Series C Preferred Stock.

INTEREST OF CERTAIN PERSONS IN MATTER TO BE ACTED UPON

AIG is controlled by the Trust, which was established for the sole benefit of the United States Treasury. The interests of the Trust and the United States Treasury may not be the same as the interests of AIG's other shareholders. As a result of its ownership, the Trust is able, subject to the terms of the AIG Credit Facility Trust Agreement, dated as of January 16, 2009 (as it may be amended from time to time, the Trust Agreement), and the Series C Preferred Stock, to elect all of AIG's directors (other than directors elected by the Series E Preferred Stock and the Series F Preferred Stock) and can, to the extent permitted by law, control the vote on substantially all matters, including:

- approval of mergers or other business combinations;
- a sale of all or substantially all of AIG's assets;
- issuance of any additional shares of AIG Common Stock or other equity securities; and
- other matters that might be favorable to the United States Treasury.

The Issuance has been approved by the Board. AIG's directors and executive officers do not hold shares of the Series C Preferred Stock, Series E Preferred Stock or Series F Preferred Stock and will not hold shares of the Series G Preferred Stock. Certain of AIG's directors and executive officers hold shares of AIG Common Stock. As a result, each director and executive officer who holds shares of AIG Common Stock will be eligible to receive Warrants under the Recapitalization along with other holders of shares of AIG Common Stock.

DELIVERY OF DOCUMENTS TO SHAREHOLDERS SHARING AN ADDRESS

Only one copy of this Information Statement is being delivered to multiple shareholders who share a single address, unless AIG has received contrary instructions from any shareholder at that address. This practice, known as householding, is designed to reduce printing and postage costs. However, if any shareholder residing at such address wishes to receive a separate copy of this Information Statement, he or she may contact the AIG Director of Investor Relations at 180 Maiden Lane, New York, New York 10038, 212-770-6293, and AIG will deliver this document to such shareholder promptly upon receiving the request.

Any such shareholder may also contact the AIG Director of Investor Relations if he or she would like to receive separate shareholder materials and annual reports in the future. If a shareholder receives multiple copies of AIG's proxy materials, he or she may request householding in the future by contacting the AIG Director of Investor Relations.

Table of Contents

INDEX OF APPENDICES AND ANNEXES

| | |
|--------------|--|
| Appendix A | Written Consent |
| Appendix B-1 | Master Transaction Agreement, dated as of December 8, 2010, among American International Group, Inc., ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York, the United States Department of the Treasury and the AIG Credit Facility Trust |
| Appendix B-2 | Form of the Amended and Restated Purchase Agreement, among American International Group, Inc., the United States Department of the Treasury and the Federal Reserve Bank of New York |
| Appendix B-3 | Form of Registration Rights Agreement, between American International Group, Inc. and the United States Department of the Treasury |
| Appendix C-1 | Merrill Lynch, Pierce, Fenner & Smith Incorporated Fairness Opinion |
| Appendix C-2 | Citigroup Global Markets Inc. Fairness Opinion |
| Appendix D | Letter to the Government Repayment Committee of the Board of Directors of AIG, from Rothschild Inc. |
| Annex 1 | Annual Report on Form 10-K for the year ended December 31, 2009 (certain exhibits omitted) |
| Annex 2 | Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (certain exhibits omitted) |
| Annex 3 | Current Report on Form 8-K filed on November 5, 2010 (SEC Accession No. 0001047469-10-009326) (certain exhibits omitted) |
| Annex 4 | Current Report on Form 8-K filed on November 16, 2010 |

Table of Contents

Appendix A

Written Consent

A-1

Table of Contents

AMERICAN INTERNATIONAL GROUP, INC.

**Written Consent in Lieu of
a Special Meeting of Shareholders**

The undersigned (the **Trust**), being the sole holder of all the 100,000 outstanding shares of Series C Perpetual, Convertible, Participating Preferred Stock (the **Series C Preferred Stock**) of American International Group, Inc., a Delaware corporation (the **Corporation**), representing approximately 79.75 percent of the voting power of the Corporation's shareholders entitled to vote on any particular matter, pursuant to Section 228 of the General Corporation Law of the State of Delaware (**DGCL**) and the Corporation's by-laws, hereby waives notice and the holding of a formal special meeting, and hereby, in its capacity as the sole holder of the Series C Preferred Stock, consents to and adopts the following resolutions, which resolutions shall be deemed to be adopted as of the date hereof to the same extent and with the same force and effect as if such resolutions were duly adopted by the shareholders of the Corporation at a duly convened special meeting held for such purpose, and directs that this Written Consent be filed with the minutes of the proceedings of the shareholders of the Corporation:

WHEREAS, the Corporation entered into an agreement in principle (the **Agreement in Principle**) with the United States Department of the Treasury (the **Treasury Department**), the Federal Reserve Bank of New York (the **FRBNY**) and the undersigned regarding a series of integrated transactions (the **Recapitalization**) to recapitalize the Corporation, including the repayment of all amounts owed under, and the termination of, the Credit Agreement, dated as of September 22, 2008 (as amended, the **Credit Agreement**), between the Corporation and the FRBNY;

WHEREAS, the parties to the Agreement in Principle have been negotiating and expect to enter into a Master Transaction Agreement among the Corporation, ALICO Holdings LLC, AIA Aurora LLC, the FRBNY, the Treasury Department and the Trust (the **Master Transaction Agreement**), attached to which are certain exhibits, including the form of the Amended and Restated Purchase Agreement among the Corporation, the Treasury Department and the FRBNY, that will supersede the Agreement in Principle;

WHEREAS, in connection with the Recapitalization, the Corporation has agreed in principle to issue shares of the Corporation's common stock, par value \$2.50 per share (**Common Stock**), as follows: (i) 562,868,096 shares of Common Stock to the Trust in exchange for all the outstanding shares of the Series C Preferred Stock, (ii) 924,546,133 shares of Common Stock to the Treasury Department in exchange for all the outstanding shares of the Corporation's Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share, and (iii) 167,623,733 shares of Common Stock to the Treasury Department as partial consideration in exchange for the outstanding shares of the Corporation's Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (the **Series F Preferred Stock**) (collectively, the **Common Stock Issuance**);

WHEREAS, in connection with the Recapitalization, the Corporation has agreed in principle to issue 20,000 shares of a new series of preferred stock designated as Series G Cumulative Mandatory Convertible Preferred Stock (the **Series G Preferred Stock**) to the Treasury Department (together with the Common Stock Issuance, the **Issuance**) as partial consideration in exchange for the outstanding shares of Series F Preferred Stock;

WHEREAS, on March 31, 2012, the Series G Preferred Stock will automatically convert into a variable number of shares of Common Stock in accordance with its terms;

WHEREAS, the Corporation has determined that (i) pursuant to Section 312.03 of the New York Stock Exchange Listed Company Manual, approval of the holders of the issued and outstanding shares of the Common Stock and the Series C Preferred Stock, voting together as a single class, is required prior to the Issuance and (ii) the Written Consent, pursuant to the rules of the New York Stock Exchange, is sufficient to approve the Issuance and satisfy

Section 312.03;

A-2

Table of Contents

WHEREAS, the officers of the Corporation have requested the undersigned to sign this Written Consent to authorize the Issuance, on behalf of the holders of the Common Stock and the Series C Preferred Stock, voting together as a single class, and the undersigned is willing to so sign this Written Consent; and

WHEREAS, the Corporation and the undersigned desire that the actions taken by this Written Consent become effective at the later of (i) 20 days after the Notice and Information Statement in connection with the Issuance is first mailed or transmitted to the Corporation's shareholders and (ii) the closing of the Recapitalization pursuant to the Master Transaction Agreement;

NOW, THEREFORE, BE IT:

RESOLVED, that the Issuance is hereby approved, subject to the closing of the Recapitalization pursuant to the Master Transaction Agreement; and

FURTHER RESOLVED, that the actions taken by this Written Consent shall not be effective until the later of (i) 20 days after the Notice and Information Statement in connection with the Issuance is first mailed or transmitted to shareholders and (ii) the closing of the Recapitalization pursuant to the Master Transaction Agreement.

The action taken by this Written Consent shall have the same force and effect as if taken at a meeting of holders of all outstanding shares of the Series C Preferred Stock and Common Stock, duly called and constituted pursuant to the DGCL and the Corporation's by-laws.

This Written Consent may be executed in any number of counterparts, each of which will be deemed to constitute an original, but all of which together shall be deemed to constitute one and the same instrument.

[Signature page follows]

A-3

Table of Contents

IN WITNESS WHEREOF, the Trust, being the sole holder of the Series C Preferred Stock, has executed this Written Consent.

AIG CREDIT FACILITY TRUST,
a trust established for the sole benefit of
the United States Treasury

Name: Jill M. Considine
By: /s/ Jill M. Considine
Title: Trustee

Dated: December 7, 2010

Name: Chester B. Feldberg
By: /s/ Chester B. Feldberg
Title: Trustee

Dated: December 7, 2010

Name: Peter A. Langerman
By: /s/ Peter A. Langerman
Title: Trustee

Dated: December 7, 2010

A-4

Table of Contents

Appendix B-1

Master Transaction Agreement, dated as of December 8, 2010, among American International Group, Inc., ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York, the United States Department of the Treasury and the AIG Credit Facility Trust

B-1-1

Table of Contents

MASTER TRANSACTION AGREEMENT
dated as of
December 8, 2010
among
AMERICAN INTERNATIONAL GROUP, INC.,
ALICO HOLDINGS LLC,
AIA AURORA LLC,
FEDERAL RESERVE BANK OF NEW YORK,
UNITED STATES DEPARTMENT OF THE TREASURY
and
AIG CREDIT FACILITY TRUST

Table of Contents**TABLE OF CONTENTS**

| | Page |
|--|------|
| ARTICLE 1 | |
| Definitions | |
| Section 1.01. <i>Definitions</i> | 2 |
| Section 1.02. <i>Other Definitional and Interpretative Provisions</i> | 24 |
| ARTICLE 2 | |
| The Closing | |
| Section 2.01. <i>Closing</i> | 24 |
| Section 2.02. <i>Order of Completion of Transactions</i> | 25 |
| Section 2.03. <i>Closing Deliverables</i> | 26 |
| ARTICLE 3 | |
| Repayment of FRBNY Credit Facility; SPV Intercompany Loans; SPV Capital Contributions | |
| Section 3.01. <i>Repayment of FRBNY Credit Facility; Termination of FRBNY Credit Facility</i> | 28 |
| Section 3.02. <i>Designated Cash Proceeds Received Prior to Closing</i> | 29 |
| Section 3.03. <i>SPV Intercompany Loans; Waiver Agreement</i> | 31 |
| Section 3.04. <i>SPV Capital Contributions</i> | 33 |
| ARTICLE 4 | |
| Exchange of Securities | |
| Section 4.01. <i>Series G Drawdown Right; Series F Closing Drawdown Amount</i> | 33 |
| Section 4.02. <i>Purchase of AIA/ALICO Preferred Units</i> | 34 |
| Section 4.03. <i>Subordination of UST Held Preferred Units</i> | 35 |
| Section 4.04. <i>Amendment and Restatement of Existing Series F Purchase Agreement; Series G Certificate of Designations</i> | 36 |
| Section 4.05. <i>Exchange of Series C Preferred Stock; Termination of Trust</i> | 36 |
| Section 4.06. <i>Exchange of Series E Preferred Stock</i> | 36 |
| Section 4.07. <i>Cancellation of Preferred Shares</i> | 37 |
| Section 4.08. <i>Legends</i> | 37 |
| ARTICLE 5 | |
| Representations and Warranties of AIG | |
| Section 5.01. <i>Organization, Authority and Significant Subsidiaries</i> | 38 |
| Section 5.02. <i>Capitalization</i> | 38 |
| Section 5.03. <i>AIG Common Stock Issued in the Recapitalization; Series G Preferred Stock</i> | 39 |
| Section 5.04. <i>Warrants</i> | 40 |

Table of Contents

| | Page |
|--|------|
| Section 5.05. <i>Authorization, Enforceability</i> | 40 |
| Section 5.06. <i>Non-contravention</i> | 41 |
| Section 5.07. <i>Governmental Authorization</i> | 42 |
| Section 5.08. <i>Anti-takeover Provisions and Rights Plan</i> | 42 |
| Section 5.09. <i>Absence of Changes</i> | 42 |
| Section 5.10. <i>AIG Financial Statements</i> | 42 |
| Section 5.11. <i>Solvency</i> | 43 |
| Section 5.12. <i>Reports</i> | 43 |
| Section 5.13. <i>AIG Information Statement</i> | 44 |
| Section 5.14. <i>No Undisclosed Liabilities</i> | 44 |
| Section 5.15. <i>Offering of Securities</i> | 44 |
| Section 5.16. <i>Litigation and Other Proceedings</i> | 44 |
| Section 5.17. <i>Compliance with Laws</i> | 45 |
| Section 5.18. <i>Employee Benefit Matters</i> | 45 |
| Section 5.19. <i>Taxes</i> | 46 |
| Section 5.20. <i>Properties and Leases</i> | 47 |
| Section 5.21. <i>Environmental Liability</i> | 47 |
| Section 5.22. <i>Risk Management Instruments</i> | 47 |
| Section 5.23. <i>Agreements with Regulatory Agencies</i> | 48 |
| Section 5.24. <i>Insurance</i> | 48 |
| Section 5.25. <i>Intellectual Property</i> | 48 |
| Section 5.26. <i>Brokers and Finders</i> | 49 |
| ARTICLE 6 AIG Governance Related Matters | |
| Section 6.01. <i>Financial Statements, Reports, Etc.</i> | 49 |
| Section 6.02. <i>Litigations and Other Notices</i> | 52 |
| Section 6.03. <i>Affirmative Obligations Relating to Executive Compensation</i> | 53 |
| Section 6.04. <i>Other Affirmative Obligations of AIG</i> | 55 |
| Section 6.05. <i>UST Board Observer Rights</i> | 57 |
| Section 6.06. <i>FRBNY Board-Level Information Rights</i> | 58 |
| ARTICLE 7 AIA SPV and ALICO SPV Related Matters | |
| Section 7.01. <i>Qualifying Events</i> | 58 |
| Section 7.02. <i>Control Based and Other Restrictions</i> | 59 |
| Section 7.03. <i>Consent, Demand and Other Rights</i> | 60 |
| Section 7.04. <i>SPV Capital Contributions and ALICO Indemnity Capital Contributions</i> | 64 |
| Section 7.05. <i>Affiliate Definition</i> | 64 |
| Section 7.06. <i>AIA and ALICO Business</i> | 64 |
| Section 7.07. <i>References to the Trust</i> | 65 |
| Section 7.08. <i>Confidentiality and Jurisdiction Provisions</i> | 65 |
| Section 7.09. <i>MetLife Purchase Price Adjustments and Indemnity</i> | 66 |
| Section 7.10. <i>Additional Provisions Relating to SPV Intercompany Loans</i> | 68 |

Table of Contents

| | Page |
|---|------|
| ARTICLE 8 | |
| Designated Entity Related Matters | |
| Section 8.01. <i>Designated Entity Consent Rights</i> | 70 |
| Section 8.02. <i>Designated Entity Outlook Plan and Material Developments</i> | 74 |
| Section 8.03. <i>Nan Shan Liquidity Rights</i> | 75 |
| Section 8.04. <i>Star-Edison Liquidity Rights</i> | 75 |
| Section 8.05. <i>Maiden Lane III Upstream Obligations</i> | 75 |
| Section 8.06. <i>Compelled Monetization Rights</i> | 75 |
| Section 8.07. <i>Public Offerings</i> | 76 |
| Section 8.08. <i>Relationship to FRBNY Credit Facility</i> | 77 |
| Section 8.09. <i>Limitation on Designated Entity Rights</i> | 77 |
| ARTICLE 9 | |
| Other Covenants | |
| Section 9.01. <i>Interim Operating Covenants</i> | 77 |
| Section 9.02. <i>Stockholder Action by Written Consent; AIG Information Statement</i> | 78 |
| Section 9.03. <i>Consummation of Recapitalization; Filings; Consents</i> | 78 |
| Section 9.04. <i>Issuance of Warrants</i> | 79 |
| Section 9.05. <i>Certain Notifications</i> | 79 |
| Section 9.06. <i>Expenses</i> | 80 |
| Section 9.07. <i>Indemnity</i> | 81 |
| Section 9.08. <i>Exculpation, Indemnification and Expenses of the Trust and the Trustees</i> | 82 |
| Section 9.09. <i>Trust Policy and Letter of Credit</i> | 85 |
| Section 9.10. <i>Trust Consent</i> | 86 |
| Section 9.11. <i>Waiver Agreement</i> | 86 |
| Section 9.12. <i>Effect on Agreement in Principle</i> | 86 |
| Section 9.13. <i>Stock Exchange Listing</i> | 86 |
| Section 9.14. <i>Obligations of the SPVs</i> | 87 |
| Section 9.15. <i>Certain Transactions</i> | 87 |
| Section 9.16. <i>Confidentiality</i> | 87 |
| ARTICLE 10 | |
| Conditions to the Recapitalization | |
| Section 10.01. <i>Conditions to the Obligations of Each Party</i> | 87 |
| Section 10.02. <i>Conditions to the Obligations of the FRBNY, the UST and the Trust</i> | 89 |
| Section 10.03. <i>Additional Condition to the Obligations of the FRBNY</i> | 90 |
| Section 10.04. <i>Additional Condition to the Obligations of the FRBNY, the UST, AIG and the SPVs</i> | 90 |
| Section 10.05. <i>Additional Condition to the Obligations of AIG and the SPVs</i> | 90 |
| Section 10.06. <i>Additional Conditions to the Obligations of the Trust</i> | 90 |

Table of Contents

| | Page |
|---|--|
| ARTICLE 11 | |
| Termination | |
| Section 11.01. <i>Termination</i> | 91 |
| Section 11.02. <i>Effect of Termination</i> | 92 |
| ARTICLE 12 | |
| Miscellaneous | |
| Section 12.01. <i>Notices</i> | 92 |
| Section 12.02. <i>Survival of Representations and Warranties</i> | 94 |
| Section 12.03. <i>Amendments and Waivers</i> | 94 |
| Section 12.04. <i>Waiver of Conditions</i> | 94 |
| Section 12.05. <i>AIG Disclosure Schedule</i> | 95 |
| Section 12.06. <i>Binding Effect; Benefit; Assignment</i> | 95 |
| Section 12.07. <i>Governing Law; Submission to Jurisdiction; Service of Process</i> | 95 |
| Section 12.08. <i>WAIVER OF JURY TRIAL</i> | 96 |
| Section 12.09. <i>Counterparts; Effectiveness</i> | 96 |
| Section 12.10. <i>Entire Agreement</i> | 96 |
| Section 12.11. <i>Severability</i> | 96 |
| Section 12.12. <i>Specific Performance</i> | 97 |
| Section 12.13. <i>No Waiver of Attorney-Client, Work Product or Other Privilege</i> | 97 |
| EXHIBITS | |
| Exhibit A | Form of Amended and Restated Purchase Agreement |
| Exhibit B | Form of Intercompany Guarantee and Pledge Agreement |
| Exhibit C | Form of AIA Aurora LLC Intercompany Loan Agreement |
| Exhibit D | Form of ALICO Holdings LLC Intercompany Loan Agreement |
| Exhibit E | Form of Registration Rights Agreement |
| Exhibit F | Form of Warrant Agreement |
| Exhibit G | Form of Warrant Letter Agreement |
| Exhibit H | Form of Payoff Letter |
| Exhibit I | Trust Written Consent |

Table of Contents

MASTER TRANSACTION AGREEMENT

MASTER TRANSACTION AGREEMENT (this **Agreement**) dated as of December 8, 2010 among American International Group, Inc. (**AIG**), ALICO Holdings LLC (the **ALICO SPV**), AIA Aurora LLC (the **AIA SPV** and, together with the ALICO SPV, the **SPVs**), the Federal Reserve Bank of New York (the **FRBNY**), the United States Department of the Treasury (the **UST**) and the Trust (as defined below).

WITNESSETH:

WHEREAS, the parties hereto have mutually agreed to effect a series of integrated transactions as described herein and in the other Transaction Documents to recapitalize AIG (collectively, the **Recapitalization**) that would result in, among other things, (i) the full repayment of all remaining principal, accrued and unpaid interest, fees and other amounts owing under the FRBNY Credit Facility, (ii) the transfer, through a series of exchanges with AIG, of all or a substantial portion of the preferred interests held by the FRBNY in the ALICO SPV and AIA SPV to the UST and the facilitation of the orderly repayment and retirement of such preferred interests (including, if applicable, any remaining preferred interests held by the FRBNY) following the Closing, (iii) the exchange of the Series E Preferred Stock and Series F Preferred Stock held by the UST and the Series C Preferred Stock held by the Trust for shares of AIG Common Stock and, in the case of the Series F Preferred Stock, certain other securities, (iv) the exchange of up to \$2 billion of AIG's right to draw up to approximately \$22.3 billion under the UST's existing commitment relating to the Series F Preferred Stock for the right to draw up to \$2 billion for general corporate purposes after the Closing under a new commitment by the UST relating to the Series G Preferred Stock and (v) the issuance, after the Closing, of warrants to purchase shares of AIG Common Stock to the holders of AIG Common Stock prior to the Closing, in each case, upon the terms and subject to the conditions set forth herein and in the other Transaction Documents; and

WHEREAS, the parties recognize that the purposes of the Recapitalization are (i) to facilitate the full repayment of the FRBNY and the UST for the financial assistance provided to AIG by the FRBNY and the UST since September 2008 and (ii) to promote AIG's transition from a majority government owned and supported entity to a financially sound and independent entity.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

Table of Contents

ARTICLE 1

Definitions

Section 1.01. *Definitions.* (a) As used herein, the following terms have the following meanings:

Affiliate means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided, however*, that (i) none of AIG or any of its Subsidiaries will be treated as Affiliates of the FRBNY, the UST, the Trust or the Trustees, (ii) none of AIG or any of its Affiliates, on the one hand, or the FRBNY, the UST, the Trust and the Trustees or any of their respective Affiliates, on the other, shall be deemed an Affiliate of the other such Person(s) and (iii) neither the FRBNY nor the UST shall be deemed an Affiliate of the other such Person. For purposes of this definition, control (including, with correlative meanings, the terms controlled by and under common control with), when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of the management and/or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

Aggregate AIA/ALICO Liquidation Preference means, at any time, the sum of the AIA Liquidation Preference and ALICO Liquidation Preference as of such time.

AIA/ALICO Majority Preferred Members means, at any time, the AIA/ALICO Preferred Member(s) (other than the FRBNY, the UST and any Permitted Transferee (as such term is defined in the relevant SPV LLC Agreement)) that own AIA/ALICO Preferred Units representing more than fifty percent (50%) of the then Aggregate AIA/ALICO Liquidation Preference of all AIA/ALICO Preferred Units.

AIA/ALICO Preferred Interests means the AIA Preferred Interests and ALICO Preferred Interests.

AIA/ALICO Preferred Members means the AIA Preferred Members and ALICO Preferred Members.

AIA/ALICO Preferred Participating Return means, in the case of each SPV, the Preferred Participating Return as defined in the relevant SPV LLC Agreement.

AIA/ALICO Preferred Redemption means, in the case of the AIA SPV, the Preferred Redemption (as such term is defined in the AIA SPV LLC Agreement) and, in the case of the ALICO SPV, the Senior Preferred Redemption and the Junior Preferred Redemption (as such terms are defined in the ALICO SPV LLC Agreement).

Table of Contents

AIA/ALICO Preferred Units means the AIA Preferred Units and ALICO Preferred Units.

AIA/ALICO Preferred Units Aggregate Amount means, as of any time, the sum of the AIA Preferred Units Aggregate Amount, the ALICO Junior Preferred Units Aggregate Amount and the ALICO Senior Preferred Units Aggregate Amount.

AIA/ALICO Preferred Unit Amounts means, as of any time, the AIA Preferred Unit Amount, the ALICO Junior Preferred Unit Amount and the ALICO Senior Preferred Amount, as the case may be.

AIA means AIA Group Limited, a Hong Kong limited liability company.

AIA Liquidation Preference has the meaning ascribed to **Liquidation Preference** in the AIA SPV LLC Agreement.

AIA Preferred Interests has the meaning ascribed to **Preferred Interests** in the AIA SPV LLC Agreement.

AIA Preferred Member has the meaning ascribed to **Preferred Member** in the AIA SPV LLC Agreement.

AIA Preferred Unit Amount means, as of any time, an amount per AIA Preferred Unit equal to the AIA Preferred Units Aggregate Amount divided by 16,000.

AIA Preferred Units has the meaning ascribed to **Preferred Units** in the AIA SPV LLC Agreement.

AIA Preferred Units Aggregate Amount means, as of any time, an amount equal to (i) \$16,676,363,790.03, *plus* (ii) the Preferred Return (as defined in the AIA SPV LLC Agreement) earned on the AIA Preferred Units from September 30, 2010 to immediately prior to such time, *minus* (iii) the SPV Distributions received by the holder(s) of the AIA Preferred Units since the date hereof and prior to such time.

AIA SPV Intercompany Loan Agreement means the AIA Aurora LLC Intercompany Loan Agreement dated as of the Closing Date between AIG and the AIA SPV, substantially in the form of Exhibit C.

AIA SPV LLC Agreement means the Fourth Amended and Restated Limited Liability Company Agreement of the AIA SPV dated as of December 1, 2009.

AIG Common Stock means the common stock, \$2.50 par value per share, of AIG.

Table of Contents

AIG Disclosure Schedule means the disclosure schedule dated the date hereof regarding this Agreement that has been provided by AIG to the FRBNY, the UST and the Trust.

AIGFP means AIG Financial Products Corp., a Delaware corporation.

AIG Material Adverse Effect means a material adverse effect on (i) the business, results of operation or financial condition of AIG and its consolidated Subsidiaries taken as a whole; *provided, however*, that AIG Material Adverse Effect shall not be deemed to include the effects of (a) changes after the date hereof in general business, economic, political or market conditions (including changes generally in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities or credit markets), or any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, in each case generally affecting the industries or jurisdictions in which AIG and its Subsidiaries operate, (b) changes or proposed changes after the date hereof in GAAP in the United States or regulatory accounting requirements, or authoritative interpretations thereof, (c) changes or proposed changes after the date hereof in securities, insurance and other Laws of general applicability or related policies or interpretations of Governmental Entities, (d) actions required to be taken under the Transaction Documents or taken with the prior written consent of the applicable parties hereto or thereto after the date hereof, (e) changes in the market price or trading volume of the AIG Common Stock, or any other equity, equity-related or debt securities of AIG or its consolidated Subsidiaries (it being understood and agreed that the exception set forth in this clause (e) does not apply to the underlying reason giving rise to or contributing to any such change); *provided that*, in the case of each of clauses (a), (b) and (c), other than changes or occurrences to the extent that such changes or occurrences have had or would reasonably be expected to have a materially disproportionate adverse effect on AIG and its consolidated Subsidiaries taken as a whole relative to comparable insurance or financial services organizations or (ii) the ability of AIG to consummate the transactions contemplated by this Agreement and the other Transaction Documents and perform (or cause to be performed) its obligations hereunder and thereunder on a timely basis.

ALICO means American Life Insurance Company, a Delaware corporation.

ALICO Junior Liquidation Preference has the meaning ascribed to Junior Liquidation Preference in the ALICO SPV LLC Agreement.

ALICO Junior Preferred Unit Amount means, as of any time, an amount per ALICO Junior Preferred Unit equal to the ALICO Junior Preferred Units Aggregate Amount divided by 8,000.

Table of Contents

ALICO Junior Preferred Units has the meaning ascribed to Junior Preferred Units in the ALICO SPV LLC Agreement.

ALICO Junior Preferred Units Aggregate Amount means, as of any time, an amount equal to (i) \$8,338,181,895.01, *plus* (ii) the Junior Preferred Return (as defined in the ALICO SPV LLC Agreement) earned on the ALICO Junior Preferred Units from September 30, 2010 to immediately prior to such time, *minus* (iii) the SPV Distributions received by the holder(s) of the ALICO Junior Preferred Units since the date hereof and prior to such time.

ALICO Liquidation Preference means, at any time, the sum of the ALICO Junior Liquidation Preference and ALICO Senior Liquidation Preference as of such time.

ALICO Preferred Interests has the meaning ascribed to Preferred Interests in the ALICO SPV LLC Agreement.

ALICO Preferred Member has the meaning ascribed to Preferred Member in the ALICO SPV LLC Agreement.

ALICO Preferred Units means the ALICO Junior Preferred Units and ALICO Senior Preferred Units.

ALICO Senior Liquidation Preference has the meaning ascribed to Senior Liquidation Preference in the ALICO SPV LLC Agreement.

ALICO Senior Preferred Unit Amount means, as of any time, an amount per ALICO Senior Preferred Unit equal to the ALICO Senior Preferred Units Aggregate Amount divided by 1,000.

ALICO Senior Preferred Units has the meaning ascribed to Senior Preferred Units in the ALICO SPV LLC Agreement.

ALICO Senior Preferred Units Aggregate Amount means, as of any time, an amount equal to (i) \$1,042,272,736.88, *plus* (ii) the Senior Preferred Return (as defined in the ALICO SPV LLC Agreement) earned on the ALICO Senior Preferred Units from September 30, 2010 to immediately prior to such time, *minus* (iii) the SPV Distributions received by the holder(s) of the ALICO Senior Preferred Units since the date hereof and prior to such time.

Table of Contents

ALICO SPV Intercompany Loan Agreement means the ALICO Holdings LLC Intercompany Loan Agreement dated as of the Closing Date between AIG and the ALICO SPV, substantially in the form of Exhibit D.

ALICO SPV LLC Agreement means the Second Amended and Restated Limited Liability Company Agreement of the ALICO SPV dated as of December 1, 2009, as amended by Amendment No. 1, dated as of March 7, 2010.

ALICO True-Up Amount means \$21,247,615.00.

A.M. Best means A.M. Best Company or any successor thereto.

Amended and Restated Purchase Agreement means the Amended and Restated Purchase Agreement dated as of the Closing Date among AIG, the UST and the FRBNY, substantially in the form of Exhibit A.

Annual Statement means the annual statutory financial statement of any Insurance Subsidiary of AIG required to be filed with the insurance commissioner (or similar authority) of its jurisdiction of organization, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or, if no specific form is so required, in the form of financial statements permitted by such insurance commissioner (or such similar authority) to be used for filing annual statutory financial statements and shall contain the type of information permitted or required by such insurance commissioner (or such similar authority) to be disclosed therein, together with all exhibits or schedules filed therewith.

Approvals means certificates, permits, licenses, franchises, concessions, grants, consents, approvals, orders, registrations, authorizations, waivers, variances or clearances from, or declarations, filings or registrations with, or notices to, or disclosure to or mandated by, any Governmental Entity.

Bankruptcy means, with respect to any Person, (i) the filing by such Person of a voluntary petition seeking liquidation, reorganization, arrangement or readjustment, in any form, of its debts under Title 11 of the United States Code or any other U.S. federal or state insolvency Law, or such Person's filing an answer consenting to or acquiescing in any such petition, (ii) the making by such Person of any assignment for the benefit of its creditors, (iii) the appointment of a trustee, receiver, intervenor or conservator under the Resolution Authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iv) the expiration of 60 days after the filing of an involuntary petition under Title 11 of the United States Code, an application for the appointment of a receiver for the assets of such Person, or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other U.S. federal or state insolvency Law (*provided, however*, that the same shall not have been vacated or set aside within such 60-day period or subject to a stay at the conclusion of such 60-day period), or (v) solely with respect to any Insurance Subsidiary, the

Table of Contents

issuance of any order of supervision, conservation, rehabilitation or liquidation or the appointment of a receiver or supervisor, with respect to such Insurance Subsidiary.

Benefit Plans means all Plans as of the date hereof together with all Plans hereafter adopted, created or entered into.

Business Day means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by applicable Law to close.

Capital Lease Obligations of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Closing Date means the date of the Closing.

Code means the Internal Revenue Code of 1986, as amended, as the same may be further amended from time to time.

Compensation Regulations means, collectively, Section 111 of EESA, together with any guidance, rule or regulation thereunder, as the same shall be in effect from time to time.

Delaware Law means the General Corporation Law of the State of Delaware.

Department means, with respect to any regulated Subsidiary, any Governmental Entity that regulates and oversees, in any material respect, the business of such Subsidiary (including any branch thereof) in any of the jurisdictions or administrative regions in which such Subsidiary conducts its business.

Designated Entity means, at any time, (i) each of Star, Edison, Nan Shan, ILFC and each successor thereto, (ii) if at such time AIG is the Controlling Party under and as defined in the Credit Agreement dated as of December 12, 2008 among Maiden Lane II LLC, as Borrower, the FRBNY as Controlling Party and as Senior Lender and the Bank of New York Mellon as Collateral Agent, Maiden Lane II and each successor thereto and (iii) if at such time AIG is the Controlling Party under and as defined in the Maiden Lane III Master Agreement, Maiden Lane III and each successor thereto.

Table of Contents

Designated Interests means the Nan Shan Interests, Star Interests, Edison Interests, ILFC Interests, Maiden Lane II Interests or Maiden Lane III Interests, as applicable.

Disqualified Stock means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (i) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, or requires the payment of any cash dividend or any other scheduled payment constituting a return of capital, in each case at any time on or prior to September 13, 2014, or (ii) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (a) debt securities or (b) any Equity Interest referred to in clause (i) above.

Domestic Subsidiary means any Subsidiary other than a Foreign Subsidiary.

Edison means AIG Edison Life Insurance Company.

Edison Interests means the Equity Interests of Edison held by AIG or any of its Subsidiaries.

EESA means the Emergency Economic Stabilization Act of 2008 (P.L. 110-343), as amended, as the same may be further amended from time to time.

Equity Interests means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in, or equity securities of, any Person, and any option, warrant or other right entitling the holder thereof to purchase or otherwise acquire any such equity interest or equity security.

Escrow Accounts has the meaning ascribed to such term in the Waiver Agreement.

Existing Series F Purchase Agreement means the Securities Purchase Agreement dated as of April 17, 2009 between AIG and the UST relating to the Series F Preferred Stock as in effect prior to the amendment and restatement of such agreement at the Closing in accordance with Section 4.04.

Fair Market Value means, with respect to any asset or Person at any time, the fair market value of such asset or Person at such time as reasonably determined in good faith by the AIG Board.

Financial Officer of any Person means the chief financial officer, head of finance, principal accounting officer, treasurer or controller of such Person.

Table of Contents

Fitch means Fitch Inc., or any successor thereto.

Foreign Subsidiary means any Subsidiary that is a controlled foreign corporation within the meaning of the Code. For this purpose, a controlled foreign corporation includes any Subsidiary substantially all of the assets of which are the stock of one or more controlled foreign corporations.

FRBNY Credit Facility means the Credit Agreement dated as of September 22, 2008 between AIG and the FRBNY.

FRBNY Guarantee and Pledge Agreement means the Guarantee and Pledge Agreement dated as of September 22, 2008 among AIG, the Guarantors party thereto and the FRBNY as secured party.

FRBNY SPV Payoff Amount means, with respect to either SPV, an amount as adjusted from time to time equal to (i) the AIA Liquidation Preference or the ALICO Liquidation Preference, as applicable, of the AIA/ALICO Preferred Units of such SPV held by the FRBNY immediately after the Closing, *plus* (ii) a return of five percent (5%) per annum until September 22, 2013, and thereafter nine percent (9%) per annum, on the average daily balance (other than any portion thereof representing an accrued but uncompounded return in accordance with this clause (ii), and, for the avoidance of doubt, giving effect to any reductions thereto pursuant to the following clause (iii)) of the FRBNY SPV Payoff Amount from the Closing Date to but not including the date of determination, accrued daily and compounded quarterly on the same date as the preferred returns on such AIA/ALICO Preferred Units, *minus* (iii) the aggregate amount of any SPV Distributions received by the FRBNY in respect of the AIA/ALICO Preferred Units of such SPV held by the FRBNY from the Closing Date to the date of determination, including (a) pursuant to Section 4.03 hereof or (b) as a result of one or more purchases of such AIA/ALICO Preferred Units pursuant to Section 2.06(f) or Section 2.07 of the Amended and Restated Purchase Agreement.

GAAP means generally accepted accounting principles in the United States.

Governmental Entity means any national, regional, local or foreign governmental, legislative, judicial, administrative or regulatory authority, agency, commission, body, court or entity.

Guarantee of or by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the primary obligor) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness or other obligation, (ii) to

Table of Contents

purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment of such Indebtedness or other obligation or (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation; *provided* that the term *Guarantee* shall not include endorsements for collection or deposit in the ordinary course of business.

ILFC means International Lease Finance Corporation, a California corporation.

ILFC Interests means the Equity Interests of ILFC held by AIG or any of its Subsidiaries.

Indebtedness means, without duplication, with respect to any Person, all liabilities, obligations and indebtedness for borrowed money of such Person, of any kind or nature, now or hereafter owing, arising, due or payable, howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed or otherwise, consisting of indebtedness for borrowed money or the deferred purchase price of property or services, excluding purchases of merchandise and services in the ordinary course of business consistent with past practice, but including (i) all obligations and liabilities of any Person secured by any Lien on such Person's property, even though such Person shall not have assumed or become liable for the payment thereof (except unperfected Permitted Liens incurred in the ordinary course of business and not in connection with the borrowing of money); (ii) all obligations and liabilities of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP; (iii) all obligations and liabilities created or arising under any conditional sale or other title retention agreement with respect to property used or acquired by such Person, even if the rights and remedies of the lessor, seller or lender thereunder are limited to repossession of such property; (iv) all obligations and liabilities under Guarantees by such Person of Indebtedness of another Person; (v) all obligations and liabilities of such Person in respect of letters of credit, bankers' acceptances or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (vi) all obligations of such Person evidenced by bonds, notes, debentures, or similar instruments; (vii) all obligations of such Person with respect to deposits or advances of any kind; (viii) all Synthetic Lease Obligations of such Person, (ix) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests of such Person or any other Person or any warrants, rights or options to acquire such Equity Interests, valued, in the case of redeemable preferred interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends (other than capital contributions or similar

Table of Contents

payments (or commitments therefor) in respect of limited partner or similar interests held by such Person in an investment vehicle or fund), (x) all obligations of such Person in respect of Disqualified Stock, and (xi) the Indebtedness of any partnership (other than Indebtedness that is nonrecourse to such Person) in which such Person is a general partner. Notwithstanding anything herein to the contrary, Indebtedness shall not include (a) any obligation of any Person to make any payment, hold funds or securities in trust or to segregate funds or securities for the benefit of one or more third parties (including any policyholder, pension fund or mutual fund shareholder or unitholder) pursuant to any insurance or reinsurance contract, annuity contract, variable annuity contract, unit-linked or mutual fund account or other similar agreement or instrument; or any pension fund or mutual fund contract; or any capital redemption contract or suretyship contract issued pursuant to its insurance business license in the ordinary course of business; (b) any Indebtedness issued, assumed, guaranteed or otherwise incurred by any Regulated Subsidiary, for or on behalf of any separate account of such Regulated Subsidiary, in respect of which the recourse of the holder of such Indebtedness is limited to assets of such separate account; (c) any Indebtedness that is secured by a real property mortgage under which the recourse of the lender is limited to the relevant real property other than recourse liability for customary bad boy acts; (d) the obligations of any investment funds controlled by any Designated Entity (where control means the possession by such Designated Entity, directly or indirectly, of the power to direct or cause the direction of the management and policies of such investment funds, whether through the ownership of voting Equity Interests, by contract or otherwise) that would be considered as liabilities of such Designated Entity on the consolidated financial statements prepared in accordance with GAAP applicable to such Designated Entity, but not, for the sake of clarity, in respect of indebtedness for borrowed money; (e) obligations under Swap Contracts; (f) obligations under or arising out of any employee benefit plan, employment contract or other similar arrangement in existence as of the date hereof; or (g) obligations under any severance or termination of employment agreement or plan. For the avoidance of doubt, Indebtedness shall not include statutory liens incurred or advances or deposits or other security granted to any Governmental Entity in connection with a governmental authorization, registration, filing, license, permit or approval in the ordinary course of business consistent with past practice.

Initial Public Offering means, with respect to any Designated Entity, any initial underwritten sale of Equity Interests of such Designated Entity, any other Person owning all or substantially all of the assets of the Designated Entity and its Subsidiaries, taken as a whole, or any Person formed solely for the purpose of owning all of the Equity Interests of the Designated Entity, in each case, pursuant to (i) an effective registration statement under the 1933 Act filed with the SEC on Form S-1 or Form F-1 (or a successor form) after which sale such Equity Interests are listed or quoted on a national securities exchange or an established foreign securities exchange or authorized to be quoted on an inter-

Table of Contents

dealer quotation system of a registered national securities association or (ii) a listing on any internationally recognized foreign stock exchange.

Insurance License means any license, certificate of authority, permit or other authorization that is required to be obtained from any Governmental Entity in connection with the operation, ownership or transaction of the business of insurance or reinsurance.

Insurance Subsidiary means, with respect to any Person, any Subsidiary of such Person that is required to be licensed as an insurer or reinsurer.

Intercompany Guarantee and Pledge Agreement means the Guarantee, Pledge and Proceeds Application Agreement dated as of the Closing Date among AIG, the AIA SPV, the ALICO SPV and the guarantors party thereto, substantially in the form of Exhibit B.

knowledge of AIG means the actual knowledge as of the date hereof (other than in respect of Section 9.05) after reasonable inquiry of any of the individuals listed in Section 1.01(A) of the AIG Disclosure Schedule.

Law means any federal, state, local or foreign law, statute or ordinance, or any rule, regulation, judgment, order, writ, injunction, ruling, decree or agency requirement of any Governmental Entity. For the sake of clarity, the term

Laws includes without limitation: (i) any applicable anti-corruption laws relating to the offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any government official, (ii) any applicable laws or sanctions administered by the U.S. Office of Foreign Assets Control, the United Nations Security Council or other relevant sanctions authority relating to dealings or transactions with any Person, in any country or territory, that at the time of the dealing or transaction is or was the subject of sanctions, (iii) any applicable anti-money laundering laws and regulations, and (iv) any applicable U.S. anti-boycott laws and regulations.

Lien means, with respect to any asset, (i) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset, (ii) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (iii) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

Loans has the meaning ascribed to such term in the FRBNY Credit Facility.

Maiden Lane II means Maiden Lane II LLC, a Delaware limited liability company.

Table of Contents

Maiden Lane II Interests means the Equity Interests of Maiden Lane II and any contractual rights to receive the proceeds of assets held by Maiden Lane II, in each case held by AIG or any of its Subsidiaries.

Maiden Lane III means Maiden Lane III LLC, a Delaware limited liability company.

Maiden Lane III Interests means the Equity Interests of Maiden Lane III and any contractual rights to receive the proceeds of assets held by Maiden Lane III, in each case held by AIG or any of its Subsidiaries.

Maiden Lane III Master Agreement means the Master Investment and Credit Agreement dated as of November 25, 2008 among Maiden Lane III LLC, the FRBNY as Controlling Party and as Senior Lender, AIG as Equity Investor and the Bank of New York Mellon as Collateral Agent, as amended from time to time.

Material Adverse Regulatory Event means the occurrence of any of the following events: (i) the applicable Department of any Material Insurance Subsidiary or a court of competent jurisdiction finds that any Material Insurance Subsidiary is in hazardous financial condition or is insolvent, (ii) any Material Insurance Subsidiary is required to comply with any letter, bulletin or order of a state insurance regulator materially restricting its operations or business, or AIG or any of its Subsidiaries enters into an agreement (whether oral or written) with any state insurance regulator for substantially the same purpose, (iii) any insurance commissioner or other state insurance regulatory official intervenes in the management of the business of any Material Insurance Subsidiary, or AIG or any of its Subsidiaries otherwise intentionally facilitates or takes any affirmative action towards facilitating, such intervention, (iv) any Material Insurance Subsidiary becomes subject to orders of supervision, conservation, rehabilitation or liquidation, by agreement or otherwise, or has a receiver or supervisor appointed or (v) any material Insurance License of any Material Insurance Subsidiary is suspended or revoked and such suspension or revocation continues for 30 days, or any renewal application by any Material Insurance Subsidiary for any material Insurance License is disapproved or ultimately fails to be approved.

Material Insurance Subsidiary means any Insurance Subsidiary of AIG that owns (i) total assets in excess of \$75,000,000 or (ii) Equity Interests in or Indebtedness of any other Subsidiary described in clause (i).

Material Subsidiary means any Subsidiary of any Person that would constitute a significant subsidiary of such Person within the meaning of Rule 1-02 of Regulation S-X under the 1934 Act if such Person's Equity Interests were registered under the 1934 Act.

MetLife means MetLife, Inc., a Delaware corporation.

Table of Contents

MetLife Purchase Agreement means the Stock Purchase Agreement dated as of March 7, 2010 among the ALICO SPV, AIG and MetLife (for clarity, giving effect to any changes to the terms thereof set forth in the MetLife Waiver).

MetLife Waiver means the letter agreement dated as of October 29, 2010 among AIG, the ALICO SPV and MetLife.

Monetization Transaction means, with respect to any Designated Entity at any time, either a Sale of the Company or an Initial Public Offering, which, in the case of an Initial Public Offering, results in an aggregate payment in respect of the SPV Intercompany Loans and/or SPV Capital Contributions at least equal to the lesser of (i) the Aggregate AIA/ALICO Liquidation Preference (plus the aggregate preferred returns earned on the AIA/ALICO Preferred Units of both SPVs since the most recent fiscal quarter then ended) at such time and (ii) fifty percent (50%) (or such lesser percentage as may be determined by the Rights Holder) of the Fair Market Value of such Designated Entity at such time.

Moody's means Moody's Investors Service, Inc., or any successor thereto.

NAIC means the National Association of Insurance Commissioners or any successor thereto, or in the absence of the National Association of Insurance Commissioners or such successor, any other association, agency or other organization performing advisory, coordination or other like functions among Departments, insurance commissioners and similar Governmental Entities of the various states of the United States toward the promotion of uniformity in the practices of such Governmental Entities.

Nan Shan means Nan Shan Life Insurance Company, Ltd., a Taiwan limited company.

Nan Shan Interests means the Equity Interests of Nan Shan held by AIG or any of its Subsidiaries.

Net ILFC Indebtedness means Consolidated Indebtedness (as such term is defined in the \$2,500,000,000 Five-Year Revolving Credit Agreement dated as of October 13, 2006 among ILFC, the banks named therein and Citicorp USA, Inc., as administrative agent) *minus* cash and cash equivalents on hand of ILFC and its Subsidiaries.

Net Proceeds has the meaning ascribed to such term in the Intercompany Guarantee and Pledge Agreement.

1933 Act means the U.S. Securities Act of 1933, as amended.

1934 Act means the U.S. Securities Exchange Act of 1934, as amended.

Table of Contents

Outstanding Hybrid Securities means equity units, junior subordinated debt or trust preferred securities issued by AIG or any of its Subsidiaries having hybrid equity treatment from major rating agencies and outstanding as of the date hereof.

Permitted Lien means, with respect to any Person, (i) any lien that secures debt that is reflected on the financial statements of such Person previously provided or made available to the FRBNY and the UST; (ii) any lien for taxes, assessments or other governmental charges or levies that are not yet due or payable or that are being contested in good faith by appropriate proceedings; (iii) any statutory lien of a landlord and any lien of a carrier, warehouseman, mechanic, materialman, repairman and any other lien imposed by applicable Law for amounts not yet due; (iv) any lien incurred or deposit made to a Governmental Entity in connection with a governmental authorization, registration, filing, license, permit or approval; (v) any lien incurred or deposit made in the ordinary course of the business of such Person or any Subsidiary thereof in connection with workers' compensation, unemployment insurance or other types of social security; (vi) any defect of title, easement, right-of-way, covenant, restriction or other similar charge or encumbrance not materially interfering with the ordinary conduct of business or which is shown by a current title report or other similar report or listing previously provided or made available to the FRBNY and the UST; (vii) any lien not created by such Person or any Subsidiary thereof that affects the underlying fee interest of any leased real property; (viii) any lien incurred in the ordinary course of the business of such Person or any Subsidiary thereof securing obligations or liabilities that are not individually or in the aggregate material to the relevant asset or property, respectively; (ix) any license, agreement, settlement, consent, covenant not to assert or other arrangement entered into in the ordinary course of the business of such Person or any Subsidiary thereof; (x) any zoning, building or other generally applicable land use restriction; (xi) any lien that has been placed by a third party on the fee title of the real property constituting the leased real property or real property over which such Person or any Subsidiary thereof has easement rights; (xii) any lease or similar agreement affecting the real property owned by such Person or any Subsidiary thereof, *provided* that such lease or agreement has been provided or made available to the FRBNY and the UST; (xiii) any lien or other restriction on transfer imposed by applicable insurance Laws; (xiv) any pledge or other collateral assignment of assets, including by means of a credit for reinsurance trust, to or for the benefit of cedents under reinsurance written by each of such Person and any Subsidiary thereof that is an insurance company, for purposes of statutory accounting credit; (xv) any lien granted under securities lending and borrowing agreements, repurchase and reverse repurchase agreements and derivatives entered into in the ordinary course of the business of such Person or any Subsidiary thereof; (xvi) any clearing or settlement lien on securities and other investment properties incurred in the ordinary course of clearing and settlement transactions in such securities and other investment properties and the holding of legal title or other interests in securities or other investment properties

Table of Contents

by custodians or depositories in the ordinary course of the business of such Person or any Subsidiary thereof; (xvii) any agreement with any Governmental Entity or any public utility or private supplier of services, including any subdivision agreement, development agreement and site control agreement (*provided, however*, that any such agreements do not materially interfere with the ordinary conduct of business of such Person or any Subsidiary thereof); (xviii) any right of the owners of any mineral rights (*provided, however*, that any such rights do not materially interfere with the ordinary conduct of business of such Person or any Subsidiary thereof); (xix) any reservation, limitation, appropriation, proviso or condition in any original grant from the crown or the relevant Governmental Entity, native land claim or statutory exception to title; and (xx) any lien granted by AIG or any one or more of its Subsidiaries pursuant to (a) the FRBNY Guarantee and Pledge Agreement, (b) the FRBNY Credit Facility, (c) the Intercompany Guarantee and Pledge Agreement or (d) any of the other Transaction Documents or any other action required to be taken or agreement required to be made to give effect to transactions contemplated by the Transaction Documents.

Person means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Previously Disclosed means information: (i) set forth or incorporated in AIG's Annual Report on Form 10-K for the most recently completed fiscal year filed with the SEC prior to the date hereof (the **Last Fiscal Year**) or in its other publicly available reports and forms filed with or furnished to the SEC under Sections 13(a), 14(a) or 15(d) of the 1934 Act on or after the last day of the Last Fiscal Year and prior to the date hereof (it being understood and agreed that any information contained in any part of any such reports and forms shall only be deemed to be an exception to (or a disclosure for purposes of) AIG's representations and warranties if the relevance of that information as an exception to (or a disclosure for purposes of) such representations and warranties would be readily apparent to a person who has read that information concurrently with such representations and warranties, without any independent knowledge on the part of the reader regarding the matter(s) so disclosed; *provided* that, for purposes of Section 5.19, such information shall also include information set forth or incorporated in Annual Reports on Form 10-K or other publicly available reports and forms filed with or furnished to the SEC under Sections 13(a), 14(a) or 15(d) of the 1934 Act filed with the SEC on or after January 1, 2008; and, *provided, further*, that in no event shall any information contained in any part of any such report or form entitled **risk factors** or containing a description or explanation of **forward-looking statements** be deemed to be an exception to (or a disclosure for purposes of) any representations and warranties of AIG contained in this Agreement); or (ii) set forth in the AIG Disclosure Schedule (it being understood and agreed that disclosure of any item in any section or subsection of the AIG Disclosure Schedule shall be deemed disclosed with respect to any other section

Table of Contents

or subsection of the AIG Disclosure Schedule but only to the extent that the relevance of such item is readily apparent).

Public Offering means any public sale of Equity Interests of any Designated Entity or any Material Subsidiary thereof.

Quarterly Statement means the quarterly statutory financial statement of any Insurance Subsidiary of AIG required to be filed with the insurance commissioner (or similar authority) of its jurisdiction of organization or, if no specific form is so required, in the form of financial statements permitted by such insurance commissioner (or such similar authority) to be used for filing quarterly statutory financial statements and containing the type of financial information permitted by such insurance commissioner (or such similar authority) to be disclosed therein, together with all exhibits or schedules filed therewith.

Registration Rights Agreement means the Registration Rights Agreement dated as of the Closing Date between AIG and the UST, substantially in the form of Exhibit E.

Regulated Subsidiary means each Subsidiary of any Designated Entity that is regulated by a Department.

Reinsurance Agreement means any agreement, contract, treaty, certificate or other arrangement by which any Insurance Subsidiary of AIG agrees to transfer or cede to another insurer that is not an Affiliate of AIG all or part of the liability assumed or assets held by it under one or more insurance, annuity, reinsurance or retrocession policies, agreements, contracts, treaties, certificates or similar arrangements. Reinsurance Agreements shall include, but not be limited to, any agreement, contract, treaty, certificate or other arrangement that is treated as such by the applicable Department.

Relevant TARP Period means the period commencing on the Closing Date during which any obligation of AIG or any of its Subsidiaries arising from financial assistance provided under TARP remains outstanding within the meaning of the Compensation Regulations (including any period during which the U.S. Government owns (i) any Series G Preferred Stock, (ii) any AIG Common Stock issued in exchange for the Series E Preferred Stock, the Series F Preferred Stock or the Series G Preferred Stock or (iii) any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests, but excluding any period during which the U.S. Government only holds warrants to purchase AIG Common Stock).

Responsible Officer of any Person means any executive officer or Financial Officer of such Person and any other officer or similar official thereof responsible for the administration of the obligations of such Person in respect of this Agreement.

Table of Contents

Rights Holder means (i) the FRBNY (after prior consultation with the UST), for so long as the FRBNY owns or holds any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests, (ii) thereafter, the UST, for so long as the UST owns or holds any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests and (iii) thereafter, if applicable, (A) any other department or agency of the U.S. Government that acquires and owns or holds any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests and/or (B) any Person, directly or indirectly, wholly-owned by, or any trust or similar Person established solely to hold such AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests on behalf of, the FRBNY, the UST or any other department or agency of the U.S. Government; *provided* that if more than one Person other than the FRBNY and the UST holds AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests in the circumstances described in the foregoing clause (iii), the Rights Holder, if any, shall be the Person(s) holding AIA/ALICO Preferred Units representing more than fifty percent (50%) of the then Aggregate AIA/ALICO Liquidation Preference.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

Sale of the Company means, with respect to a Designated Entity, (i) any sale, merger, consolidation, business combination or other similar transaction or series of related transactions (other than an Initial Public Offering) involving, directly or indirectly, such Designated Entity, as a result of which a Person or group of Persons other than AIG and any of its Affiliates own, directly or indirectly, fifty percent (50%) or more of the voting power of such Designated Entity or the surviving or resulting Person thereof or (ii) the sale or transfer of all or substantially all of the assets of the Designated Entity and its Subsidiaries, taken as a whole, in a single transaction or a series of related transactions.

SAP means, with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the insurance commissioner (or other similar authority) in the domicile of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary, which are applicable to the circumstances as of the date of filing of such statement or report.

Securities Lending Program means any securities lending program established by a Designated Entity or any of its Subsidiaries as set forth in Section 8.01(a) of the AIG Disclosure Schedule.

SEC means the Securities and Exchange Commission.

Series C Preferred Stock means the Series C Perpetual, Convertible, Participating Preferred Stock, par value \$5.00 per share, of AIG.

Table of Contents

Series E Preferred Stock means the Series E Fixed Rate Non-Cumulative Preferred Stock, par value \$5.00 per share, of AIG.

Series F Drawdown Right has the meaning ascribed to Commitment in the Existing Series F Purchase Agreement.

Series F Exchanged Shares has the meaning ascribed to such term in the Amended and Restated Purchase Agreement.

Series F Preferred Stock means the Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share, of AIG.

Series G Certificate of Designations means the form of certificate of designations attached as Annex A to the Amended and Restated Purchase Agreement setting forth the rights, preferences and privileges of the Series G Preferred Stock.

Series G Drawdown Right has the meaning ascribed to Draw Down Right in the Amended and Restated Purchase Agreement.

Series G Preferred Stock means the new series of preferred stock of AIG designated as the Series G Cumulative Mandatory Convertible Preferred Stock, par value \$5.00 per share, issuable at the Closing in accordance with the Amended and Restated Purchase Agreement and having the rights, preferences and privileges set forth in the Series G Certificate of Designations.

Solvent means, with respect to any Person on any date of determination, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (iv) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

SPV Distribution means any dividend, distribution or other payment of any kind or character in respect of any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests.

SPV LLC Agreement means the AIA SPV LLC Agreement or the ALICO SPV LLC Agreement, as applicable.

Table of Contents

Star means AIG Star Life Insurance Co., Ltd., a Japan limited liability partnership.

Star-Edison Purchase Agreement means the Stock Purchase Agreement dated as of September 30, 2010 between AIG and Prudential Financial, Inc.

Star-Edison Transaction Agreements has the meaning ascribed to Transaction Agreements in the Star-Edison Purchase Agreement.

Star Interests means the Equity Interests of Star held by AIG or any of its Subsidiaries.

Subject Securities means (i) with respect to the AIA SPV, any Equity Interests of AIA (and any securities issued or issuable in respect thereof by way of conversion, exchange, stock dividend, split or combination, recapitalization, merger, consolidation, other reorganization or otherwise) held by the AIA SPV or any of its Subsidiaries and (ii) with respect to the ALICO SPV, the Non-Cash Consideration (as such term is defined in the MetLife Purchase Agreement) (and any securities issued or issuable in respect of such Non-Cash Consideration by way of conversion, exchange, stock dividend, split or combination, recapitalization, merger, consolidation, other reorganization or otherwise) held by the ALICO SPV or any of its Subsidiaries.

Subsidiary means, with respect to any Person, any corporation, partnership, joint venture, limited liability company or other entity (i) of which more than fifty percent (50%) of the interest in the capital or profits of such corporation, partnership, joint venture or limited liability company or (ii) of which a majority of the voting securities or other voting interests, or a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity, is at the time, directly or indirectly owned by such Person and/or one or more subsidiaries thereof; *provided, however*, that neither AIG Global Asset Management Holdings Corp. and its subsidiaries nor any investment vehicle managed by AIG or any of its Affiliates and created or invested in the ordinary course of its or their respective investment management shall be a Subsidiary of AIG or any of its Affiliates for purposes of this Agreement.

Swap Contract means (i) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, emission rights, spot contracts, or any other similar transactions

Table of Contents

or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement and (ii) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a **Master Agreement**), including any such obligations or liabilities under any Master Agreement; *provided* that Swap Contracts shall not include (a) the stock purchase contracts that constitute a component of Outstanding Hybrid Securities issued in the form of equity units, (b) any right, option, warrant or other award made under an employee benefit plan, employment contract or other similar arrangement or (c) any right, warrant or option or other convertible or exchangeable security or other instrument issued by AIG or any Subsidiary or Affiliate of AIG or any Subsidiary for capital raising purposes.

Synthetic Lease means, as to any Person, any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) (i) that is accounted for as an operating lease under GAAP and (ii) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

Synthetic Lease Obligations means, as to any Person, an amount equal to the capitalized amount of the remaining lease payments under any Synthetic Lease that would appear on a balance sheet of such Person in accordance with GAAP if such obligations were accounted for as Capital Lease Obligations.

TARP means the Troubled Asset Relief Program established under EESA.

Transaction Documents means (i) this Agreement, (ii) the Waiver Agreement, (iii) the Amended and Restated Purchase Agreement, (iv) the AIA SPV Intercompany Loan Agreement, (v) the ALICO SPV Intercompany Loan Agreement, (vi) the Intercompany Guarantee and Pledge Agreement, (vii) the Registration Rights Agreement, (viii) the Warrant Letter Agreement, (ix) the Warrant Agreement and (x) the Trust Agreement.

Trust means the trust designated as the AIG Credit Facility Trust established for the sole benefit of the United States Treasury under the Trust Agreement.

Trust Agreement means the AIG Credit Facility Trust Agreement dated as of January 16, 2009 among the FRBNY and Jill M. Considine, Chester B. Feldberg and Douglas L. Foshee, as trustees.

Table of Contents

Trustee means any current, former or future trustee of the Trust acting in his or her capacity as such trustee.

Waiver Agreement means the letter agreement dated as of October 28, 2010 among AIG, the ALICO SPV, the AIA SPV and the FRBNY.

Warrant Agreement means the warrant agreement to be dated prior to the Closing Date, substantially in the form of Exhibit F.

Warrant Letter Agreement means the letter agreement dated as of the Closing Date between AIG and the UST, substantially in the form of Exhibit G.

Wholly Owned Subsidiary means, with respect to any specified Person, a Subsidiary of such Person of which securities (except directors' qualifying shares) or other ownership interests representing one hundred percent (100%) of the Equity Interests of such Subsidiary are, at the time any determination is being made, owned, controlled or held by such Person or one or more wholly owned Subsidiaries of such Person or by such Person and one or more wholly owned Subsidiaries of such Person.

(b) Each of the following terms is defined in the Section set forth opposite such term:

| Term | Section |
|--------------------------------------|----------------|
| Agreement | Preamble |
| AIA/ALICO Purchase Price | 4.02(a) |
| AIA IPO | 7.03(b)(iii) |
| AIA SPV | Preamble |
| AIA SPV Closing Tax Estimate | 3.03(c) |
| AIG | Preamble |
| AIG Board | 5.05(c) |
| AIG Financial Statements | 5.10 |
| AIG Information Statement | 9.02(b)(i) |
| AIG Reports | 5.12(a) |
| AIG Stockholder Approval | 5.05(a) |
| ALICO Indemnification Claim | 7.09(b) |
| ALICO Indemnity Capital Contribution | 7.09(a)(i) |
| ALICO Post-Closing Payment | 7.09(a)(i) |
| ALICO SPV | Preamble |
| ALICO SPV Closing Tax Estimate | 3.03(c) |
| ALICO True-Up Letter | 3.03(b) |
| Bankruptcy Exceptions | 5.04 |
| Business Combination | 12.06(b)(ii) |
| Business Plan | 8.02(a) |
| Capitalization Date | 5.02(a) |
| Closing | 2.01 |
| Compelled Disposal Entity | 8.06 |

Table of Contents

| Term | Section |
|---|----------------|
| Compelled Monetization Notice | 8.06 |
| Compelled Monetization Transaction | 8.06 |
| Consent Request Contact | 8.01(b) |
| Contract Price | 8.01(a)(v) |
| Covered Employee | 6.03(b) |
| Designated Cash Proceeds | 3.02(b)(ii) |
| Designated Cash Proceeds Escrow Account | 3.02 |
| Designated Cash Escrowed Funds | 3.02(c) |
| Disposition Demand | 7.03(b)(iii) |
| Disposition Demanding Member | 7.03(b)(iii) |
| EDGAR | 6.01(e) |
| End Date | 11.01(b)(i) |
| Equity Consideration | 7.09(a)(i) |
| ERISA | 5.18(a) |
| Exchanged Securities | 5.03 |
| Foreclosure Payment | 7.10(b) |
| FRBNY | Preamble |
| FRBNY Payoff Time | 4.03 |
| Global Coordinators | 8.07(a) |
| Indemnatee | 9.07(a) |
| Investment Bank | 8.06 |
| Losses | 9.08(b) |
| Observers | 6.05 |
| Payoff Letter | 3.01(c)(ii) |
| Payoff Reduction | 7.10(a)(i) |
| Permits | 5.17 |
| Plan | 5.18 |
| Proprietary Rights | 5.25(a) |
| Purchased AIA/ALICO Preferred Units | 4.02 |
| Recapitalization | Recitals |
| Regulatory Agreement | 5.23 |
| Required Regulatory Approvals | 10.01(d) |
| Retained Right | 7.03(a)(i) |
| Senior Executive Officers | 6.03(b)(i) |
| Senior Partners | 6.03(b)(i) |
| Series C Exchanged Shares | 4.05 |
| Series E Exchanged Shares | 4.06 |
| Series F Closing Drawdown Amount | 4.01(b) |
| Series G Designated Amount | 4.01(a) |
| Significant Action | 8.01(a) |
| Significant Action Request Notice | 8.01(b) |
| Special Dividend | 9.04 |
| SPVs | Preamble |
| SPV Capital Contribution | 3.04 |
| SPV Intercompany Loan | 3.03(a) |

Table of Contents

| Term | Section |
|--------------------------------|----------------|
| SPV Section 338 Payment Amount | 7.09(a) |
| Stock Issuance | 5.05(a) |
| Tax | 5.19 |
| Trust Indemnitee | 9.08(b) |
| Trust Policy | 9.09(a) |
| Trust Written Consent | 9.02(a) |
| UST | Preamble |
| Waived Amounts | 3.03(a) |
| Warrants | 9.04 |

Section 1.02. *Other Definitional and Interpretative Provisions.* When a reference is made in this Agreement to recitals, Articles, Sections, Exhibits, or Annexes such reference shall be to a recital, Article or Section of, or Exhibit to, this Agreement, including any Section of the AIG Disclosure Schedule. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to herein, hereof, hereunder and the like refer to this Agreement as a whole and not to any particular section or provision, unless expressly stated otherwise herein. The table of contents and headings contained in this Agreement are for reference purposes only and are not part of this Agreement. Whenever the words include, includes or including are used in this Agreement, they shall be deemed followed by the words without limitation. Writing, written and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to \$ or dollars mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person.

ARTICLE 2

The Closing

Section 2.01. *Closing.* The closing of the Recapitalization (the **Closing**) shall take place in New York City at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York, 10017 as soon as possible, but in any event no later than five Business Days after the date the

Table of Contents

conditions set forth in Article 10 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permissible, waiver of those conditions at the Closing) have been satisfied or, to the extent permissible, waived by the party or parties entitled to the benefit of such conditions, or at such other place, at such other time or on such other date as AIG, the FRBNY, the UST and the Trust may mutually agree.

Section 2.02. *Order of Completion of Transactions.* The transactions to be effected at the Closing pursuant to the Transaction Documents shall occur in the order listed below, all of which will be deemed to occur contemporaneously at the Closing:

(a) The Waived Amounts will be released from the Escrow Accounts pursuant to Section 3.03, the SPVs will make SPV Intercompany Loans to AIG in accordance with, and in the amounts specified in, Section 3.03, and the remaining Waived Amounts, if any, will be distributed and/or otherwise dealt with at the Closing in accordance with Section 3.03;

(b) All outstanding Loans together with accrued and unpaid interest thereon and any other amounts outstanding under the FRBNY Credit Facility at or as of the Closing (including any fees or other amounts that may become due upon termination of the FRBNY Credit Facility) will be repaid by AIG in full in accordance with Section 3.01;

(c) All Designated Cash Escrowed Funds will be released from escrow and applied at the Closing in accordance with Section 3.02 to repay a portion of the SPV Intercompany Loans, and to be distributed and/or otherwise dealt with in accordance with the AIA SPV LLC Agreement, the ALICO SPV LLC Agreement, Section 4.03 hereof and the Intercompany Guarantee and Pledge Agreement, as applicable;

(d) AIG will draw the Series F Closing Drawdown Amount in accordance with Section 4.01(b);

(e) AIG will deliver the AIA/ALICO Purchase Price to the FRBNY and the FRBNY will deliver all of the Purchased AIA/ALICO Preferred Units to AIG in each case in accordance with Section 4.02;

(f) AIG will issue the Series C Exchanged Shares to the Trust in exchange for the Trust delivering all of the shares of Series C Preferred Stock to AIG in accordance with Section 4.05;

(g) AIG, the UST and the FRBNY will enter into the Amended and Restated Purchase Agreement pursuant to Section 4.04 and simultaneously therewith, and in accordance with the terms and subject to the conditions set forth in the Amended and Restated Purchase Agreement, (i) the shares of Series F Preferred Stock will be exchanged with AIG for the Purchased AIA/ALICO

Table of Contents

Preferred Units, shares of Series G Preferred Stock (if applicable) and the Series F Exchanged Shares and (ii) if applicable, a portion of the Series F Drawdown Right will be exchanged for the Series G Drawdown Right;

(h) AIG will issue the Series E Exchanged Shares to the UST in exchange for the UST delivering all of the shares of Series E Preferred Stock to AIG in accordance with Section 4.06; and

(i) The Trust will deliver the Series C Exchanged Shares pursuant to Section 9.08(f), and the Trust shall terminate, in accordance with the terms of the Trust Agreement.

Section 2.03. *Closing Deliverables*. Upon the terms and subject to the conditions set forth in this Agreement:

(a) AIG Closing Deliverables. At the Closing, AIG will deliver, or cause to be delivered, the following documents or instruments:

(i) AIG will deliver to the Trust certificates in proper form evidencing the Series C Exchanged Shares;

(ii) AIG will deliver to the UST certificates in proper form evidencing the Series E Exchanged Shares;

(iii) AIG will deliver to the UST certificates in proper form evidencing the Series F Exchanged Shares;

(iv) AIG will deliver to the UST certificates in proper form evidencing the shares, if any, of Series G Preferred Stock to be issued;

(v) AIG will deliver to the UST certificates in proper form evidencing the Purchased AIA/ALICO Preferred Units duly endorsed or accompanied by proper evidence of transfer and assignment;

(vi) AIG shall cause each SPV to update Schedule I to its SPV LLC Agreement and its books and records to reflect the transfer of the Purchased AIA/ALICO Preferred Units in accordance with this Agreement and the Amended and Restated Purchase Agreement;

(vii) AIG will deliver to the other parties counterparts to each of the Transaction Documents to be entered into at the Closing to which AIG and/or any of the SPVs is a party executed by AIG and/or one or both of the SPVs, as applicable;

(viii) AIG will provide the UST with evidence that the filing of the Series G Certificate of Designations has been accepted by the Secretary of State of the State of Delaware;

Table of Contents

(ix) AIG will file a certificate of cancellation of the certificate of designations for each of the Series C Preferred Stock, Series E Preferred Stock and Series F Preferred Stock with the Secretary of State of the State of Delaware;

(x) in accordance with the Existing Series F Purchase Agreement, AIG will provide to the UST an outline, in a form reasonably satisfactory to the UST, of the expected uses by AIG of the Series F Closing Drawdown Amount;

(xi) AIG will deliver to the FRBNY \$500,000 by wire transfer of immediately available funds to an account designated by the FRBNY in writing prior to the Closing;

(xii) AIG will deliver to the FRBNY, the UST and the Trust the certificate contemplated by Section 10.02(a)(iii);

(xiii) AIG will deliver to the UST the written opinion contemplated by Section 10.02(c);

(xiv) AIG will deliver to the Trust the written opinion contemplated by Section 10.02(d); and

(xv) AIG will deliver to the UST a written opinion from counsel to AIG (which may be internal counsel), addressed to the UST and dated as of the Closing Date, in substantially the form attached as Annex C to the Existing Series F Purchase Agreement.

(b) FRBNY Closing Deliverables. At the Closing, the FRBNY will deliver, or cause to be delivered, the following documents or instruments:

(i) the FRBNY will deliver the Payoff Letter to AIG;

(ii) the FRBNY will deliver to AIG certificates in proper form evidencing the Purchased AIA/ALICO Preferred Units duly endorsed or accompanied by proper evidence of transfer and assignment; and

(iii) the FRBNY will deliver to the other parties counterparts to each of the Transaction Documents to be entered into at the Closing to which the FRBNY is a party executed by the FRBNY.

(c) UST Closing Deliverables. At the Closing, the UST will deliver, or cause to be delivered, the following documents or instruments:

(i) the UST will deliver to AIG the certificates for all of the shares of Series E Preferred Stock duly endorsed or accompanied by stock powers duly endorsed in blank;

Table of Contents

(ii) in accordance with the Amended and Restated Purchase Agreement, the UST will deliver to AIG the certificates for all of the shares of Series F Preferred Stock duly endorsed or accompanied by stock powers duly endorsed in blank;

(iii) the UST will deliver to the other parties counterparts to each of the Transaction Documents to be entered into at the Closing to which the UST is a party executed by the UST; and

(iv) the UST will execute and deliver to AIG a joinder agreement to each of the SPV LLC Agreements in the form of Schedule VI to each such agreement.

(d) Trust Closing Deliverables. At the Closing, the Trust will deliver, or cause to be delivered, the following documents or instruments:

(i) the Trust will deliver to AIG the certificates for all of the shares of Series C Preferred Stock duly endorsed or accompanied by stock powers duly endorsed in blank;

(ii) the Trust will deliver the certificates for the Series C Exchanged Shares received from AIG pursuant to Section 9.08(f) duly endorsed or accompanied by stock powers duly endorsed in blank;

(iii) the Trust will deliver to the other parties counterparts to each of the Transaction Documents to be entered into at the Closing to which the Trust is a party executed by the Trustees acting on behalf of the Trust.

ARTICLE 3

Repayment of FRBNY Credit Facility; SPV Intercompany Loans; SPV
Capital Contributions

Section 3.01. *Repayment of FRBNY Credit Facility; Termination of FRBNY Credit Facility*. (a) At the Closing, AIG shall repay, or cause to be repaid, any and all outstanding Loans together with accrued and unpaid interest thereon and any other amounts outstanding under the FRBNY Credit Facility (including any fees or other amounts that may become due upon termination of the FRBNY Credit Facility) at the Closing in accordance with and pursuant to the terms of the FRBNY Credit Facility.

(b) AIG shall not (and shall not permit any of its Subsidiaries to) use either (i) without the prior written consent of the FRBNY and the UST, any proceeds of the Series F Drawdown Right or (ii) without the prior written consent (after prior consultation with the UST) of the FRBNY, cash distributions in respect of the Designated Interests and Net Proceeds from the sale or disposal of

Table of Contents

any of the Designated Interests (collectively, the **Designated Cash Proceeds**) to repay all or any portion of the amounts outstanding under the FRBNY Credit Facility at any time on or prior to the Closing. The FRBNY, as the lender under the FRBNY Credit Facility, hereby waives any requirement for the mandatory prepayment of the Loans and accrued and unpaid interest thereon arising from the receipt of the Designated Cash Proceeds for so long as this Agreement shall remain in effect.

(c) At the Closing, subject to but immediately after giving effect to the repayment required by Section 3.01(a): (i) (A) the commitment under the FRBNY Credit Facility shall terminate (without regard to any provision thereof that requires advance notice of such termination), (B) the FRBNY Credit Facility shall terminate and be of no further force or effect except for provisions thereof (other than Section 5.11 thereof) that by their terms survive termination thereof, (C) all Liens granted by AIG and its Subsidiaries under or in connection with the FRBNY Credit Facility with respect to the assets of AIG and its Subsidiaries shall be terminated and released and (D) all guarantees made by AIG and its Subsidiaries to the FRBNY in connection with or with respect to the FRBNY Credit Facility shall terminate and be of no further force or effect; and (ii) the FRBNY shall deliver to AIG (A) a payoff letter executed by the FRBNY (the **Payoff Letter**) substantially in the form of Exhibit H, which will, among other things, confirm that the Release Conditions (as defined in the FRBNY Guarantee and Pledge Agreement) have been satisfied and provide authorization for the filing of all necessary UCC-3 termination statements, the termination of any control agreements relating to accounts of AIG and its Subsidiaries and other necessary documentation in connection with the release or termination of such Liens securing the FRBNY Credit Facility and (B) any collateral held in the possession of the FRBNY. The FRBNY, as the lender under the FRBNY Credit Facility, hereby waives (solely with respect to the repayment required by Section 3.01(a)) any requirement set forth in the FRBNY Credit Facility that AIG provide notice prior to prepayment of the Loans under the FRBNY Credit Facility. To the extent that the deliveries by the FRBNY or other actions under this Section 3.01(c) are insufficient to terminate and release any Lien granted by AIG and its Subsidiaries under or in connection with the FRBNY Credit Facility, or otherwise evidence the actions contemplated by this Section 3.01(c), the FRBNY agrees (at AIG's sole cost and expense) to execute and deliver such forms, instruments or other documents as AIG may reasonably request and submit to the FRBNY or take any other action in furtherance of this Section 3.01(c) as AIG may reasonably request.

Section 3.02. *Designated Cash Proceeds Received Prior to Closing.* AIG shall deposit, or cause to be deposited, all Designated Cash Proceeds received by AIG or any Guarantor or Pledgor (as such terms are defined in the Intercompany Guarantee and Pledge Agreement) prior to the Closing into an escrow account (the **Designated Cash Proceeds Escrow Account**) with the FRBNY to be held in escrow on the following terms:

Table of Contents

(a) AIG hereby appoints the FRBNY as its agent, under Sections 3.02(d) and (e), to act in accordance with this Agreement and the FRBNY hereby accepts such appointment, *provided* that the FRBNY shall not owe any fiduciary duty to AIG in connection with such appointment;

(b) the FRBNY shall (i) establish on its books the Designated Cash Proceeds Escrow Account and (ii) upon AIG's notice to the FRBNY that it or any Guarantor or Pledgor (as such terms are defined in the Intercompany Guarantee and Pledge Agreement) expects to receive Designated Cash Proceeds, provide AIG with specific wiring instructions for such account;

(c) as promptly as practicable (but in no event later than one Business Day) following the receipt by AIG or any Guarantor or Pledgor (as such terms are defined in the Intercompany Guarantee and Pledge Agreement) of any Designated Cash Proceeds (or, if such Designated Cash Proceeds were first received in a currency other than U.S. dollars, no later than seven (7) Business Days following the receipt thereof), AIG shall deposit or cause to be deposited all such Designated Cash Proceeds in the Designated Cash Proceeds Escrow Account (the **Designated Cash Escrowed Funds**);

(d) unless otherwise agreed by the FRBNY, the UST and AIG, the Designated Cash Proceeds shall remain uninvested in the Designated Cash Proceeds Escrow Account; and

(e) the FRBNY shall hold the Designated Cash Escrowed Funds in the Designated Cash Proceeds Escrow Account and shall release the Designated Cash Escrowed Funds only as follows:

(i) at the Closing, in the order specified in Section 2.02, the Designated Cash Escrowed Funds shall be released from the Designated Cash Proceeds Escrow Account and applied as repayment of the amounts outstanding under the SPV Intercompany Loans (allocated between the SPVs in the same manner as Designated Cash Proceeds received following the Closing would be allocated pursuant to the Intercompany Guarantee and Pledge Agreement) and immediately thereafter, each SPV shall distribute the Designated Cash Escrowed Funds received in connection with such repayment in accordance with the AIA SPV LLC Agreement, the ALICO SPV LLC Agreement, Section 4.03 hereof and the Intercompany Guarantee and Pledge Agreement, as applicable; *provided, however*, that any amount of the Designated Cash Escrowed Funds that would not be required to be applied as repayment of the amounts outstanding under either SPV Intercompany Loan if received as Designated Cash Proceeds following the Closing, in accordance with Section 4(a) of the Intercompany Guarantee and Pledge Agreement, will instead be distributed to AIG;

Table of Contents

(ii) if this Agreement shall terminate for any reason, then, with immediate effect, the Designated Cash Escrowed Funds shall be released from the Designated Cash Proceeds Escrow Account and applied to prepay outstanding Loans and accrued and unpaid interest thereon (with the remaining balance, if any, thereafter distributed to AIG) and simultaneously with such prepayment the Commitment under and as defined in the FRBNY Credit Facility shall be automatically and permanently reduced pursuant to the terms of the FRBNY Credit Facility as though such prepayment were a mandatory prepayment; and

(iii) as otherwise agreed by the FRBNY, AIG and the UST.

Section 3.03. *SPV Intercompany Loans; Waiver Agreement.* (a) At the Closing, all amounts subject to the Waiver Agreement and held in the Escrow Accounts immediately prior to the Closing (collectively, and together with all interest and profits, if any, earned thereon in accordance with the Waiver Agreement, the **Waived Amounts**) shall be released from the Escrow Accounts and (except, in the case of the ALICO SPV, for the ALICO True-Up Amount and the ALICO SPV Closing Tax Estimate and, in the case of the AIA SPV, the AIA SPV Closing Tax Estimate) shall be immediately advanced by the SPVs to AIG in the form of secured non-recourse intercompany loans (each, an **SPV Intercompany Loan**) having the terms set forth in the AIA SPV Intercompany Loan Agreement, in the case of the loan made by the AIA SPV, and the ALICO SPV Intercompany Loan Agreement, in the case of the loan made by the ALICO SPV; *provided, however*, that if the Waived Amounts (excluding the ALICO True-Up Amount, the ALICO SPV Closing Tax Estimate and the AIA SPV Closing Tax Estimate) are in excess of all outstanding Loans together with accrued and unpaid interest thereon and any other amounts outstanding under the FRBNY Credit Facility (including any fees or other amounts that may become due upon termination of the FRBNY Credit Facility), (i) the aggregate amount of the SPV Intercompany Loans shall be reduced by the amount of such excess (such reduction allocated to each SPV, unless otherwise agreed by the FRBNY and the UST in writing, on a *pro rata* basis based on the relative amounts held in each SPV's Escrow Account (disregarding, in the case of the ALICO SPV, the ALICO True-Up Amount and the ALICO SPV Closing Tax Estimate and, in the case of the AIA SPV, the AIA SPV Closing Tax Estimate)) and (ii) any Waived Amounts (excluding the ALICO True-Up Amount, the ALICO SPV Closing Tax Estimate and the AIA SPV Closing Tax Estimate) that are not advanced to AIG as SPV Intercompany Loans shall be distributed and/or otherwise dealt with at the Closing to the members of each SPV in accordance with the AIA SPV LLC Agreement, the ALICO SPV LLC Agreement, Section 4.03 hereof and the Intercompany Guarantee and Pledge Agreement, as applicable.

(b) At the Closing, a portion of the Waived Amounts equal to the ALICO True-Up Amount shall be distributed to AIG as payment pursuant to that certain letter agreement relating to the True-Up Amount dated as of June 28, 2010 among the ALICO SPV, AIG and the FRBNY (the **ALICO True-Up**

Table of Contents

Letter). For the avoidance of doubt, the amount distributed to AIG pursuant to the foregoing sentence shall not constitute Net Proceeds or otherwise be required to be used to repay either SPV Intercompany Loan. For so long as there is a Rights Holder, the ALICO SPV shall not make any payment (other than the ALICO True-Up Amount) pursuant to the ALICO True-Up Letter without the consent of the Rights Holder.

(c) At least 10 Business Days prior to the Closing, AIG shall provide to the FRBNY and the UST a good faith estimate, which sets forth in reasonable detail the calculations giving rise to such estimate, of the Taxes to be paid in cash that are reasonably expected to be due on any deemed or actual income, interest or original issue discount required to be accrued on the ALICO SPV Intercompany Loan and the AIA SPV Intercompany Loan and the Escrow Accounts within the first 12 months following the Closing based on assumptions believed to be reasonable as of such date in light of conditions and facts then known (which estimate may, in the case of each SPV Intercompany Loan, be expressed as a formula based on the anticipated principal amount of such SPV Intercompany Loan at the Closing). Following the delivery of such estimate and prior to the Closing, AIG, the FRBNY and the UST shall negotiate in good faith and mutually agree in writing on the appropriate amount of an estimate for such Taxes with respect to each of the ALICO SPV and the AIA SPV based on assumptions believed to be reasonable as of such date in light of conditions and facts then known (such agreed amount, in the case of the ALICO SPV, the **ALICO SPV Closing Tax Estimate** , and, in the case of the AIA SPV, the **AIA SPV Closing Tax Estimate**). At the Closing, a portion of the Waived Amounts equal to the ALICO SPV Closing Tax Estimate and the AIA SPV Closing Tax Estimate shall be released to the ALICO SPV and the AIA SPV, respectively, and, notwithstanding anything in any Transaction Document to the contrary, retained by the ALICO SPV and the AIA SPV, as applicable, solely for future payment to the relevant taxing authorities (or in the case of the AIA SPV, to be distributed to AIG solely for purposes of such payment). Prior to the time that the AIA/ALICO Preferred Redemption has occurred with respect to both SPVs, at the request of either the Rights Holder or AIG, the Rights Holder and AIG shall reevaluate in good faith the remaining balance of the ALICO SPV Closing Tax Estimate and/or the AIA SPV Closing Tax Estimate and determine whether such remaining balance is sufficient to pay future Taxes to be paid in cash that are reasonably expected to be due on any deemed or actual income, interest or original issue discount required to be accrued on the ALICO SPV Intercompany Loan and the AIA SPV Intercompany Loan and the Escrow Accounts within the immediately succeeding 12-month period. If, in connection with such reevaluation, the Rights Holder and AIG shall determine in good faith, based on assumptions then believed to be reasonable in light of conditions and facts then known, that:

(i) the remaining amount of the ALICO SPV Closing Tax Estimate or the AIA SPV Closing Tax Estimate, as the case may be, is not

Table of Contents

sufficient to pay such future Taxes that will reasonably be expected to be due within such immediately succeeding 12-month period, then the ALICO SPV or the AIA SPV, as applicable, shall be entitled (notwithstanding anything in any Transaction Document to the contrary) to withhold from future SPV Distributions by such SPV the aggregate amount of the agreed deficiency (which withheld amounts shall be added to, and retained for the same purpose as, the remaining balance of the ALICO SPV Closing Tax Estimate or the AIA SPV Closing Tax Estimate, as the case may be); or

(ii) the remaining amount of the ALICO SPV Closing Tax Estimate or the AIA SPV Closing Tax Estimate, as the case may be, is in excess of such future Taxes that will reasonably be expected to be due within such immediately succeeding 12-month period, then the agreed excess amount shall be distributed in accordance with the relevant SPV LLC Agreement and the Intercompany Guarantee and Pledge Agreement, as applicable, to the same extent as though such excess amount were received by the ALICO SPV or the AIA SPV, as applicable, as payment in respect of the applicable SPV Intercompany Loan.

(d) At the Closing, the Waiver Agreement shall terminate and be of no further force and effect, and, except as otherwise provided in Section 3.03(b) or 3.03(c) hereof, all cash held by each SPV after the initial advancement of the SPV Intercompany Loans or received after such advancement (including funds received in connection with (i) the repayment of the SPV Intercompany Loans, (ii) the SPV Capital Contributions, (iii) the disposition of assets held by such SPV, (iv) in the case of the ALICO SPV, AIG's obligations pursuant to Section 7.09 or (v) otherwise) shall be distributed in accordance with the AIA SPV LLC Agreement, the ALICO SPV LLC Agreement, Section 4.03 hereof and the Intercompany Guarantee and Pledge Agreement, as applicable.

(e) If this Agreement is terminated for any reason, the Waived Amounts will be distributed as set forth in the Waiver Agreement.

Section 3.04. *SPV Capital Contributions.* If an SPV's AIA/ALICO Preferred Redemption has not occurred by the time its SPV Intercompany Loan has been repaid in full, then from and after the repayment of its SPV Intercompany Loan until such time that such SPV's AIA/ALICO Preferred Redemption occurs, AIG shall make, or cause to be made, capital contributions to such SPV (each, an **SPV Capital Contribution**) solely from the Net Proceeds of the Collateral (as such term is defined in the Intercompany Guarantee and Pledge Agreement) and the Designated Interests in the amounts, and at the times, specified in the Intercompany Guarantee and Pledge Agreement.

Table of Contents

ARTICLE 4

Exchange of Securities

Section 4.01. *Series G Drawdown Right; Series F Closing Drawdown Amount.* (a) At least five Business Days prior to the Closing, AIG shall designate, by delivering written notice thereof to the FRBNY and the UST, an amount, if any, up to the difference between (i) \$2 billion and (ii) any amounts drawn on the Series F Drawdown Right on or after September 30, 2010 and prior to the Closing as the **Series G Designated Amount**, which amount shall be available to be drawn after the Closing in accordance with the Amended and Restated Purchase Agreement; *provided* that if AIG does not designate any amount as the Series G Designated Amount in accordance with the foregoing, the Series G Designated Amount shall be deemed equal to zero.

(b) At the Closing in accordance with Section 2.02, AIG shall, in accordance with the terms of the Existing Series F Purchase Agreement, draw, and the UST shall fund, an amount (the **Series F Closing Drawdown Amount**) equal to the lesser of:

(i) the excess of (A) the Available Amount (as such term is defined in the Existing Series F Purchase Agreement) as of the Closing over (B) the Series G Designated Amount; and

(ii) the AIA/ALICO Preferred Units Aggregate Amount as of the Closing.

provided, however, that if the Series F Drawdown Amount is calculated pursuant to clause (i) above, the Series F Drawdown Amount shall be reduced by the amount, if any, necessary to ensure that only whole AIA/ALICO Preferred Units are purchased pursuant to Section 4.02.

Section 4.02. *Purchase of AIA/ALICO Preferred Units.* (a) Upon the terms and subject to the conditions set forth in this Agreement, AIG agrees to purchase from the FRBNY and the FRBNY agrees to sell, convey, transfer, assign and deliver, or cause to be sold, conveyed, transferred, assigned and delivered, to AIG at the Closing, free and clear of all Liens (other than restrictions on transfer imposed by applicable Law, this Agreement or the SPV LLC Agreements), all of the FRBNY's and its Affiliates' right, title and interest in, to and under a number of AIA/ALICO Preferred Units the aggregate AIA/ALICO Preferred Unit Amounts of which, as of the Closing in accordance with Section 2.02, are equal to the Series F Closing Drawdown Amount (the **Purchased AIA/ALICO Preferred Units**). The purchase price for the Purchased AIA/ALICO Preferred Units (the **AIA/ALICO Purchase Price**) shall be equal to, and funded solely from, the Series F Closing Drawdown Amount. At the Closing, AIG shall deliver or cause to be delivered the AIA/ALICO Purchase Price to the FRBNY by wire transfer of immediately available funds to an account designated by the FRBNY in writing prior to the Closing.

Table of Contents

(b) Unless otherwise agreed in writing by the FRBNY and the UST:

(i) the Purchased AIA/ALICO Preferred Units shall be allocated between the AIA Preferred Units and ALICO Preferred Units on a *pro rata* basis in accordance with the relative AIA Liquidation Preference and ALICO Liquidation Preference at that time; and

(ii) the ALICO Preferred Units constituting a portion of the Purchased AIA/ALICO Preferred Units shall be allocated between the ALICO Junior Preferred Units and ALICO Senior Preferred Units on a *pro rata* basis in accordance with the relative ALICO Junior Liquidation Preference and ALICO Senior Liquidation Preference at that time.

Section 4.03. *Subordination of UST Held Preferred Units.* From and after the Closing, notwithstanding anything in this Agreement or either SPV LLC Agreement to the contrary, AIG, the AIA SPV, the ALICO SPV, the UST and the FRBNY agree that:

(a) If the FRBNY holds any AIA/ALICO Preferred Units of either SPV immediately after the Closing, until such time as such SPV's FRBNY SPV Payoff Amount is zero (the **FRBNY Payoff Time**), (i) the AIA/ALICO Preferred Units of such SPV held by the UST shall be subordinated and junior in right of payment to any and all of the AIA/ALICO Preferred Units of such SPV held by the FRBNY, (ii) no SPV Distributions shall be made to the UST in respect of the AIA/ALICO Preferred Units of such SPV held by the UST and (iii) all SPV Distributions that would otherwise be paid to the UST in respect of the AIA/ALICO Preferred Units of such SPV held by the UST shall be paid to the FRBNY.

(b) Each SPV shall, and AIG shall cause each SPV to, make all SPV Distributions in accordance with, and the UST hereby agrees with the FRBNY, AIG and each SPV that it shall not demand, accept or receive any SPV Distribution in violation of, the provisions of this Section 4.03. If, notwithstanding the foregoing, the UST receives any SPV Distribution in respect of the AIA/ALICO Preferred Units of either SPV prior to such SPV's FRBNY Payoff Time, the UST shall hold such SPV Distribution in trust for the benefit of, and shall immediately pay over and deliver such SPV Distribution to, the FRBNY.

(c) If the FRBNY holds any AIA/ALICO Preferred Units of an SPV at such SPV's FRBNY Payoff Time, the FRBNY shall promptly convey, transfer, assign and deliver to the UST all of its right, title and interest in, to and under such AIA/ALICO Preferred Units by delivering to the UST certificates in proper form evidencing such AIA/ALICO Preferred Units duly endorsed or accompanied by proper evidence of transfer and assignment. If the FRBNY receives any SPV Distribution in respect of the AIA/ALICO Preferred Units of either SPV after such SPV's FRBNY Payoff Time, the FRBNY shall hold such SPV Distribution

Table of Contents

in trust for the benefit of, and shall immediately pay over and deliver such SPV Distribution to, the UST.

(d) For the avoidance of doubt, any SPV Distributions made in respect of the AIA/ALICO Preferred Units of either SPV in accordance with the distribution provisions of the applicable SPV LLC Agreement and this Section 4.03 shall reduce the AIA/ALICO Liquidation Preference of all AIA/ALICO Preferred Units of such SPV on a *pro rata* basis in accordance with the applicable SPV LLC Agreement.

(e) The provisions of this Section 4.03 (i) shall be binding on any Person to which either the FRBNY or the UST transfers any AIA/ALICO Preferred Units, other than in the case of the FRBNY where such transferee is the UST, and (ii) shall apply to each such transferee as though (A) in the case of any transferee of the FRBNY, such transferee were the FRBNY and such transferee's AIA/ALICO Preferred Units were held by the FRBNY, and (B) in the case of any transferee of the UST, such transferee were the UST and such transferee's AIA/ALICO Preferred Units were held by the UST.

Section 4.04. *Amendment and Restatement of Existing Series F Purchase Agreement; Series G Certificate of Designations.* (a) At the Closing in the order specified in Section 2.02, AIG, the UST and, for the limited purposes specified therein, the FRBNY shall enter into the Amended and Restated Purchase Agreement, which shall amend and restate the Existing Series F Purchase Agreement in its entirety to, among other things, provide for (i) the exchange of the shares of Series F Preferred Stock for the Purchased AIA/ALICO Preferred Units, shares of Series G Preferred Stock (if applicable) and the Series F Exchanged Shares and (ii) if AIG designates a Series G Designated Amount, the exchange of a portion of the Series F Drawdown Right for the Series G Drawdown Right, in each case upon the terms and subject to the conditions set forth in the Amended and Restated Purchase Agreement.

(b) Immediately prior to the Closing, AIG shall file the Series G Certificate of Designations with the Secretary of State of the State of Delaware.

(c) For federal, state and local income tax purposes, unless otherwise required by Law, AIG shall treat its participation in the transfers set forth in Sections 4.02 and 4.04 of this Agreement relating to the AIA/ALICO Preferred Units as an intermediate step in a single integrated transaction, and treat similarly any subsequent similar transfers.

Section 4.05. *Exchange of Series C Preferred Stock; Termination of Trust.* On the terms and subject to the conditions set forth in this Agreement, at the Closing, (a) AIG agrees to issue 562,868,096 shares of AIG Common Stock (such shares, the **Series C Exchanged Shares**) to the Trust, and (b) the Trust agrees to deliver to AIG, free and clear of all Liens, all of the shares of Series C Preferred Stock in exchange for the Series C Exchanged Shares. Immediately

Table of Contents

following such exchange, the certificates evidencing the Series C Exchanged Shares and all other property of the Trust shall be delivered pursuant to Section 9.08(f), and the Trust will thereafter terminate in accordance with the terms of the Trust Agreement.

Section 4.06. *Exchange of Series E Preferred Stock.* On the terms and subject to the conditions set forth in this Agreement, AIG agrees to issue at the Closing 924,546,133 shares of AIG Common Stock (such shares, the **Series E Exchanged Shares**) to the UST in exchange for all of the shares of Series E Preferred Stock, and the UST agrees to deliver to AIG at the Closing, free and clear of all Liens, all of the shares of Series E Preferred Stock in exchange for the Series E Exchanged Shares.

Section 4.07. *Cancellation of Preferred Shares.* Upon delivery of the shares of Series C Preferred Stock, Series E Preferred Stock and Series F Preferred Stock to AIG at the Closing in accordance with this Agreement and the Amended and Restated Purchase Agreement, the shares of Series C Preferred Stock, Series E Preferred Stock and Series F Preferred Stock shall be cancelled, shall revert to authorized but unissued shares of preferred stock of AIG undesignated as to series and shall not be reissued as Series C Preferred Stock, Series E Preferred Stock or Series F Preferred Stock, as applicable.

Section 4.08. *Legends.* (a) Each of the Trust and the UST agrees that all certificates or other instruments representing, in the case of the Trust, the Series C Exchanged Shares and, in the case of the UST, the Series C Exchanged Shares, the Series E Exchanged Shares and the Series F Exchanged Shares will bear a legend substantially to the following effect:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF OR HEDGED IN ANY MANNER (INCLUDING THROUGH THE ENTRY INTO CASH-SETTLED DERIVATIVE INSTRUMENTS) EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS AND IN COMPLIANCE WITH SUCH LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND SUCH LAWS.

Table of Contents

(b) In the event that any of the Series C Exchanged Shares, the Series E Exchanged Shares or the Series F Exchanged Shares (i) become registered under the 1933 Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the 1933 Act (other than Rule 144A), AIG shall issue new certificates or other instruments representing such Series C Exchanged Shares, Series E Exchanged Shares or Series F Exchanged Shares, which shall not contain the applicable legends in Section 4.08(a); *provided* that the holder thereof surrenders to AIG the previously issued certificates or other instruments.

ARTICLE 5

Representations and Warranties of AIG

Except as Previously Disclosed, AIG represents and warrants to the FRBNY, the UST and the Trust that as of the date hereof and as of the Closing Date:

Section 5.01. *Organization, Authority and Significant Subsidiaries.* Each of AIG, the AIA SPV and the ALICO SPV has been duly organized and is validly existing and in good standing (or the equivalent, if any, in the applicable jurisdiction) under the laws of its jurisdiction of organization, with the necessary power and authority to own its properties and conduct its business in all material respects as currently conducted. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect, each of AIG, the AIA SPV and the ALICO SPV has been duly qualified as a foreign corporation, limited liability company or other organization for the transaction of business and is in good standing (or the equivalent, if any, in the applicable jurisdiction) under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification. Except as has not had and would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect, each Subsidiary of AIG that is a significant subsidiary within the meaning of Rule 1-02(w) of Regulation S-X under the 1933 Act is duly organized and is validly existing in good standing (or the equivalent, if any, in the applicable jurisdiction) under the laws of its jurisdiction of organization, with the necessary power and authority to own its properties and conduct its business, and has been duly qualified as a foreign corporation, limited liability company or other organization for the transaction of business and is in good standing (or the equivalent, if any, in the applicable jurisdiction) under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification. The certificate of incorporation and bylaws of AIG, copies of which have been provided to the FRBNY, the UST and the Trust prior to the date hereof, are true, complete and correct copies of such documents as in full force and effect as of the date hereof.

Table of Contents

Section 5.02. *Capitalization.* (a) The authorized capital stock of AIG and the outstanding capital stock of AIG (including securities convertible into, or exercisable or exchangeable for, capital stock of AIG) as of the most recent fiscal month-end preceding the date hereof, or such other date as the parties may agree (the **Capitalization Date**), is set forth on Section 5.02 of the AIG Disclosure Schedule. The outstanding shares of capital stock of AIG have been duly authorized and are validly issued and outstanding, fully paid and non-assessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). As of the date hereof, AIG does not have outstanding any securities or other obligations providing the holder the right to acquire AIG Common Stock that is not reserved for issuance, and AIG has not made any other commitment to authorize, issue or sell any AIG Common Stock, except as disclosed in Section 5.02 of the AIG Disclosure Schedule or as contemplated by the Transaction Documents. Since the Capitalization Date, AIG has not issued any shares of AIG Common Stock, other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Section 5.02 of the AIG Disclosure Schedule and (ii) any other shares disclosed on Section 5.02 of the AIG Disclosure Schedule.

(b) (i) All of the common membership interests in the AIA SPV and the ALICO SPV are owned by AIG and (ii) the AIA/ALICO Preferred Units are the only preferred membership interests in the AIA SPV and the ALICO SPV outstanding and have been duly authorized and are validly issued and fully paid and non-assessable and have not been issued in violation of any preemptive rights or applicable securities Law.

(c) Other than the SPV LLC Agreements, there are no (i) options, calls, warrants or convertible or exchangeable securities, or conversion, preemptive, subscription or other rights, or agreements, arrangements or commitments, in any such case, obligating or which may obligate the AIA SPV, the ALICO SPV or any of their respective Subsidiaries to issue, sell, purchase, return or redeem any shares of capital stock or equity ownership interests or securities convertible into or exchangeable for any of their shares of capital stock or equity ownership interests; (ii) restricted shares, stock appreciation rights, performance units, contingent value rights, phantom stock or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any shares of capital stock or equity ownership interests of the AIA SPV, the ALICO SPV or any of their respective Subsidiaries; or (iii) voting trusts, proxies or other agreements or understandings with respect to the shares of capital stock or ownership interests of the AIA SPV, the ALICO SPV or any of their respective Subsidiaries to which any such Person is a party, or agreements or understandings to which the AIA SPV, the ALICO SPV or any of their respective Subsidiaries is a party relating to the registration, sale or transfer (including agreements relating to rights of first refusal, co-sale rights or drag-along rights) of any such shares of capital stock or equity ownership interests.

Table of Contents

Section 5.03. *AIG Common Stock Issued in the Recapitalization; Series G Preferred Stock.* Each of the Series C Exchanged Shares, the Series E Exchanged Shares, the Series F Exchanged Shares and the Series G Preferred Stock (collectively, the **Exchanged Securities**) has been duly and validly authorized, and, when (and, in the case of the Series G Preferred Stock, if) issued and delivered pursuant to this Agreement or the Amended and Restated Purchase Agreement, as applicable, the Exchanged Securities will be duly and validly issued and fully paid and non-assessable and will not be issued in violation of any preemptive rights. The shares of AIG Common Stock issuable upon conversion of the Series G Preferred Stock (a) have been duly authorized, (b) from and after the time at which the Conversion Price (as defined in the Series G Certificate of Designations) is established, will be reserved for issuance and (c) when so issued in accordance with the terms of the Series G Preferred Stock, will be validly issued, fully paid and non-assessable.

Section 5.04. *Warrants.* The Warrants have been duly authorized and, when issued and delivered pursuant to the Warrant Agreement and this Agreement, will constitute a valid and legally binding obligation of AIG enforceable against AIG in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and general equitable principles, regardless of whether such enforceability is considered in a proceeding at law or in equity (**Bankruptcy Exceptions**). The shares of AIG Common Stock issuable upon exercise of the Warrants have been duly authorized and reserved for issuance upon exercise of the Warrants and when so issued in accordance with the terms of the Warrants will be validly issued, fully paid and non-assessable.

Section 5.05. *Authorization, Enforceability.* (a) Each of AIG, the AIA SPV and the ALICO SPV has the corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is party and, subject to receipt of the AIG Stockholder Approval and assuming that all Required Regulatory Approvals are duly made or received, as applicable, to carry out its obligations hereunder and thereunder (which includes the issuance of the Exchanged Securities, the Warrants and the AIG Common Stock issuable upon conversion of the Series G Preferred Stock and exercise of the Warrants). The approval of the issuance of AIG Common Stock in connection with the Recapitalization (including the issuance of the Series C Exchanged Shares, the Series E Exchanged Shares, the Series F Exchanged Shares and the AIG Common Stock issuable upon conversion of the Series G Preferred Stock) (the **Stock Issuance**) by a majority of the voting power represented by the votes cast by the holders of AIG Common Stock and Series C Preferred Stock voting on the matter (*provided* that the total number of the votes cast represents over fifty percent (50%) of the total voting power eligible to be cast by holders of shares of the outstanding shares of AIG Common Stock and Series C Preferred Stock, voting together as a single class) (the **AIG Stockholder Approval**) is the only vote or

Table of Contents

approval of the holders of any of AIG's capital stock necessary in connection with the consummation of the transactions contemplated hereby and by the other Transaction Documents. The execution, delivery and performance by each of AIG, the AIA SPV and the ALICO SPV of this Agreement and any other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby are within its organizational powers and have been duly authorized by all necessary action on its part (except for the AIG Stockholder Approval). Each of this Agreement and the Waiver Agreement constitute, and each other Transaction Document to which AIG, the AIA SPV and/or the ALICO SPV is a party will constitute when executed and delivered, a valid and binding agreement of AIG, the AIA SPV and the ALICO SPV, as applicable, except as the same may be limited by Bankruptcy Exceptions.

(b) When so executed and delivered, the Trust Written Consent shall, when effective under its terms, constitute a valid and effective AIG Stockholder Approval in compliance with applicable Law and the certificate of incorporation and bylaws of AIG and satisfy the voting requirements relating to the Stock Issuance under the rules of the New York Stock Exchange, and no other vote or action of the holders of any class or series of the capital stock of AIG will be necessary under the rules of the New York Stock Exchange, applicable Law, AIG's certificate of incorporation and bylaws or otherwise to consummate the transactions contemplated hereby and by the other Transaction Documents, subject only to the expiration of the 20-calendar-day period referred to in the proviso to Section 10.01(b).

(c) The Board of Directors of AIG (the **AIG Board**), at a meeting duly called and held at which all directors of AIG were present, duly adopted resolutions approving the Transaction Documents and the transactions contemplated by the Transaction Documents, which resolutions have not, as of the date hereof, been subsequently rescinded, modified or withdrawn in any way.

Section 5.06. *Non-contravention*. Subject to receipt of the AIG Stockholder Approval and assuming that all Required Regulatory Approvals are duly made or received, as applicable, the execution, delivery and performance by AIG, the AIA SPV and the ALICO SPV of each of this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby and compliance by AIG, the AIA SPV and the ALICO SPV with the provisions hereof and thereof, will not (a) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any Lien, charge or encumbrance upon any of the properties or assets of AIG or any Subsidiary of AIG under any of the terms, conditions or provisions of (i) their respective organizational documents or (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which AIG or any Subsidiary of AIG is a party or by which AIG or

Table of Contents

any Subsidiary of AIG may be bound, or to which AIG or any Subsidiary of AIG or any of the properties or assets of AIG or any Subsidiary of AIG may be subject, or (b) violate any applicable Law applicable to AIG or any Subsidiary of AIG or any of their respective properties or assets except, in the case of clauses (a)(ii) and (b), for those occurrences that have not had and would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect.

Section 5.07. *Governmental Authorization.* Other than the Required Regulatory Approvals, no notices to, filings with, exemptions or reviews by, and authorizations, consents or approvals of, any Governmental Entity required to be made or obtained by any party hereto in connection with the consummation of the transactions contemplated by the Transaction Documents would, if not made or obtained, reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect.

Section 5.08. *Anti-takeover Provisions and Rights Plan.* The AIG Board has taken all necessary action to ensure that the transactions contemplated by this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby will be exempt from any anti-takeover or similar provisions of AIG's certificate of incorporation and bylaws, and any other provisions of any applicable moratorium, control share, fair price, interested stockholder or other anti-takeover Laws and regulations of any jurisdiction. AIG has taken all actions necessary to render any stockholders' rights plan of AIG inapplicable to this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 5.09. *Absence of Changes.* Since the last day of the last completed fiscal period for which AIG has filed, prior to the date hereof, a Quarterly Report on Form 10-Q or an Annual Report on Form 10-K with the SEC, through the date hereof, (a) no fact, circumstance, event, change, occurrence, condition or development has occurred that has had or would reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect and (b) except for (i) the regulatory restrictions and other effects arising out of the financial events concerning AIG as announced by AIG on September 16, 2008, (ii) the Recapitalization, (iii) the sale of one hundred percent (100%) of the issued and outstanding capital stock of ALICO to MetLife, (iv) the initial public offering of AIA, (v) the entry into the Star-Edison Transaction Agreements, (vi) efforts to effect a disposition of Nan Shan or a portion of the Nan Shan Interests, (vii) the wind-down of AIGFP and (viii) efforts by ILFC to raise or repay debt or equity capital, the business of AIG and its Subsidiaries has been conducted in the ordinary course.

Section 5.10. *AIG Financial Statements.* The financial statements of AIG and its consolidated Subsidiaries (collectively, the **AIG Financial Statements**) included or incorporated by reference in AIG Reports filed with the SEC since

Table of Contents

January 1, 2010, present fairly in all material respects the consolidated financial position of AIG and its consolidated Subsidiaries as of the dates indicated therein (or if amended prior to the date hereof, as of the date of such amendment) and the consolidated results of their operations for the periods specified therein; and except as stated therein, the AIG Financial Statements (a) were prepared in conformity with GAAP applied on a consistent basis (except as may be noted therein), (b) have been prepared from, and are in accordance with, the books and records of AIG and its Subsidiaries and (c) complied as to form, as of their respective dates of filing with the SEC, in all material respects with the applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto.

Section 5.11. *Solvency*. On the Closing Date, immediately after giving effect to the transactions contemplated by this Agreement and the other Transaction Documents, AIG and its Subsidiaries, on a consolidated basis, are Solvent.

Section 5.12. *Reports*. (a) Since January 1, 2010, AIG and each of its Subsidiaries has timely filed (subject to any permitted extension) all reports, registrations, documents, filings, statements and submissions, together with any amendments thereto, that it was required to file with any Governmental Entity (the foregoing, collectively, the **AIG Reports**) and has paid all fees and assessments due and payable in connection therewith, except, in each case, as would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect. As of their respective dates of filing, the AIG Reports complied in all material respects with all Laws of the relevant Governmental Entities. In the case of each such AIG Report filed with or furnished to the SEC, such AIG Report (A) did not, as of its date or if amended prior to the date hereof, as of the date of such amendment, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (B) complied as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act. With respect to all other AIG Reports, such AIG Reports were complete and accurate in all material respects as of their respective dates. No executive officer of AIG or any Subsidiary of AIG has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act of 2002. This Section 5.12 shall not apply with respect to tax returns, which shall be governed solely by the representations made under Section 5.19.

(b) The records, systems, controls, data and information of AIG and AIG's Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of AIG or AIG's Subsidiaries or their accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have, individually or in the

Table of Contents

aggregate, a material adverse effect on the system of internal accounting controls described below in this Section 5.12(b). AIG (i) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act) to ensure that material information relating to AIG, including the consolidated Subsidiaries of AIG, is made known to the chief executive officer and the chief financial officer of AIG by others within those entities, and (ii) has disclosed, based on its most recent evaluation prior to the date hereof, to AIG's outside auditors and the audit committee of the AIG Board (x) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) of the 1934 Act) that are reasonably likely to adversely affect AIG's ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in AIG's internal controls over financial reporting.

Section 5.13. *AIG Information Statement*. The AIG Information Statement and any amendments or supplements thereto will, when filed, comply as to form in all material respects with the applicable requirements of the 1934 Act. At the time the AIG Information Statement or any amendment or supplement thereto is first mailed to the AIG stockholders, the AIG Information Statement, as supplemented or amended, if applicable, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties contained in this Section 5.13 will not apply to statements or omissions included in the AIG Information Statement based upon information furnished in writing to AIG by the FRBNY, the UST or the Trust specifically for use therein.

Section 5.14. *No Undisclosed Liabilities*. Neither AIG nor any of AIG's Subsidiaries has any liabilities or obligations of any nature (absolute, accrued, contingent or otherwise) which are not properly reflected or reserved against in AIG Financial Statements to the extent required to be so reflected or reserved against in accordance with GAAP, except for (A) liabilities that have arisen since the last day of the fiscal quarter covered by AIG's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, as applicable, in the ordinary and usual course of business and consistent with past practice and (B) liabilities that have not had and would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect.

Section 5.15. *Offering of Securities*. None of AIG, any of its Subsidiaries or any Person acting on its behalf has taken any action (including any offering of any securities of AIG under circumstances which would require the integration of such offering with the offering of any of the Exchanged Securities or the Purchased AIA/ALICO Preferred Units under the 1933 Act, and the rules and regulations of the SEC promulgated thereunder), which might subject the offering or issuance of any of the Exchanged Securities or the Purchased AIA/ALICO

Table of Contents

Preferred Units to the UST or the Trust pursuant to the Transaction Documents to the registration requirements of the 1933 Act.

Section 5.16. *Litigation and Other Proceedings*. Except as would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect, there is no (i) pending or, to the knowledge of AIG, threatened, claim, action, suit, investigation or proceeding, against AIG or any Subsidiary of AIG or to which any of their assets are subject nor is AIG or any Subsidiary of AIG subject to any order, judgment or decree or (ii) unresolved violation, criticism or exception by any Governmental Entity with respect to any report or relating to any examinations or inspections of AIG or any Subsidiaries of AIG.

Section 5.17. *Compliance with Laws*. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, to the knowledge of AIG, AIG and its Subsidiaries have all permits, licenses, franchises, authorizations, orders and approvals of, and have made all filings, applications and registrations with, Governmental Entities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted and that are material to the business of AIG or such Subsidiary of AIG, including all material licenses, certificates of authority, permits or other authorizations that are required to be obtained from any Governmental Entity in connection with the operation, ownership or transaction of insurance or reinsurance business (collectively, the **Permits**). To the knowledge of AIG, (a) all Permits are valid and in full force and effect, (b) neither AIG nor any of its Subsidiaries is in default under, or the subject of a proceeding for suspension or revocation of, and, to the knowledge of AIG, no condition exists that with notice or lapse of time or both would constitute a default under, or basis for suspension or revocation of, any Permit and (c) none of the Permits will be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated by the Transaction Documents, except, in the case of each clause (a), (b) and (c), for such invalidity of Permits, such defaults or such conditions that would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect. To the knowledge of AIG, AIG and its Subsidiaries have complied in all respects and are not in default or violation of, and none of them is, to the knowledge of AIG, under investigation with respect to or, to the knowledge of AIG, have been threatened to be charged with or given notice of any violation of, any applicable Law, other than such noncompliance, defaults or violations that would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect. To the knowledge of AIG, except for statutory or regulatory restrictions of general application or applicable to insurance companies generally and except for restrictions imposed by certain regulators as a result of the financial events concerning AIG as announced by AIG on September 16, 2008, no Governmental Entity has placed any material restriction (other than Permitted Liens) on the business or properties of AIG or any Subsidiary of AIG that would, individually

Table of Contents

or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect. This Section 5.17 shall not apply with respect to Taxes.

Section 5.18. *Employee Benefit Matters.* Except as would not reasonably be expected to have, either individually or in the aggregate, an AIG Material Adverse Effect: (a) each employee benefit plan (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974 (**ERISA**)) providing benefits to any current or former employee, officer or director of AIG or any member of its Controlled Group (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Code) that is sponsored, maintained or contributed to by AIG or any member of its Controlled Group and for which AIG or any member of its Controlled Group would have any liability, whether actual or contingent (each, a **Plan**) has been maintained in material compliance with its terms and with the requirements of all applicable statutes, rules and regulations, including ERISA and the Code; (b) with respect to each Plan subject to Title IV of ERISA (including, for purposes of this clause (b), any plan subject to Title IV of ERISA that AIG or any member of its Controlled Group previously maintained or contributed to in the six years prior to the date hereof), (i) no reportable event (within the meaning of Section 4043(c) of ERISA), other than a reportable event for which the notice period referred to in Section 4043(c) of ERISA has been waived, has occurred in the three years prior to the date hereof or is reasonably expected to occur in the current plan year, (ii) no accumulated funding deficiency (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, has occurred in the three years prior to the date hereof or is reasonably expected to occur, (iii) the fair market value of the assets under each Plan exceeds the present value of all benefits accrued under such Plan (determined based on the assumptions used to fund such Plan) as of the last annual valuation date and (iv) neither AIG nor any member of its Controlled Group has incurred in the six years prior to the date hereof, or reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) in respect of a Plan (including any Plan that is a multiemployer plan , within the meaning of Section 4001(c)(3) of ERISA); and (c) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service with respect to its qualified status that has not been revoked, or such a determination letter has been timely applied for but not received by the date hereof, and nothing has occurred, whether by action or by failure to act, which could reasonably be expected to cause the loss, revocation or denial of such qualified status or favorable determination letter.

Section 5.19. *Taxes.* Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, (i) AIG and its Subsidiaries have filed all federal, state, local and foreign income and franchise Tax returns required to be filed through the date hereof, subject to

Table of Contents

permitted extensions, and have paid all Taxes due thereon, and (ii) no Tax deficiency has been determined adversely to AIG or any of its Subsidiaries, nor does AIG have any knowledge of any Tax deficiencies. **Tax** or **Taxes** means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any Governmental Entity.

Section 5.20. *Properties and Leases*. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, AIG and its Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them and used in the operation of their respective businesses, in each case free from Liens, encumbrances, claims and defects (other than Permitted Liens) that would affect the value thereof or interfere with the use made or to be made thereof by them. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, AIG and its Subsidiaries hold all leased real or personal property under valid and enforceable leases with no exceptions that would interfere with the use made or to be made thereof by them.

Section 5.21. *Environmental Liability*. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect:

(a) there is no legal, administrative, or other proceeding, claim or action of any nature seeking to impose, or that would reasonably be expected to result in the imposition of, on AIG or any Subsidiary of AIG, any liability relating to the release of hazardous substances as defined under any local, state or federal environmental statute, regulation or ordinance, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, pending or, to AIG's knowledge, threatened against AIG or any Subsidiary of AIG;

(b) to AIG's knowledge, there is no reasonable basis for any such proceeding, claim or action; and

(c) neither AIG nor any Subsidiary of AIG is subject to any agreement, order, judgment or decree by or with any court, Governmental Entity or third party imposing any such environmental liability.

Section 5.22. *Risk Management Instruments*. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, all derivative instruments, including swaps, caps, floors and option agreements, whether entered into for AIG's own account, or for the account of one or more of AIG's Subsidiaries or its or their customers, were entered into (a) only in the ordinary course of business, (b) in accordance with prudent practices and in all material respects with all applicable Laws, rules,

Table of Contents

regulations and regulatory policies and (c) with counterparties believed to be financially responsible at the time; and each of such instruments constitutes the valid and legally binding obligation of AIG or one of AIG's Subsidiaries, enforceable in accordance with its terms, except as may be limited by the Bankruptcy Exceptions. None of AIG, any of AIG's Subsidiaries, or, to the knowledge of AIG, any other party thereto, is in breach of any of its obligations under any such agreement or arrangement other than such breaches that would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect.

Section 5.23. *Agreements with Regulatory Agencies.* To the knowledge of AIG, neither AIG nor any Subsidiary of AIG is subject to any cease-and-desist or other similar order or enforcement action issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any capital directive by, or since December 31, 2009, has adopted any board resolutions at the request of, any Governmental Entity (other than the primary insurance regulators with jurisdiction over AIG's Subsidiaries) that currently restricts the conduct of its business or that relates to its capital adequacy, its liquidity and funding policies and practices, its ability to pay dividends, its credit, risk management or compliance policies or procedures, its internal controls, its management or its operations or business, except (x) for any Law, regulatory or supervisory guidance or policy or similar authority of general applicability to Persons in a particular business in a particular jurisdiction and (y) as would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect. Each item in the immediately preceding sentence, without taking into consideration the parenthetical provided therein or clause (y) (but taking into account clause (x)), is referred to herein as a **Regulatory Agreement**. To the knowledge of AIG, neither AIG nor any Subsidiary of AIG has been advised since December 31, 2009 by any such Governmental Entity that it is considering issuing, initiating, ordering, or requesting any such Regulatory Agreement (other than any such Regulatory Agreement that would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect). To the knowledge of AIG, (a) AIG and each Subsidiary of AIG are in compliance with each Regulatory Agreement to which it is party or subject, and (b) neither AIG nor any Subsidiary of AIG has received any notice from any Governmental Entity indicating that either AIG or any Subsidiary of AIG is not in compliance with any such Regulatory Agreement, except, in the case of each clause (a) and (b), as would not reasonably be expected to have, individually or in the aggregate, an AIG Material Adverse Effect.

Section 5.24. *Insurance.* All current property and liability insurance policies covering AIG or any Subsidiary of AIG are in full force and effect (and all premiums due and payable thereon have been paid in full on a timely basis), and no written notice of cancellation, termination or revocation or other written notice that any such insurance policy is no longer in full force or effect or that the

Table of Contents

issuer of any such insurance policy is not willing or able to perform its obligations thereunder has been received by AIG or any Subsidiary of AIG, and neither AIG nor any Subsidiary of AIG is in default of any provision thereof, except, in each case, that have not had and would not be reasonably expected to have, individually or in the aggregate, an AIG Material Adverse Effect.

Section 5.25. *Intellectual Property*. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, (a) AIG and each Subsidiary of AIG owns or otherwise has the right to use, all intellectual property rights, including all trademarks, trade dress, trade names, service marks, domain names, patents, inventions, trade secrets, know-how, works of authorship and copyrights therein, that are used in the conduct of their existing businesses and all rights relating to the plans, design and specifications of any of its branch facilities (**Proprietary Rights**) free and clear of all Liens and any claims of ownership by current or former employees, contractors, designers or others and (b) to the knowledge of AIG, neither AIG nor any of AIG's Subsidiaries is materially infringing, diluting, misappropriating or violating, nor has AIG or any or AIG's Subsidiaries received within the last two years any written (or, to the knowledge of AIG, oral) communications alleging that any of them has materially infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by any other Person. Except as would not, individually or in the aggregate, reasonably be expected to have an AIG Material Adverse Effect, to AIG's knowledge, no other Person is infringing, diluting, misappropriating or violating, nor has AIG or any or AIG's Subsidiaries sent any written communications since January 1, 2010 alleging that any Person has infringed, diluted, misappropriated or violated, any of the Proprietary Rights owned by AIG and AIG's Subsidiaries.

Section 5.26. *Brokers and Finders*. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the other Transaction Documents or the transactions contemplated hereby or thereby based upon arrangements made by or on behalf of AIG or any Subsidiary of AIG for which the FRBNY, the UST, the Trust or the Trustees could have any liability.

ARTICLE 6

AIG Governance Related Matters

Section 6.01. *Financial Statements, Reports, Etc.* During the Relevant TARP Period, AIG shall furnish to the UST: (a) within 90 days after the end of each fiscal year, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of AIG and its consolidated Subsidiaries as of the close of such fiscal year and the consolidated results of its operations during such year, together with comparative figures for the immediately

Table of Contents

preceding fiscal year, all audited by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing and accompanied by an opinion of such accountants (which opinion shall be without qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements fairly present in all material respects the financial condition and results of operations of AIG and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, together with a customary management discussion and analysis section;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year, its unaudited consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of AIG and its consolidated Subsidiaries as of the close of such fiscal quarter and the consolidated results of its operations during such fiscal quarter and the then-elapsed portion of the fiscal year, and comparative figures for the same periods in the immediately preceding fiscal year, all certified by one of its Financial Officers as fairly presenting in all material respects the financial condition and results of operations of AIG and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments, together with a customary management discussion and analysis section;

(c) within 30 days after the end of the first two fiscal months of each fiscal quarter, AIG's estimate of its consolidated financial results for the current quarter and the full fiscal year in which such fiscal month occurs, in total and by segment and individual reporting units (*i.e.*, subsegment), together with comparison to AIG's budgets of comparable information for such periods;

(d) (i) within 45 days following the end of each fiscal quarter of each fiscal year, an update to the budget for the then-current fiscal year, an updated corporate outlook report for the following fiscal year (in substantially the same form as the corresponding reports previously provided to the FRBNY pursuant to Section 5.04(e) of the FRBNY Credit Facility) and (ii) promptly and in any event within five days, notice of any material changes to any of the reports or updated reports referred to in this paragraph (d);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by AIG or any of its Subsidiaries with the SEC, or any Governmental Entity succeeding to any or all of the functions of the SEC, or with any national securities exchange, or distributed to its shareholders generally, as the case may be (except that AIG and its Subsidiaries shall not be obligated to furnish to the UST copies of such materials so long as (i) such materials are publicly available as posted on the Electronic Data Gathering, Analysis, and Retrieval system (**EDGAR**) or are on AIG's website and (ii) AIG has provided the UST with notice that any such materials relating to or reflecting the occurrence of a Material Adverse Regulatory Event or any other event that could reasonably be expected to have a materially

Table of Contents

adverse impact upon the business, assets, liabilities, operations, condition (financial or otherwise), operating results or prospects of the Subsidiary of AIG filing such materials or of AIG and its Subsidiaries, taken as a whole, have been so posted);

(f) promptly following delivery thereof to the AIG Board, copies of board packages and presentations;

(g) promptly after the receipt thereof by AIG or any of its Subsidiaries, a copy of any management letter received by any such Person from its certified public accountants and the management's response thereto;

(h) as soon as available but not later than 150 days after the close of each fiscal year of each Insurance Subsidiary of AIG or, if later, 10 days following the date on which the unaudited Annual Statement of each such Insurance Subsidiary (if required to be prepared by the applicable Governmental Entity by applicable Law) is required to be delivered to the applicable Governmental Entity by applicable Law, copies of the unaudited Annual Statement of such Insurance Subsidiary, the Annual Statement and a list of all jurisdictions in which the Annual Statement was filed, to be certified by a Responsible Officer of such Insurance Subsidiary, all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein and, if required by the applicable Governmental Entity, audited and certified by independent certified public accountants of recognized national standing;

(i) as soon as available but not later than 75 days after the close of each of the first three fiscal quarters of each fiscal year of each Insurance Subsidiary of AIG, copies of the Quarterly Statement of such Insurance Subsidiary (if applicable), the Quarterly Statement to be certified by a Responsible Officer of such Insurance Subsidiary, all such statements to be prepared in accordance with SAP consistently applied throughout the period reflected therein;

(j) promptly following the delivery thereof to, or receipt thereof by, AIG or any of its Subsidiaries, any draft or final examination reports, risk-adjusted capital reports or results of any market conduct examination or examination by any Department or the NAIC of the financial condition and operations of, or any notice of any assertion as to violation of any applicable Law by, or any other report with respect to, any Insurance Subsidiary of AIG;

(k) within 90 days after the close of each fiscal year of each Insurance Subsidiary of AIG or, if later, 10 days following the date on which the Statement of Actuarial Opinion and Management Discussion and Analysis for each such Insurance Subsidiary (if required to be prepared by the applicable Governmental Entity by applicable Law) is required to be delivered to the applicable Governmental Entity by applicable Law, a copy of the Statement of Actuarial Opinion and Management Discussion and Analysis for each such Insurance

Table of Contents

Subsidiary which is provided to the applicable Department as to the adequacy of loss reserves of such Insurance Subsidiary, such opinion to be in the format prescribed by the insurance code of the state of domicile of such Insurance Subsidiary;

(l) promptly after filing thereof, copies of all annual Form B amendments and all other material amendments to the registration statement of any Insurance Subsidiary of AIG that AIG or such Insurance Subsidiary may file with the applicable Department;

(m) prior to the filing thereof, copies of any proposed filing on Form D and any supporting materials that AIG or any of its Insurance Subsidiaries that is a Domestic Subsidiary intends to file with any applicable Department, and copies of any proposed equivalent filing and any supporting materials that AIG or any of its Insurance Subsidiaries that is a Foreign Subsidiary intends to file with any applicable Department;

(n) not later than 10:00 a.m., New York City time, on Monday of each week (or more frequently as the UST may request from time to time in its sole discretion) a statement of projected cash receipts and cash disbursements for AIG and its Subsidiaries for each week in the period of 13 weeks commencing with the immediately following week, in a form satisfactory to the UST;

(o) daily risk assessment profile reports in form satisfactory to the UST;

(p) promptly, from time to time, such other information, including such additional regular financial, management and other reports, as the UST shall request in consultation with AIG to enable the UST to monitor the business, assets, liabilities, operations, condition, results and prospects of AIG and its Subsidiaries, and the regulatory environment in which AIG and its Subsidiaries operate. AIG shall take all steps necessary or requested by the UST to establish (or, if already established, maintain) a reporting regime that satisfies the objective of the preceding sentence; and

(q) such other information and notices as UST may reasonably request from time to time.

Notwithstanding the foregoing, reports required to be delivered under paragraphs (h), (i) and (k) above with respect to any Insurance Subsidiary of AIG may be provided as part of a consolidated report for a group of Insurance Subsidiaries of AIG including such Insurance Subsidiary, consistent with AIG's past practices and in accordance with applicable Laws.

Section 6.02. *Litigations and Other Notices*. During the Relevant TARP Period, AIG shall furnish to the UST prompt written notice of the following:

Table of Contents

(a) the filing or commencement of, or any threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Entity, against AIG or any of its Affiliates that could reasonably be expected to result in an AIG Material Adverse Effect;

(b) any development that has resulted in, or could reasonably be expected to result in, an AIG Material Adverse Effect;

(c) any change in the corporate or other rating of AIG or any of its Subsidiaries by Moody's, S&P, Fitch or A.M. Best, any change in the outlook of any such agency for AIG or any of its Subsidiaries, or any notice from any such agency indicating its intent to effect any of the foregoing changes or to place AIG or any of its Subsidiaries on a CreditWatch or Under Review or any similar list, in each case with negative implications, or its cessation of, or its intent to cease, rating AIG or such Subsidiary, as applicable;

(d) the receipt of any notice from any Governmental Entity of the expiration without renewal, revocation, suspension or restriction of, or the institution of any proceedings to revoke, suspend or restrict, any material Insurance License now or hereafter held by any Insurance Subsidiary of AIG that is required to conduct insurance business in compliance with all applicable Laws and regulations and provide a copy of such notice;

(e) the receipt of any notice from any Governmental Entity of the institution of any material disciplinary proceedings against or in respect of any Insurance Subsidiary of AIG, or the issuance of any material order, the taking of any material action or any request for an extraordinary audit for cause by any Governmental Entity and provide a copy of such notice;

(f) any material judicial or administrative order limiting or controlling the insurance business of any Insurance Subsidiary of AIG (and not the insurance industry generally) that has been issued or adopted; or

(g) the receipt by any Material Insurance Subsidiary of any notice of termination, cancellation (which cancellation notice is not accompanied by a corresponding request for renewal), commutation or recapture of any Reinsurance Agreement that (i) occurs pursuant to a special termination or similar clause or is otherwise outside the ordinary course of business or (ii) could reasonably be expected to have an AIG Material Adverse Effect.

Section 6.03. *Affirmative Obligations Relating to Executive Compensation*. During the Relevant TARP Period:

(a) AIG shall, and shall cause its Subsidiaries to, take all necessary action to comply in all respects with the Compensation Regulations, including with respect to any Benefit Plans. Without limiting the generality of the

Table of Contents

foregoing, neither AIG nor any Subsidiary of AIG shall adopt any new Benefit Plan (i) that does not comply therewith or (ii) that does not expressly state and require that such Benefit Plan and any compensation thereunder shall be subject to any relevant Compensation Regulations adopted, issued or released on or after the date any such Benefit Plan is adopted. To the extent that the Compensation Regulations change during the Relevant TARP Period in a manner that requires changes to then-existing Benefit Plans, or that requires any other action, AIG and its Subsidiaries shall effect such changes to its or their Benefit Plans, and take such other action, as promptly as practicable after it has actual knowledge of such changes in order to be in compliance with this Section 6.03(a) (and shall be deemed to be in compliance for a reasonable period to effect such changes). In addition, except to the extent otherwise required in order to comply with Law applicable outside the United States, AIG and its Subsidiaries shall take all necessary action to ensure that the consummation of the transactions contemplated by this Agreement will not accelerate the vesting, payment or distribution of any equity-based awards, deferred cash awards or any nonqualified deferred compensation payable by AIG or any of its Subsidiaries.

(b) (i) In addition to the requirements set forth in Section 6.03(a) above, AIG shall take all necessary action to limit any golden parachute payments to the employees of AIG and its Subsidiaries who participate in AIG's Senior Partners Plan (the **Senior Partners**) to the amounts permitted by the regulations relating to participants in the EESA Capital Purchase Program and the guidelines and rules relating thereto, including the rules set forth in 31 CFR Part 30, that have been issued and were in effect as of April 17, 2009, as if such Senior Partners were Senior Executive Officers for purposes of such rules (except that equity denominated awards settled solely in equity shall not be included in such limit on golden parachute payments to Senior Partners). **Senior Executive Officers** means AIG's senior executive officers as defined in Section 111 of EESA as implemented by the Compensation Regulations; *provided* that, solely for the purposes of the foregoing sentence, Senior Executive Officers shall mean AIG's senior executive officers as defined in Section 111 of EESA and regulations issued thereunder, including the rules set forth in 31 CFR Part 30 that have been issued and were effective as of April 17, 2009.

(ii) For the avoidance of doubt, (A) the limits of Section 6.03(b)(i) are in addition to any applicable requirements under provisions of EESA prohibiting golden parachute payments to the Senior Executive Officers and the relevant Compensation Regulations, and (B) to the extent that any Benefit Plan is inconsistent with any relevant Compensation Regulations, such Compensation Regulations shall control.

Notwithstanding the other provisions of this Section 6.03(b), AIG's obligations under this Section 6.03(b) shall be on a best efforts basis with respect to the Senior Partners who are not U.S.-based to the extent of its existing Benefit Plans. In addition, after the date hereof in connection with the hiring or promotion of a Covered Employee and/or the promulgation of applicable Compensation

Table of Contents

Regulations, to the extent any Covered Employee shall not have executed a waiver with respect to the application to such Covered Employee of the Compensation Regulations, AIG shall use its best efforts to (i) obtain from such Covered Employee a waiver in a form satisfactory to the UST and (ii) deliver such waiver to the UST as promptly as possible. **Covered Employee** means each (i) Senior Executive Officer, (ii) Senior Partner and (iii) other employee of AIG or its Affiliates determined at any time to be subject to Section 111 of EESA, as implemented by the Compensation Regulations.

(c) AIG confirms and shall confirm that none of the funds provided to AIG in connection with any draw on the Series F Drawdown Right or the FRBNY Credit Facility on or prior to the Closing or the Series G Drawdown Right on or after the Closing were used nor shall they be used to pay annual bonuses, or other future cash performance awards to executives of AIG or Senior Partners. AIG and the UST desire that this confirmation be auditable and agree that there are a number of appropriate methods for verifying this confirmation (particularly in light of expected business changes at AIG). Until the date that any annual bonuses in respect of 2009 are paid, it is agreed that the test for the foregoing will be that, at the time when any annual bonuses or cash performance awards granted after April 17, 2009 are paid to executive officers or Senior Partners, AIG will have received aggregate dividends, distributions and other payments from its Subsidiaries subsequent to September 16, 2008 greater than the aggregate amount of such annual bonuses, such cash performance awards and amounts paid pursuant to AIG's historic quarterly bonus program (including but not limited to supplemental bonus and quarterly cash payments, the amount of which will not increase for any participant) paid to executive officers and Senior Partners subsequent to that date. At and after the date that any annual bonuses in respect of 2009 are paid, the test for the foregoing confirmation will be that, at the time when any annual bonuses or cash performance awards granted after April 17, 2009 are vested or otherwise earned by executive officers or Senior Partners, the aggregate adjusted net income for the relevant year (being the year in which or in respect of which such bonuses or awards are vested or so earned) of the Insurance Subsidiaries of AIG included for such year in the consolidated financial statements of AIG, excluding any such adjusted net income that was dividended or otherwise distributed to AIG and taken into account in satisfying the test under the prior sentence, shall exceed the aggregate amount of such annual bonuses, such cash performance awards and amounts pursuant to AIG's historic quarterly bonus program (including but not limited to supplemental bonus and quarterly cash payments, the amount of which will not increase for any participant), in each case vested or otherwise earned in or in respect of such year. AIG and the UST agree to negotiate in good faith and promptly at the request of the other to develop additional or alternative appropriate formulations to test for this confirmation.

(d) AIG agrees that it shall not claim a deduction for remuneration for federal income tax purposes in excess of \$500,000 for each Senior Executive

Table of Contents

Officer that would not be deductible if Section 162(m)(5) of the Code applied to AIG.

Section 6.04. *Other Affirmative Obligations of AIG*. During the Relevant TARP Period:

(a) **Additional Inspection Rights**. AIG shall permit (i) the UST and its agents, consultants, contractors and advisors, (ii) the Special Inspector General of TARP, and (iii) the Comptroller General of the United States access to personnel and any books, papers, records or other data delivered to it pursuant to this Article 6 or otherwise in its possession, custody or control, in each case to the extent relevant to ascertaining compliance with the terms and conditions set forth in this Agreement, during normal business hours and upon reasonable notice to AIG; *provided* that prior to disclosing any information pursuant to clause (i), (ii) or (iii), the UST, the Special Inspector General of TARP and the Comptroller General of the United States shall have agreed, with respect to documents obtained under this Article 6 in furtherance of their respective functions, to follow applicable Laws (and the applicable customary policies and procedures, including those for inspectors general) regarding the dissemination of confidential materials, including redacting confidential information from the public version of its reports, as appropriate, and soliciting input from AIG as to information that should be afforded confidentiality. The UST represents that it has been informed by the Special Inspector General of TARP and the Comptroller General of the United States that they, before making any request for access or information pursuant to their oversight and audit functions, will establish a protocol to avoid, to the extent reasonably possible, duplicative requests. Nothing in this Section 6.04(a) shall be construed to limit the authority that the Special Inspector General of TARP or the Comptroller General of the United States have under Law;

(b) **Compliance with the Employ American Workers Act**. AIG shall comply, and take all necessary action to ensure that its Subsidiaries, as applicable, comply, in all respects with the provisions of the Employ American Workers Act (Section 1611 of Division A, Title XVI of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)) as in effect from time to time;

(c) **Internal Controls**. AIG shall (i) promptly establish appropriate internal controls with respect to compliance with each of AIG's covenants and agreements set forth in Section 6.03, Section 6.04(e), (f) and (g), (ii) prepare a report on a quarterly basis regarding the implementation of such internal controls and AIG's compliance (including any instances of non-compliance) with such covenants and agreements; (iii) deliver such quarterly report to the UST in accordance with Section 12.01 and no later than the date by which its Quarterly Report on Form 10-Q or Annual Report on Form 10-K is filed with the SEC; and (iv) provide a signed certification from a senior executive officer of AIG to the UST that such quarterly report is accurate to the best of his or her knowledge, which certification shall be made subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001;

Table of Contents

(d) Series G Drawdown Right Accountability. AIG shall (i) use its reasonable best efforts to account for its use of the funding received under the Series G Drawdown Right; (ii) set up internal controls with respect to compliance with the expected use of the funding received under the Series G Drawdown Right; (iii) report to the UST on a quarterly basis until all of the funding received under the Series G Drawdown Right has been accounted for regarding the use of the funding received under the Series G Drawdown Right, the implementation of such internal controls and AIG's compliance (including any instances of non-compliance) therewith; (iv) provide a signed certification from a senior executive officer of AIG to the UST that such quarterly report is accurate to the best of his or her knowledge, which certification shall be made subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001; and (v) deliver the certification to the UST in accordance with Section 12.01 and no later than the date by which its Quarterly Report on Form 10-Q or Annual Report on Form 10-K is filed with the SEC;

(e) Restrictions on Lobbying. AIG shall continue to maintain and implement its comprehensive written policy on lobbying, governmental ethics and political activity and distribute such policy to all AIG employees and lobbying firms involved in any such activity. Any material amendments to such policy shall require the prior written consent of the UST and any material deviations from such policy, whether in contravention thereof or pursuant to waivers provided for thereunder, shall promptly be reported to the UST. Such policy shall, at a minimum, (i) require compliance with all applicable Law; (ii) apply to AIG, its Subsidiaries and affiliated foundations; (iii) govern (A) the provision of items of value to any government officials, (B) lobbying and (C) political activities and contributions; and (iv) provide for (A) internal reporting and oversight and (B) mechanisms for addressing non-compliance with the policy;

(f) Restrictions on Expenses. AIG shall continue to maintain and implement its comprehensive written policy on corporate expenses and distribute such policy to all AIG employees by posting such policy on AIG's intranet and directing all AIG employees via electronic mail to review such policy as posted. Any material amendments to such policy shall require the prior written consent of the UST and any material deviations from such policy, whether in contravention thereof or pursuant to waivers provided for thereunder, shall promptly be reported to the UST. Such policy shall, at a minimum: (i) require compliance with all applicable Law; (ii) apply to AIG and its Subsidiaries; (iii) govern (A) the hosting, sponsorship or other payment for conferences and events, (B) the use of corporate aircraft, (C) travel accommodations and expenditures, (D) consulting arrangements with outside service providers, (E) any new lease or acquisition of real estate, (F) expenses relating to office or facility renovations or relocations and (G) expenses relating to entertainment or holiday parties; and (iv) provide for (A) internal reporting and oversight and (B) mechanisms for addressing non-compliance with the policy;

Table of Contents

(g) Risk Management Committee. AIG shall maintain a risk management committee of the AIG Board that will oversee the major risks involved in AIG's business operations and review AIG's actions to mitigate and manage those risks; and

(h) Governance. AIG and the AIG Board shall work in good faith with the UST to ensure corporate governance arrangements satisfactory to the UST.

Section 6.05. *UST Board Observer Rights*. From and after the Closing, for so long as the UST beneficially owns at least five percent (5%) of the outstanding AIG Common Stock or any AIA/ALICO Preferred Units of either SPV, the UST shall have the right to designate two individuals to attend meetings of the AIG Board (and any committees thereof), whether such meeting is conducted in person or by teleconference, as nonvoting observers (the **Observers**). The Observers shall have no voting rights and their presence shall not be required for determining a quorum at any meeting they are entitled to attend pursuant to this Section 6.05. AIG shall reimburse the UST for all reasonable out-of-pocket expenses incurred by each Observer in connection with attending regular and special meetings of the AIG Board (or any committee thereof). AIG shall provide the Observers with (a) not less than five Business Days advance written notice of all such meetings of the AIG Board (or any committee thereof), or, if less, such advance written notice thereof as is provided to the members of the AIG Board (or the applicable committee thereof), and (b) copies of all board packages, presentations, notices, minutes, consents and other materials provided to any member of the AIG Board (or any committee thereof) in his or her capacity as a member thereof as and when such materials are provided to the AIG Board (or any committee thereof), and such additional information and materials as the Observers may reasonably request.

Section 6.06. *FRBNY Board-Level Information Rights*. From and after the Closing, for so long as the FRBNY holds AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests, AIG shall provide the FRBNY with copies of all board packages, presentations, notices, minutes, consents and other materials provided to any member of the AIG Board (or any committee thereof) as and when such materials are provided to the AIG Board (or any committee thereof), and such additional information and materials as the FRBNY may reasonably request; *provided, however*, that AIG's obligations to provide information or materials to the FRBNY pursuant to this Section 6.06 shall be limited to information and materials relating to the Designated Entities, the Designated Interests, the Collateral (as such term is defined in the Intercompany Guarantee and Pledge Agreement) the SPVs or the business, operations, prospects, assets, liabilities or other obligations of any of the foregoing.

Table of Contents

ARTICLE 7

AIA SPV and ALICO SPV Related Matters

Each of AIG, the AIA SPV, the ALICO SPV, the FRBNY and the UST agree as follows:

Section 7.01. *Qualifying Events*. Effective as of the Closing, notwithstanding any provision contained in either SPV LLC Agreement to the contrary, the following events shall also constitute a Qualifying Event with respect to each SPV under its SPV LLC Agreement: (a) subject to Section 7.10, the receipt by such SPV of any payment in respect of its SPV Intercompany Loan, (b) the receipt by such SPV of any SPV Capital Contribution, (c) a Sale of the Company, effected by virtue of the exercise by the Sale Demanding Member (in each case, as defined in the AIA SPV LLC Agreement) of the rights set forth in Section 8.04(b) of the AIA SPV LLC Agreement, (d) a Disposition Demand, effected by virtue of the exercise by the Disposition Demanding Member of the rights set forth in Section 7.03(b)(iii) of this Agreement and (e) the receipt by such SPV of any payment from AIG pursuant to Section 7.09 (other than Section 7.09(a)(i)(B)).

Section 7.02. *Control Based and Other Restrictions*. Effective as of the Closing:

(a) the following provisions of the AIA SPV LLC Agreement shall be disregarded and no longer of any force or effect:

- (i) the proviso in the definition of Qualifying Event in Section 1.106;
- (ii) the proviso in Section 5.02 (Distributions);
- (iii) the proviso in Section 5.03 (Mandatory Distributions);
- (iv) Section 5.04 (Demand Distribution of Securities);
- (v) Section 5.05 (Ordinary Course Distributions);
- (vi) Section 8.04(a) (Demand Liquidity Event);
- (vii) the first proviso in the second sentence of Section 8.04(b) (Demand Liquidity Event);
- (viii) Section 8.05 (Drag Along); and
- (ix) Section 11.14 (Initial Public Offering).

(b) the following provisions of the ALICO SPV LLC Agreement shall be disregarded and no longer of any force or effect:

Table of Contents

- (i) the proviso in the definition of *Qualifying Event* in Section 1.92;
- (ii) the proviso in Section 5.02 (Distributions);
- (iii) clause (i) of the proviso in Section 5.04 (Mandatory Distributions); and
- (iv) Section 8.08 (MetLife Demand Liquidity Event).

Section 7.03. *Consent, Demand and Other Rights*. Effective as of the Closing, notwithstanding any provision contained in either SPV LLC Agreement to the contrary:

(a) Duration of Certain Rights.

(i) No Retained Right with respect to either SPV of the Person(s) holding such Retained Right immediately following the Closing shall expire, terminate or otherwise cease to be effective or applicable prior to the occurrence of the AIA/ALICO Preferred Redemption with respect to both SPVs. Until such time, all Retained Rights shall be exercisable in accordance with the provisions of Section 7.03(b). **Retained Right** means any right of the FRBNY Member or one or more Preferred Members (as such terms are defined in the relevant SPV LLC Agreement) pursuant to (A) Sections 4.01(d) and (e) (Significant Action Consent Rights) of the AIA SPV LLC Agreement, (B) Sections 4.01(d), (e) and (f) (Significant Action Consent Rights) of the ALICO SPV LLC Agreement, (C) Section 4.07 (Rights to Appoint Board Observers) of either SPV LLC Agreement, (D) Section 8.01 (Transfer in General) of either SPV LLC Agreement, (E) Section 8.04(b) (Demand Liquidity Event) of the AIA SPV LLC Agreement, (F) Section 8.07 (Public Offerings) of the AIA SPV LLC Agreement or (G) Section 11.02 (Amendments) of either SPV LLC Agreement.

(ii) Clause (iii) of the proviso in the lead-in paragraph to Section 4.01(d) of each SPV LLC Agreement and Section 4.01(e) of the ALICO SPV LLC Agreement shall not apply to any Significant Action (as such term is defined in the AIA SPV LLC Agreement) or Junior Significant Action or Senior Significant Action (as such terms are defined in the ALICO SPV Agreement) unless, as a result thereof, the entire amount of the AIA/ALICO Preferred Redemption with respect to both SPVs will be distributed to the AIA/ALICO Preferred Members in accordance with the SPV LLC Agreements.

(b) Certain Understandings. Effective as of the Closing and prior to the occurrence of the AIA/ALICO Preferred Redemption with respect to both SPVs:

Table of Contents

(i) *Significant Actions.* (A) Any right to consent to any Significant Action (as such term is defined in the AIA SPV LLC Agreement) or Junior Significant Action or Senior Significant Action (as such terms are defined in the ALICO SPV Agreement) in accordance with Section 4.01(d) of the relevant SPV LLC Agreement (and, in the case of the ALICO SPV LLC Agreement, Section 4.01(e) of such agreement) shall be exercised by the Rights Holder. For purposes of Section 4.01(e) of the AIA SPV LLC Agreement and Section 4.01(f) of the ALICO SPV LLC Agreement, a Significant Action Request Notice shall be delivered to each Person then having the right to consent to the applicable action in accordance with the preceding sentence (at the notice address provided from time to time by such Person to the applicable SPV).

(B) If AIA proposes to take any Significant Action (as such term is defined in the AIA SPV LLC Agreement) with respect to itself or any of its Subsidiaries that is submitted to the approval of or adoption by the holders of the Equity Interests of AIA, then the AIA SPV shall not, and shall not permit any of its Subsidiaries to, vote any Equity Interests of AIA held by such Person in favor of such Significant Action without obtaining the prior written consent of the Rights Holder (in accordance with Section 4.01(e) of the AIA SPV LLC Agreement) (it being understood that the obligations of AIG and the AIA SPV with respect to any Significant Action by AIA or any of its Subsidiaries shall be limited to compliance with this paragraph).

(ii) *Rights to Take Certain Actions or Make Certain Demands.* Any right to take any action or make any demand pursuant to (A) Section 8.04(b) (Demand Liquidity Event) of the AIA SPV LLC Agreement or (B) Section 8.07 (Public Offerings) of the AIA SPV LLC Agreement shall be exercised solely by the Rights Holder.

(iii) *Disposition Demand.* (A) Each of the Rights Holder and the AIA/ALICO Majority Preferred Members (each, a **Disposition Demanding Member**) shall have the right, at any time and from time to time in its or their sole discretion, to require either the AIA SPV or the ALICO SPV, in one or more transactions, to sell, transfer or otherwise dispose of Subject Securities of such SPV (any exercise of such right, a **Disposition Demand**); *provided* that (1) no Disposition Demand shall require either SPV to sell, transfer or otherwise dispose of Subject Securities of such SPV where the Net Proceeds (as such term is defined in the applicable SPV LLC Agreement) are reasonably expected to be more than an amount equal to the Aggregate AIA/ALICO Liquidation Preference, (2) any Disposition Demand with respect to the ALICO SPV shall be undertaken in a manner that is not in conflict with, and if applicable, subject to the terms and conditions of, the Transaction Agreements (as such term is defined in the MetLife Purchase Agreement)

Table of Contents

(with the ALICO SPV using its best efforts to exercise its rights thereunder) and (3) any Disposition Demand with respect to the AIA SPV shall be undertaken in a manner that would not cause AIG or the AIA SPV to be in breach of their obligations under (I) Rule 10.07(1) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the periods relevant for the initial public offering and listing of ordinary shares, par value \$1.00 per share, of AIA (the **AIA IPO**), as modified by any waiver(s) thereof granted to AIG, the AIA SPV, the FRBNY and/or the Rights Holder by The Stock Exchange of Hong Kong Limited, or (II) the Hong Kong Underwriting Agreement and International Placing Agreement (each as defined in the prospectus relating to the AIA IPO), as modified by any waiver(s) thereof granted to AIG, the SPV LLC, the FRBNY and/or the Rights Holder thereunder or in respect thereof.

(B) Each Disposition Demand shall be made by written notice to the applicable SPV specifying (1) the amount of Subject Securities of such SPV that are the subject of such Disposition Demand (or the target Net Proceeds (as such term is defined in the applicable SPV LLC Agreement) thereof), (2) the method of disposition of such Subject Securities (including, if applicable, pursuant to a registered offering pursuant to the Investor Rights Agreement (as such term is defined in the MetLife Purchase Agreement)), the terms of which method of disposition shall be, subsequently, mutually agreed to in good faith by such SPV and the Disposition Demanding Member and (3) such other information as the Disposition Demanding Member deems necessary or appropriate.

(C) In connection with any disposition of Subject Securities of the ALICO SPV or AIA SPV that involves a public offering, including a Disposition Demand, the Rights Holder shall have the right to appoint one of the global coordinators (who shall also serve as lead book-running managers) for such public offering.

(iv) *Board Observers*. For purposes of Section 4.07 (Rights to Appoint Board Observers) of each SPV LLC Agreement, for so long as both the FRBNY and the UST own or hold any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests, the total number of Observers that the Consent Holder may appoint to the Board of Managers (as such terms are defined in the relevant SPV LLC Agreement) of each SPV shall be increased from two to four, and each of the FRBNY and the UST shall be entitled to appoint two individuals as Observers .

(v) *Transfer*.

Table of Contents

(A) Neither SPV shall, and AIG shall not permit either SPV to, Transfer (as defined in the relevant SPV LLC Agreement) its Subject Securities without the prior written consent of the Rights Holder.

(B) AIG shall not, and shall not cause or permit any Subsidiary to, Transfer its Common Interest or Units (as such terms are defined in the relevant SPV LLC Agreement) of either SPV without the prior written consent of the Rights Holder.

(vi) *Amendments*. The right to consent to any amendment of either SPV LLC Agreement by a Majority in Interest of the Preferred Members, the Junior Preferred Members or the Senior Preferred Members (as such terms are defined in the relevant SPV LLC Agreement) pursuant to Section 11.02 of such SPV LLC Agreement shall be exercised by the Rights Holder, and no Preferred Member, Junior Preferred Member or Senior Preferred Member shall have the right to waive any provision for its benefit, without the prior written consent of the Rights Holder.

(vii) *Participation Redemption*. (A) Following the Preferred Payment (as such term is defined in the AIA SPV LLC Agreement), in the case of the AIA SPV, or the Junior Preferred Payment (as such term is defined in the ALICO SPV LLC Agreement), in the case of the ALICO SPV, the applicable SPV shall not make any dividend, distribution or other payment of any kind or character to the Common Members (as such term is defined in the relevant SPV LLC Agreement) of such SPV prior to such SPV exercising its right to redeem the AIA/ALICO Preferred Participating Return of such SPV in accordance with Section 8.06 (Participation Redemption) of the applicable SPV LLC Agreement; *provided* that, for purposes of determining the applicable Participating Fair Market Value (as such term is defined in the relevant SPV LLC Agreement), the fair market value of the applicable SPV Intercompany Loan shall not be taken into account and in lieu thereof the excess of (1) the amount of the SPV Intercompany Loan made by such SPV at Closing over (2) all amounts of principal received by such SPV in respect of its SPV Intercompany Loan prior to the redemption of the AIA/ALICO Preferred Participating Return of such SPV shall be deemed to have been received by such SPV and available for distribution pursuant to Sections 5.02(d) and (e) (Distributions) of the AIA SPV LLC Agreement (in the case of the AIA SPV) or Sections 5.02(f) and (g) (Distributions) or Sections 5.03(c) and (d) (Alternate Distributions) of the ALICO SPV LLC Agreement (in the case of the ALICO SPV), as applicable, as of the time of such redemption.

(B) All notices required to be delivered to, and all actions that may be taken by, the Preferred Members (as such term is defined in the AIA SPV LLC Agreement) or the Junior

Table of Contents

Preferred Members (as such term is defined in the ALICO SPV LLC Agreement) pursuant to Section 8.06 (Participation Redemption) of each SPV LLC Agreement shall be delivered to or taken by the Rights Holder.

(viii) *Further Assurances*. Each of AIG, the UST and the FRBNY shall take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to give effect to the provisions of this Section 7.03(b) (which provisions shall be binding on their respective successors and assigns), including voting its AIA/ALICO Preferred Units with respect to the applicable SPV in accordance with the foregoing provisions.

Section 7.04. *SPV Capital Contributions and ALICO Indemnity Capital Contributions*. Effective as of the Closing, notwithstanding any provision contained in either SPV LLC Agreement to the contrary (including, for the avoidance of doubt, Section 3.02(a) and (c) of each SPV LLC Agreement):

(a) AIG shall be required to make SPV Capital Contributions pursuant to Section 3.03(d) and ALICO Indemnity Capital Contributions pursuant to Section 7.09(a)(i)(C);

(b) SPV Capital Contributions to an SPV and ALICO Indemnity Capital Contributions to the ALICO SPV shall constitute additional Capital Contributions for purposes of such SPV's SPV LLC Agreement;

(c) SPV Capital Contributions, ALICO Indemnity Capital Contributions and deemed capital contributions in accordance with the ALICO True-Up Letter shall not require the prior written consent of the Board of Managers of the applicable SPV or any other action by the Members (as such terms are defined in the relevant SPV LLC Agreement) or otherwise;

(d) with respect to each SPV Capital Contribution and ALICO Indemnity Capital Contribution made by AIG to an SPV, AIG shall receive Common Units of such SPV at a per Common Unit purchase price equal to the per Common Unit value at the closing of the Initial Capital Contribution and no other Equity Securities (as such terms are defined in the relevant SPV LLC Agreement); and

(e) AIG shall cause the Board of Managers of the applicable SPV to take all actions and to do, or cause to be done, all things necessary, proper or advisable to give effect to the provisions of this Section 7.04.

Section 7.05. *Affiliate Definition*. Notwithstanding the definitions under the SPV LLC Agreements of Affiliate, Affiliated, Control, Controlled or Controlling to the contrary, (i) none of AIG or any of its Subsidiaries will be treated as Affiliates of the FRBNY, the UST, the Trust or the Trustees and (ii)

Table of Contents

none of AIG or any of its Affiliates, on the one hand, or the FRBNY, the UST, the Trust and the Trustees or any of their respective Affiliates, on the other, shall be deemed an Affiliate (as such term is defined in the relevant SPV LLC Agreement) of the other such Person(s).

Section 7.06. *AIA and ALICO Business.* The Company Business (as defined in the applicable SPV LLC Agreement) of each SPV, and the activities that the ALICO SPV may engage in without the consent of the FRBNY Member (as defined in the applicable SPV LLC Agreement) pursuant to Section 4.01(d)(xv) of the ALICO SPV LLC Agreement, shall include the applicable SPV's compliance with its obligations, and exercising and enforcing its rights, under this Agreement and the other Transaction Documents to which it is a party.

Section 7.07. *References to the Trust.* Effective as of the Closing, each reference to the AIG Credit Facility Trust in each SPV LLC Agreement, and each requirement under each SPV LLC Agreement that any matter be subject to prior consultation with, or the prior concurrence of, the Trust (or any of the Trustees acting on its behalf), shall be disregarded and deemed inapplicable.

Section 7.08. *Confidentiality and Jurisdiction Provisions.* Effective as of the Closing:

(a) Each of Section 7.07(a) (Confidentiality; Access to Information) of the AIA SPV LLC Agreement and Section 7.05(a) (Confidentiality; Access to Information) of the ALICO SPV LLC Agreement is hereby replaced in its entirety with the following:

Each Preferred Member (other than the FRBNY which is bound by that certain Nondisclosure Agreement by and among AIG and the FRBNY and dated as of September 25, 2008 (the Nondisclosure Agreement) or any Permitted Transferee of the FRBNY and any Observers who executed a joinder to the Nondisclosure Agreement or who are otherwise bound thereto), and any Observer not otherwise bound by the Nondisclosure Agreement, agrees to use reasonable best efforts to hold, and to use reasonable best efforts to cause its agents, consultants, contractors and advisors to hold, in confidence all non-public records, books, contracts, instruments, computer data and other data and information concerning the Company furnished or made available to such Person by the Company or any representative thereof pursuant to this Agreement (except to the extent that such information can be shown to have been (a) previously known by such Person on a non-confidential basis, (b) in the public domain through no fault of such Person or (c) later lawfully acquired from other sources by such Person (and without violation of any other confidentiality obligation)); *provided* that nothing herein shall prevent (x) any such Person from disclosing any such information to the extent required by applicable Laws or by any subpoena or similar legal process or (y) any

Table of Contents

Observer appointed by the U.S. Department of the Treasury from disclosing any such information to the U.S. Department of the Treasury.

(b) Section 11.15 (Consent to Jurisdiction and Service of Process) of each SPV LLC Agreement is hereby replaced in its entirety with the following:

The Members hereby consent to the jurisdiction of the United States District Court for the District of Delaware (or, in the case of any claim against the U.S. Department of the Treasury for monetary damages in excess of \$10,000, the United States Court of Federal Claims) and irrevocably agree that all actions or proceedings arising out of or relating to this Agreement shall be litigated in such court. Each of the Members accepts for itself and in connection with its respective properties, generally and unconditionally, the exclusive jurisdiction and venue of the applicable aforesaid court and waives any defense of *forum non conveniens*, and irrevocably agrees to be bound by any final, nonappealable judgment rendered thereby in connection with this Agreement. The Members hereby agree that notice may be served upon (a) each Member (other than the FRBNY, the UST or their Permitted Transferees) at the address and in the manner set forth for notice to such Member in Section 10.01 and (b) the FRBNY, the UST or their Permitted Transferees in accordance with federal law.

Section 7.09. *MetLife Purchase Price Adjustments and Indemnity.*

(a) ALICO Post-Closing Payment.

(i) If, at any time after the date hereof, the ALICO SPV becomes obligated to make any payment to an Acquiror Indemnified Party pursuant to any of the provisions of the MetLife Purchase Agreement or any Ancillary Agreement referred to in Section 11.05(a) of the MetLife Purchase Agreement (including any Post-Closing Adjustment) (as such terms are defined in the MetLife Purchase Agreement) (any such payment, an **ALICO Post-Closing Payment**), then AIG shall have the right to cause the ALICO SPV to pay such ALICO Post-Closing Payment either (x) in cash, (y) by delivering shares of Acquiror Stock or Acquiror Interim Preferred Stock or Equity Units (as such terms are defined in the MetLife Purchase Agreement) (the consideration referred to in this clause (y), **Equity Consideration**) or (z) a combination thereof, subject to, and in accordance with, (1) the terms of the MetLife Purchase Agreement and (2) for so long as any AIA/ALICO Preferred Units or AIA/ALICO Preferred Interests remain outstanding, the following:

(A) cash consideration used to pay an ALICO Post-Closing Payment attributable to Taxes resulting from Section 338 elections (if any) made pursuant to the MetLife Purchase Agreement shall be paid by the SPV only to the extent of cash set

Table of Contents

aside by the SPV in respect of Taxes estimated to be payable on the sale of the ALICO stock (the amount of such payment, the **SPV Section 338 Payment Amount**);

(B) all cash consideration, other than the SPV Section 338 Payment Amount, used to pay such ALICO Post-Closing Payment shall, at AIG's option, be paid directly by AIG (on behalf of the ALICO SPV), or be contributed by AIG as capital to the ALICO SPV to be paid by the ALICO SPV, to the applicable Acquiror Indemnified Party on or prior to the applicable due date for such payment pursuant to the MetLife Purchase Agreement; and

(C) to the extent any Equity Consideration is used to pay such ALICO Post-Closing Payment, AIG shall make a capital contribution (an **ALICO Indemnity Capital Contribution**) to the ALICO SPV equal to the Fair Value (as such term is defined in the MetLife Purchase Agreement) of such Equity Consideration in cash no later than the later of (1) the date on which such Equity Consideration is paid to the applicable Acquiror Indemnified Party and (2) the Closing;

(D) AIG shall not, (1) prior to consulting with the Rights Holder (whose views AIG shall consider in good faith), cause or permit the ALICO SPV to use any Equity Consideration to pay all or any portion of any ALICO Post-Closing Payment, or (2) without the prior written consent of the Rights Holder, cause or permit the ALICO SPV to use Equity Consideration other than Equity Consideration held in the Indemnification Collateral Account (as such term is defined in the MetLife Purchase Agreement) to pay all or any portion of any ALICO Post-Closing Payment; and

(E) AIG shall not, and shall not permit the ALICO SPV to, substitute Eligible Collateral for any collateral held in the Indemnification Collateral Account pursuant to the Indemnification Control Agreement (as such terms are defined in the MetLife Purchase Agreement) without the prior written consent of the Rights Holder;

provided that (v) if the capital contribution by AIG of any cash amount at the time it would otherwise be due and payable pursuant to clause (C) above would reasonably be expected to materially and adversely affect the liquidity of AIG, then AIG and the Rights Holder shall negotiate in good faith alternative or deferred funding arrangements, and (w) in evaluating any request by AIG to take any of the actions described in clauses (D) and (E) above, the Rights Holder shall

Table of Contents

consider in good faith the effect of approving or denying such request on the resulting liquidity of AIG.

(b) **ALICO Indemnification Matters.** AIG shall, and shall cause the ALICO SPV to, (i) promptly notify the Rights Holder in writing of any notice received by AIG and/or the ALICO SPV of any claim (each, an **ALICO Indemnification Claim**) in respect of which indemnity is sought from AIG and/or the ALICO SPV under the MetLife Purchase Agreement, including any pending or threatened claim or demand that could reasonably give rise to a right of indemnification against AIG and/or the ALICO SPV thereunder, (ii) provide the Rights Holder with copies of any written materials sent or received by or on behalf of AIG and/or the ALICO SPV in connection with any ALICO Indemnification Claim, and (iii) provide the Rights Holder with such additional information relating to any ALICO Indemnification Claim as the Rights Holder may reasonably request.

Section 7.10. *Additional Provisions Relating to SPV Intercompany Loans.* (a) If, as of any time following the Closing, the aggregate Payoff Amount (as defined in the SPV Intercompany Loan Agreements) for both SPV Intercompany Loans is greater than 125% of the sum of (x) the Aggregate AIA/ALICO Liquidation Preference and (y) the aggregate preferred returns earned on all AIA/ALICO Preferred Units since the most recent quarter then ended through (but not including) such time, then, notwithstanding anything to the contrary in the SPV LLC Agreements, this Agreement or the other Transaction Documents:

(i) AIG may, from time to time, cause either SPV to dividend or distribute to AIG, cancel or otherwise cause not to be repayable any portion of the Payoff Amount of the relevant SPV Intercompany Loan (a **Payoff Reduction**, the amount of which shall, for clarity, no longer be part of such SPV Intercompany Loan) so long as (A) the condition set forth in the foregoing paragraph would continue to be satisfied immediately after giving effect to such Payoff Reduction and (B) such Payoff Reduction would not result in the amount of the relevant SPV Intercompany Loan being less than 125% of, in the case of the AIA SPV, the AIA Liquidation Preference or, in the case of the ALICO SPV, the ALICO Liquidation Preference.

(ii) Any Payoff Reduction pursuant to the foregoing paragraph may be effected by such means as AIG may determine, including, without limitation, by causing either SPV Intercompany Loan to be evidenced by multiple promissory notes and transferring the note or notes representing a permitted Payoff Reduction to AIG as a dividend or distribution on the Common Units (as defined in the relevant SPV LLC Agreement); *provided, however*, that no making of a Payoff Reduction shall (A) be a Significant Action (as such term is defined in the AIA SPV LLC Agreement), a Senior Significant Action or a Junior Significant Action (as such terms are defined in the ALICO SPV LLC Agreement) or an action

Table of Contents

otherwise requiring the consent of the Rights Holder, the FRBNY, the UST or any other AIA/ALICO Preferred Member or (B) be deemed to be Net Proceeds for any purpose under this Agreement or the Intercompany Guarantee and Pledge Agreement. Notwithstanding Section 7.03(b)(vii), the Payoff Reduction shall be treated as a permitted distribution on the Common Units for purposes of the applicable SPV LLC Agreement; *provided, however*, that the Payoff Reduction shall not affect (A) the determination of Participating Fair Market Value (as such term is defined in the relevant SPV LLC Agreement) pursuant to Section 7.03(b)(vii) and the relevant SPV LLC Agreement or (B) any other rights and preferences of the AIA/ALICO Preferred Units.

(b) Notwithstanding Section 7.01(a) hereof, Section 5.03 of the AIA SPV LLC Agreement or Section 5.04 of the ALICO SPV LLC Agreement, if any proceeds from the foreclosure of the Collateral (as defined in the Intercompany Guarantee and Pledge Agreement) or from the foreclosure of a judgment lien on any Designated Interests that do not constitute Collateral are received by either SPV in respect of its SPV Intercompany Loan (such proceeds, a

Foreclosure Payment) as a result of any action taken by the Rights Holder, then, if and for so long as the UST or any of its Affiliates together own more than 50% of the AIG Common Stock outstanding at such time, such SPV shall not distribute such Foreclosure Payment to the Members (as defined in the relevant SPV LLC Agreement) (other than the FRBNY, to the extent that the FRBNY holds any AIA/ALICO Preferred Units of the relevant SPV, if approved by the UST), but shall instead deposit such Foreclosure Payment into an account at the FRBNY, or another financial institution designated by the Rights Holder, to be held in escrow on terms reasonably acceptable to the Rights Holder. If a Foreclosure Payment is received by either SPV when the UST and its Affiliates together do not own more than 50% of the AIG Common Stock outstanding at such time, such event shall nonetheless not be a *Qualifying Event* with respect to such SPV under its SPV LLC Agreement, and such Foreclosure Payment shall be distributed by such SPV to the Members as provided in the relevant SPV LLC Agreement only at the request of the Common Member (as defined in the relevant SPV LLC Agreement). If such SPV does not distribute such Foreclosure Payment to its Members (as defined in the relevant SPV LLC Agreement), such Foreclosure Payment will be deposited into an account at the FRBNY, or another financial institution designated by the Rights Holder, to be held in escrow on terms reasonably acceptable to the Rights Holder. Any Foreclosure Payment placed in escrow pursuant to the foregoing sentences may be requested by the Common Member to be released to the relevant SPV if the UST and its Affiliates together do not own more than 50% of the AIG Common Stock outstanding at such time and, if so released, shall promptly be distributed to the Members as provided in the relevant SPV LLC Agreement as though such Foreclosure Payment were a *Qualifying Event* with respect to such SPV; *provided, however*, that if all or any portion of a Foreclosure Payment is so held in escrow during a period when both (x) none of the UST and its Affiliates together own or hold more than 50% of the

Table of Contents

AIG Common Stock outstanding at such time and (y) the AIA/ALICO Preferred Redemption with respect to such SPV has not occurred, then from and including the date on which such Foreclosure Payment (or portion thereof) was deposited in escrow and to but excluding the date on which such Foreclosure Payment is released in full at the request of the Common Member, the Preferred Return on all Preferred Units (in the case of the AIA SPV) or the Senior Preferred Return or Junior Preferred Return on all Senior Preferred Units and Junior Preferred Units, respectively (in the case of the ALICO SPV), shall be increased by four percent (4%) per annum.

ARTICLE 8

Designated Entity Related Matters

Each of AIG, the FRBNY and the UST agree as follows:

Section 8.01. *Designated Entity Consent Rights*. Effective as of the date hereof:

(a) For so long as there is a Rights Holder, AIG shall not, and shall not permit any Designated Entity and/or any Subsidiary thereof (as specified below) to, take any Significant Action (as defined below) without obtaining the prior written consent of the Rights Holder (in accordance with Section 8.01(b)); *provided, however*, that nothing in this Section 8.01(a) will prohibit AIG from taking, or causing any Designated Entity or any of its Subsidiaries to take, (w) any of the actions set forth in Section 8.01(a) of the AIG Disclosure Schedule; (x) any action expressly permitted pursuant to Section 4(a) or 7(c)(v) of the Intercompany Guarantee and Pledge Agreement; (y) any action required to comply with any (1) applicable Law or (2) regulatory requirement, directive or order of any relevant Department; or (z) any Significant Action if, as a result thereof, the entire amount of the AIA/ALICO Preferred Redemption with respect to both SPVs will be distributed to the AIA/ALICO Preferred Members. **Significant Action** means, with respect to any Designated Entity, any of the following:

(i) any amendment or waiver of any provisions of the articles of incorporation, bylaws or other similar organizational or constitutive documents of the Designated Entity or any of its Material Subsidiaries (in each case, whether by merger or otherwise) in a manner that adversely affects, or would reasonably be expected to adversely affect, in any material respect, any right of the Equity Interests of the Designated Entity or such Material Subsidiary;

(ii) any authorization or issuance by the Designated Entity or any Subsidiary thereof of any Equity Interests other than to AIG or any Wholly Owned Subsidiary of AIG;

Table of Contents

(iii) (A) any merger involving the Designated Entity or (B) any sale, directly or indirectly, of all or substantially all of the consolidated assets of the Designated Entity and its Subsidiaries in one or a series of related transactions (whether by merger, consolidation or other business combination); *provided, however*, that the foregoing shall not apply to any merger between the Designated Entity and any of its Wholly Owned Subsidiaries (so long as the Designated Entity is the surviving Person in such merger) or between any of its Wholly Owned Subsidiaries;

(iv) any recapitalization, reorganization, reclassification, spin-off or combination of any Equity Interests of the Designated Entity or any Material Subsidiary thereof;

(v) (A) in the case of ILFC and its Subsidiaries, entering into any binding contract for the sale, transfer or other disposition (other than the granting of a security interest in connection with the incurrence of Indebtedness), whether by merger, purchase of stock or assets or otherwise, in one or a series of related transactions, of any assets, business or operations of ILFC or any of its Subsidiaries, if the aggregate consideration to be received under such contract (including cash and non-cash consideration, Indebtedness assumed in connection with such disposition and all obligations in respect of deferred purchase price (but excluding any earn-out obligations, other post-closing contingent payments and purchase price adjustments)) (the **Contract Price**) would, when combined with the Contract Price of each other such contract entered into during the immediately preceding 12-month period (or, if less than 12 months has elapsed since the date hereof, such shorter period of time as has elapsed since such date), be equal to or greater than \$2.5 billion in the aggregate, and (B) in the case of each other Designated Entity and its Subsidiaries, any sale, transfer or other disposition, whether by merger, purchase of stock or assets or otherwise, in one or a series of related transactions, of any assets, business or operations (1) representing ten percent (10%) or more of the consolidated assets of such Designated Entity and its Subsidiaries determined as of the date of such sale, transfer or disposition or (2) generating ten percent (10%) or more of the consolidated revenues of such Designated Entity and its Subsidiaries determined as of the date of such sale, transfer or disposition; *provided, however*, that the foregoing shall not apply to (W) in the case of Nan Shan, any Securities Lending Program, (X) any transaction among the Designated Entity and any of its Subsidiaries or among any of its Subsidiaries, (Y) the managing of investment assets and the effecting of treasury and cash management functions by the Regulated Subsidiaries, in each case, conducted in the ordinary course of business consistent with past practices, and (Z) reinsurance or co-insurance arrangements entered into in the ordinary course of business consistent with past practices;

Table of Contents

(vi) (A) in the case of ILFC and its Subsidiaries, entering into any binding contract for the acquisition of assets (including aircraft) by ILFC or any of its Subsidiaries, in one or a series of related transactions, if the aggregate scheduled payments under all such binding contracts would, in any consecutive 12-month period following the date hereof, be equal to or greater than \$2.5 billion, and (B) in the case of each other Designated Entity and its Subsidiaries, any acquisition of assets by such Designated Entity or any of its Subsidiaries (whether by merger, purchase of stock or assets or otherwise), in one or a series of related transactions, (1) with an aggregate purchase price equal to or greater than ten percent (10%) of the consolidated assets of such Designated Entity and its Subsidiaries as of the date of such acquisition or (2) generating ten percent (10%) or more of the consolidated revenues of such Designated Entity and its Subsidiaries as of the date of such acquisitions; *provided, however*, that the foregoing shall not apply to (W) in the case of Nan Shan, any Securities Lending Program, (X) any transaction among the Designated Entity and any of its Subsidiaries or among any of its Subsidiaries, (Y) the managing of investment assets and the effecting of treasury and cash management functions by the Regulated Subsidiaries, in each case, conducted in the ordinary course of business consistent with past practices, and (Z) reinsurance or co-insurance arrangements entered into in the ordinary course of business consistent with past practices;

(vii) any (A) Public Offering or (B) sale, transfer or other disposition, directly or indirectly, of Equity Interests of (1) the Designated Entity, (2) any Person owning, directly or indirectly, all or substantially all of the assets of the Designated Entity and its Subsidiaries, taken as a whole, (3) any Person formed solely for the purpose of owning all of the Equity Interests of the Designated Entity, or (4) any Material Subsidiary of any of the foregoing Persons;

(viii) the declaration or payment of dividends or the making of distributions on or in respect of any Equity Interests (other than any preferred stock of ILFC outstanding as of the date hereof) by (A) the Designated Entity or (B) any Subsidiary thereof, other than (X) on a *pro rata* basis to the equity owners of such Designated Entity or any Wholly Owned Subsidiary thereof or (Y) as expressly required by the terms of such Equity Interests or the organizational or constitutive documents of such Designated Entity or Subsidiary thereof in effect as of the date hereof;

(ix) the redemption or repurchase of any Equity Interests (other than any preferred stock of ILFC outstanding as of the date hereof) of any Designated Entity or Material Subsidiary thereof that are owned by any Person, other than the Designated Entity or any Wholly Owned Subsidiary thereof;

Table of Contents

(x) entering into or modifying any contract or other transaction or arrangement with any Affiliate of the Designated Entity that requires the payment to or from such Affiliate in excess of \$5 million; *provided, however*, that the foregoing shall not apply to (A) any such action taken in ordinary course of business consistent with past practice and on arm's-length terms, (B) insurance and reinsurance transactions between the Designated Entity or its Subsidiaries, on the one hand, and AIG or its Subsidiaries, on the other hand, in each case in this clause (B) in the ordinary course of business consistent with past practice, (C) any transaction, agreement or arrangement among the Designated Entity and any of its Subsidiaries or among any of its Subsidiaries or (D) any transaction, agreement or arrangement between AIG or its Subsidiaries, on the one hand, and ILFC or its Subsidiaries, on the other hand, relating to services provided by AIG or its Subsidiaries to, or other arrangements among AIG or its Subsidiaries and, ILFC and its Subsidiaries, in each case in this clause (D) in the ordinary course of business consistent with past practice;

(xi) undertaking a voluntary liquidation or dissolution of the Designated Entity, filing for or consenting to the filing of Bankruptcy by the Designated Entity, or taking any other legal action evidencing insolvency with respect to the Designated Entity, or causing or permitting any of the Material Subsidiaries of the Designated Entity to do any of the foregoing;

(xii) entering into any agreement, indenture or other instrument that contains provisions that would restrict the ability of any Designated Entity or any Material Subsidiary thereof to declare, pay or make dividends or distributions with respect to any of its Equity Interests, other than agreements or undertakings that may be entered into by the Designated Entity or any Insurance Subsidiary thereof in the ordinary course of business or as required by any applicable Law, regulation, directive or order applicable to any Designated Entity or any Insurance Subsidiary thereof, *provided, however*, that the foregoing shall not apply to any agreement, indenture or other instrument entered into in connection with a transaction that is permitted pursuant to Section 8.01(a)(xiii);

(xiii) (A) in the case of ILFC and its Subsidiaries, having Net ILFC Indebtedness as of any date that exceeds Net ILFC Indebtedness as of the date that is one year prior to such date (or, if less than one year has elapsed since the date hereof, Net ILFC Indebtedness as of the date hereof) by more than \$1 billion, and (B) in the case of each other Designated Entity and its Subsidiaries, incurring additional consolidated Indebtedness having an outstanding principal amount in excess of \$20 million in the aggregate; *provided, however*, that the foregoing clause (B) shall not apply to (V) any refinancing (including any extension, renewal or exchange) of then-existing Indebtedness, so long as the principal amount of then-existing Indebtedness being refinanced is equal to or more than the

Table of Contents

amount of any such new Indebtedness being incurred without regard to any unpaid accrued interest and premium thereon plus other reasonable fees incurred in connection with such refinancing, (W) borrowing by the Designated Entity or any of its Subsidiaries under currently available lines of credit, (X) intercompany loans, guarantees or advances made by the Designated Entity to any of its Subsidiaries or made by any of its Subsidiaries to the Designated Entity or any other Subsidiary thereof, (Y) in the case of Nan Shan, any Securities Lending Program, and (Z) other Indebtedness incurred or assumed in connection with any transactions permitted pursuant to Section 8.01(a)(v)(Y) or (Z) or any of Section 8.01(a)(vi)(Y) or (Z); or

(xiv) amending, modifying or supplementing, or waiving any right of AIG under, any Star-Edison Transaction Agreement, in each case, in a manner that (A) materially adversely affects, or would reasonably be expected to materially adversely affect, AIG, Star or Edison or any right of the Equity Interests of either Star or Edison (or both) or (B) would reasonably be expected to materially delay the consummation of the transactions contemplated by the Star-Edison Transaction Agreements.

Each of AIG, the FRBNY and the UST hereby agrees and acknowledges that the provisions set forth in this Section 8.01(a) are necessary and appropriate to protect the rights of the AIA/ALICO Preferred Members with respect to the Designated Entities hereunder and under the Intercompany Guarantee and Pledge Agreement. The provisions of Sections 8.01(a)(iii), (iv) and (vii) shall not apply to any actions required under the Star-Edison Transaction Agreements (as such agreements are in effect on the date hereof).

(b) For as long as there is a Rights Holder, in the event AIG is required to obtain the written consent of the Rights Holder with respect to any proposed Significant Action pursuant to Section 8.01(a), AIG shall deliver to the Rights Holder, in the manner and to the individual (the **Consent Request Contact**) set forth in Section 12.01, a written request for consent (a **Significant Action Request Notice**), setting forth sufficient detail regarding the facts and circumstances of such proposed Significant Action (including all financial and background information) to enable the Rights Holder to make a reasonably informed decision with respect to such request for consent. The Rights Holder shall only have been deemed to have provided its written consent to any Significant Action for purposes of Section 8.01(a) if the Consent Request Contact has delivered to AIG a copy of the Significant Action Request Notice with respect to such Significant Action that has been countersigned by the Consent Request Contact on behalf of the Rights Holder. The Rights Holder agrees to use reasonable efforts to cause a decision as to whether or not to grant its consent to any proposed Significant Action to be made within 30 calendar days after delivery of a conforming Significant Action Request Notice with respect thereto to the Consent Request Contact, but the failure to act within such time period shall not

Table of Contents

in any way affect the Rights Holder's rights under Section 8.01(a) or any party's other rights or obligations under this Article 8.

Section 8.02. *Designated Entity Outlook Plan and Material Developments.* (a) For so long as there is a Rights Holder, within 45 days after each December 31 and June 30 occurring after the date hereof (starting with June 30, 2011), AIG shall deliver to the Rights Holder (and, if the FRBNY is the Rights Holder at such time, the UST) an outlook plan or an updated version thereof for the succeeding 12-month period outlining the divestiture plan (including the proposed timing for a Monetization Transaction and the status and terms of any discussions or negotiations with any prospective buyer) with respect to (i) Nan Shan, (ii) if the Star-Edison Purchase Agreement is terminated, Star and Edison, and (iii) following May 1, 2013, ILFC (in each case, until such time as a Monetization Transaction has occurred with respect to the applicable Person).

(b) For so long as there is a Rights Holder, promptly after any material development relating to the business, operations, prospects, divestiture, assets, liabilities or other obligations of any Designated Entity (and Maiden Lane II and Maiden Lane III, if either such Person is not a Designated Entity at the time of such development), AIG shall provide the Rights Holder (and, if the FRBNY is the Rights Holder at such time, the UST) with a reasonably detailed written summary of such material development and such additional information relating thereto as the Rights Holder (or, if the FRBNY is the Rights Holder, the UST) may reasonably request.

Section 8.03. *Nan Shan Liquidity Rights.* From and after the date hereof, AIG shall use its commercially reasonable efforts to effect a Monetization Transaction with respect to Nan Shan, unless the AIA/ALICO Preferred Redemption has occurred with respect to both SPVs.

Section 8.04. *Star-Edison Liquidity Rights.* AIG shall use its commercially reasonable efforts to consummate the transactions contemplated by the Star-Edison Purchase Agreement. If the Star-Edison Purchase Agreement is terminated at any time, then from and after the date of such termination, AIG shall use its commercially reasonable efforts to effect a Monetization Transaction with respect to each of Star and Edison, unless the AIA/ALICO Preferred Redemption has occurred with respect to both SPVs.

Section 8.05. *Maiden Lane III Upstream Obligations.* AIG shall, and shall cause each of its Subsidiaries to, use its commercially reasonable efforts to obtain any and all rating agency, regulatory or other consents, approvals, non-disapprovals or assurances as may be necessary to permit distribution of all Maiden Lane III Interests held by any Subsidiary of AIG that is not a Guarantor (as such term is defined in the Intercompany Guarantee and Pledge Agreement) to AIG or any Guarantor (as such term is defined in the Intercompany Guarantee and Pledge Agreement) in compliance with applicable Law and without a downgrade of the financial strength or insurer claims-paying rating of the applicable

Table of Contents

Subsidiary, and upon receipt of such consents, approvals, non-disapprovals or assurances, AIG shall cause such Subsidiary to distribute all Maiden Lane III Interests to AIG or any Guarantor (as such term is defined in the Intercompany Guarantee and Pledge Agreement).

Section 8.06. *Compelled Monetization Rights.* (a) At any time from and after May 1, 2013, and until such time as the AIA/ALICO Preferred Redemption shall have occurred in full with respect to both SPVs, the Rights Holder shall have the right, in its sole discretion, to deliver a written notice to AIG (each, a **Compelled Monetization Notice**), directing AIG to effect a Monetization Transaction (each, a **Compelled Monetization Transaction**) with respect to one or more of Nan Shan, Star, Edison and ILFC (each Designated Entity for which a Compelled Monetization Notice has been delivered, a **Compelled Disposal Entity**). In connection with any Compelled Monetization Transaction, the Rights Holder shall designate an independent investment banking firm of recognized national standing selected by the Rights Holder and reasonably acceptable to AIG (the **Investment Bank**) to, in the case of a Sale of the Company, conduct the sale process or, in the case of an Initial Public Offering, act as the sole global coordinator and lead book-running manager for such public offering, in accordance with this Section 8.06.

(b) The Investment Bank will act upon the instructions of the Rights Holder and establish such procedures as the Rights Holder may require in order to effect a Compelled Monetization Transaction for the Compelled Disposal Entity as promptly as practicable. AIG agrees to cooperate fully with the Investment Bank in accordance with such procedures, and agrees to negotiate diligently and in good faith the terms and conditions of any proposal recommended for consideration by the Investment Bank for such Compelled Monetization Transaction. AIG will retain independent legal counsel of appropriate expertise reasonably acceptable to the Rights Holder, to advise AIG on such Compelled Monetization Transaction. In the event of a disagreement between AIG and the Rights Holder regarding the terms and conditions (including timing of completion) for such Compelled Monetization Transaction, the final determination of such terms and conditions shall be made by the Rights Holder, in its sole discretion (it being understood that in no event shall such terms and conditions include any material obligations on the part of AIG or any of its Subsidiaries following the closing of such Compelled Monetization Transaction other than those that, in the reasonable judgment of the Rights Holder, are customary for transactions of this type). AIG shall take, or cause to be taken, all actions (including (i) executing and delivering or causing to be executed and delivered all documents, certificates, agreements, (ii) seeking all Approvals and (iii) making or causing to be made all filings and notifications with all Governmental Entities) as may be necessary, proper, desirable or advisable to consummate such Compelled

Table of Contents

Monetization Transaction on the terms so determined. All fees and expenses of the Investment Bank and legal counsel (and other advisors and experts retained) in connection with such Compelled Monetization Transaction shall be paid by AIG and deducted from gross proceeds pursuant to clause (ii)(A) of the definition of Net Proceeds in the Intercompany Guarantee and Pledge Agreement.

Section 8.07. *Public Offerings*. From the date hereof until such time as the AIA/ALICO Preferred Redemption shall have occurred with respect to both SPVs, (a) the Rights Holder shall have the right to appoint one of the global coordinators (which shall also serve as lead book-running managers) (the **Global Coordinators**) for each Public Offering, and (b) AIG shall have the right to appoint (i) one of the Global Coordinators and (ii) after prior consultation with the AIA/ALICO Preferred Members, any additional Global Coordinators and book runners for each Public Offering. The additional book runners, if any, shall report to the Global Coordinators, who shall be responsible on a joint basis for overseeing the book runners and determining their compensation, allocations and all other important matters for which lead underwriters are customarily responsible in public offerings of securities of the applicable type.

Section 8.08. *Relationship to FRBNY Credit Facility*. Except as expressly set forth in this Article 8, the rights and obligations of the parties hereto shall be without prejudice to the rights and obligations of the FRBNY and AIG under the FRBNY Credit Facility (for clarity, until repayment and termination of the FRBNY Credit Facility).

Section 8.09. *Limitation on Designated Entity Rights*. Unless otherwise agreed by the parties hereto (whether in connection with the giving of any consent pursuant to this Article 8 or otherwise), notwithstanding anything in this Agreement or the other Transaction Documents to the contrary, the UST and the FRBNY acknowledge and agree that from and after such time as any Designated Entity ceases to be a Subsidiary of AIG or one or more of its Subsidiaries, or AIG otherwise ceases directly or indirectly to control such Designated Entity, nothing in this Agreement or the other Transaction Documents will require AIG or any Subsidiary of AIG to take any action with respect to the business of such Designated Entity.

ARTICLE 9
Other Covenants

Section 9.01. *Interim Operating Covenants*. (a) Prior to the Closing, except as Previously Disclosed or as contemplated by the Transaction Documents, AIG shall, and shall cause each Subsidiary of AIG to, use commercially reasonable efforts to carry on its business in the ordinary course of business and maintain and preserve its business (including its organization, assets, properties, goodwill and insurance coverage) and preserve its business relationships with customers, strategic partners, suppliers, distributors and others having business dealings with it.

Table of Contents

(b) The parties hereto agree that nothing in this Agreement or the other Transaction Documents shall constitute a waiver or consent with respect to any provision of the FRBNY Credit Facility or either SPV LLC Agreement or shall be construed as a waiver or consent to any action that would require a waiver or consent of the FRBNY thereunder; *provided, however*, that by virtue of entering into the Transaction Documents, the FRBNY shall be deemed to have given its waiver or consent, as applicable, with respect to each of the following actions that would require a waiver or consent of the FRBNY pursuant to the FRBNY Credit Facility or either SPV LLC Agreement: (i) the entry into this Agreement and the other Transaction Documents by AIG, the AIA SPV and the ALICO SPV and (ii) the actions expressly permitted or required to be taken by AIG, the AIA SPV, the ALICO SPV and any Affiliate of AIG, the AIA SPV or the ALICO SPV pursuant to this Agreement and the other Transaction Documents.

Section 9.02. *Stockholder Action by Written Consent; AIG Information Statement.* (a) On December 7, 2010, the Trust, as the holder of a majority of the voting power of AIG, executed and delivered to AIG a consent in writing, a copy of which is attached as Exhibit I hereto (the **Trust Written Consent**), in accordance with Section 228 of Delaware Law voting all shares of Series C Preferred Stock owned by the Trust in favor of the Stock Issuance without prior notice to or a meeting of the stockholders of AIG.

(b) Without limiting Section 9.02(a), AIG shall (i) prepare and file an information statement with the SEC in connection with the Stock Issuance (the **AIG Information Statement**) as soon as reasonably practicable after the execution of the Trust Written Consent, (ii) use its commercially reasonable efforts to have the AIG Information Statement cleared by the SEC and mailed to AIG's stockholders as promptly as practicable thereafter and (iii) comply with all legal requirements and rules of the New York Stock Exchange applicable to the Stock Issuance and the AIG Stockholder Approval. AIG shall provide the FRBNY, the UST and the Trust and their respective counsel with a reasonable opportunity to review and comment upon the form and substance of the AIG Information Statement (including any amendments or supplements thereto) prior to filing the AIG Information Statement with the SEC. AIG shall notify the FRBNY, the UST and the Trust promptly of the receipt of any comments from the SEC and of any request by the SEC for any amendments or supplements to the AIG Information Statement, AIG shall provide the FRBNY, the UST and the Trust with a reasonable opportunity to review and comment on any such comments or requests from the SEC, and, if required by the 1934 Act or other applicable Law, AIG shall mail to its stockholders, as promptly as reasonably practicable, any such amendment or supplement.

Section 9.03. *Consummation of Recapitalization; Filings; Consents.* (a) Subject to the terms and conditions of this Agreement, AIG, the AIA SPV and the ALICO SPV shall, and shall cause their respective Subsidiaries to, and each of the FRBNY and the UST shall use all commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary,

Table of Contents

proper or desirable, or advisable under applicable Laws (including obtaining all Required Regulatory Approvals and the confirmation of previously obtained determinations of non-control to the extent deemed necessary or advisable), so as to permit consummation of the transactions contemplated by the Transaction Documents as promptly as practicable and the Trust shall reasonably cooperate with the other parties hereto in connection with the foregoing; *provided* that under no circumstances shall any of AIG, the AIA SPV, the ALICO SPV and their respective Subsidiaries, the FRBNY, the UST and the Trust be under any obligation to agree to, or accept, any agreements, commitments or conditions, pursuant to a settlement or otherwise, with any Governmental Entity, or any other Person in connection with obtaining any Required Regulatory Approval or any other filings with, exemptions or reviews by, or authorizations, consents or approvals of, any Governmental Entity or any other Person required in connection with the consummation of the transactions contemplated by the Transaction Documents. In addition, each of AIG, the AIA SPV and the ALICO SPV agrees that it shall not, nor allow any of its Subsidiaries to, agree to, or accept, any such agreements, commitments or conditions without the prior written consent of the FRBNY, the UST and the Trust. To the extent that the Trust is required to submit or execute any Approval in connection with the transactions contemplated by this Agreement and the other Transaction Documents, such Approval shall be in a form and substance reasonably acceptable to the Trust.

(b) Subject to Section 9.03(a), the parties (other than the Trust) shall promptly make or cause to be made all filings and notifications with all Governmental Entities that are necessary, proper or advisable under the Transaction Documents and applicable Laws to complete and make effective the transactions contemplated by the Transaction Documents and the Trust shall reasonably cooperate with the other parties hereto in connection with the foregoing. AIG shall, and shall cause its Subsidiaries to, keep the FRBNY, the UST and the Trust apprised of all substantive communications with Governmental Entities (other than those that are parties to this Agreement) regarding the transactions contemplated by the Transaction Documents. AIG shall, and shall cause its Subsidiaries to, provide the FRBNY, the UST and the Trust (i) any information they reasonably request relating to any filings or notifications to be made by them or on their behalf and (ii) a reasonable opportunity to review in advance, consult with AIG or the applicable Subsidiary regarding and consider in good faith, and give reasonable consideration to, the views of the FRBNY, the UST and the Trust in connection with any filing made with, or written materials submitted to, or oral presentations made to, any Governmental Entity in connection with the transactions contemplated by the Transaction Documents.

Section 9.04. *Issuance of Warrants*. Prior to the Closing, AIG, acting through the AIG Board, shall declare a special stock dividend (the **Special Dividend**) of warrants to purchase up to an aggregate of 75 million shares of AIG Common Stock at an initial exercise price of \$45.00 per share (the **Warrants**) to the holders of record of AIG Common Stock on the record date

Table of Contents

for the Special Dividend (excluding any shares of AIG Common Stock held by AIG as treasury shares or by Subsidiaries of AIG). Unless otherwise agreed by the FRBNY, the UST and AIG, the record date for the Special Dividend shall be the Business Day prior to the date on which AIG, the FRBNY and the UST reasonably anticipate the Closing to occur. The Warrants issued pursuant to the Special Dividend shall be in the form of Exhibit A to the Warrant Agreement and will be subject to the terms and conditions of the Warrant Agreement.

Section 9.05. *Certain Notifications.* (a) From the date hereof until the Closing, except as Previously Disclosed, AIG shall promptly notify the FRBNY, the UST and the Trust of (i) any fact, event or circumstance to the knowledge of AIG which would reasonably be expected to cause any representation or warranty of AIG contained in this Agreement to be untrue or inaccurate in any material respect or to cause any covenant or agreement of AIG or any SPV contained in this Agreement not to be complied with or satisfied in any material respect, (ii) any fact, circumstance, event, change, occurrence, condition or development of which AIG is aware and which, individually or in the aggregate, has had or would reasonably be expected to have an AIG Material Adverse Effect or (iii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by the Transaction Documents; *provided, however*, that delivery of any notice pursuant to this Section 9.05(a) shall not limit or affect any rights of or remedies available to the FRBNY, the UST, the Trust or any of the Trustees; *provided, further*, that a failure to comply with clause (i) or (ii) of this Section 9.05(a) shall not constitute a breach of this Agreement or the failure of any condition set forth in Section 10.02(a) to be satisfied unless the underlying AIG Material Adverse Effect or material breach would independently result in the failure of a condition set forth in Section 10.02(a) to be satisfied.

(b) From and after the Closing Date, AIG shall promptly notify the FRBNY and the UST of any fact, event or circumstance to the knowledge of AIG which would reasonably be expected to cause any covenant or agreement of AIG or any SPV contained in this Agreement that contemplates performance after the Closing Date not to be complied with or satisfied in any material respect; *provided, however*, that delivery of any notice pursuant to this Section 9.05(b) shall not limit or affect any rights of or remedies available to the FRBNY or the UST.

Section 9.06. *Expenses.* (a) AIG agrees to pay or reimburse, at the option of the FRBNY or the UST, as applicable, all reasonable out-of-pocket expenses of the FRBNY and the UST relating to, or otherwise arising out of, (i) the preparation and administration of this Agreement and the other Transaction Documents, any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or the exercise, enforcement or protection of any rights in connection with, or compliance with any obligations arising under, this Agreement and the other Transaction Documents, (ii) except as provided in

Table of Contents

Section 1.1(b) of the Registration Rights Agreement, the transactions contemplated by the Transaction Documents, (iii) the financial assistance provided under TARP, including any restructuring thereof, (iv) the FRBNY Credit Facility, (v) except as provided in Section 1.1(b) of the Registration Rights Agreement, the ownership by the FRBNY or the UST of any securities of AIG or any of its Subsidiaries (whether before or after the Closing), including any disposition thereof, (vi) any expenses incurred by the FRBNY under the Trust Agreement, including pursuant to Section 2.07(a) of the Trust Agreement and (vii) any other transactions among the FRBNY and/or the UST and AIG or any investment by the FRBNY and/or the UST in AIG, whether existing, hereafter entered into or contemplated, including in each case the fees, charges and disbursements of counsel, accountants, financial advisers, investment bankers and other experts engaged by any of the FRBNY or the UST; *provided, however*, that, notwithstanding the foregoing or anything to the contrary in this Agreement or the other Transaction Documents, no expense of the FRBNY or the UST shall be paid or reimbursed to the extent that it is expressly excluded from AIG's obligation to provide indemnity to any Indemnitee (or similar Person) under Section 9.07 or any indemnity clause in any other Transaction Document.

(b) AIG shall bear and pay all costs and expenses incurred by AIG, and each Subsidiary of AIG (including the SPVs) shall bear and pay all costs and expenses incurred by such Subsidiary, in each case, in connection with the transactions contemplated by the Transaction Documents; *provided* that the foregoing shall not limit or otherwise alter the obligation of the AIG Member (as such term is defined in the relevant SPV LLC Agreement) to bear and pay the Company Expenses (as such term is defined in the relevant SPV LLC Agreement) of each SPV pursuant to Section 4.03 of the relevant SPV LLC Agreement; *provided, however*, that under no circumstance shall AIG be required to bear or pay the SPV Section 338 Payment Amount or any costs or expenses incurred by such SPV to the extent that such costs or expenses may be deducted from gross proceeds pursuant to clause (ii)(A) of the definition of Net Proceeds in the Intercompany Guarantee and Pledge Agreement.

Section 9.07. *Indemnity.* (a) Except as expressly provided in Section 1.1(g) of the Registration Rights Agreement, AIG agrees to indemnify the UST, the FRBNY, their respective Affiliates and the directors, officers, employees, agents, attorneys, accountants and other professional advisers of any of the foregoing (each such Person, an

Indemnitee) against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and out-of-pocket disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with or as a result of (i) the execution or delivery of, the performance by the parties hereto of their respective obligations under, or the consummation of the transactions contemplated by, this Agreement, any other Transaction Document or any agreement or instrument contemplated hereby or thereby or (ii) any claim, litigation, investigation or proceeding relating to any of

Table of Contents

the foregoing, whether or not any Indemnitee is a party thereto (and regardless of whether such matter is initiated by a third party or by AIG or any of its Affiliates); *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related out-of-pocket expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted primarily from the gross negligence, bad faith or willful misconduct of such Indemnitee. All amounts due under this Section 9.07(a) shall be payable promptly upon written demand therefor.

(b) To the extent permitted by applicable Law, each of the parties to this Agreement agrees that no party to this Agreement shall assert, and each of the parties to this Agreement hereby waives, in advance, any claim against any Indemnitee of any party to this Agreement, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Transaction Document, any agreement or instrument contemplated hereby or thereby or any of the transactions contemplated by any of the foregoing.

Section 9.08. *Exculpation, Indemnification and Expenses of the Trust and the Trustees.* (a) It is expressly understood and agreed by the parties hereto that this Agreement (and any other agreement or instrument contemplated by this Agreement or any other Transaction Document) is being executed and delivered by the Trustees not individually or personally but solely in their capacities as Trustees in the exercise of the powers and authority conferred and vested in them as such Trustees, and under no circumstance shall any Trustee have any personal liability in such Trustee's individual capacity in connection with this Agreement, any other agreement or instrument contemplated by this Agreement or any other Transaction Document or any transaction contemplated by any of the foregoing.

(b) AIG agrees to indemnify the Trust and each of the Trustees, individually and as trustees of the Trust, and their respective agents, attorneys, accountants and other professional advisers (each such Person, a **Trust Indemnitee**) against, and to hold each Trust Indemnitee harmless, in each case to the maximum extent permitted by applicable Law, from, any and all losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements and taxes (other than taxes based upon, measured by or determined by the income of such Trust Indemnitee except as a result of any amounts paid or payable pursuant to this Section 9.08) (collectively,

Losses), incurred by or asserted against any Trust Indemnitee in connection with the Trust, the Trust Agreement, the assets of the Trust, this Agreement, any Transaction Document, any other agreement or instrument contemplated by this Agreement or any other Transaction Document or any transaction contemplated by any of the foregoing, including any Losses arising out of, in any way connected with or as a result of (i) the execution or delivery of, the performance by the Trust of its obligations under, or the consummation of the transactions contemplated by, this Agreement, any other Transaction Document or any agreement or instrument contemplated hereby or thereby, (ii) the existence, operation or termination of the

Table of Contents

Trust or the assets of the Trust (including the Series C Preferred Stock and the Series C Exchanged Shares), (iii) any act taken or omitted to be taken by any Trust Indemnitee in the performance of, in connection with or arising out of its, his or her duties under the Trust Agreement or (iv) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Trust Indemnitee is a party thereto (and regardless of whether such matter is initiated by a third party or by AIG or any of its Affiliates); provided that such indemnity shall not, as to any Trust Indemnitee, be available to the extent that such Losses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted primarily from such Trust Indemnitee's willful conduct actually known by such Trust Indemnitee to be unlawful.

(c) To the maximum extent permitted by applicable Law, each of the parties to this Agreement agrees that no party to this Agreement shall assert, and each of the parties to this Agreement hereby waives, in advance, any claim against any Trust Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Transaction Document, any agreement or instrument contemplated hereby or thereby or any of the transactions contemplated by any of the foregoing.

(d) AIG shall pay all costs and expenses incurred or paid by the Trust and/or the Trustees in their capacities as trustees, in each case in the performance of or relating to its or their functions or duties under or in connection with the Trust Agreement, including any related costs and expenses incurred or paid by the Trustees following the termination of the Trust, and including without limitation (i) the reasonable compensation and the expenses and disbursements of the professional advisers and agents of the Trust and the Trustees in their capacities as trustees and (ii) the reasonable expenses incurred or paid by the Trust or the Trustees relating to, or otherwise arising out of, (A) the preparation and administration of this Agreement and the other Transaction Documents, any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or the exercise, enforcement or protection of any rights in connection with, or compliance with any obligations arising under, this Agreement and the other Transaction Documents, (B) the ownership by the Trust of any securities of AIG or any of its Subsidiaries (whether before or after the Closing), including any disposition thereof, and (C) any other transactions between the Trust and AIG or any investment by the Trust in AIG, whether existing, hereafter entered into or contemplated, including in each case the fees, charges and disbursements of counsel, accountants, financial advisers, investment bankers and other experts engaged by the Trust or the Trustees.

(e) All amounts due under this Section 9.08 shall be payable by AIG promptly upon written demand therefor.

Table of Contents

(f) It is expressly understood and agreed by AIG, the FRBNY and the Trustees that, (i) prior to Closing, the Trustees shall distribute any and all funds held in the Deposit Account (as such term is defined in the Trust Agreement) to pay, pre-pay or reimburse (in whole or in part) any compensation, costs or other expenses owing to the Trustees under the terms of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of the professional advisors and agents of the Trustees in their capacities as such and including prepayment, in whole or in part, thereof) such that, immediately prior to Closing, the balance of the Deposit Account (as such term is defined in the Trust Agreement) shall be zero, (ii) the Trustees shall not reimburse themselves at Closing for any outstanding amounts due them from the Trust under the terms of the Trust Agreement and shall not set aside at Closing any Trust reserves, (iii) the FRBNY acknowledges that, upon performance of all obligations under Section 2.03(a) hereof, the FRBNY shall waive any and all rights to reimbursement for all amounts the FRBNY advanced on behalf of the Trust in connection with the Trust's acquisition of the Series C Preferred Stock, (iv) AIG shall not be entitled to reimbursement for any amounts advanced by AIG under the Undertaking to Advance and Reimburse Expenses it executed in connection with the creation of the Trust and hereby waives any right to be reimbursed for such amounts under said undertaking and the terms of the Trust Agreement, (v) all cash and other assets (including the certificates evidencing the Series C Exchanged Shares) received by the Trustees at Closing shall, subject to the foregoing, be disposed of in accordance with the priority provided in Section 2.06(b) of the Trust Agreement (for the avoidance of doubt, any cash or other assets distributed to the United States Treasury pursuant to the terms of the Trust Agreement shall be managed on behalf of the United States Treasury by the UST) and (vi) at any and all times after the Closing, the Trust and each Trustee shall be entitled to payment and reimbursement pursuant to the other provisions of this Section 9.08 and, to the extent otherwise applicable, the Trust Agreement or Trust Policy for all costs and other expenses (including the reasonable compensation and the expenses and disbursements of the professional advisors and agents of the Trustees in their capacity as such) incurred by any of them in accordance with the Trust Agreement. To the extent that any provision of this Agreement, including any provision of this Section 9.08(f), is inconsistent with any provision of the Trust Agreement, the Trust Agreement is hereby deemed amended to conform with the provisions hereof.

(g) It is expressly acknowledged and agreed by the FRBNY and the UST that, effective as of the Closing, unless the FRBNY or the UST gives written notice to the contrary to the Trust prior to the Closing: (i) each Trustee shall have fully discharged all of his or her duties, responsibilities and obligations as a trustee of the Trust in accordance with the provisions of the Trust Agreement and the Applicable Standard of Care (as defined in the Trust Agreement), (ii) the Trustees shall (to the maximum extent permitted by applicable Law) be released and forever discharged, individually and as a trustee of the Trust, without the need for any additional documentation thereof, from all claims, demands, proceedings,

Table of Contents

causes of action, obligations, damages, complaints, judgments, agreements, contracts, promises, orders, debts and liabilities whatsoever, in law or equity or otherwise, whether or not currently known, suspected or claimed, fixed, absolute or contingent, matured or unmatured, asserted or unasserted, arising out of, in respect of or in connection with any act taken or omitted to have been taken by the Trust or any Trustee in the performance of, in connection with or arising out of its, his or her *duties* under the Trust Agreement and of which the FRBNY or the UST is aware (including with respect to the Transaction Documents and the transactions contemplated by the Transaction Documents) and (iii) the FRBNY and the UST (in its capacity as manager of the Series C Exchanged Shares on behalf of the United States Treasury) each irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting, prosecuting or causing to be commenced, instituted or prosecuted, any proceeding of any kind against any Trustee, based in whole or in part upon any matter released hereby.

Section 9.09. *Trust Policy and Letter of Credit.* (a) AIG shall use its commercially reasonable efforts to obtain on or prior to the Closing, and shall fully pay for by Closing and shall at all times after Closing maintain in effect for at least six years (and shall use its commercially reasonable efforts to obtain seven years) following the termination of the Trust, (i) an insurance policy affording coverage with respect to all the Trustees and covering actual and alleged wrongful acts or omissions done or omitted to be done by any Trustee in connection with his or her capacity as a trustee of the Trust, and such insurance policy shall: (A) be underwritten by insurers that are not Affiliates of AIG and each of which possesses an A.M. Best Financial Rating of A- or Greater, *provided* that up to, but not more than, \$50 million of the aggregate coverage of such policy may be underwritten by an insurance subsidiary of Chartis, Inc. reasonably acceptable to the Trustees; (B) provide coverage on a claims made and reported basis; (C) have an aggregate limit of liability of not less than \$250 million; and (D) be in all other respects in form and substance reasonably satisfactory to the Trustees (such policy, the Trust Policy); and (ii) an irrevocable standby letter of credit in the amount of at least \$5,200,000 in favor of the Trustees, issued by a major U.S. bank reasonably acceptable to the Trustees, for the purpose of (x) indemnifying and reimbursing each Trustee for all costs and expenses that may be incurred by such Trustee in the performance of or relating to his or her functions or duties under or in connection with the Trust Agreement, including related costs and expenses incurred or paid by the Trustees following the termination of the Trust, and (y) indemnifying and reimbursing each Trustee for deductibles paid or incurred by the Trustees under the Trust Policy, in each case to the extent such costs and expenses are not covered or timely paid pursuant to the Trust Policy or Section 9.08, which irrevocable standby letter of credit shall: (A) not be terminable without the prior written consent of all the Trustees; and (B) be in all other respects in form and substance reasonably acceptable to the Trustees (the Letter of Credit). Each of the Trustees shall execute and deliver to each relevant insurance provider an application for insurance in a form reasonably satisfactory to the Trustees.

(b) As soon as reasonably practicable after AIG shall have located an insurance policy that it reasonably believes satisfies the criteria for a Trust Policy set forth in Section 9.09(a), AIG shall deliver to the Trust a copy of such insurance policy (including all riders) and such other information and documents as reasonably requested by the Trust. Following receipt of such documents and information, the Trust shall use its commercially reasonable efforts to review such insurance policy and to notify AIG within three (3) days after such receipt as to whether or not such insurance policy is reasonably satisfactory in form and substance to the Trust. The Trust shall notify AIG on December 21, 2010 whether or not it believes that the condition to Closing set forth in Section 10.06(b) has been satisfied.

(c) Promptly after obtaining a binder for the Trust Policy, but in no event later than the Closing Date, AIG shall deliver a correct and complete copy of such binder to the Trust. The Trust Policy will be delivered to the Trust immediately upon receipt from the insurers.

Table of Contents

Section 9.10. *Trust Consent.* (a) For purposes of Section 6.8 of the Series C Perpetual, Convertible, Participating Preferred Stock Purchase Agreement dated as of March 1, 2009 between AIG and the Trust, the Trust hereby consents to the issuance of the Series C Exchanged Shares, the Series E Exchanged Shares, the Series F Exchanged Shares, the Series G Preferred Stock, the Warrants and the AIG Common Stock issuable upon conversion of the Series G Preferred Stock and exercise of the Warrants upon the terms and subject to the conditions set forth in the Transaction Documents.

(b) For the avoidance of doubt, following the termination of the Trust, any agreement to which any of AIG, the AIA SPV, the ALICO SPV, the FRBNY, the UST or the Trust is a party that would otherwise have required the approval or consent of the Trust or the Trustees shall not require such approval or consent (it being understood, for the avoidance of doubt, that nothing herein shall limit or otherwise affect any right assigned by the Trust or the Trustees to any permitted assignee under any such agreement).

Section 9.11. *Waiver Agreement.* The Waiver Agreement shall not be amended, modified or supplemented on or prior to the Closing without the prior written consent of AIG, the FRBNY and the UST.

Section 9.12. *Effect on Agreement in Principle.* Upon the execution and delivery of this Agreement by each of the parties hereto, the agreement in principle dated as of September 30, 2010 among AIG, the UST, the FRBNY and the Trust shall automatically terminate and be of no further force and effect.

Section 9.13. *Stock Exchange Listing.* AIG shall use its reasonable best efforts to cause (a) the Series C Exchanged Shares, the Series E Exchanged Shares, the Series F Exchanged Shares and the AIG Common Stock issuable upon the exercise of the Warrants to be listed on the New York Stock Exchange, subject to official notice of issuance, on or prior to the Closing and (b) the AIG Common Stock issuable upon conversion of the Series G Preferred Stock to be listed on the New York Stock Exchange, subject to official notice of issuance, on or prior to the Conversion Date (as defined in the Amended and Restated Purchase Agreement), and AIG shall thereafter maintain such listings for so long as any AIG Common Stock is listed on the New York Stock Exchange (*provided* that the foregoing obligation (x) shall terminate with respect to the AIG Common Stock issuable upon exercise of the Warrants to the extent the Warrants have been terminated in accordance with their terms prior to the exercise or conversion thereof and (y) shall not be effective with respect to AIG Common Stock issuable upon conversion of the Series G Preferred Stock if on the conversion date the aggregate liquidation preference of such Series G Preferred Stock is \$0 or if at any earlier time the Series G Preferred Stock has been redeemed in full and the Available Amount (as defined in the Amended and Restated Purchase Agreement) is \$0).

Table of Contents

Section 9.14. *Obligations of the SPVs.* AIG shall take all action necessary to cause each SPV to perform its obligations under the Transaction Documents on the terms and conditions set forth in the Transaction Documents.

Section 9.15. *Certain Transactions.* AIG will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless (a) the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not AIG), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Agreement and the other Transaction Documents to be performed and observed by AIG or (b) the FRBNY and the UST agree otherwise in writing.

Section 9.16. *Confidentiality.* The UST will use reasonable best efforts to hold, and will use reasonable best efforts to cause its agents, consultants, contractors and advisors (including the Observers designated by the UST) to hold, in confidence all non-public records, books, contracts, instruments, computer data and other data and information concerning AIG, the AIA SPV or the ALICO SPV furnished or made available to the UST by any of the foregoing or any representative thereof pursuant to this Agreement (except to the extent that such information can be shown to have been (a) previously known by the UST on a non-confidential basis, (b) in the public domain through no fault of the UST or (c) later lawfully acquired from other sources by the UST (and without violation of any other confidentiality obligation)); *provided* that nothing herein shall prevent the UST from disclosing any such information to the extent required by applicable Law or by any subpoena or similar legal process.

ARTICLE 10

Conditions to the Recapitalization

Section 10.01. *Conditions to the Obligations of Each Party.* The obligations of AIG, the AIA SPV, the ALICO SPV, the FRBNY, the UST and the Trust to consummate the Recapitalization are subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by each party) of the following conditions:

(a) the borrowings under the AIA SPV Intercompany Loan Agreement and the ALICO SPV Intercompany Loan Agreement shall be sufficient to repay at the Closing all outstanding Loans together with accrued and unpaid interest thereon and any other amounts outstanding under the FRBNY Credit Facility (including any fees or other amounts that may become due upon termination of the FRBNY Credit Facility) in full;

(b) the AIG Stockholder Approval shall have been obtained in accordance with the rules of the New York Stock Exchange, Delaware Law and the certificate of incorporation and bylaws of AIG; *provided* that, for the

Table of Contents

avoidance of doubt, 20 calendar days shall have elapsed since the date that AIG sent or gave the AIG Information Statement to its stockholders in accordance with clause (b) of Rule 14c-2 promulgated under the 1934 Act;

(c) the financial condition of AIG, the primary insurance companies of Chartis, Inc. and the primary insurance companies of SunAmerica Financial Group, taking into account the Recapitalization and the ratings profile of such companies, shall be reasonably acceptable to the FRBNY, the UST, the Trust and AIG;

(d) all Approvals set forth on Section 10.01(d) of the AIG Disclosure Schedule (collectively, the **Required Regulatory Approvals**) shall have been obtained or made in form and substance reasonably satisfactory to the FRBNY, the UST and AIG and shall be in full force and effect; *provided*, that if any Approval is not set forth on Section 10.01(d) of the AIG Disclosure Schedule, but is nevertheless reasonably determined by any of the FRBNY, the UST or AIG to be so required to be made or obtained in order to consummate the transactions contemplated by the Transaction Documents, then such Person may require, upon delivery of written notice thereof to the other parties hereto, that such Approval be obtained before consummation of the Closing;

(e) no provision of any applicable Law shall prohibit the consummation of the transactions contemplated hereby or by the other Transaction Documents; *provided* that, if the failure to obtain or make any Approval would not cause the condition set forth in Section 10.01(d) not to be satisfied, then the failure to obtain or make such Approval shall not cause the condition set forth in this Section 10.01(e) not to be satisfied;

(f) there shall not be in effect any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award by a Governmental Entity of competent jurisdiction restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by the Transaction Documents; *provided* that, if the failure to obtain or make any Approval would not cause the condition set forth in Section 10.01(d) not to be satisfied, then the failure to obtain or make such Approval shall not cause the condition set forth in this Section 10.01(f) not to be satisfied notwithstanding that any such failure may result in any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of the type specified in this Section 10.01(f); and

(g) each party shall have received executed counterparts to each of Transaction Documents to be entered into at the Closing to which it is a party from each of the other parties thereto and such Transaction Documents shall be in full force and effect.

Section 10.02. *Conditions to the Obligations of the FRBNY, the UST and the Trust.* The obligations of the FRBNY, the UST and the Trust to consummate the Recapitalization are subject to the satisfaction (or, to the extent permitted by

Table of Contents

applicable Law, waiver by each of the FRBNY, the UST and the Trust, except with respect to the conditions set forth in Section 10.02(f) and (g), which conditions may be waived solely by the FRBNY and the UST) of the following further conditions:

(a) (i) (A) the representations and warranties of AIG contained in Sections 5.01, 5.02, 5.03, 5.04, 5.05, 5.08, 5.11 and 5.26 shall be true and correct as though made at and as of the Closing (other than representations and warranties that by their terms speak as of another time, which representations and warranties shall be true and correct as of such other time) and (B) the other representations and warranties of AIG contained in this Agreement (which shall each be read, for purposes of this Section 10.02(a), without any qualifications or limitations whatsoever that may be set forth in any such representations and warranties as to materiality, AIG Material Adverse Effect and words of similar import) shall be true and correct as though made at and as of the Closing (other than representations and warranties that by their terms speak as of another time, which representations and warranties shall be true and correct as of such other time), except, in the case of this clause (B) only, to the extent that the failure of such representations and warranties to be so true and correct, individually or in the aggregate, does not have and would not reasonably be expected to have an AIG Material Adverse Effect; (ii) AIG and the SPVs shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing; and (iii) the FRBNY, the UST and the Trust shall have received a certificate signed by an executive officer of AIG to the foregoing effect;

(b) AIG shall have duly adopted and filed with the Secretary of State of the State of Delaware the Series G Certificate of Designations and such filing shall have been accepted;

(c) AIG shall have delivered to the UST a written opinion from counsel to AIG (which may be internal counsel), addressed to the UST and dated as of the Closing Date, in substantially the form attached hereto as Annex A hereto;

(d) AIG shall have delivered to the Trust a written opinion from counsel to AIG (which may be internal counsel), addressed to the Trust and dated as of the Closing Date, in substantially the form attached hereto as Annex B hereto;

(e) there shall not have occurred any event of the type described in clauses (i) through (iv) of the definition of Bankruptcy with respect to AIG, the AIA SPV, the ALICO SPV or any Designated Entity;

(f) AIG shall not have drawn on the Series F Drawdown Right on or after September 30, 2010 and prior to the Closing by an amount in aggregate in excess of \$2 billion;

Table of Contents

(g) AIG shall have achieved its year-end 2010 targets for the de-risking of AIGFP, as set forth in AIG most recent AIG FP contingent liquidity plan delivered to the FRBNY and the UST prior to the date hereof; and

(h) the Series C Exchanged Shares, the Series E Exchanged Shares, the Series F Exchanged Shares and the AIG Common Stock issuable upon the exercise of the Warrants shall have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

Section 10.03. *Additional Condition to the Obligations of the FRBNY.* The obligations of the FRBNY to consummate the Recapitalization are subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by the FRBNY) of the following further condition: the FRBNY shall have received evidence reasonably satisfactory to it that, immediately after the Closing, the FRBNY would not hold AIA/ALICO Preferred Interests having an Aggregate AIA/ALICO Liquidation Preference when combined with the aggregate preferred returns earned on such AIA/ALICO Preferred Units since the most recent fiscal quarter then ended through (but not including) the Closing in excess of \$2 billion.

Section 10.04. *Additional Condition to the Obligations of the FRBNY, the UST, AIG and the SPVs.* The obligations of AIG, the AIA SPV, the ALICO SPV, the FRBNY and the UST to consummate the Recapitalization are subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by each of AIG, the AIA SPV, the ALICO SPV, the FRBNY and the UST) of the following further condition: AIG shall have in place at the Closing available cash and third party financing commitments in amounts and on terms reasonably acceptable to the FRBNY, the UST and AIG.

Section 10.05. *Additional Condition to the Obligations of AIG and the SPVs.* The obligations of AIG, the AIA SPV and the ALICO SPV to consummate the Recapitalization are subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by AIG) of the following further condition: each of the FRBNY, the UST and the Trust shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing.

Section 10.06. *Additional Conditions to the Obligations of the Trust.* The obligations of the Trust to consummate the Recapitalization are subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by the Trust) of the following further conditions: (a) the Trust shall not have received written notice from the FRBNY or the UST pursuant to Section 9.08(g) hereof prior to the Closing; (b) the Trust shall have received on or prior to the Closing evidence reasonably satisfactory to it that the Trust Policy (which satisfies all the criteria set forth in Section 9.09(a)) is fully paid and in full force and effect on the Closing Date; and (c) the Letter of Credit shall have been delivered to the Trustees at the Closing.

Table of Contents

ARTICLE 11

Termination

Section 11.01. *Termination.* This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of AIG, the FRBNY, the UST and the Trust;

(b) by any of AIG, the FRBNY, the UST or the Trust, if:

(i) the Closing has not been consummated on or before March 15, 2011 (the **End Date**); *provided, however*, that if on the End Date any of the conditions set forth in Sections 10.01(d), 10.01(e) or 10.01(f) shall not have been satisfied, any of AIG, the FRBNY, the UST or the Trust, in its discretion, may extend the End Date for one or more periods of up to 30 days per extension (but in any event until no later than May 15, 2011) by delivering written notice thereof to the other parties (in which case any references to the End Date herein shall mean the End Date as extended); *provided* that the right to terminate this Agreement pursuant to this Section 11.01(b)(i) shall not be available to any party whose breach of any provision of this Agreement results in the failure of the Closing to be consummated by such time; or

(ii) any Governmental Entity of competent jurisdiction shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by any of the Transaction Documents that would cause the condition set forth in Section 10.01(f) not to be satisfied and such order, decree, ruling or other action shall have become final and nonappealable;

(c) by the FRBNY, the UST or the Trust, if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of AIG or any SPV set forth in this Agreement shall have occurred that would cause the condition set forth in Section 10.02(a) not to be satisfied, and such condition is incapable of being satisfied by the End Date; or

Table of Contents

(d) by AIG, if a failure to perform any covenant or agreement on the part of the FRBNY, the UST or the Trust set forth in this Agreement shall have occurred that would cause the condition set forth in Section 10.04 not to be satisfied, and such condition is incapable of being satisfied by the End Date.

The party desiring to terminate this Agreement pursuant to this Section 11.01 (other than pursuant to Section 11.01(a)) shall give notice of such termination to the other parties.

Section 11.02. *Effect of Termination.* If this Agreement is terminated pursuant to Section 11.01, this Agreement shall become void and of no effect without liability of any party (or any stockholder, director, officer, employee, agent, consultant or representative of such party) to the other party hereto; *provided* that nothing herein shall relieve either party from liability for any breach of this Agreement. The provisions of this Section 11.02 and Sections 3.01(b) (last sentence), 3.02(e)(ii), 3.03(e), 9.06, 9.07, 9.08, 9.12, 9.16, 12.01, 12.06, 12.07 and 12.08 shall survive any termination hereof pursuant to Section 11.01.

ARTICLE 12

Miscellaneous

Section 12.01. *Notices.* Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second Business Day following the date of dispatch if delivered by a recognized next day courier service. All notices to a party shall be delivered to the address or facsimile number set forth below, or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto.

If to the FRBNY:

Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045-0001
Attention: Brett Phillips, Counsel and Assistant Vice President
Facsimile: (212) 720-1530
Telephone: (212) 720-5166

Table of Contents

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Attention: Paul R. Kingsley and John K. Knight
Facsimile: (212) 450-3800
Telephone: (212) 450-4000

If to the UST:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
Attention: Chief Counsel, Office of Financial Stability
Telephone: (202) 927-2800

with a copy to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017
Attention: Paul R. Kingsley and John K. Knight
Facsimile: (212) 450-3800
Telephone: (212) 450-4000

If to the Trust:

AIG Credit Facility Trust
c/o Kevin F. Barnard
Arnold & Porter LLP
399 Park Avenue
New York, New York 10022
Facsimile: (212) 715-1399
Telephone: (212) 715-1000

If to AIG or either SPV:

American International Group, Inc.
180 Maiden Lane
New York, NY 10038
Attention: General Counsel
Facsimile: (212) 785-2175
Telephone: (212) 770-7000

Table of Contents

with a copy to:

Sullivan & Cromwell LLP

125 Broad Street

New York, NY 10004

Attention: Robert W. Reeder III, Michael M. Wiseman, Gary Israel

Facsimile: (212) 558-3585

Telephone: (212) 558-4000

Section 12.02. *Survival of Representations and Warranties.* The representations and warranties contained herein (other than Sections 5.01, 5.02, 5.03, 5.04, 5.05, 5.08, 5.11 and 5.26) shall not survive the Closing.

Section 12.03. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective; *provided, however*, that (i) the provisions of Article 6 (other than Section 6.06) may be amended in a writing signed solely by AIG and the UST, (ii) the provisions of Section 6.06 may be amended in a writing signed solely by AIG and the FRBNY, (iii) the provisions of Article 7 may be amended in a writing signed solely by AIG, the AIA SPV, the ALICO SPV, the UST and, if not the UST, the Rights Holder, (iv) the provisions of Article 8 may be amended in a writing signed solely by AIG, the UST and, if not the UST, the Rights Holder, (v) the provisions of Section 4.03 may be amended in a writing signed solely by AIG, the AIA SPV, the ALICO SPV, the UST and the FRBNY, (vi) the provisions of Section 9.16 may be amended in a writing signed solely by AIG and the UST and (vii) the provisions of Section 12.13 may be amended in a writing signed solely by AIG, the FRBNY and the UST; *provided, further*, that following the Closing and the termination of the Trust in accordance with the Trust Agreement, the provisions of this Agreement may be amended without the consent of the Trust. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by applicable Law.

Section 12.04. *Waiver of Conditions.* Subject to the lead-in to Section 10.02, the conditions to each party's obligation to consummate the Closing are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Law.

Table of Contents

Section 12.05. *AIG Disclosure Schedule*. Matters reflected in any section of this Agreement, including any section or subsection of the AIG Disclosure Schedule, are not necessarily limited to matters required by this Agreement to be so reflected. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. No reference to or disclosure of any item or other matter in any section of this Agreement, including any section or subsection of the AIG Disclosure Schedule, shall be construed as an admission or indication that such item or other matter is material or that such item or other matter is required to be referred to or disclosed in this Agreement or the AIG Disclosure Schedule. Without limiting the foregoing, no such reference to or disclosure of a possible breach or violation of any contract, applicable Law or Order shall be construed as an admission or indication that breach or violation exists or has actually occurred.

Section 12.06. *Binding Effect; Benefit; Assignment*. (a) The provisions of this Agreement shall be binding upon and shall, except as provided in Sections 9.07 and 9.08, inure to the benefit of the parties hereto and their respective successors and assigns. Except as provided in Sections 9.07 and 9.08, no provision of this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns; *provided* that the provisions of Section 11.08 (Successors and Assigns) of each SPV LLC Agreement shall apply to the provisions of Section 4.03, Article 7 and Article 8 to the same extent as though such provisions were directly incorporated into and made part of such agreements as though set forth in full therein.

(b) Subject to the proviso to clause (a) above, neither this Agreement nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other parties, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except (i) an assignment, in the case of a Business Combination or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale and (ii) the UST may assign its right to receive the AIG Common Stock, Series G Preferred Stock and/or Purchased AIA/ALICO Preferred Units hereunder to a trust or similar entity established solely for such purpose. **Business Combination** means merger, consolidation, statutory share exchange or similar transaction that requires the approval of AIG's stockholders.

Section 12.07. *Governing Law; Submission to Jurisdiction; Service of Process*. This Agreement, and the rights and obligations of the parties hereunder, shall be governed by, and construed and interpreted in accordance with, United States federal law and not the law of any State. To the extent that a court looks to the laws of any State to determine or define the United States federal law, it is the intention of the parties hereto that such court shall look only to the laws of the State of New York without regard to its rules of conflicts of laws. Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the

Table of Contents

United States District Court for the Southern District of New York for any and all actions, suits or proceedings arising out of or relating to this Agreement or the transactions contemplated hereby (other than any claim against the UST for monetary damages in excess of \$10,000, for which each party hereto agrees to submit to the exclusive jurisdiction and venue of the United States Court of Federal Claims), and (b) that notice may be served upon (i) AIG or any SPV at the address and in the manner set forth for notices to AIG or such SPV in Section 12.01, (ii) the Trust at the address and in the manner set forth for notices to the Trust in Section 12.01 and (iii) the FRBNY or the UST in accordance with federal law.

Section 12.08. *WAIVER OF JURY TRIAL*. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 12.09. *Counterparts; Effectiveness*. This Agreement may be executed in any number of counterparts and by different parties, each of which when so executed shall be deemed an original, and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or by PDF file (portable document format file) shall be as effective as delivery of a manually executed counterpart of this Agreement. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication).

Section 12.10. *Entire Agreement*. This Agreement and the other Transaction Documents constitute the entire agreement between the parties with respect to the subject matter of this Agreement and the other Transaction Documents and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement and the other Transaction Documents.

Section 12.11. *Severability*. (a) The parties intend for the Recapitalization to constitute a single, integrated, non-severable transaction.

(b) Subject to Section 12.11(a), if any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Entity to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the Recapitalization is not affected in any manner materially adverse to any party hereto. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in

Table of Contents

order that the Recapitalization be consummated as originally contemplated to the fullest extent possible.

Section 12.12. *Specific Performance.* (a) The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, (b) it is accordingly agreed that, without the necessity of posting bond or other undertaking, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Agreement (in each case, other than against the UST), this being in addition to any other remedy to which such party is entitled at law or in equity and (c) in the event that any action is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto (other than the UST) hereby waives, the defense or counterclaim that there is an adequate remedy at law.

Section 12.13. *No Waiver of Attorney-Client, Work Product or Other Privilege.* From and after the Closing, notwithstanding anything to the contrary in this Agreement, the other Transaction Documents or any other agreement between AIG and/or its Subsidiaries, on the one hand, and any of the FRBNY and the UST, on the other hand:

(a) none of AIG, its Subsidiaries and their respective directors, officers, employees, agents and representatives shall be obligated to provide or disclose any information or materials to any of the FRBNY and the UST and their respective directors, officers, employees, agents and representatives, notwithstanding that such provision or disclosure would otherwise be required pursuant to this Agreement, the other Transaction Documents or any other agreement, if the receipt of such information or materials would, in the reasonable judgment of AIG's counsel, constitute a waiver of (i) the attorney-client privilege and any other substantially similar privilege between any of AIG, its Subsidiaries and their respective directors, officers, employees, agents and representatives, on the one hand, and such Person's or Persons' counsel, on the other hand or (ii) a work product privilege applicable to such information or materials; and

(b) AIG shall have the right to exclude the Observers from all or any portion of any meeting of the AIG Board (or any committee thereof), and to withhold any information or materials from the Observers, if the Observers' attendance at such meeting (or portion thereof) or receipt of such information or materials would, in the reasonable judgment of AIG's counsel, constitute a waiver

Table of Contents

of (i) the attorney-client privilege between AIG and its counsel or (ii) a work product privilege applicable to such information or materials;
provided, however, that AIG shall use its reasonable best efforts to ensure that any withholding of information or materials or any restriction on attendance is strictly limited only to the extent necessary for the applicable purpose specified in the preceding clauses (a) and (b); *provided, further,* that, to the extent that any information or materials required to be delivered pursuant to Section 6.02(a), 6.04(a) or 7.09(b) would be withheld pursuant to this Section 12.13, AIG shall use its commercially reasonable efforts to enter into a joint defense agreement or implement such other techniques if the parties hereto determine that such agreement or other techniques would reasonably be available to the parties under the circumstances and that entering into such an agreement or implementing such a technique would reasonably permit the disclosure of such information to the UST and, in the case of disclosure that would be required pursuant to Section 6.04(a), the Special Inspector General of TARP and the Comptroller General of the United States, in each case, without jeopardizing the applicable privilege; *provided, further,* that nothing in this Section 12.13 shall be construed to limit the authority that the Special Inspector General of TARP or the Comptroller General of the United States have under Law.

[The remainder of this page has been intentionally left blank; the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers or trustees as of the date set forth on the cover page of this Agreement.

**UNITED STATES DEPARTMENT OF THE
TREASURY**

By: /s/ Timothy G. Massad
Name: Timothy G. Massad
Title: Acting Assistant Secretary for
Financial Stability

FEDERAL RESERVE BANK OF NEW YORK

By: /s/ Roseann Stichnoth
Name: Roseann Stichnoth
Title: Executive Vice President

AIG CREDIT FACILITY TRUST

/s/ Jill M. Considine
Name: Jill M. Considine
Title: Trustee

/s/ Chester B. Feldberg
Name: Chester B. Feldberg
Title: Trustee

/s/ Peter A. Langerman
Name: Peter A. Langerman
Title: Trustee

[Signature Page to Master Transaction Agreement]

Table of Contents

**AMERICAN INTERNATIONAL GROUP,
INC.**

By: /s/ Brian T. Schreiber
Name: Brian T. Schreiber
Title: Executive Vice President,
Treasury and Capital
Markets

ALICO HOLDINGS LLC

By: /s/ Brian T. Schreiber
Name: Brian T. Schreiber
Title: Manager

AIA AURORA LLC

By: /s/ Brian T. Schreiber
Name: Brian T. Schreiber
Title: Manager

[Signature Page to Master Transaction Agreement]

Table of Contents

AIG DISCLOSURE SCHEDULE

The information set forth herein is the Disclosure Schedule (the **AIG Disclosure Schedule**) of American International Group, Inc. (**AIG**) referenced in the Master Transaction Agreement, dated as of December 8, 2010, among AIG, the AIA SPV, the ALICO SPV, the FRBNY, the UST and the Trust (the **Master Transaction Agreement**). Capitalized terms used and not defined herein will have the meanings ascribed to such terms in the Master Transaction Agreement.

Table of Contents

SECTION 1.01(A)

KNOWLEDGE OF AIG

As used in the Master Transaction Agreement, the term knowledge of AIG means the actual knowledge as of the date hereof (other than in respect of Section 9.05 of the Master Transaction Agreement, in which case it shall mean the actual knowledge as of the relevant time between the date hereof and the Closing) after reasonable inquiry of any of the following individuals:

1. Executive Vice President Legal, Compliance, Regulatory Affairs, Government Affairs and General Counsel of AIG.
2. Executive Vice President and Chief Financial Officer of AIG.
3. Deputy General Counsel, AIG; General Counsel, Restructuring and Mergers & Acquisitions.
4. Senior Vice President and Deputy General Counsel (Corporate Securities), AIG.
5. With respect to Section 5.16 (Litigation and Other Proceedings) of the Master Transaction Agreement only, Deputy General Counsel, Corporate Litigation Group, AIG.
6. With respect to Section 5.17 (Compliance with Laws) of the Master Transaction Agreement only, Chief Compliance Officer, AIG.

Table of Contents

SECTION 5.02

CAPITALIZATION

Capitalization Date: November 30, 2010

Common Stock

Par value: \$2.50

Total Authorized: 5,000,000,000 shares

Outstanding: 140,029,102 shares

Subject to warrants, options, convertible securities, etc.: 3,737,705 shares¹

Reserved for benefit plans and other issuances (other than subject to warrants, options, convertible securities, etc.):
61,124,156 shares²

Remaining authorized but unissued: 4,859,970,898 shares

Serial Preferred Stock

Par value: \$5.00

Total Authorized: 100,000,000 shares

Outstanding (by series):

100,000 shares of Series C Preferred Stock

400,000 shares of Series E Preferred Stock

300,000 shares of Series F Preferred Stock

Issued: 800,000 shares

Reserved for Issuance: 0 shares

Remaining authorized but unissued: 0 shares

¹ Does not include Series C, E or F Exchanged Shares.

² Includes 60,000,000 shares authorized under the American International, Group, Inc. 2010 Stock Incentive Plan.
Does not include Series C, E or F Exchanged Shares.

Table of Contents

SECTION 8.01(a)

DESIGNATED ENTITY CONSENT RIGHTS

Notwithstanding anything to the contrary in Section 8.01(a) of the Master Transaction Agreement:

1. AIG and any Designated Entity and/or Subsidiary thereof shall be permitted to sell the Shares (as such term is defined in the Star-Edison Purchase Agreement) to Prudential Financial, Inc. in accordance with the terms and conditions of the Star-Edison Purchase Agreement.
2. Star, Edison and their respective Subsidiaries shall be permitted to act in the Ordinary Course of Business (as such term is defined in the Star-Edison Purchase Agreement).
3. Star, Edison and their respective Subsidiaries shall be permitted to act as permitted or contemplated by Section 5.01 of the Seller Disclosure Letter delivered by AIG under the Star-Edison Purchase Agreement (the Seller Disclosure Letter) and, for the avoidance of doubt, shall be permitted to act as required by the Star-Edison Purchase Agreement.
4. Edison and AIG Financial Assurance Japan, K.K. shall be permitted to amend their respective articles of incorporation in accordance with the terms of Section 5.15 of the Star-Edison Purchase Agreement.
5. AIG and any Designated Entity and/or Subsidiary thereof shall be permitted to (a) terminate or amend intercompany obligations or arrangements pursuant to Section 5.07 of the Star-Edison Purchase Agreement and (b) complete the certain actions set forth in Section 5.17(a) of the Seller Disclosure Letter.
6. Star, Edison and their respective Subsidiaries shall be permitted to maintain the levels of indebtedness described in Section 3.03(a) and permitted by Section 5.01 of the Star-Edison Purchase Agreement.
7. Nan Shan may establish a Securities Lending Management Program in which it may lend up to 30% of its total Taiwanese equity holdings pool (approximately \$2 billion as of the date of this AIG Disclosure Letter) through the Securities Borrowing and Lending System on the Taiwan Stock Exchange.

Table of Contents

SECTION 9.01(a)

INTERIM OPERATING COVENANTS

Notwithstanding anything to the contrary in Section 9.01(a) of the Master Transaction Agreement, AIG may, and may cause its Subsidiaries to, liquidate, wind-down, reorganize or restructure any of the following:

1. AIG Consumer Finance Group, Inc. and its subsidiaries.
2. AIG Credit Corp. and its subsidiaries.
3. AIG Financial Products Corp. and its subsidiaries.

-5-

Table of Contents

SECTION 10.01(d)

REQUIRED REGULATORY APPROVALS

The following are the Required Regulatory Approvals described in Section 10.01(d) of the Master Transaction Agreement:

1. Approval of the Australian Prudential Regulation Authority.
2. Approval of the Hong Kong Office of the Commissioner of Insurance.
3. Approval of the New Zealand Overseas Investment Office.

-6-

Table of Contents

Appendix B-2

Form of the Amended and Restated Purchase Agreement, among American International Group, Inc., the United States Department of the Treasury and the Federal Reserve Bank of New York

B-2-1

Table of Contents

AMENDED AND RESTATED PURCHASE AGREEMENT
dated as of
[_____]
among
American International Group, Inc.
United States Department of the Treasury
and
Federal Reserve Bank of New York, solely for the purpose of
Section 2.06, Section 2.07, Section 2.08 and Article 4

Table of Contents

TABLE OF CONTENTS

| | Page |
|---|------|
| ARTICLE 1 | |
| Securities Exchange; Closing | |
| Section 1.01. <i>Securities Exchange</i> | 1 |
| Section 1.02. <i>Closing</i> | 2 |
| Section 1.03. <i>Interpretation</i> | 2 |
| ARTICLE 2 | |
| Draw Down Right Exchange and Related Matters | |
| Section 2.01. <i>Draw Down Right Exchange</i> | 3 |
| Section 2.02. <i>Draw Down Right Fee</i> | 3 |
| Section 2.03. <i>Draws on Draw Down Right for General Corporate Purposes</i> | 4 |
| Section 2.04. <i>Termination of Investor s Obligations</i> | 4 |
| Section 2.05. <i>Conditions to Closing of Each Drawdown</i> | 5 |
| Section 2.06. <i>Initial Liquidation Preference; Changes to Liquidation Preference</i> | 5 |
| Section 2.07. <i>Deferred Exchange</i> | 7 |
| Section 2.08. <i>Equity Offering</i> | 8 |
| Section 2.09. <i>Examples of Deferred Exchanges</i> | 9 |
| Section 2.10. <i>Records</i> | 9 |
| ARTICLE 3 | |
| Covenants and Additional Agreements | |
| Section 3.01. <i>Equity Offering</i> | 9 |
| Section 3.02. <i>Return and Cancellation</i> | 9 |
| Section 3.03. <i>Further Assurances</i> | 10 |
| Section 3.04. <i>Sufficiency of Authorized Common Stock</i> | 10 |
| Section 3.05. <i>Purchase of Restricted Securities</i> | 10 |
| Section 3.06. <i>Legends</i> | 10 |
| Section 3.07. <i>Certain Transactions</i> | 12 |
| Section 3.08. <i>Transfer of Series G Preferred Stock, Series F Exchanged Shares, the Series G Converted Shares, the Warrant and the Warrant Shares</i> | 12 |
| Section 3.09. <i>Voting of Warrant Shares</i> | 12 |
| Section 3.10. <i>Restriction on Dividends and Repurchases</i> | 12 |
| ARTICLE 4 | |
| Miscellaneous | |
| Section 4.01. <i>Amendment</i> | 14 |
| Section 4.02. <i>Waiver of Conditions</i> | 14 |

Table of Contents

| | Page |
|---|------|
| Section 4.03. <i>Governing Law; Submission to Jurisdiction, Etc</i> | 14 |
| Section 4.04. <i>Notices</i> | 15 |
| Section 4.05. <i>Definitions</i> | 15 |
| Section 4.06. <i>Assignment</i> | 15 |
| Section 4.07. <i>Severability</i> | 15 |
| Section 4.08. <i>Entire Agreement</i> | 16 |
| Section 4.09. <i>No Third Party Beneficiaries</i> | 16 |
| LIST OF ANNEXES | |

ANNEX A: FORM OF CERTIFICATE OF DESIGNATIONS FOR PREFERRED STOCK

ANNEX B: FORM OF DRAWDOWN OPINION

ANNEX C: EXAMPLES OF DEFERRED EXCHANGES OF SPV PREFERRED UNITS AND
REDEMPTION OF SERIES G PREFERRED STOCK

Table of Contents**INDEX OF DEFINED TERMS**

| Term | Location of Definition |
|---|------------------------|
| Affiliate | Section 4.05(c) |
| Amended SPA | Recitals |
| Announcement Date | Section 1.01 |
| AIA SPV | Recitals |
| ALICO SPV | Recitals |
| Available Amount | Section 2.01 |
| Business Combination | Section 4.06 |
| Common Stock | Recitals |
| Company | Recitals |
| control; controlled by; under common control with | Section 4.05(c) |
| Conversion Date | Section 2.04 |
| Deferred Preferred Units Drawdown Amount | Section 2.07(a)(ii) |
| Deferred Exchange | Section 2.07(a) |
| Deferred Exchange Date | Section 2.07(a) |
| Deferred Purchased AIA/ALICO Preferred Units | Section 2.07(a)(i) |
| Drawdown Amount | Section 2.03 |
| Draw Down Right | Section 2.01 |
| Draw Down Right Exchange | Recitals |
| Draw Down Right Fee | Section 2.02 |
| Draw Down Right Fee Payment Date | Section 2.02 |
| employee benefit plan | Section 3.10(b) |
| Equity Interests | Section 4.05(b) |
| Equity Offering | Section 2.06(e) |
| Exchanged Securities | Recitals |
| FRBNY | Recitals |
| Fund | Section 4.05(b) |
| General Corporate Purposes Available Amount | Section 2.01 |
| General Corporate Purposes Drawdown Amount | Section 2.03 |
| Insolvency Trigger | Section 2.04 |
| Investor | Recitals |
| Junior Stock | Section 3.10 |
| Net Offering Proceeds | Section 2.08 |
| Parity Stock | Section 3.10 |
| Preferred Units Exchange Available Amount | Section 2.01 |
| Purchase Price | Section 2.07(a)(i) |
| Purchased AIA/ALICO Preferred Units | Recitals |
| Registration Rights Agreement | Section 2.08 |
| Securities Act | Section 3.05 |
| Securities Exchange | Recitals |
| Series F Exchanged Shares | Recitals |

Table of Contents

| | Location of Definition |
|--------------------------------------|---------------------------|
| Term | |
| Series F Preferred Stock | Recitals |
| Series F Preferred Stock Certificate | Section 1.01 |
| Series G Converted Shares | Section 3.04 |
| Series G Preferred Stock | Recitals |
| Share Dilution Amount | Section 3.10(b) |
| SPVs | Recitals |
| subsidiary | Section 4.05(a) |
| Termination Date | Section 2.04 |
| Transaction Agreement | Recitals |
| Transfer | Section 3.08 |
| Transfer Agent | Section 2.09 |
| Warrant | Section 3.04 |
| Warrant Shares | Section 3.04 |

Table of Contents

AMENDED AND RESTATED PURCHASE AGREEMENT

Recitals:

WHEREAS, American International Group, Inc. (the **Company**) and the United States Department of the Treasury (the **Investor**) intend to exchange (the **Securities Exchange**) 300,000 shares of the Company's Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock (the **Series F Preferred Stock**) held by the Investor for (i) the preferred units of AIA Aurora LLC (the **AIA SPV**) and ALICO Holdings LLC (the **ALICO SPV** , and together with the AIA SPV, the **SPVs**) purchased by the Company immediately prior to the closing of the Securities Exchange (the **Purchased AIA/ALICO Preferred Units**), (ii) 167,623,733 shares (the **Series F Exchanged Shares**) of the Company's common stock, par value \$2.50 per share (**Common Stock**), and (iii) 20,000 shares of the Company's Series G Cumulative Mandatory Convertible Preferred Stock, par value \$5.00 per share (the **Series G Preferred Stock** , and together with the Purchased AIA/ALICO Preferred Units and the Series F Exchanged Shares, the **Exchanged Securities**);

WHEREAS, the Company and the Investor intend to exchange (the **Draw Down Right Exchange**) a portion of the Company's remaining Series F Drawdown Right in an amount to be designated by the Company pursuant to the Transaction Agreement (as defined below) for the Draw Down Right described in Article 2 hereof;

WHEREAS, the Securities Exchange and the Draw Down Right Exchange will be governed by this amendment and restatement of the Existing Series F Purchase Agreement (the **Amended SPA**) and the Master Transaction Agreement among the Company, the Investor, the Federal Reserve Bank of New York (**FRBNY**), the SPVs and the AIG Credit Facility Trust (the **Transaction Agreement**);

WHEREAS, the Board of Directors of the Company has determined that the aggregate value to be received by the Company in the Securities Exchange and Draw Down Right Exchange is at least equal to the aggregate par value of the Series G Preferred Stock; and

WHEREAS, the Investor and the AIG Credit Facility Trust have tendered their consent for the issuance of the Series G Preferred Stock;

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

ARTICLE 1

Securities Exchange; Closing

Section 1.01. *Securities Exchange*. On the terms and subject to the conditions set forth in this Amended SPA and the Transaction Agreement, the Investor agrees to deliver to the Company the share certificate representing 300,000 shares of Series F Preferred Stock (the

Table of Contents

Series F Preferred Stock Certificate) with an aggregate liquidation preference equal to the sum of (i) \$7,543,068,000 plus (ii) any amounts drawn under the Series F Drawdown Right between September 30, 2010 (the **Announcement Date**) and the Closing Date, including the Series F Closing Drawdown Amount, and the Company agrees to deliver to the Investor (a) a share certificate representing 20,000 shares of Series G Preferred Stock (if applicable), (b) certificates evidencing the Series F Exchanged Shares and (c) certificates in proper form evidencing the Purchased AIA/ALICO Preferred Units acquired by the Company pursuant to the Transaction Agreement on the Closing Date duly endorsed or accompanied by proper evidence of transfer and assignment, it being understood that the delivery to the Investor of certificates and instruments substantially the same as those delivered by the FRBNY to the Company, duly endorsed or accompanied by proper evidence of transfer and assignment, shall satisfy the requirements of this clause (c).

Section 1.02. *Closing*. On the terms and subject to the conditions set forth in this Amended SPA and the Transaction Agreement, the closing of the Securities Exchange shall take place at the Closing on the Closing Date.

Section 1.03. *Interpretation*. When a reference is made in this Amended SPA to Recitals, Articles, Sections or Annexes such reference shall be to a Recital, Article or Section of, or Annex to, this Amended SPA. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to herein , hereof , hereunder and the like refer to this Amended SPA as a whole and not to any particular section or provision, unless expressly stated otherwise herein. The table of contents and headings contained in this Amended SPA are for reference purposes only and are not part of this Amended SPA. Whenever the words include, includes or including are used in this Amended SPA, they shall be deemed followed by the words without limitation. Writing , written and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. No rule of construction against the draftsperson shall be applied in connection with the interpretation or enforcement of this Amended SPA, as this Amended SPA is the product of negotiation between sophisticated parties advised by counsel. All references to \$ or dollars mean the lawful currency of the United States of America. Except as expressly stated in this Amended SPA, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Transaction Agreement.

Table of Contents

ARTICLE 2

Draw Down Right Exchange and Related Matters

Section 2.01. *Draw Down Right Exchange.* In exchange for the portion of the Series F Drawdown Right designated by the Company pursuant to Section 4.01 of the Transaction Agreement, the Investor agrees to provide to the Company from time to time on or after the Closing Date and prior to the Termination Date (as defined below), in each case subject to and on the terms and conditions set forth herein immediately available funds in an amount up to, but not in excess of, the Available Amount, as determined from time to time (the **Draw Down Right**); *provided* that in no event shall the aggregate amount funded under the Draw Down Right exceed \$2,000,000,000 (two billion dollars).

Available Amount means, as of any date of determination, (a) the Series G Designated Amount *minus* (b) the aggregate amount previously drawn on the Draw Down Right; *provided* that the Available Amount shall not be reduced below zero. Amounts provided under the Draw Down Right shall be used to fund the purchase from the FRBNY of AIA/ALICO Preferred Units in accordance with Section 2.07 or may be used by the Company for general corporate purposes; *provided* that no funds provided to the Company pursuant to the Draw Down Right shall be used to pay annual bonuses or other future cash performance awards to executives of the Company or employees of the Company and its subsidiaries who participate in the Company's Senior Partners Plan. The portion of the Available Amount that may be used by the Company for general corporate purposes is referred to herein as the **General Corporate Purposes Available Amount**, and the portion of the Available Amount available to fund the Company's purchase of the AIA/ALICO Preferred Units is referred to herein as the **Preferred Units Exchange Available Amount**. Initially, each of the General Corporate Purposes Available Amount and the Preferred Units Exchange Available Amount shall equal the Available Amount, and each such amount shall be reduced when and to the extent the Available Amount is reduced. In addition, the General Corporate Purposes Available Amount, but not the Preferred Units Exchange Available Amount, shall be subject to reduction as described in Section 2.07. Notwithstanding the foregoing or anything to the contrary in this Amended SPA, if the Series G Designated Amount is equal to zero and no amount other than the Series F Closing Drawdown Amount is drawn by the Company under the Series F Drawdown Right between the Announcement Date and the Closing Date, the Draw Down Right shall not be created and no shares of Series G Preferred Stock shall be provided to the Investor as part of the Securities Exchange.

The Series F Drawdown Right shall terminate and be of no further force and effect immediately following the Closing.

Section 2.02. *Draw Down Right Fee.* As required under the Existing Series F Purchase Agreement, the Company shall pay to the Investor from the operating cash flow of the Company an aggregate amount of \$165,000,000 (the **Draw Down Right Fee**), representing a fee payable to the Investor for the agreement by the Investor to create the Series F Drawdown Right. The Draw Down Right Fee shall be payable to the Investor in two payments, the first of which shall be in the amount of \$55,000,000 and payable on December 17, 2010, and the second of which shall be in the amount of \$110,000,000 and payable on the earlier of (i) a Termination Date (as defined in clauses (i), (iii), (iv) and (v) of the definition thereof) and (ii) the first date on which

Table of Contents

both the Available Amount and the aggregate liquidation preference of the outstanding shares of Series G Preferred Stock equal zero; *provided* that, notwithstanding the foregoing, if the Series G Designated Amount is equal to zero and no amount other than the Series F Closing Drawdown Amount is drawn by the Company under the Series F Drawdown Right between the Announcement Date and the Closing Date, the amount equal to \$165,000,000 *minus* any portion of the Draw Down Right Fee paid prior to the Closing Date shall be immediately payable on the Closing Date. If any portion of the Draw Down Right Fee would otherwise be payable on a day that is not a Business Day, such portion of the Draw Down Right Fee shall instead be payable on the next Business Day.

Section 2.03. *Draws on Draw Down Right for General Corporate Purposes.* Subject to the fulfillment or waiver of the conditions to each drawdown as set forth in Section 2.05, at any time on or after the Closing Date and prior to the Termination Date, the Company's Chief Executive Officer, Chief Financial Officer or Treasurer may, on behalf of the Company, request that the Investor provide immediately available funds to the Company in an amount up to but not in excess of the General Corporate Purposes Available Amount (the **General Corporate Purposes Drawdown Amount**) as of the date of such request (the **Drawdown Date**); *provided* that each request shall be for an amount that equals or exceeds the lesser of (a) \$250,000,000 and (b) the General Corporate Purposes Available Amount as of the date of such request. Any such request shall be valid only if it is in writing and specifies the account of the Company to which such funds are to be transferred and contains a certification of the Company's Chief Executive Officer, Chief Financial Officer or Treasurer that the requested amount does not exceed the General Corporate Purposes Available Amount as of the date of such request. The Investor shall provide such funds to the Company within five (5) Business Days of its receipt of such request or such shorter period as may be agreed to by the Company and the Investor, and the aggregate liquidation preference of the Series G Preferred Stock shall increase by the General Corporate Purposes Drawdown Amount as set forth in Section 2.06(b).

Section 2.04. *Termination of Investor's Obligations.* All of the Investor's obligations under and in respect of the Draw Down Right shall terminate on a date (the **Termination Date**), which will be the earliest to occur of (i) March 31, 2012 (the **Conversion Date**), (ii) the date on which the Available Amount equals zero, (iii) the date the Company has been adjudicated as, or determined by a governmental authority having regulatory authority over the Company or its assets to be, insolvent, (iv) the date the Company becomes the subject of an insolvency, bankruptcy, dissolution, liquidation or reorganization proceeding (including, without limitation, under Title 11, United States Code) (*provided* that in the case of an involuntary proceeding to which the Company has not consented, a termination of all of the Investor's obligations under and in respect of the Draw Down Right shall occur pursuant to this clause (iv) only if and as of the date when 60 days have elapsed since the commencement of such period, without such proceeding having been vacated or set aside during such 60-day period or being subject to a stay at the conclusion of such 60-day period), and (v) the date the Company becomes the subject of an appointment of a trustee, receiver, intervenor or conservator under the Resolution Authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act or under any other applicable bankruptcy, insolvency or similar law now or hereafter in effect (each of (iii) through (v), an **Insolvency Trigger**).

Table of Contents

Section 2.05. *Conditions to Closing of Each Drawdown.* The obligation of the Investor to consummate any drawdown pursuant to Section 2.03 on or following the Closing Date is subject to the fulfillment (or waiver by the Investor), on the applicable Drawdown Date, of each of the following conditions:

- (a) an Insolvency Trigger (determined without regard to the proviso in Section 2.04(iv)) has not occurred;
- (b) on or before such Drawdown Date, the Company shall have provided to the Investor an outline, in a form reasonably satisfactory to the Investor, of the expected uses by the Company of the General Corporate Purposes Drawdown Amount for such Drawdown Date;
- (c) the Investor shall have received a certificate signed on behalf of the Company by the Chief Executive Officer, Chief Financial Officer or Treasurer certifying to the effect that (A) as of such Drawdown Date, the representations and warranties of the Company set forth in the first and last sentences of Section 5.01 of the Transaction Agreement with respect to only the Company, Section 5.02(a) of the Transaction Agreement, Section 5.03 of the Transaction Agreement with respect to the Series G Preferred Stock and the shares of Common Stock issuable upon conversion of the Series G Preferred Stock only and Section 5.05(a) of the Transaction Agreement with respect to this Amended SPA only are true and correct in all material respects as though made on and as of such Drawdown Date (other than representations and warranties that by their terms speak as of another date, which representations and warranties shall be true and correct in all material respects as of such other date, and the representations in Section 5.02(a) of the Transaction Agreement, which speak only as of the Closing Date) and (B) the Company shall have performed in all material respects all obligations required to be performed by it under this Amended SPA and the Transaction Agreement on or prior to such Drawdown Date; and
- (d) the Company shall have delivered to the Investor a written opinion from counsel to the Company (which may be internal counsel), addressed to the Investor and dated as of the Drawdown Date, in substantially the form attached hereto as Annex B.

Section 2.06. *Initial Liquidation Preference; Changes to Liquidation Preference.*

(a) The aggregate liquidation preference of the outstanding shares of Series G Preferred Stock immediately following the Closing shall be equal to zero, except that if the Company draws under the Series F Drawdown Right after the Announcement Date and prior to the Closing (other than the Series F Closing Drawdown Amount), the aggregate liquidation preference of the outstanding shares of Series G Preferred Stock immediately following the Closing shall be equal to the sum of (i) the aggregate amount so drawn, plus (ii) an amount to reflect a dividend accrual at a rate of 5% per annum, computed on the basis of a 360-day year of twelve 30-day months, on the aggregate amount(s) so drawn for each calendar day from and including the applicable drawdown date(s) to but excluding the Closing Date.

Table of Contents

(b) After Closing, the aggregate liquidation preference of the outstanding shares of Series G Preferred Stock shall be automatically increased upon each draw pursuant to Section 2.03 by the General Corporate Purposes Drawdown Amount that is actually funded by the Investor to the Company, and such increase shall occur simultaneously with such funding and shall be allocated ratably to the shares of Series G Preferred Stock.

(c) The aggregate liquidation preference of the outstanding shares of Series G Preferred Stock shall, to the extent dividends are not paid on the relevant Dividend Accrual Date (as defined in Annex A), be automatically increased quarterly as set forth in the Certificate of Designations for the Series G Preferred Stock to reflect the dividends that accrue for each calendar day at a rate of 5% per annum, computed on the basis of a 360-day year of twelve 30-day months, and any such increase shall be allocated ratably to the shares of Series G Preferred Stock.

(d) At any time after the FRBNY no longer holds any AIA/ALICO Preferred Units, the Company may, following the delivery of at least five (5) Business Days prior written notice to the Investor, pay the Investor an amount in cash that will be allocated to reduce the aggregate liquidation preference of the Series G Preferred Stock. Any such decrease shall occur simultaneously with the payment of such amount to the Investor and shall be allocated ratably to the shares of Series G Preferred Stock.

(e) If at any time after the Closing and prior to the Conversion Date the Company completes a public offering for cash of Common Stock or securities or instruments convertible into (or exchangeable or exercisable for) equity securities (other than pursuant to a registration statement on Form S-4 or Form S-8 or any similar or successor form) (an **Equity Offering**), the provisions of Sections 2.07 and 2.08 shall apply, and the aggregate liquidation preference of the Series G Preferred Stock shall be adjusted as set forth in such sections.

(f) At any time when the FRBNY holds AIA/ALICO Preferred Units, the Company may, by delivering at least five (5) Business Days prior written notice to the Investor and to the FRBNY, purchase AIA/ALICO Preferred Units from the FRBNY for a purchase price in cash equal to the aggregate AIA/ALICO Preferred Unit Amounts for such AIA/ALICO Preferred Units at the time of purchase; *provided* that the aggregate purchase price of the units so purchased shall not exceed the aggregate liquidation preference of the Series G Preferred Stock on the purchase date. The allocation between preferred units of the AIA SPV and the ALICO SPV will be as set forth in Section 4.02(b) of the Transaction Agreement as though the AIA/ALICO Preferred Units purchased from the FRBNY were Purchased AIA/ALICO Preferred Units for purposes of the Transaction Agreement, unless otherwise agreed to by the Investor and the FRBNY. Immediately following such purchase, the Company shall deliver such AIA/ALICO Preferred Units to the Investor, along with such instruments of transfer and assignment and other documentation as may be reasonably required to evidence that such AIA/ALICO Preferred Interests have been transferred to the Investor, it being understood that the delivery to the Investor of certificates and instruments substantially the same as those delivered by the FRBNY to the Company, duly endorsed or accompanied by proper evidence of transfer and assignment, shall satisfy the requirements of this sentence, in exchange for a

Table of Contents

reduction in the aggregate liquidation preference of the Series G Preferred Stock by the amount of the purchase price of such AIA/ALICO Preferred Units. Any such decrease shall occur simultaneously with the transfer of the AIA/ALICO Preferred Units to the Investor and shall be allocated ratably to the shares of Series G Preferred Stock.

(g) On the Conversion Date, if the FRBNY then holds any AIA/ALICO Preferred Units, the provisions of Section 2.07 shall apply and the aggregate liquidation preference of the Series G Preferred Stock shall be adjusted as set forth in such section.

Section 2.07. Deferred Exchange.

(a) If the FRBNY holds any AIA/ALICO Preferred Units (x) on any date on which the Company closes an Equity Offering or (y) on the Conversion Date (each such date, a **Deferred Exchange Date**), then the following transactions (collectively, a **Deferred Exchange**) shall occur on such Deferred Exchange Date (and, in the case of a Deferred Exchange on the Conversion Date, immediately prior to the conversion of the Series G Preferred Stock into shares of Common Stock as set forth in the Certificate of Designations for the Series G Preferred Stock) all of which will be deemed to occur substantially contemporaneously:

(i) the Company shall purchase from the FRBNY AIA/ALICO Preferred Units (the **Deferred Purchased AIA/ALICO Preferred Units**) the aggregate AIA/ALICO Preferred Units Amount of which as of the Deferred Exchange Date (the **Purchase Price**) is equal to the least of (A) the sum of the then Preferred Units Exchange Available Amount and the then aggregate liquidation preference of the Series G Preferred Stock, (B) the AIA/ALICO Preferred Units Aggregate Amount as of such time of the AIA/ALICO Preferred Units held by the FRBNY, (C) in the case of a Deferred Exchange following an Equity Offering only, the Net Offering Proceeds and (D) in the case of a Deferred Exchange on the Conversion Date only, the Preferred Units Exchange Available Amount;

(ii) the Company shall draw pursuant to the Draw Down Right an amount (such amount, the **Deferred Preferred Units Drawdown Amount**) equal to the lesser of (A) the Purchase Price and (B) the Preferred Units Exchange Available Amount;

(iii) the aggregate liquidation preference of the Series G Preferred Stock shall increase by the Deferred Preferred Units Drawdown Amount;

(iv) the Company shall deliver to the FRBNY in cash the Purchase Price;

(v) the FRBNY shall deliver to the Company the Deferred Purchase AIA/ALICO Preferred Units, along with such instruments of transfer and assignment and other documentation as may be reasonably required to evidence that such AIA/ALICO Preferred Units have been transferred to the Company (and, unless otherwise agreed by the FRBNY and the Investor, the allocation between preferred units of the AIA SPV and

Table of Contents

the ALICO SPV will be as set forth in Section 4.02(b) of the Transaction Agreement as though the AIA/ALICO Preferred Units purchased from the FRBNY were Purchased AIA/ALICO Preferred Units for purposes of the Transaction Agreement);

(vi) the Company shall deliver the Deferred Purchased AIA/ALICO Preferred Units to the Investor along with such instruments of transfer and assignment and other documentation as may be reasonably required to evidence that such AIA/ALICO Preferred Units have been transferred to the Investor, it being understood that the delivery to the Investor of certificates and instruments substantially the same as those delivered by the FRBNY to the Company, duly endorsed or accompanied by proper evidence of transfer and assignment, shall satisfy the requirements of this clause (vi); and

(vii) the aggregate liquidation preference of the Series G Preferred Stock shall be reduced by an amount equal to the Purchase Price.

Any reduction or increase in the aggregate liquidation preference of the Series G Preferred Stock pursuant to clause (a) above shall be allocated ratably to the shares of Series G Preferred Stock.

(b) Notwithstanding Section 2.05 hereof, for purposes of a Deferred Exchange, the only condition to the drawdown of all or a portion of the Preferred Units Exchange Available Amount in connection with such Deferred Exchange is that the Deferred Purchased AIA/ALICO Preferred Units will be delivered to the Investor at the closing of such Deferred Exchange. The Company shall provide to the Investor and the FRBNY a minimum of two (2) Business Days written notice prior to the date on which it closes an Equity Offering.

Section 2.08. *Equity Offering.* If the Company closes an Equity Offering prior to the Conversion Date, then the amount of the Net Offering Proceeds shall be deemed to be applied by the Company for purposes of this Amended SPA as follows:

(a) *first*, if the FRBNY then holds AIA/ALICO Preferred Units, the Net Offering Proceeds shall be deemed to be applied to purchase AIA/ALICO Preferred Units pursuant to Section 2.07 in the amount of the Deferred Preferred Units Drawdown Amount (it being understood that the amount actually applied to such purchase shall be the amount drawn down pursuant to the Draw Down Right as set forth in Section 2.07(a)(ii)); *provided* that if the then Preferred Units Exchange Available Amount is less than the Purchase Price (as determined pursuant to Section 2.07(a)(i)), the amount of any such shortfall shall be paid by the Company to the FRBNY as part of its payment to the FRBNY pursuant to Section 2.07(a)(iv) (which, for clarity, shall also be deemed to be an application of Net Offering Proceeds for purposes of this Section 2.08);

(b) *second*, the amount of any Net Offering Proceeds not deemed to be applied pursuant to Section 2.08(a) shall, after reducing the Available Amount for any amounts drawn down pursuant to the Draw Down Right as set forth in Section 2.07(a)(ii), be deemed to be applied to reduce any remaining General Corporate Purposes Available Amount on a dollar-for-dollar basis; and

Table of Contents

(c) *third*, the amount of any Net Offering Proceeds not deemed to be applied pursuant to Section 2.08(a) or Section 2.08(b) shall be paid by the Company to the Investor as necessary to reduce any remaining aggregate liquidation preference of the Series G Preferred Stock, including any accrued and unpaid dividends thereon (any such reduction to be allocated ratably to the shares of Series G Preferred Stock).

The Company shall retain any remaining Net Offering Proceeds for such purposes as it deems necessary or desirable.

Net Offering Proceeds means the gross proceeds of an Equity Offering less all Registration Expenses and Selling Expenses, each as defined in the Registration Rights Agreement dated as of the date of this Amended SPA between the Investor and the Company (the **Registration Rights Agreement**).

Section 2.09. *Examples of Deferred Exchanges*. For greater clarity with respect to the construction and application of Sections 2.07 and 2.08, the parties agree that (a) the examples of hypothetical Deferred Exchanges attached hereto as Annex C, which shall be a part of this Amended SPA for all purposes, reflect the intended construction and application of, and are consistent in all respects with, such Sections, and (b) no Deferred Exchange shall be effected in a manner that is, or that would require an interpretation of Section 2.07 or Section 2.08 that would be, inconsistent with such examples.

Section 2.10. *Records*. The Company shall duly mark its records and the transfer agent for the Series G Preferred Stock (the **Transfer Agent**) shall complete the Schedule of Changes of the Series G Preferred Stock Liquidation Preference in the form attached to the Series G Preferred Share Certificate (as defined in the Certificate of Designations for the Series G Preferred Stock) to reflect each increase or decrease in the liquidation preference of the Series G Preferred Stock contemplated herein (but, for the avoidance of doubt, such increase or decrease shall be effective regardless of whether the Company has properly marked its records or the Transfer Agent has properly completed such schedule).

ARTICLE 3

Covenants and Additional Agreements

Section 3.01. *Equity Offering*. The Company will use commercially reasonable efforts (after taking into account the price of shares of Common Stock and/or other securities to be offered) to effect an Equity Offering during the period beginning on the date AIG files its Annual Report on Form 10-K for the year ended December 31, 2010 and ending on June 30, 2011 with Net Offering Proceeds equal to or greater than the sum of (i) the Series G Designated Amount plus (ii) any amounts drawn under the Series F Drawdown Right during the period between the Announcement Date and the Closing Date (other than the Series F Closing Drawdown Amount).

Section 3.02. *Return and Cancellation*. If at any time the Available Amount and the Liquidation Amount (as defined in the Certificate of Designations for the Series G Preferred

Table of Contents

Stock) are both equal to zero, the Investor shall return the outstanding shares of Series G Preferred Stock to the Company for cancellation in exchange for an amount in cash per share of Series G Preferred Stock equal to the accrued and unpaid dividends on such share, if any, that have not been added to the Liquidation Amount, and the Company shall cancel the shares of the Series G Preferred Stock so returned.

Section 3.03. *Further Assurances.* Subject to the terms and conditions of this Amended SPA, each of the parties will use its commercially reasonable efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Securities Exchange and the Draw Down Right Exchange as promptly as practicable and otherwise to enable consummation of the transactions contemplated hereby and shall use commercially reasonable efforts to cooperate with the other parties to that end.

Section 3.04. *Sufficiency of Authorized Common Stock.* During the period from the time the Conversion Price (as defined in the Certificate of Designations for the Series G Preferred Stock) is established until the Conversion Date, the Company shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued shares of Common Stock to effect the conversion of the Series G Preferred Stock (such shares issuable upon conversion, the **Series G Converted Shares**) and the shares of Common Stock issuable upon exercise of the warrant received by the Investor pursuant to the Existing Series F Purchase Agreement (such warrant, the **Warrant** and the shares of underlying Common Stock, the **Warrant Shares**). Nothing in this Section 3.04 shall preclude the Company from satisfying its obligations in respect of the conversion of the Series G Preferred Stock or the exercise of the Warrant by delivery of shares of Common Stock that are held in the treasury of the Company.

Section 3.05. *Purchase of Restricted Securities.* The Investor acknowledges that the Exchanged Securities have not been registered under the Securities Act of 1933, as amended (the **Securities Act**), or under any state securities laws. The Investor (a) is acquiring the Exchanged Securities pursuant to an exemption from registration under the Securities Act with no present intention to distribute them to any person in violation of the Securities Act or any applicable U.S. state securities laws, (b) will not sell or otherwise dispose of any of the Exchanged Securities, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws, and (c) has such knowledge and experience in financial and business matters and in investments of this type that it is capable of evaluating the merits and risks of the Securities Exchange and of making an informed investment decision.

Section 3.06. *Legends.*

(a) The Investor agrees that all certificates or other instruments representing the Series G Preferred Stock will bear a legend substantially to the following effect:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE

Table of Contents

SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF OR HEDGED IN ANY MANNER (INCLUDING THROUGH THE ENTRY INTO CASH-SETTLED DERIVATIVE INSTRUMENTS) (A) AT ANY TIME ON OR PRIOR TO THE TERMINATION DATE, EXCEPT TO A SPECIAL PURPOSE VEHICLE WHOLLY-OWNED BY THE UNITED STATES DEPARTMENT OF THE TREASURY, AND (B) AT ANY TIME AFTER THE TERMINATION DATE EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS AND IN COMPLIANCE WITH SUCH LAWS.

(b) The Investor agrees that all certificates or other instruments or instructions representing the Series F Exchanged Shares, the Series G Converted Shares and the Warrant Shares will bear a legend or contain restrictions substantially to the following effect:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF OR HEDGED IN ANY MANNER (INCLUDING THROUGH THE ENTRY INTO CASH-SETTLED DERIVATIVE INSTRUMENTS) EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS AND IN COMPLIANCE WITH SUCH LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND SUCH LAWS.

(c) The Investor agrees that all certificates or other instruments representing the AIA/ALICO Preferred Units will bear a legend substantially to the following effect:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE GOVERNED BY THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF [_____] LLC IN EFFECT FROM TIME TO TIME, HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY NON-U.S. OR STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH SUCH AGREEMENT AND SUCH ACT OR SUCH LAWS.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT AND THE RIGHTS THEREUNDER ARE GOVERNED BY THE AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF [_____] LLC IN EFFECT FROM TIME TO TIME AND SHALL TERMINATE UPON THE PREFERRED REDEMPTION (AS DEFINED THEREIN).

Table of Contents

(d) In the event that any of the Series F Exchanged Shares, the Series G Converted Shares and the Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Company shall issue (or authorize the issuance of) new certificates or other instruments representing such Series F Exchanged Shares, Series G Converted Shares or Warrant Shares, which shall not contain the applicable legends in clause (b) above and in the Existing Series F Purchase Agreement; *provided* that the Investor surrenders to the Company the previously issued certificates or other instruments. Upon Transfer of all or a portion of the Warrant in compliance with Section 3.08 the Company shall issue new certificates or other instruments representing the Warrant, which shall not contain any restrictive legend; *provided* that the Investor surrenders to the Company the previously issued certificates or other instruments.

Section 3.07. *Certain Transactions.* The Company will not merge or consolidate with, or sell, transfer or lease all or substantially all of its property or assets to, any other party unless (i) the successor, transferee or lessee party (or its ultimate parent entity), as the case may be (if not the Company), expressly assumes the due and punctual performance and observance of each and every covenant, agreement and condition of this Amended SPA to be performed and observed by the Company or (ii) the Investor agrees otherwise in writing.

Section 3.08. *Transfer of Series G Preferred Stock, Series F Exchanged Shares, the Series G Converted Shares, the Warrant and the Warrant Shares.* The Investor shall not transfer or hedge in any manner (including through the entry into cash-settled derivative instruments) the Series G Preferred Stock prior to the Termination Date; *provided* that the Investor may transfer the Series G Preferred Stock, in whole or in part, to a special purpose vehicle wholly-owned by the Investor; *provided, further,* that any such transfer shall not relieve the Investor of its obligations under or in respect of the Draw Down Right. Subject to compliance with Section 3.06, any agreement binding on the Investor and applicable securities laws, the Investor shall be permitted to transfer, sell, assign or otherwise dispose of (**Transfer**) all or a portion of the Series F Exchanged Shares, the Series G Converted Shares, the Warrant or the Warrant Shares at any time, and the Company shall take all steps as may be reasonably requested by the Investor to facilitate the Transfer of the Series F Exchanged Shares, the Series G Converted Shares, the Warrant or the Warrant Shares.

Section 3.09. *Voting of Warrant Shares.* Notwithstanding anything in this Amended SPA to the contrary, the Investor shall not exercise any voting rights with respect to the Warrant Shares.

Section 3.10. *Restriction on Dividends and Repurchases.* So long as the Series G Preferred Stock is outstanding, neither the Company nor any subsidiary of the Company shall, without the consent of the Investor:

(a) declare or pay any dividend or make any distribution on the Common Stock other than (i) dividends payable solely in shares of Common Stock, (ii) the dividend of warrants contemplated by Section 9.04 of the Transaction Agreement and (iii) dividends or distributions

Table of Contents

of rights or Junior Stock in connection with a stockholders' rights plan or a tax asset protection plan; or

(b) redeem, purchase or acquire any shares of Common Stock or other capital stock or other equity securities of any kind of the Company, or any junior subordinated debentures underlying trust preferred securities issued by the Company or any Affiliate of the Company, other than (i) redemptions, purchases or other acquisitions of any such securities held by the Investor, (ii) redemptions, purchases or other acquisitions of the Series G Preferred Stock, (iii) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock, in each case in this clause (iii) in connection with the administration of any **employee benefit plan** (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974) in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice or to satisfy applicable tax withholdings with respect to employee equity-based compensation; *provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount, (iv) any redemption or repurchase of rights pursuant to any stockholders' rights plan or tax asset protection plan, (v) the acquisition by the Company or any of the subsidiaries of the Company of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Company or any other subsidiary of the Company), including as trustees or custodians and (vi) the exchange or conversion of (A) Junior Stock for or into other Junior Stock, (B) Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock or (C) junior subordinated debentures underlying trust preferred securities issued by the Company or an Affiliate of the Company for or into Parity Stock (with an aggregate liquidation amount not in excess of the aggregate principal amount of such debentures so exchanged or converted) or Junior Stock, in each case set forth in this clause (vi), solely to the extent required pursuant to binding contractual agreements entered into prior to the date of the Existing Series F Purchase Agreement for the accelerated exercise, settlement or exchange thereof for Common Stock. This Section 3.10(b) shall not be deemed to affect the ability of the Company to redeem, purchase, acquire or exchange its junior subordinated debentures that do not underlie trust preferred securities issued by the Company or an Affiliate of the Company. **Share Dilution Amount** means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Company's most recently filed financial statements of the Company and its consolidated subsidiaries prior to the Closing Date) resulting from the grant, vesting or exercise of equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

Junior Stock means Common Stock and any class or series of stock of the Company (i) initially issued to any person other than the Investor or (ii) initially issued to the Investor and the terms of which expressly provide that it ranks junior to the Series G Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company. **Parity Stock** means any class or series of stock of the Company the terms of which do not expressly provide that such class or series will rank senior or junior to the Series G Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the

Table of Contents

Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

ARTICLE 4
Miscellaneous

Section 4.01. *Amendment.* No amendment of any provision of this Amended SPA will be effective unless made in writing and signed by an officer or a duly authorized representative of each party; *provided* that the Investor may unilaterally amend any provision of this Amended SPA to the extent required to comply with any changes after the date of this Amended SPA in applicable federal statutes; *provided, further* that the consent of the FRBNY is only required if the FRBNY then holds any AIA/ALICO Preferred Units and such changes are adverse in any respect to the rights of the FRBNY to have such AIA/ALICO Preferred Units purchased by the Company, whether or not such changes relate to Article 2, Section 3.01 or Article 4. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law.

Section 4.02. *Waiver of Conditions.* The conditions to each party's obligation to consummate the Securities Exchange and the Draw Down Right Exchange and the conditions to the Investor's providing funds to the Company on a Drawdown Date or a Deferred Exchange Date are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable law. No waiver will be effective unless it is in a writing signed by a duly authorized officer of the waiving party that makes express reference to the provision or provisions subject to such waiver.

Section 4.03. *Governing Law; Submission to Jurisdiction, Etc.* This Amended SPA, and the rights and obligations of the parties hereunder, shall be governed by, and construed and interpreted in accordance with, United States federal law and not the law of any State. To the extent that a court looks to the laws of any State to determine or define the United States federal law, it is the intention of the parties hereto that such court shall look only to the laws of the State of New York without regard to the rules of conflicts of laws. Each of the parties hereto agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia and the United States Court of Federal Claims for any and all actions, suits or proceedings arising out of or relating to this Amended SPA or the Warrant or the transactions contemplated hereby or thereby (other than any claim against the UST for monetary damages in excess of \$10,000, for which each party hereto agrees to submit to the exclusive jurisdiction and venue of the United States Court of Federal Claims), and (b) that notice may be served upon (i) the Company at the address and in the manner set forth for notices to the Company in Section 4.04 and (ii) the Investor and the FRBNY in accordance with federal law. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any legal action or proceeding relating to this Amended SPA or the Warrant or the transactions contemplated hereby or thereby.

Table of Contents

Section 4.04. *Notices.* Any notice, request, instruction or other document to be given hereunder by any party to any other party shall be delivered in the manner provided in Section 12.01 of the Transaction Agreement.

Section 4.05. *Definitions.*

(a) When a reference is made in this Amended SPA to a subsidiary of a person, the term **subsidiary** means any corporation, partnership, joint venture, limited liability company or other entity (x) of which such person or a subsidiary of such person is a general partner or (y) of which a majority of the voting securities or other voting interests, or a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity, is directly or indirectly owned by such person and/or one or more subsidiaries thereof; *provided* that no Fund shall be a subsidiary for purposes of this Amended SPA.

(b) The term **Fund** means any investment vehicle managed by the Company or an Affiliate of the Company and created in the ordinary course of the Company's asset management business for the purpose of selling Equity Interests in such investment vehicle to third parties. **Equity Interests** means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in any entity, and any option, warrant or other right entitling the holder thereof to purchase or otherwise acquire any such equity interest.

(c) The term **Affiliate** means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, **control** (including, with correlative meanings, the terms **controlled by** and **under common control with**) when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

Section 4.06. *Assignment.* Neither this Amended SPA nor any right, remedy, obligation nor liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other parties, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be void, except an assignment in the case of a Business Combination, as defined below, where such party is not the surviving entity, or a sale of substantially all of its assets, to the entity which is the survivor of such Business Combination or the purchaser in such sale. **Business Combination** means merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company's stockholders.

Section 4.07. *Severability.*

(a) The parties intend for the Recapitalization to constitute a single, integrated, non-severable transaction.

Table of Contents

(b) Subject to Section 4.07(a), if any term, provision, covenant or restriction of this Amended SPA is held by a court of competent jurisdiction or other Governmental Entity to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Amended SPA shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the Recapitalization is not affected in any manner materially adverse to any party hereto. Upon such a determination, the parties shall negotiate in good faith to modify this Amended SPA so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the Recapitalization be consummated as originally contemplated to the fullest extent possible.

Section 4.08. *Entire Agreement.* This Amended SPA (including the Annexes hereto), the Transaction Agreement and the Registration Rights Agreement constitute the entire agreement, and supersedes all other prior agreements, understandings, representations and warranties, both written and oral, between the parties, with respect to the subject matter hereof.

Section 4.09. *No Third Party Beneficiaries.* Nothing contained in this Amended SPA, expressed or implied, is intended to confer upon any person or entity other than the Company and the Investor any benefit, right or remedies.

[Signature Page Follows]

Table of Contents

In witness whereof, this Amended SPA has been duly executed and delivered by the duly authorized representatives of the parties hereto as of the date set forth on the cover page of this Amended SPA.

AMERICAN INTERNATIONAL GROUP, INC.

By:
Name:
Title:

UNITED STATES DEPARTMENT OF THE
TREASURY

By:
Name:
Title:

solely for the purpose of Section 2.06,
Section 2.07,
Section 2.08 and Article 4

FEDERAL RESERVE BANK OF NEW YORK

By:
Name:
Title:

**CERTIFICATE OF DESIGNATIONS
OF
SERIES G CUMULATIVE MANDATORY CONVERTIBLE PREFERRED STOCK
OF
AMERICAN INTERNATIONAL GROUP, INC.**

American International Group, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the **Company**), hereby certifies that the following resolution was adopted by the Board of Directors of the Company (the **Board of Directors**) as required by Section 151 of the General Corporation Law of the State of Delaware at a meeting duly held on [_____].

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors in accordance with the provisions of the Restated Certificate of Incorporation of the Company, as amended (the **Restated Certificate of Incorporation**), the Board of Directors hereby creates a series of serial preferred stock, par value \$5.00 per share, of the Company, and hereby states the designation and number of shares, and fixes the voting and other powers, and the relative rights and preferences, and the qualifications, limitations and restrictions thereof, as follows:

Series G Cumulative Mandatory Convertible Preferred Stock:

Part 1. *Designation and Number of Shares.* There is hereby created out of the authorized and unissued shares of serial preferred stock of the Company a series of preferred stock designated as the Series G Cumulative Mandatory Convertible Preferred Stock (the **Series G Preferred Stock**). The authorized number of shares of the Series G Preferred Stock shall be 20,000. Such number of shares may be decreased by resolution of the Board of Directors, subject to the terms and conditions hereof; *provided* that no decrease shall reduce the number of shares of the Series G Preferred Stock to a number less than the number of shares then outstanding.

Part 2. *Standard Provisions.* The Standard Provisions contained in Annex A attached hereto are incorporated herein by reference in their entirety and shall be deemed to be a part of this Certificate of Designations to the same extent as if such provisions had been set forth in full herein.

Part 3. *Definitions.* The following terms are used in this Certificate of Designations (including the Standard Provisions in Annex A hereto) as defined below:

- (a) **Common Stock** means the common stock, par value \$2.50 per share, of the Company.
-

Table of Contents

(b) **Dividend Accrual Date** means February 1, May 1, August 1 and November 1 of each year, whether or not such day is a Business Day.

(c) **Junior Stock** means the Common Stock and any class or series of stock of the Company (i) initially issued to any person other than the UST (as defined in Section 2 of the Standard Provisions in Annex A attached hereto), or (ii) initially issued to the UST and the terms of which expressly provide that it ranks junior to the Series G Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company.

(e) **Liquidation Amount** shall initially mean an amount per share equal to the quotient of (i) \$ divided by (ii) 20,000, and such amount shall be increased and decreased as provided in Section 5 of the Standard Provisions in Annex A attached hereto. Such increase or decrease per share shall be duly reflected in the Schedule of Changes to the Series G Preferred Stock Liquidation Preference attached to the Series G Preferred Share Certificate.

(f) **Parity Stock** means any class or series of stock of the Company the terms of which do not expressly provide that such class or series will rank senior or junior to the Series G Preferred Stock as to dividend rights and/or as to rights on liquidation, dissolution or winding up of the Company (in each case without regard to whether dividends accrue cumulatively or non-cumulatively).

Part. 4. **Certain Voting Matters.** Whether the vote or consent of the holders of a plurality, majority or other portion of the shares of the Series G Preferred Stock has been cast or given on any matter on which the holders of shares of the Series G Preferred Stock are entitled to vote or consent together as a class shall be determined by the Company by reference to the Liquidation Amount of the shares of the Series G Preferred Stock voted or with respect to which a consent has been received as if the Company were liquidated on the record date for such vote or consent, if any, or, in the absence of a record date, on the date for such vote or consent. For purposes of determining the voting rights of the holders of the Series G Preferred Stock under Section 7 of the Standard Provisions forming part of this Certificate of Designations, each holder will be entitled to one vote for each share of Series G Preferred Stock held by such holder.

[Remainder of Page Intentionally Left Blank]

¹ **This amount will equal the aggregate Drawdown Amount (as defined in the Series F Preferred Stock Purchase Agreement) paid to the Company between the Announcement Date and the Closing Date, other than the Series F Closing Drawdown Amount, plus an amount to reflect a daily dividend accrual at an annual rate of 5% of such aggregate Drawdown Amount, computed on the basis of a 360-day year of twelve 30-day months.**

Table of Contents

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be signed on its behalf by its and attested by its [Secretary] this [__] day of [_____].

AMERICAN INTERNATIONAL GROUP, INC.

By:
Name:
Title:

ATTEST:

Name:
Title:

[Signature Page to Series G Certificate of Designations]



Table of Contents

ANNEX A

STANDARD PROVISIONS

Section 1. *General Matters.* Each share of the Series G Preferred Stock shall be identical in all respects to every other share of the Series G Preferred Stock. The Series G Preferred Stock shall be mandatorily convertible into Common Stock as described in Section 6 hereof. The Series G Preferred Stock (a) shall rank senior to the Junior Stock in respect of the right to receive dividends and the right to receive payments out of the assets of the Company upon voluntary or involuntary liquidation, dissolution or winding up of the Company and (b) shall be of equal rank with Parity Stock as to the right to receive dividends and the right to receive payments out of the assets of the Company upon voluntary or involuntary liquidation, dissolution or winding up of the Company.

Section 2. *Standard Definitions.* As used in this Certificate of Designations with respect to the Series G Preferred Stock:

(a) **Affiliate** of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, **control** when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **controlling** and **controlled** have meanings correlative to the foregoing.

(b) **AIA/ALICO Preferred Units** has the meaning assigned to it in the Transaction Agreement.

(c) **Amended Purchase Agreement** means the Amended and Restated Purchase Agreement dated as of [_____] among the Company, the UST and the FRBNY, as it may be amended or modified from time to time.

(d) **Applicable Dividend Rate** means 5% per annum.

(e) **Applicable Market Value** means, with respect to the Mandatory Conversion Date, the Average VWAP per share of Common Stock or per Exchange Property Unit, as appropriate, over the Observation Period. For purposes of calculating the value of an Exchange Property Unit, (x) the value of any publicly-traded common stock included in an Exchange Property Unit shall be determined using the Average VWAP per share of such common stock over the Observation Period, and (y) the value of any other property, including securities other than publicly-traded common stock, included in an Exchange Property Unit will be the value of such property on the first Trading Day of the Observation Period (as determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution).

(f) **Announcement Date** means September 30, 2010.

(g) **Available Amount** has the meaning assigned to it in the Amended Purchase Agreement.

Table of Contents

(h) **Average VWAP** means, for the Common Stock, any publicly-traded common stock included in an Exchange Property Unit or any capital stock distributed to holders of Common Stock as contemplated in Section 11(a)(iii) for any period, the average of the VWAP of the Common Stock, such publicly-traded stock or such capital stock for each Trading Day in such period.

(i) **Board of Directors** means the board of directors of the Company or any duly authorized committee thereof.

(j) **Board Resolution** means one or more resolutions of the Board of Directors, a copy of which has been certified by the Secretary or an Assistant Secretary of the Company, to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Holders.

(k) **Business Combination** means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company's stockholders.

(l) **Business Day** means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

(m) **Bylaws** means the bylaws of the Company, as they may be amended from time to time.

(n) **Certificate of Designations** means this Certificate of Designations relating to the Series G Preferred Stock, of which these Standard Provisions form a part, as it may be amended from time to time.

(o) **Charter** means the Company's Restated Certificate of Incorporation, as amended.

(p) **Closing Date** has the meaning assigned to it in the Transaction Agreement.

(q) **Constituent Person** has the meaning set forth in Section 11(b).

(r) **Conversion Price** shall equal the lesser of (a) \$29.29 and (b) 80% of the Average VWAP of the Common Stock over the period of 30 consecutive Trading Days commencing on the Trading Day immediately after the Common Stock trades without the right to receive the Special Dividend (as such term is defined in the Transaction Agreement).

(s) **Conversion Rate** per share of Series G Preferred Stock shall mean (i) the sum of the Liquidation Amount for such share of Series G Preferred Stock plus any accrued and unpaid dividends with respect to the period from and including the Dividend Accrual Date immediately preceding the date of such conversion to but excluding such conversion date divided by (ii) the Conversion Price, subject to adjustment pursuant to Section 11.

(t) **Current Market Price** means, in respect of a share of Common Stock on any day of determination, the Average VWAP per share of Common Stock over each of the 10

Table of Contents

consecutive Trading Days ending on the earlier of the day in question and the day before the **ex date** with respect to the issuance or distribution requiring such computation. For purposes of this definition, the term **ex date**, when used with respect to any issuance or distribution, shall mean the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution.

- (u) **Dividend Period** has the meaning set forth in Section 3.
- (v) **Equity Offering** has the meaning assigned to it in the Amended Purchase Agreement.
- (w) **Exchange Act** means the Securities Exchange Act of 1934, as amended from time to time.
- (x) **Exchange Property Unit** has the meaning set forth in Section 8(b).
- (y) **expiration date** has the meaning set forth in Section 8(a).
- (z) **Expiration Time** has the meaning set forth in Section 8(a).
- (aa) **FRBNY** means the Federal Reserve Bank of New York.
- (bb) **General Corporate Purposes Drawdown Amount** has the meaning assigned to it in the Amended Purchase Agreement.
- (cc) **Holder** means each record holder of a share of Series G Preferred Stock.
- (dd) **Mandatory Conversion Date** means March 31, 2012.
- (ee) **Number of Underlying Shares** means, at any time of determination, a number of shares of Common Stock equal to the number of outstanding shares of Series G Preferred Stock multiplied by the Conversion Rate.
- (ff) **Observation Period** means the 20 consecutive Trading Day period ending on the third Trading Day immediately preceding the Mandatory Conversion Date.
- (gg) **Officer** has the meaning set forth in Section 8(b).
- (hh) **Officers Certificate** means a certificate signed by the Company's Chief Executive Officer, President, a Senior Vice President or a Vice President and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary.
- (ii) **Original Issue Date** means the date on which shares of the Series G Preferred Stock are first issued, even if the Liquidation Amount is initially zero.
- (jj) **Person** means a company, an individual, corporation, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity.

Table of Contents

(kk) **Preferred Stock** means any and all series of serial preferred stock of the Company, including the Series G Preferred Stock.

(ll) **Purchased Shares** has the meaning set forth in Section 8(a).

(mm) **record date** has the meaning set forth in Section 8(a).

(nn) **Reorganization Event** has the meaning set forth in Section 8(b).

(oo) **Restricted Shares Legend** has the meaning set forth in Section 8(a).

(pp) **Senior or *Pari Passu* Securities** has the meaning set forth in Section 7(b)(i).

(qq) **Series F Closing Drawdown Amount** has the meaning assigned to it in the Transaction Agreement.

(rr) **Series F Preferred Stock Purchase Agreement** means the Securities Purchase Agreement, dated April 17, 2009, between the Company and the UST.

(ss) **Series G Preferred Share Certificate** has the meaning set forth in Section 8(a).

(tt) **Share Dilution Amount** has the meaning set forth in Section 3(b).

(uu) **Standard Provisions** mean these Standard Provisions that form a part of the Certificate of Designations relating to the Series G Preferred Stock.

(vv) **Termination Date** has the meaning set forth in the Amended Purchase Agreement.

(ww) **Trading Day** means a day on which the Common Stock, any publicly traded common stock included in an Exchange Property Unit or any capital stock distributed to holders of Common Stock as contemplated in Section 8(a)(iii), as the case may be, (i) is not suspended from trading at the close of regular way trading (not including extended or after hours trading) on any national or regional securities exchange or association or over-the-counter market that is the primary market for trading the Common Stock, such publicly-traded common stock or such capital stock, as appropriate, and (ii) has traded at least once regular way on the national securities exchange or association or over-the-counter market that is the primary market for the trading of the Common Stock, such publicly traded common stock or such capital stock, as appropriate.

(xx) **Transaction Agreement** means the Master Transaction Agreement dated December 8, 2010 among the Company, ALICO Holdings LLC, AIA Aurora LLC, the FRBNY, the UST and the AIG Credit Facility Trust, as amended or supplemented from time to time.

(yy) **Transfer Agent** has the meaning set forth in Section 16.

(zz) **UST** means the United States Department of the Treasury.

Table of Contents

(aaa) **VWAP** per share of the Common Stock on any Trading Day means the per share volume weighted average price as displayed on Bloomberg (or any successor service) page AIG UN <Equity> AQR in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on the relevant Trading Day, or if Exchange Property Units have replaced the Common Stock following a Reorganization Event and an Exchange Property Unit includes publicly-traded common stock or if any capital stock or similar equity interests are distributed to holders of Common Stock as contemplated in Section 8(a)(iii), **VWAP** per share of such common stock, capital stock or similar equity units on any Trading Day means the per share volume weighted average price as displayed on Bloomberg (or any successor service) in respect of the period from 9:30 a.m. to 4:00 p.m. New York City time, on the relevant Trading Day, or in either case, if such volume weighted average price is unavailable, **VWAP** means the market value per share of Common Stock, such publicly-traded common stock or such capital stock or similar equity interests on such Trading Day as determined by a nationally recognized independent investment banking firm retained by the Company for this purpose.

(bbb) **Warrants** has the meaning set forth in the Transaction Agreement.

Section 3 . *Dividends.*

(a) *Rate.* The Series G Preferred Stock shall accrue dividends with respect to each Dividend Period at a rate per annum equal to the Applicable Dividend Rate of the Liquidation Amount per share of Series G Preferred Stock as of the first day of such Dividend Period; *provided*, that if the Liquidation Amount of a share of Series G Preferred Stock increases during such Dividend Period as provided in Section 5(a), dividends with respect to such increase shall be calculated for the period from and including the date of such increase to, but excluding, the last day of such Dividend Period; *provided further*, that if the Liquidation Amount of a share of Series G Preferred Stock decreases during such Dividend Period as provided in Section 5(c) or (e), dividends with respect to the amount of such decrease shall cease to accrue as of the date of such decrease. Dividends on the Series G Preferred Stock for any period other than a full Dividend Period shall be computed on the basis of a 360-day year of twelve 30-day months. The amount of the dividends per share of Series G Preferred Stock accrued for any Dividend Period shall be added to the Liquidation Amount of such share of Series G Preferred Stock as of the first day of the immediately succeeding Dividend Period, unless dividends in such amount are declared for such Dividend Period by the Board of Directors out of assets legally available therefor and paid in cash to the Holders of record as of the Business Day immediately preceding the relevant Dividend Accrual Date in accordance with the following paragraph. The period from and including any Dividend Accrual Date to, but excluding, the next Dividend Accrual Date is a **Dividend Period** ; *provided* that the initial Dividend Period shall be the period from and including the Original Issue Date to, but excluding, the next Dividend Accrual Date.

If the Board of Directors elect to pay dividends in cash on any Dividend Accrual Date, the Company shall provide written notice thereof to the Holders not less than three Business Days prior to such Dividend Accrual Date. If any Dividend Accrual Date on which the Board of Directors determines to pay dividends on the Series G Preferred Stock would otherwise fall on a day that is not a Business Day, then the dividend payment due on such Dividend Accrual Date shall be postponed to the next day that is a Business Day and no additional dividends shall accrue as a result of such postponement.

Table of Contents

Holders of the Series G Preferred Stock shall not be entitled to any dividends, whether payable in cash, securities or other property, other than dividends on the Series G Preferred Stock as specified in this Section 2(bbb) (subject to the other provisions of the Certificate of Designations).

Subject to the foregoing and to Section 3(b), and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors or any duly authorized committee of the Board of Directors may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and holders of the Series G Preferred Stock shall not be entitled to participate in any such dividends.

(b) *Limitation on Dividends.* So long as any share of the Series G Preferred Stock remains outstanding, without the consent of each of the holders of the Series G Preferred Stock, no dividend or distribution shall be declared or paid on the Common Stock or any other shares of Junior Stock (other than dividends payable solely in shares of Common Stock) or Parity Stock, and no Common Stock, Junior Stock or Parity Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Company or any of its subsidiaries. The foregoing limitation shall not apply to (i) a dividend payable on any Junior Stock in shares of any other Junior Stock, or to the acquisition of shares of any Junior Stock in exchange for, or through application of the proceeds of the sale of, shares of any other Junior Stock; (ii) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with the administration of any employee benefit plan in the ordinary course of business (including purchases to offset the Share Dilution Amount (as defined below) pursuant to a publicly announced repurchase plan) and consistent with past practice or to satisfy applicable tax withholdings with respect to employee equity-based compensation; *provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount; (iii) any dividends or distributions of rights or Junior Stock in connection with a stockholders' rights plan or tax asset protection plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan or tax asset protection plan; (iv) the acquisition by the Company or any of its subsidiaries of record ownership in Junior Stock or Parity Stock for the beneficial ownership of any other persons (other than the Company or any of its subsidiaries), including as trustees or custodians; (v) the conversion of the Series G Preferred Stock into Common Stock; (vi) the dividend of Warrants contemplated by Section 9.04 of the Transaction Agreement; (vii) the exchange or conversion of (A) Junior Stock for or into other Junior Stock or (B) Parity Stock for or into other Parity Stock (with the same or lesser aggregate liquidation amount) or Junior Stock, in each case, solely to the extent required pursuant to binding contractual agreements entered into prior to the date of the Series F Preferred Stock Purchase Agreement for the accelerated exercise, settlement or exchange thereof for Common Stock; and (viii) any purchase, redemption or other acquisition or any dividend or distribution with the written consent of the UST. This Section 3(b) shall not be deemed to affect the ability of the Company to redeem, purchase, acquire or exchange its junior subordinated debentures issued by the Company or an Affiliate of the Company. **Share Dilution Amount** means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the date of the Company's consolidated financial statements most recently filed with the Securities and Exchange Commission prior to the Original Issue Date) resulting from the grant, vesting or exercise of

Table of Contents

equity-based compensation to employees and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

Section 4. *Liquidation, Dissolution or Winding Up.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, then, before any distribution or payment shall be made to the holders of Junior Stock, the holders of the Series G Preferred Stock and any shares of Preferred Stock ranking on a parity therewith as to liquidation shall be entitled to be paid in full the respective amounts of the liquidation preferences thereof, which in the case of the Series G Preferred Stock shall be the Liquidation Amount, plus an amount equal to all accrued dividends for any period prior to such distribution or payment date that have not been added to the Liquidation Amount. If such payment shall have been made in full to the holders of the Series G Preferred Stock and any series of Preferred Stock ranking on a parity therewith as to liquidation, the remaining assets and funds of the Company shall be distributed among the holders of Junior Stock, according to their respective rights and preferences and in each case according to their respective shares. If, upon any liquidation, dissolution or winding up of the affairs of the Company, the amounts so payable are not paid in full to the holders of all outstanding shares of the Series G Preferred Stock and any series of Preferred Stock ranking on a parity therewith as to liquidation, the holders of the Series G Preferred Stock and any series of Preferred Stock ranking on a parity therewith as to liquidation shall share ratably in any distribution of assets in proportion to the full amounts to which they would otherwise be respectively entitled. Neither the consolidation or merger of the Company, nor the sale, lease or conveyance of all or a part of its assets, shall be deemed a liquidation, dissolution or winding up of the affairs of the Company within the meaning of the foregoing provisions of this Section 4.

Section 5. *Changes to the Liquidation Amount.*

(a) *Draws on Series G Preferred Stock.* The Liquidation Amount shall be increased each time a General Corporate Purposes Drawdown Amount is paid by the UST to the Company by an amount equal to the General Corporate Purposes Drawdown Amount so paid divided by the number of shares of Series G Preferred Stock then outstanding.

(b) *Accrued Dividends.* The Liquidation Amount shall be automatically increased on each Dividend Accrual Date as provided in Section 3 to reflect the accrual of dividends at the Applicable Dividend Rate to the extent such dividends have not been paid.

(c) *Cash Payment and Redemption.* At any time after the FRBNY no longer holds any AIA/ALICO Preferred Units, the Company may, following the delivery of at least five (5) Business Days prior written notice to the Holders in accordance with Section 12, pay the Holders an amount in cash that shall be allocated to reduce the Liquidation Amount by an amount per share equal to (i) the cash amount so paid divided by (ii) the number of shares of Series G Preferred Stock outstanding at such time. If at any time the Liquidation Amount is equal to zero, the Company shall be entitled to redeem the Series G Preferred Stock in exchange for an amount in cash per share of Series G Preferred Stock equal to the accrued dividends on such share, if any, that have not been added to the Liquidation Amount. Upon redemption, the Holders shall return such shares to the Company and the Company shall cancel the shares of Series G Preferred Stock

Table of Contents

so returned. From and after such redemption, the Series G Preferred Stock shall cease to be outstanding and the Holders shall have no rights in respect thereof.

(d) *Equity Offering.* If the Company closes an Equity Offering prior to the Mandatory Conversion Date, the provisions of Sections 2.07 and 2.08 of the Amended Purchase Agreement shall apply, and the aggregate liquidation preference of the Series G Preferred Stock shall be adjusted as set forth in such sections. Any payment in respect of the Series G Preferred Stock as contemplated by Section 2.08 of the Amended Purchase Agreement shall be conducted in accordance with paragraph (c).

(e) *Delivery of AIA/ALICO Preferred Units.* At any time when the Company purchases AIA/ALICO Preferred Units from the FRBNY pursuant to Section 2.06(f) of the Amended Purchase Agreement, the Company shall deliver such AIA/ALICO Preferred Units to the UST pursuant to the Amended Purchase Agreement in exchange for a reduction in the Liquidation Amount by an amount per share equal to (A) the aggregate purchase price of such AIA/ALICO Preferred Units paid to the FRBNY divided by (B) the number of shares of Series G Preferred Stock outstanding at such time.

(f) *Mandatory Conversion.* On the Mandatory Conversion Date, if the FRBNY then holds any AIA/ALICO Preferred Units, the provisions of Section 2.07 of the Amended Purchase Agreement shall apply, and the aggregate liquidation preference of the Series G Preferred Stock shall be adjusted as set forth in such section immediately prior to the conversion of the Series G Preferred Stock into shares of Common Stock as set forth in this Certificate of Designations.

(g) *No Sinking Fund.* The Series G Preferred Stock shall not be subject to any mandatory redemption, sinking fund or other similar provisions except as described in Section 6(c) below. Except as provided in the Amended Purchase Agreement, Holders of the Series G Preferred Stock shall have no right to require redemption or repurchase of any shares of the Series G Preferred Stock.

Section 6 . *Mandatory Conversion; Return and Cancellation.*

(a) *Mandatory Conversion.* On the Mandatory Conversion Date, each share of Series G Preferred Stock shall automatically convert into a number of shares of Common Stock equal to the Conversion Rate in accordance with the procedures set forth in Section 9, after giving effect to Section 2.07 of the Amended Purchase Agreement.

(b) *No Fractional Shares.* No fractional shares of Common Stock shall be issued as a result of any conversion of shares of Series G Preferred Stock. Instead, the aggregate number of shares of Common Stock to be issued to any Holder upon any such conversion shall be computed on the basis of the aggregate number of shares of Series G Preferred Stock held by such Holder and will be rounded down to the nearest whole number, and in lieu of any fractional share of Common Stock issuable upon conversion, the Company shall pay an amount in cash (computed to the nearest cent) equal to the Conversion Price (as adjusted in a manner inversely proportional to any adjustments to the Conversion Rate prior to the Mandatory Conversion Date) multiplied by such fraction of a share.

Table of Contents

(c) *Return and Cancellation.* If at any time the Available Amount and Liquidation Amount are both equal to zero, the Holders of shares of Series G Preferred Stock shall return such shares to the Company for cancellation in exchange for an amount in cash per share of Series G Preferred Stock equal to the accrued and unpaid dividends on such share, if any, that have not been added to the Liquidation Amount, and the Company shall cancel the shares of Series G Preferred Stock so returned.

Section 7 . Voting Rights.

(a) *General.* The holders of the Series G Preferred Stock shall not have any voting rights except as set forth below or as otherwise from time to time required by law.

(b) *Class Voting Rights as to Particular Matters.* So long as any shares of the Series G Preferred Stock are outstanding, whether or not the Liquidation Amount per share is greater than zero, in addition to any other vote or consent of stockholders required by law or by the Charter, the vote or consent of the Holders of at least 66 $\frac{2}{3}$ % of the shares of the Series G Preferred Stock at the time outstanding, voting as a separate class, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) *Authorization of Senior or Pari Passu Stock.* Any amendment or alteration of the Certificate of Designations for the Series G Preferred Stock or the Charter (including any amendment to the Charter effectuated by a Certificate of Designations) to authorize or create or increase the authorized amount of, or any issuance of, any shares of, or any securities convertible into or exchangeable or exercisable for shares of, any class or series of capital stock of the Company ranking senior to or *pari passu* with the Series G Preferred Stock with respect to either or both the payment of dividends and/or the distribution of assets on any liquidation, dissolution or winding up of the Company (the **Senior or Pari Passu Securities**); *provided, however,* that the voting rights provided in this Section 7(b)(i) shall not apply to any amendment or alteration of the Charter (including any amendment to the Charter effectuated by a Certificate of Designations) to authorize or create or increase the authorized amount of, or any issuance of, any Senior or *Pari Passu* Securities initially issued to the UST;

(ii) *Amendment of the Series G Preferred Stock.* Any amendment, alteration or repeal of any provision of the Certificate of Designations for the Series G Preferred Stock or the Charter (including, unless no vote on such merger or consolidation is required by Section 7(b)(iii) below, any amendment, alteration or repeal by means of a merger, consolidation or otherwise) so as to adversely affect the rights, preferences, privileges or voting powers of the Series G Preferred Stock; or

(iii) *Share Exchanges, Reclassifications, Mergers and Consolidations.* Any consummation of a binding share exchange or reclassification involving the Series G Preferred Stock, or of a merger or consolidation of the Company with or into another corporation or other entity, unless in each case (x) the shares of the Series G Preferred Stock remain outstanding and are not amended in any respect or, in the case of any such merger or consolidation with respect to which the Company is not the surviving or

Table of Contents

resulting entity, are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (y) such shares remaining outstanding or such preference securities, as the case may be, have such rights, preferences, privileges and voting powers, and limitations and restrictions thereof, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers, and limitations and restrictions thereof, of the Series G Preferred Stock immediately prior to such consummation, taken as a whole;

provided, however, that for all purposes of this Section 7(b), any increase in the amount of the authorized Preferred Stock or the creation and issuance of any other series of the Preferred Stock, or any securities convertible into or exchangeable or exercisable for any other series of the Preferred Stock, ranking junior to the Series G Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and the distribution of assets upon liquidation, dissolution or winding up of the Company shall not be deemed to adversely affect the rights, preferences, privileges or voting powers, and shall not require the affirmative vote or consent of, the Holders of outstanding shares of the Series G Preferred Stock.

(c) *Changes after Provision for Redemption.* No vote or consent of the Holders of the Series G Preferred Stock shall be required pursuant to Section 7(b) above if, at or prior to the time when any such vote or consent would otherwise be required pursuant to such Section, all outstanding shares of the Series G Preferred Stock shall have been redeemed pursuant to Section 5(c) above or returned and cancelled pursuant to Section 6(c) above.

(d) *Procedures for Voting and Consents.* The rules and procedures for calling and conducting any meeting of the Holders of the Series G Preferred Stock (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other aspect or matter with regard to such a meeting or such consents shall be governed by any rules that the Board of Directors or any duly authorized committee of the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, and applicable law and the rules of any national securities exchange or other trading facility on which Series G Preferred Stock is listed or traded at the time.

Section 8 . *Record Holders.* To the fullest extent permitted by applicable law, the Company and the Transfer Agent may deem and treat the record Holder of any share of the Series G Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Company nor the Transfer Agent shall be affected by any notice to the contrary.

Section 9. *Conversion Procedures.*

(a) On the Mandatory Conversion Date, dividends on the shares of Series G Preferred Stock shall cease to accrue, and such shares of Series G Preferred Stock shall cease to be outstanding, in each case, subject to the right of Holders of such shares to receive the shares of Common Stock into which such shares of Series G Preferred Stock are convertible pursuant to Section 6(a).

Table of Contents

(b) The Holders of the shares of Series G Preferred Stock shall be treated for all purposes as the record holders of such shares of Common Stock as of the close of business on the Mandatory Conversion Date. Prior to the Mandatory Conversion Date, shares of Common Stock issuable upon conversion of any shares of Series G Preferred Stock shall not be deemed outstanding for any purpose, and Holders of shares of Series G Preferred Stock shall have no rights with respect to, or as holders of, the Common Stock (including without limitation voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock) by virtue of holding shares of Series G Preferred Stock.

(c) Shares of Series G Preferred Stock duly converted in accordance herewith, or otherwise reacquired by the Company, shall resume the status of authorized and unissued Preferred Stock, undesignated as to series and available for future issuance (*provided* that any such cancelled shares of Series G Preferred Stock may be reissued only as shares of any series of Preferred Stock other than Series G Preferred Stock).

(d) The Company shall register the certificates for the shares of Common Stock to be issued upon conversion of Series G Preferred Stock in the name of the Holder of such Series G Preferred Stock as shown on the records of the Company, unless the Holder of such Series G Preferred Stock shall by written notice to the Company elect not to receive shares of Common Stock deliverable upon such conversion in certificated form, in which case the Company shall register such shares in its direct registration system in the name of the Holder of such Series G Preferred Stock as shown on the records of the Company.²

Section 10. Reservation of Common Stock.

(a) On and after the date the Conversion Price is fixed, the Company shall at all times reserve and keep a sufficient number of authorized and unissued shares of Common Stock or shares held in the treasury of the Company, solely for issuance upon the conversion of shares of Series G Preferred Stock as herein provided, free from any preemptive or other similar rights.

(b) Notwithstanding the foregoing, the Company shall be entitled to deliver upon conversion of shares of Series G Preferred Stock, as herein provided, shares of Common Stock reacquired and held in the treasury of the Company (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders and the restrictions contemplated by the Restricted Shares Legend).

(c) All shares of Common Stock delivered upon conversion of the Series G Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

Section 11. Conversion Rate Adjustments.

Table of Contents

(a) The Conversion Rate and the Number of Underlying Shares shall be subject to adjustment, without duplication, under the following circumstances:

(i) the issuance of Common Stock as a dividend or distribution to all holders of Common Stock, or a subdivision or combination of Common Stock, in which event the Conversion Rate shall be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_1 / OS_0)$$

where,

SR_0 = the Conversion Rate in effect at the close of business on the record date

SR_1 = the Conversion Rate in effect immediately after the record date

OS_0 = the number of shares of Common Stock outstanding at the close of business on the record date prior to giving effect to such event

OS_1 = the number of shares of Common Stock that would be outstanding immediately after, and solely as a result of, such event

(ii) the issuance to all holders of Common Stock of certain rights, options or warrants entitling them for a period expiring 60 days or less from the date of issuance of such rights, options or warrants to purchase shares of Common Stock at less than the Current Market Price of Common Stock as of the record date, in which event the Conversion Rate shall be adjusted based on the following formula:

$$SR_1 = SR_0 \times (OS_0 + X) / (OS_0 + Y)$$

where,

SR_0 = the Conversion Rate in effect at the close of business on the record date

SR_1 = the Conversion Rate in effect immediately after the record date

OS_0 = the number of shares of Common Stock outstanding at the close of business on the record date

X = the total number of shares of Common Stock issuable pursuant to such rights, options or warrants

Y = the aggregate price payable to exercise such rights divided by the Average VWAP per share of the Common Stock over each of the 10 consecutive Trading Days prior to the Business Day immediately preceding the announcement of the issuance of such rights, options or warrants

However, the Conversion Rate shall be readjusted to the extent that any such rights, options or warrants are not exercised prior to their expiration.

Table of Contents

(iii) the dividend or other distribution to all holders of Common Stock of shares of capital stock of the Company (other than Common Stock), rights to acquire capital stock of the Company or evidences of the Company's indebtedness or the Company's assets (excluding any dividend, distribution or issuance covered by clauses (i) or (ii) above or (iv) or (v) below) in which event the Conversion Rate shall be adjusted based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - FMV)$$

where,

SR_0 = the Conversion Rate in effect at the close of business on the record date

SR_1 = the Conversion Rate in effect immediately after the record date

SP_0 = the Current Market Price as of the record date

FMV = the fair market value (as determined in good faith by the Board of Directors, whose good faith determination when evidenced by a Board Resolution shall be conclusive and binding), on the record date, of the shares of capital stock of the Company, rights to acquire capital stock, evidences of indebtedness or assets so distributed, expressed as an amount per share of Common Stock

However, if the transaction that gives rise to an adjustment pursuant to this clause (iii) is one pursuant to which the payment of a dividend or other distribution on Common Stock consist of shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of the Company, that are, or, when issued, will be, traded on a U.S. securities exchange, then the Conversion Rate shall instead be adjusted based on the following formula:

$$SR_1 = SR_0 \times (FMV_0 + MP_0) / MP_0$$

where,

SR_0 = the Conversion Rate in effect at the close of business on the record date

SR_1 = the Conversion Rate in effect immediately after the record date

FMV_0 = the Average VWAP of the capital stock or similar equity interests distributed to holders of Common Stock applicable to one share of Common Stock over each of the 10 consecutive Trading Days commencing on and including the third Trading Day after the date on which ex-distribution trading commences for such dividend or distribution with respect to Common Stock on the NYSE or such other national or regional exchange or market that is at that time the principal market for the Common Stock

A-13

Table of Contents

MP_0 = the Average VWAP of the Common Stock over each of the 10 consecutive Trading Days commencing on and including the third Trading Day after the date on which ex-distribution trading commences for such dividend or distribution with respect to Common Stock on the NYSE or such other national or regional exchange or market that is at that time the principal market for the Common Stock

(iv) the Company makes a distribution consisting exclusively of cash to all holders of Common Stock, excluding (a) any cash that is distributed as part of a distribution referred to in clause (iii) above, and (b) any consideration payable in connection with a tender or exchange offer made by the Company or any of the Company's subsidiaries referred to in clause (v) below, in which event, the Conversion Rate shall be adjusted based on the following formula:

$$SR_1 = SR_0 \times SP_0 / (SP_0 - C)$$

where,

SR_0 = the Conversion Rate in effect at the close of business on the record date

SR_1 = the Conversion Rate in effect immediately after the record date

SP_0 = the Current Market Price as of the record date

C = the amount in cash per share of Common Stock the Company distributes to holders

(v) the Company or one or more of its subsidiaries make purchases of Common Stock pursuant to a tender offer or exchange offer by the Company or a subsidiary of the Company for Common Stock to the extent that the cash and value of any other consideration included in the payment per share of Common Stock validly tendered or exchanged exceeds the VWAP per share of Common Stock on the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer (the **expiration date**), in which event the Conversion Rate will be adjusted based on the following formula:

$$SR_1 = SR_0 \times [(FMV + (SP_1 \times OS_1))] / (SP_1 \times OS_0)$$

where,

SR_0 = the Conversion Rate in effect at the close of business on the expiration date

SR_1 = the Conversion Rate in effect immediately after the expiration date

FMV = the fair market value (as determined in good faith by the Board of Directors whose good faith determination when evidenced by a Board Resolution will be conclusive and binding), on the expiration date, of the

Table of Contents

aggregate value of all cash and any other consideration paid or payable for shares validly tendered or exchanged and not withdrawn as of the expiration date (the **Purchased Shares**)

OS_1 = the number of shares of Common Stock outstanding as of the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the **Expiration Time**) less any Purchased Shares

OS_0 = the number of shares of Common Stock outstanding at the Expiration Time, including any Purchased Shares

SP_1 = the Average VWAP of the Common Stock over each of the 10 consecutive Trading Days commencing with the Trading Day immediately after the expiration date.

(vi) *Calculation of Adjustments.* All adjustments to the Conversion Rate shall be calculated by the Company to the nearest 1/10,000th of one share of Common Stock (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share). No adjustment to the Conversion Rate shall be required unless such adjustment would require an increase or a decrease of at least one percent in the Conversion Rate; *provided* that any adjustments not so made shall be carried forward and taken into account in any subsequent adjustment and notwithstanding whether or not such one percent of a share threshold shall have been met, all such adjustments shall be made on the Mandatory Conversion Date. If an adjustment to the Conversion Rate is required to be made pursuant to the occurrence of any of the events contemplated by clauses (i) through (v) of this Section 11(a) or Section 11(b) during the Observation Period, appropriate and customary adjustments shall be made to the VWAP per share of the Common Stock.

(vii) *When No Adjustment Required.* No adjustment of the Conversion Rate need be made as a result of: (A) the issuance of the rights; (B) the distribution of separate certificates representing the rights; (C) the exercise or redemption of the rights in accordance with any rights agreement; or (D) the termination or invalidation of the rights, in each case, pursuant to any stockholder rights plans or tax asset protection plans adopted by the Company from time to time; *provided, however*, that to the extent that the Company has a stockholder rights plan or tax asset protection plan in effect on the Mandatory Conversion Date, the Holders shall receive, in addition to the shares of Common Stock, the rights under such rights plan or tax asset protection plan, unless, prior to the Mandatory Conversion Date, the rights have separated from the Common Stock, in which case the Conversion Rate shall be adjusted at the time of separation as if the Company made a distribution to all holders of Common Stock as described in clause (iii) of this Section 11(a) including for the purposes of this paragraph only, shares of Common Stock and assets issuable upon exercise of rights under a stockholder rights plan or tax asset protection plan, subject to readjustment in the event of the expiration, termination or redemption of the rights.

No adjustment to the Conversion Rate need be made:

A-15

Table of Contents

(A) upon the issuance of any shares of Common Stock or securities convertible into, or exercisable or exchangeable for, Common Stock in public or private transactions at any price that the Company deems appropriate or in exchange for other securities of the Company;

(B) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any plan of that type;

(C) upon the issuance of any shares of Common Stock or options or rights to purchase those shares or any other award that relates to, or has a value derived from the value of the Common Stock or other securities of the Company, in each case issued pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its subsidiaries;

(D) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security for, Common Stock in public or private transactions at any price deemed appropriate by the Company in its sole discretion;

(E) for a change in the par value or no par value of the Common Stock; or

(F) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the shares of Series G Preferred Stock were first issued.

For purpose of this Section 11, **record date** means, with respect to any dividend, distribution or other transaction or event in which the holders of the Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of the Common Stock entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(b) *Adjustment for Consolidation, Merger or Other Reorganization Event.*

(i) In the event of (A) any consolidation or merger of the Company with or into another Person or of another Person with or into the Company (other than a merger or consolidation in which the Company is the continuing corporation and in which the shares of Common Stock outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of another Person), (B) any sale, transfer, lease or conveyance to another Person of the assets of the Company as an entirety or substantially as an entirety, (C) any statutory share exchange of Common Stock with another Person (other than in connection with a merger or acquisition) or (D) any liquidation, dissolution or winding up of the Company (other than as a result of or after the occurrence of a Termination Event) (any such event, a **Reorganization Event**), each Underlying Share shall, after such Reorganization Event, be converted into the kind and amount of securities, cash and other property receivable in such Reorganization Event (without any interest thereon, and without any right to dividends or

Table of Contents

distribution thereon which have a record date that is prior to the close of business on the Mandatory Conversion Date) per share of Common Stock by a holder of Common Stock that is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale, transfer, lease or conveyance was made, or with whom shares were exchanged pursuant to any such statutory share exchange as the case may be (any such Person, a **Constituent Person**), or an Affiliate of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Stock held by the Affiliates and non-Affiliates of a Constituent Person (each such converted share referred to as a **Exchange Property Unit**; *provided* that if holders of Common Stock have the opportunity to elect the form of consideration receivable upon such Reorganization Event, the Exchange Property Unit that Holders will be entitled to receive will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make an election (or of all such holders if none make an election)). On the Mandatory Conversion Date, the Conversion Rate shall be determined by reference to the Applicable Market Value of the Exchange Property Units. Following a Reorganization Event, references to the issuance of any specified number of shares of Common Stock upon the conversion of Series G Preferred Stock will be construed to be references to conversion into the same number of Exchange Property Units. The above provisions of this Section 11(b) shall similarly apply to successive Reorganization Events.

(c) *Multiple Adjustments*. For the avoidance of doubt, if an event occurs that would trigger an adjustment to a Conversion Rate pursuant to this Section 11 under more than one subsection hereof, such event, to the extent fully taken into account in a single adjustment, shall not result in multiple adjustments hereunder.

(d) *Other Adjustments*. The Company may, but shall not be required to, make such increases in the Conversion Rate, in addition to those required by this Section, as the Board of Directors considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reason.

(e) *Notice of Adjustments and Certain Other Events*. (i) Whenever the Conversion Rate is adjusted as provided above, the Company shall within 10 Business Days following the occurrence of an event that requires such adjustment (or if the Company is not aware of such occurrence, as soon as reasonably practicable after becoming so aware) or the date the Company makes an adjustment pursuant to clause (d) above:

(ii) compute the Conversion Rate in accordance with Section 11 and prepare and transmit to the Holders an Officers Certificate setting forth the adjusted Conversion Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and

(iii) provide a written notice to the Holders of the Series G Preferred Stock of the occurrence of such event and a statement in reasonable detail setting forth the method

Table of Contents

by which the adjustment to the Conversion Rate was determined and setting forth the adjusted Conversion Rate.

Section 12. *Notices.* All notices or communications in respect of the Series G Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in this Certificate of Designations, in the Charter or Bylaws or by applicable law. Notwithstanding the foregoing, if shares of the Series G Preferred Stock are issued in book-entry form through The Depository Trust Company or any similar facility, such notices may be given to the holders of the Series G Preferred Stock in any manner permitted by such facility.

Section 13. *No Preemptive Rights.* No Holder of the Series G Preferred Stock shall be entitled as a matter of right to subscribe for or purchase, or have any preemptive right with respect to, any part of any new or additional issue of stock of any class whatsoever, or of securities convertible into any stock of any class whatsoever, whether now or hereafter authorized and whether issued for cash or other consideration or by way of dividend.

Section 14. *Replacement Certificates.* The Company shall replace any mutilated certificate at the holder's expense upon surrender of that certificate to the Company. The Company shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Company of reasonably satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be reasonably required by the Company.

Section 15. *Form.*

(a) The Series G Preferred Stock shall be initially issued in the form of one or more certificates in definitive, fully registered form with, until such time as otherwise determined by the Company, the restricted shares legend (the **Restricted Shares Legend**), as set forth on the form of the Series G Preferred Stock attached hereto as Exhibit A (each, a **Series G Preferred Share Certificate**), which is hereby incorporated in and expressly made a part of this Certificate of Designations. The Series G Preferred Share Certificate may have notations, legends or endorsements required by law, stock exchange rules, agreements to which the Company is subject, if any, or usage (*provided* that any such notation, legend or endorsement is in a form acceptable to the Company).

(b) An Officer shall sign the Series G Preferred Share Certificate for the Company, in accordance with the Company's Bylaws and applicable law, by manual or facsimile signature. **Officer** means the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company.

(c) If an Officer whose signature is on a Series G Preferred Share Certificate no longer holds that office at the time of the issuance of such Series G Preferred Share Certificate, such Series G Preferred Share Certificate shall be valid nevertheless.

(d) A Series G Preferred Share Certificate shall not be valid or obligatory until an authorized signatory of the Transfer Agent manually countersigns the Series G Preferred Share Certificate. The signature shall be conclusive evidence that such Series G Preferred Share

Table of Contents

Certificate has been authenticated under this Certificate of Designations. Each Series G Preferred Share Certificate shall be dated the date of its authentication.

Other than upon original issuance, all transfers and exchanges of the Series G Preferred Stock shall be made by direct registration on the books and records of the Company.

Section 16. *Transfer Agent and Registrar.* The duly appointed Transfer Agent, Conversion Agent and Registrar for the Series G Preferred Stock shall be Wells Fargo Bank, N.A. (the **Transfer Agent**). The Company may, in its sole discretion, remove the Transfer Agent in accordance with the agreement between the Company and the Transfer Agent; *provided* that the Company shall appoint a successor transfer agent who shall accept such appointment prior to the effectiveness of such removal; *provided further* that such successor transfer agent shall be the Transfer Agent for purposes of this Certificate of Designations and the Amended Purchase Agreement.

Section 17. *Other Rights.* The shares of the Series G Preferred Stock shall not have any rights, preferences, privileges or voting powers or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein or in the Charter or as provided by applicable law.

Section 18. *Withholding.* The Company shall be entitled to deduct and withhold from any payment or distribution made on the Series G Preferred Stock any tax required to be withheld under law, and such withheld amount shall be treated as if paid or distributed to the Holder in accordance with the terms hereunder.

A-19

Table of Contents

Exhibit A
FORM OF SERIES G CUMULATIVE MANDATORY
CONVERTIBLE PREFERRED STOCK
(\$[___] INITIAL LIQUIDATION PREFERENCE)

| | | |
|-------------------|--|---------------------------------------|
| NUMBER [_____] | | SHARES 20,000 CUSIP [_____] |
|-------------------|--|---------------------------------------|

AMERICAN INTERNATIONAL GROUP, INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE
THIS CERTIFICATE IS TRANSFERABLE
IN THE CITY OF SOUTH ST. PAUL, MINNESOTA

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF OR HEDGED IN ANY MANNER (INCLUDING THROUGH THE ENTRY INTO CASH-SETTLED DERIVATIVE INSTRUMENTS) (A) AT ANY TIME ON OR PRIOR TO THE TERMINATION DATE, EXCEPT TO A SPECIAL PURPOSE VEHICLE WHOLLY-OWNED BY THE UNITED STATES DEPARTMENT OF THE TREASURY, AND (B) AT ANY TIME AFTER THE TERMINATION DATE EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS AND IN COMPLIANCE WITH SUCH LAWS.

This is to certify that the UNITED STATES DEPARTMENT OF THE TREASURY is the owner of TWENTY THOUSAND (20,000) fully paid and non-assessable shares of Series G Cumulative Mandatory Convertible Preferred Stock, \$5.00 par value, initial liquidation preference \$[___] per share (the Stock), of the American International Group, Inc. (the Company), transferable on the books of the Company by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. Capitalized terms used herein but not defined shall have the respective meanings given them in the Certificate of Designations for the Stock dated [_____].

This certificate is not valid or obligatory for any purpose unless countersigned and registered by the Transfer Agent, Conversion Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.
 Dated: [_____].

Table of Contents

Name:
Title:

Name:
Title:

Countersigned and Registered
_____,
as Transfer Agent, Conversion Agent and
Registrar

By:
Authorized Signature

E-2

Table of Contents

AMERICAN INTERNATIONAL GROUP, INC.

AMERICAN INTERNATIONAL GROUP, INC. (the Company) will furnish, without charge to each stockholder who so requests, a copy of the certificate of designations establishing the powers, preferences and relative, participating, optional or other special rights of each class of stock of the Company or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights applicable to each class of stock of the Company or series thereof. Such information may be obtained by a request in writing to the Secretary of the Company at its principal place of business.

This certificate and the share or shares represented hereby are issued and shall be held subject to all of the provisions of the Company s Restated Certificate of Incorporation, as amended, and the Certificate of Designations of the Series G Cumulative Mandatory Convertible Preferred Stock (copies of which are on file with the Transfer Agent), to all of which the holder, by acceptance hereof, assents.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full to applicable laws or regulations:

| | | | |
|---------|--|-----------------------------------|-----------------------|
| TEN COM | as tenants in common | UNIF GIFT MIN ACT- | _____ Custodian _____ |
| TEN ENT | as tenants by the entireties | | (Minor) (Cust) |
| JT TEN | as joint tenants with right of survivorship and not as tenants in common | under Uniform Gifts to Minors Act | _____ |
| | | | (State) |

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto
PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE

shares of the capital stock represented by the within certificate, and do(es) hereby irrevocably constitute and appoint _____; Attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated _____

Table of Contents

Dated _____

Signature

NOTICE: The signature to this assignment must correspond with the name as written upon the face of this certificate in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program), pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

E-4

Table of Contents

**SCHEDULE OF CHANGES TO THE
SERIES G PREFERRED STOCK LIQUIDATION PREFERENCE**

The following increases and decreases to the liquidation preference of the Series G Preferred Stock have been made:

| Date of increase / decrease | Amount of increase/ decrease in liquidation preference | Aggregate liquidation preference following such increase / decrease | Liquidation preference per share | Signature of authorized signatory |
|-----------------------------|--|--|---|--|
|-----------------------------|--|--|---|--|

Table of Contents

ANNEX B

FORM OF DRAWDOWN OPINION

(a) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware.

(b) The Series G Preferred Stock has been duly authorized and validly issued and is fully paid and nonassessable; provided that no opinion need be expressed as to subsequent increases in the liquidation preference of the Series G Preferred Stock pursuant to Section 5(a) of the Series G Certificate of Designations.

(c) The Series G Preferred Stock has not been issued in violation of any preemptive rights provided for in the Company's Restated Certificate of Incorporation, as amended to the date of this opinion, or under the laws of the State of Delaware.

(d) The shares of Common Stock issuable upon conversion of the Series G Preferred Stock have been duly authorized and reserved for issuance upon conversion of the Series G Preferred Stock and when so converted in accordance with the terms of the Series G Certificate of Designations will be validly issued, fully paid and nonassessable.

Table of Contents

ANNEX C

Examples of Deferred Exchanges

This Annex provides examples of the operation of items of Sections 2.07 and 2.08 of the Amended and Restated Purchase Agreement

All amounts shown in the examples are strictly hypothetical and not based on projections of any kind

All examples assume a Series G Designated Amount of \$2.0 billion USD

FRBNY SPV Payoff Amount has the meaning ascribed in the Master Transaction Agreement

All amounts shown in the examples are in \$ billion USD

Table of Contents

| Example 1 (Equity Offering) | \$b | | | Note |
|--|------------|---------------|--------------|---|
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 2.5 | | | |
| Net Offering Proceeds | 2.2 | | | |
| Prior Draws on Series G | 0.0 | | | |
| Purchase Price: | 2.0 | | | Never more than Series G Designated Amount (\$2.0 billion) |
| <i>Change in</i> | | | | |
| <i>Series G Series G</i> | | | | |
| <i>Liquidation Liquidation</i> | | | | |
| <i>Preference Preference</i> | | | | |
| Deferred Exchange Steps: | | | | |
| New Series G Drawdown Used to Purchase Preferred | 2.0 | 2.0 | 2.0 | Full \$2.0 billion drawn enough for Purchase Price |
| Net Offering Proceeds Used to Purchase Preferred | 0.0 | | 2.0 | Purchase Price satisfied by Series G drawdown |
| Preferred Transferred to UST | 2.0 | (2.0) | 0.0 | Full \$2.0 billion liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.0 | | 0.0 | Series G already paid off no additional payment |
| Results: | | | | |
| | | <i>Before</i> | <i>After</i> | |
| FRBNY SPV Payoff Amount | | 2.5 | 0.5 | Old FRBNY SPV Payoff Amount less Purchase Price |
| Net Offering Proceeds Available to AIG | | 2.2 | 2.2 | Did not need actual Net Offering Proceeds to satisfy Purchase Price |
| General Corporate Purposes Available Amount | | 2.0 | 0.0 | Full \$2.0 billion has been used no additional availability |
| Preferred Units Exchange Available Amount | | 2.0 | 0.0 | Full \$2.0 billion has been used no additional availability |
| Example 2 (Equity Offering) | \$b | | | |
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 2.5 | | | |
| Net Offering Proceeds | 2.2 | | | |
| Prior Draws on Series G | 1.0 | | | |
| Purchase Price: | 2.0 | | | Never more than Series G Designated Amount (\$2.0 billion) |
| <i>Change in</i> | | | | |
| <i>Series G Series G</i> | | | | |
| <i>Liquidation Liquidation</i> | | | | |
| <i>Preference Preference</i> | | | | |
| Deferred Exchange Steps: | | | | |

Edgar Filing: AMERICAN INTERNATIONAL GROUP INC - Form DEF 14C

| | | | | |
|--|------------|---------------|--------------|---|
| New Series G Drawdown Used to Purchase Preferred | 1.0 | 1.0 | 2.0 | \$1.0 billion remaining not enough for full Purchase Price |
| Net Offering Proceeds Used to Purchase Preferred | 1.0 | | 2.0 | Actual Net Offering Proceeds needed to make up Purchase Price |
| Preferred Transferred to UST | 2.0 | (2.0) | 0.0 | Full \$2.0 billion liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.0 | | 0.0 | Series G already paid off no additional payment |
| Results: | | <i>Before</i> | <i>After</i> | |
| FRBNY SPV Payoff Amount | | 2.5 | 0.5 | Old FRBNY SPV Payoff Amount <i>less</i> Purchase Price |
| Net Offering Proceeds Available to AIG | | 2.2 | 1.2 | \$1.0 billion net payoff of pre-existing Series G liquidation preference ¹ |
| General Corporate Purposes Available Amount | | 1.0 | 0.0 | Full \$2.0 billion has been used no additional availability |
| Preferred Units Exchange Available Amount | | 1.0 | 0.0 | Full \$2.0 billion has been used no additional availability |

¹ The \$1.0 billion in Net Offering Proceeds used to make up the Purchase Price is paid to FRBNY but then reduces the Series G liquidation preference when the SPV Preferred Units are transferred to UST.

Table of Contents

| Example 3 (Equity Offering) | \$b | | | Note |
|---|---------------|-------|--------------|---|
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 1.2 | | | |
| Net Offering Proceeds | 1.4 | | | |
| Prior Draws on Series G | 0.0 | | | |
| Purchase Price: | 1.2 | | | Limited to FRBNY SPV Payoff Amount |
| <i>Change in Series G Series G Liquidation Liquidation Preference Preference</i> | | | | |
| Deferred Exchange Steps: | | | | |
| New Series G Drawdown Used to Purchase Preferred | 1.2 | 1.2 | 1.2 | Full \$1.2 billion drawn enough for Purchase Price |
| Net Offering Proceeds Used to Purchase Preferred | 0.0 | | | Purchase Price satisfied by Series G drawdown |
| Preferred Transferred to UST | 1.2 | (1.2) | 0.0 | Full \$1.2 billion liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.0 | | | 0.0 Series G already paid off no additional payment |
| Results: | | | | |
| FRBNY SPV Payoff Amount | <i>Before</i> | | <i>After</i> | |
| FRBNY SPV Payoff Amount | 1.2 | | 0.0 | FRBNY fully taken out |
| Net Offering Proceeds Available to AIG | 1.4 | | 1.4 | Did not need actual Net Offering Proceeds to satisfy Purchase Price |
| General Corporate Purposes Available Amount | 2.0 | | 0.6 | \$2.0 billion <i>less</i> Net Offering Proceeds ² |
| Preferred Units Exchange Available Amount | 2.0 | | n/a | No more SPV Preferred to purchase from FRBNY |
| Example 4 (Equity Offering) | | | | |
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 1.2 | | | |
| Net Offering Proceeds | 1.4 | | | |
| Prior Draws on Series G | 0.9 | | | |
| Purchase Price: | 1.2 | | | Limited to FRBNY SPV Payoff Amount |
| <i>Change in Series G Series G Liquidation Liquidation Preference Preference</i> | | | | |
| Deferred Exchange Steps: | | | | |
| New Series G Drawdown Used to Purchase Preferred | 1.1 | 1.1 | 2.0 | \$1.1 billion remaining not enough for full Purchase Price |

Edgar Filing: AMERICAN INTERNATIONAL GROUP INC - Form DEF 14C

| | | | | |
|--|------------|--------------|------------|---|
| Net Offering Proceeds Used to Purchase Preferred | 0.1 | | 2.0 | Actual Net Offering Proceeds needed to make up Purchase Price |
| Preferred Transferred to UST | 1.2 | (1.2) | 0.8 | \$1.2 billion of liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.2 | (0.2) | 0.6 | Represents Net Offering Proceeds not already applied |

| Results: | <i>Before</i> | <i>After</i> | |
|---|---------------|--------------|---|
| FRBNY SPV Payoff Amount | 1.2 | 0.0 | FRBNY fully taken out |
| Net Offering Proceeds Available to AIG | 1.4 | 1.1 | \$0.3 billion net payoff of pre-existing Series G liquidation preference ⁴ |
| General Corporate Purposes Available Amount | 1.1 | 0.0 | Full \$2.0 billion has been used no additional availability |
| Preferred Units Exchange Available Amount | 1.1 | n/a | No more SPV Preferred to purchase from FRBNY |

² \$2.0 billion - \$1.2 billion (amount actually drawn down under Series G) - \$0.2 billion (additional amount notionally applied to reduce General Corporate Purposes Available Amount, but not an actual payment) = \$0.6 billion.

³ \$1.4 billion (Net Offering Proceeds) - \$1.2 billion (Purchase Price) = \$0.2 billion. Because there is a positive liquidation preference on the Series G, this amount must then go to pay it off. For this purpose, the \$1.2 billion Purchase Price is deemed to have been paid out of Net Offering Proceeds (which also counts as a reduction of the General Corporate Purposes Available Amount) even though it is actually paid from the Series G drawdown. AIG is not obligated to redeem the remaining Series G Preferred Stock.

⁴ The \$0.1 billion in Net Offering Proceeds used to make up the Purchase Price is paid to FRBNY but then reduces the Series G liquidation preference when the SPV Preferred Units are transferred to UST.

Table of Contents

| | | | | |
|--|-----|--|---------------------------------------|---|
| Example 5 (Equity Offering) | \$b | | | Note |
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 2.5 | | | |
| Net Offering Proceeds | 1.5 | | | |
| Prior Draws on Series G | 0.0 | | | |
| Purchase Price: | 1.5 | | | Limited to amount of Net Offering Proceeds |
| | | Change in Series G Liquidation Preference | Series G Liquidation Preference | |
| Deferred Exchange Steps: | | | | |
| New Series G Drawdown Used to Purchase Preferred | 1.5 | 1.5 | 1.5 | Full \$1.5 billion drawn enough for Purchase Price |
| Net Offering Proceeds Used to Purchase Preferred | 0.0 | | 1.5 | Purchase Price satisfied by Series G drawdown |
| Preferred Transferred to UST | 1.5 | (1.5) | 0.0 | Full \$1.5 billion liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.0 | | 0.0 | Series G already paid off no additional payment |
| Results: | | | | |
| | | Before | After | |
| FRBNY SPV Payoff Amount | | 2.5 | 1.0 | Old FRBNY SPV Payoff Amount less Purchase Price |
| Net Offering Proceeds Available to AIG | | 1.5 | 1.5 | Did not need actual Net Offering Proceeds to satisfy Purchase Price |
| General Corporate Purposes Available Amount | | 2.0 | 0.5 | \$2.0 billion less Net Offering Proceeds 5 |
| Preferred Units Exchange Available Amount | | 2.0 | 0.5 | \$2.0 billion less Net Offering Proceeds 6 |
| Example 6 (Equity Offering) | \$b | | | |
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 2.5 | | | |
| Net Offering Proceeds | 1.5 | | | |
| Prior Draws on Series G | 1.1 | | | |
| Purchase Price: | 1.5 | | | Limited to amount of Net Offering Proceeds |
| | | Change in Series G Liquidation Preference | Series G Liquidation Preference | |
| Deferred Exchange Steps: | 0.9 | 0.9 | 2.0 | |

| | | | | |
|--|-----|--------|-------|---|
| New Series G Drawdown Used to Purchase Preferred | | | | \$0.9 billion remaining not enough for full Purchase Price |
| Net Offering Proceeds Used to Purchase Preferred | 0.6 | | 2.0 | Actual Net Offering Proceeds needed to make up Purchase Price |
| Preferred Transferred to UST | 1.5 | (1.5) | 0.5 | \$1.5 billion of liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.0 | | 0.5 | All Net Offering Proceeds already applied |
| Results: | | Before | After | |
| FRBNY SPV Payoff Amount | | 2.5 | 1.0 | Old FRBNY SPV Payoff Amount less Purchase Price |
| Net Offering Proceeds Available to AIG | | 1.5 | 0.9 | \$0.6 billion net payoff of pre-existing Series G liquidation preference ⁷ |
| General Corporate Purposes Available Amount | | 0.9 | 0.0 | Full \$2.0 billion has been used no additional availability |
| Preferred Units Exchange Available Amount | | 0.9 | 0.0 | Full \$2.0 billion has been used no additional availability |

⁵ \$2.0 billion - \$1.5 billion (amount actually drawn down under Series G) = \$0.5 billion.

⁶ \$2.0 billion - \$1.5 billion (amount actually drawn down under Series G) = \$0.5 billion.

⁷ The \$0.6 billion in Net Offering Proceeds used to make up the Purchase Price is paid to FRBNY but then reduces the Series G liquidation preference when the SPV Preferred Units are transferred to UST.

Table of Contents

| Example 7 (Conversion Date) | \$b | | | Note |
|--|------------|----------------------|--------------------|---|
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 1.7 | | | |
| Net Offering Proceeds | n/a | | | |
| Prior Draws on Series G | 0.0 | | | |
| Purchase Price: | 1.7 | | | Lesser of FRBNY SPV Payoff Amount and Series G availability |
| | | <i>Change in</i> | | |
| | | <i>Series G</i> | <i>Series G</i> | |
| | | <i>Liquidation</i> | <i>Liquidation</i> | |
| | | <i>Preference</i> | <i>Preference</i> | |
| Deferred Exchange Steps: | | | | |
| New Series G Drawdown Used to Purchase Preferred | 1.7 | 1.7 | 1.7 | Full \$1.7 billion drawn enough for Purchase Price |
| Net Offering Proceeds Used to Purchase Preferred | n/a | | 1.7 | Purchase Price satisfied by Series G drawdown |
| Preferred Transferred to UST | 1.7 | (1.7) | 0.0 | Full \$1.7 billion liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | 0.0 | | n/a | Series G already paid off no additional payment |
| Results: | | | | |
| FRBNY SPV Payoff Amount | | <i>Before</i> | <i>After</i> | |
| FRBNY SPV Payoff Amount | | 1.7 | 0.0 | FRBNY fully taken out |
| Net Offering Proceeds Available to AIG | | n/a | n/a | No Equity Offering in this example |
| General Corporate Purposes Available Amount | | 2.0 | n/a | Series G Draw Down Right expires on Conversion Date |
| Preferred Units Exchange Available Amount | | 2.0 | n/a | No more SPV Preferred to purchase from FRBNY |
| Example 8 (Conversion Date) | \$b | | | |
| Assumptions: | | | | |
| FRBNY SPV Payoff Amount | 1.7 | | | |
| Net Offering Proceeds | n/a | | | |
| Prior Draws on Series G | 1.0 | | | |
| Purchase Price: | 1.0 | | | Lesser of FRBNY SPV Payoff Amount and Series G availability |
| | | <i>Change in</i> | | |
| | | <i>Series G</i> | <i>Series G</i> | |
| | | <i>Liquidation</i> | <i>Liquidation</i> | |

| Deferred Exchange Steps: | | <i>Preference</i> | <i>Preference</i> | |
|--|------------|-------------------|-------------------|--|
| New Series G Drawdown Used to Purchase Preferred | 1.0 | 1.0 | 2.0 | Remaining \$1.0 billion drawn--equal to Purchase Price (by definition) |
| Net Offering Proceeds Used to Purchase Preferred | n/a | | 2.0 | Purchase Price satisfied by Series G drawdown |
| Preferred Transferred to UST | 1.0 | (1.0) | 1.0 | \$1.0 billion of liquidation preference paid off with SPV Preferred |
| Additional Payment to UST to Redeem Series G: | n/a | | n/a | Series G converts into AIG Common Stock on agreed terms |
| Results: | | <i>Before</i> | <i>After</i> | |
| FRBNY SPV Payoff Amount | | 1.7 | 0.7 | Old FRBNY SPV Payoff Amount <i>less</i> Purchase Price |
| Net Offering Proceeds Available to AIG | | n/a | n/a | No Equity Offering in this example |
| General Corporate Purposes Available Amount | | 1.0 | n/a | Full \$2.0 billion has been used no additional availability |
| Preferred Units Exchange Available Amount | | 1.0 | n/a | Full \$2.0 billion has been used no additional availability |

Table of Contents

Appendix B-3

**Form of Registration Rights Agreement between American International Group,
Inc. and the United States Department of the Treasury**

B-3-1

Table of Contents

REGISTRATION RIGHTS AGREEMENT

dated as of

[_____]

between

American International Group, Inc.

and

United States Department of the Treasury

Table of Contents

REGISTRATION RIGHTS AGREEMENT

Recitals:

WHEREAS, American International Group, Inc. (the **Company**) intends to issue in a private placement 1,655,037,962 shares of AIG common stock, par value \$2.50 per share (the **Common Stock**) to the United States Department of the Treasury (the **Investor**) as part of the Recapitalization (as defined in the Master Transaction Agreement dated as of December 8, 2010 (the **Transaction Agreement**) among the Company, the Investor, ALICO Holdings LLC, AIA Aurora LLC, the Federal Reserve Bank of New York and the AIG Credit Facility Trust), such Common Stock to be comprised of (i) 562,868,096 shares of Common Stock to be issued to the AIG Credit Facility Trust, for immediate delivery to the Investor, in exchange for all of the shares of Series C Perpetual, Convertible, Participating Preferred Stock held by such trust, (ii) 924,546,133 shares of Common Stock to be issued to the Investor in exchange for all of the shares of the Series E Fixed Rate Non-Cumulative Preferred Stock held by the Investor and (iii) 167,623,733 shares of Common Stock to be issued to the Investor as partial consideration for all of the shares of the Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock held by the Investor.

WHEREAS, the Company may issue 20,000 shares of the its Series G Cumulative Mandatory Convertible Preferred Stock (**Series G Preferred Stock**) to the Investor as part of the Recapitalization;

WHEREAS, the Investor currently holds a warrant to purchase shares of Common Stock dated November 25, 2008 and a warrant to purchase shares of Common Stock dated April 17, 2009 (together, the **Warrants**); and

WHEREAS, the Company and the Investor intend that the Investor's registration rights with respect to (i) the 1,655,037,962 shares of Common Stock received as part of the Recapitalization, (ii) any shares of Common Stock issuable upon conversion of the shares of Series G Preferred Stock, (iii) the Warrants and (iv) any shares of Common Stock issuable upon exercise of the Warrants will be governed by this Registration Rights Agreement (this **Agreement**).

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, in the Transaction Agreement and in the other Transaction Documents and for other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties agree as follows:

Table of Contents

Article 1
Registration Rights

1.1 *Registration Rights.*

(a) Registration.

(i) Subject to the terms and conditions of this Agreement, the Company covenants and agrees that as promptly as practicable after the closing of the Recapitalization, and in any event no later than fifteen (15) days after such closing, the Company shall prepare and file with the SEC a Shelf Registration Statement covering all applicable Registrable Securities (or otherwise designate an existing Shelf Registration Statement filed with the SEC to cover such Registrable Securities), and, to the extent the Shelf Registration Statement has not theretofore been declared effective or is not automatically effective upon such filing, the Company shall use reasonable best efforts to cause such Shelf Registration Statement to be declared or become effective and to keep such Shelf Registration Statement continuously effective and in compliance with the Securities Act and usable for resale of such Registrable Securities for a period from the date of its initial effectiveness until such time as there are no Registrable Securities remaining (including by refiling such Shelf Registration Statement (or a new Shelf Registration Statement) if the initial Shelf Registration Statement expires). So long as the Company is a well known seasoned issuer (as defined in Rule 405 under the Securities Act) at the time of filing of the Shelf Registration Statement with the SEC, such Shelf Registration Statement shall be designated by the Company as an automatic Shelf Registration Statement.

(ii) Any registration pursuant to Section 1.1(a)(i) shall be effected by means of a shelf registration on an appropriate form under Rule 415 under the Securities Act (a **Shelf Registration Statement**). Whenever the Investor or any other Holder intends to distribute any Registrable Securities by means of the Shelf Registration Statement, it shall promptly so advise the Company and shall specify the intended method of distribution.

(A) After the Demand Commencement Date, if the Investor or any other Holder intends to distribute its Registrable Securities through an Underwritten Offering, the Company shall take all reasonable steps to facilitate such an offering, including the actions required pursuant to Section 1.1(c), as appropriate; *provided* that the Company shall not be required to facilitate a Fully-marketed Offering unless so requested by the Investor and unless the expected gross proceeds from such offering exceed \$500 million. The lead underwriters in any Underwritten Offering requested by a Holder shall be selected by the Holders of a majority of the Registrable Securities to be so distributed and shall be reasonably acceptable to the Company. Holders of Registrable Securities other than the Investor shall not have the right to initiate a Fully-marketed Offering, and the Investor shall not have the right to initiate more than two Fully-marketed Offerings in any 12-month period. **Demand Commencement Date** means the earlier of (x) August 15, 2011 and (y) the closing date of the First

Table of Contents

Offering. **Underwritten Offering** means a discrete registered offering of securities conducted by one or more underwriters pursuant to the terms of an underwriting agreement. **Fully-marketed Offering** means an Underwritten Offering in which members of management and executives of the Company travel to participate in roadshows, similar sales events and other marketing activities and do not merely participate in such marketing activities by telephone, video conference or similar electronic means.

(B) After the Demand Commencement Date, if the Investor intends to distribute its Registrable Securities to or through a manager in one or more At-the-market Offerings, the Company shall take all reasonable steps to facilitate such an offering, including the actions required pursuant to Section 1.1(c), as appropriate. The managers of any At-the-market Offering shall be selected by the Investor and shall be reasonably acceptable to the Company. Holders of Registrable Securities other than the Investor shall not have the right to distribute their Registrable Securities through an At-the-market Offering. **At-the-market Offering** means a continuous registered offering of securities.

(C) If the Investor or any other Holder selects any other intended method of distribution, the Company shall take all reasonable steps to facilitate such distribution, including the actions required pursuant to Section 1.1(c), as appropriate.

(iii) The Company shall not be required to effect a distribution of Registrable Securities pursuant to Section 1.1(a)(i): (A) with respect to securities that are not Registrable Securities or (B) if the Company has notified the Investor and all other Holders that in the good faith judgment of the Board of Directors, it would be materially detrimental to the Company for such registered distribution to be effected at such time, in which event the Company shall have the right to defer such registered distribution for a period of not more than 45 days after receipt of the request of the Investor or any other Holder; *provided* that such right to delay a registered distribution shall be exercised by the Company (1) only if the Company has generally exercised (or is concurrently exercising) similar black-out rights against holders of similar securities that have registration rights and (2) not more than three times in any 12-month period and not more than 90 days in the aggregate in any 12-month period; *provided, further* (x) that the number and duration of any permitted suspensions of sales in any 12-month period pursuant to Section 1.1(c)(viii) or Section 1.1(d) shall reduce the number and duration of any permitted registration deferrals in such 12-month period pursuant to this Section 1.1(a)(iii) and (y) if, when the Investor or any other Holder requests to sell Registrable Securities pursuant to Section 1.1(a)(ii), the Company's directors and senior executive officers are not permitted pursuant to Company policy to sell their shares of Common Stock and the sum of the number of days remaining until such directors and senior executive officers would be permitted pursuant to Company policy to sell their shares of Common Stock plus the number of aggregate days in the preceding 12 months with respect to which the Company has exercised its deferral rights pursuant to this clause (iii) or its suspension rights pursuant to Section 1.1(c)(viii) or Section 1.1(d) is at least equal to 90, then the Company and the Investor shall negotiate in good faith to determine

Table of Contents

whether the requested offering should proceed, in light of the need, if any, for the Company to provide additional public disclosure in connection with such offering, but if the Company reasonably determines that it is unable to provide the required disclosure at that time consistent with its internal control over financial reporting and disclosure controls and procedures, the Company shall not be required to proceed with the requested offering.

(iv) The Company shall not distribute its equity securities, or any securities convertible into or exchangeable or exercisable for its equity securities, through an At-the-market Offering or any other method of distribution, whether registered or unregistered, other than an Underwritten Offering, a distribution pursuant to Section 1.1(a)(ii), a Special Registration or, if the Investor is not then conducting an At-the-market Offering, an At-the-market Offering, in each case subject to the other provisions of this Agreement. If the Company proposes to effect an Underwritten Offering of its equity securities, other than a distribution pursuant to Section 1.1(a)(i) or a Special Registration, the Company will give prompt written notice to the Investor and all other Holders of its intention to effect such a distribution (but in no event less than ten days prior to the anticipated launch date) and, subject to Section 1.1(a)(vii), will include in such distribution all Registrable Securities with respect to which the Company has received written requests for inclusion therein not later than the close of business on the business day immediately preceding the launch date of such distribution (a **Piggyback Registration**). Any such person that has made such a written request may withdraw its Registrable Securities from such Piggyback Registration by giving written notice to the Company and the managing underwriter, if any, not later than the close of business on the business day immediately preceding the launch date of such distribution. The Company may terminate or withdraw any distribution under this Section 1.1(a)(iv) prior to the pricing of such distribution, whether or not the Investor or any other Holders have elected to include Registrable Securities in such distribution. For avoidance of doubt, the rights of the Investor and the other Holders pursuant to this Section 1.1(a)(iv) will apply both before and after the Demand Commencement Date.

(v) The right of the Investor and all other Holders to participate in the Company's proposed Underwritten Offering pursuant to Section 1.1(a)(iv) will be conditioned upon such persons entering into an underwriting agreement in customary form with the underwriter or underwriters selected for such Underwritten Offering by the Company; *provided* that the Investor (as opposed to other Holders) shall not be required to indemnify any person in connection with any registration and shall only be required to make representations in the underwriting agreement as to its ability to transfer marketable title to the relevant Registrable Securities, its authority to execute, deliver and perform its obligations under such underwriting agreement and the absence of any consents or approvals required for it to sell such Registrable Securities in such Underwritten Offering. If any participating person disapproves of the terms of the Underwritten Offering, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriters and the Investor (if the Investor is participating in the Underwritten Offering) at least two business days prior to the pricing date of such offering.

Table of Contents

(vi) Without the written consent of the Investor in its sole discretion, the Company shall not grant demand registration rights to any third party and shall not grant piggyback registration rights to any third party to include its securities in an offering initiated by the Investor or any other Holder under a Shelf Registration Statement pursuant to Section 1.1(a)(ii). If the Company grants piggyback registration rights to a third party to include its securities in an Underwritten Offering initiated by the Company, and the Investor or any other Holder elects to participate in such Underwritten Offering pursuant to Section 1.1(a)(iv), such third party registration rights shall provide that such third party may only sell its securities in such Underwritten Offering to the extent that, in the reasonable opinion of the managing underwriters for such Underwritten Offering, such sales would not adversely affect the marketability of such Underwritten Offering (including an adverse effect on the per share offering price) after taking into account all the securities to be sold in such Underwritten Offering by the Investor, any other Holder and the Company.

(vii) If (A) within 10 days after a request by the Investor or any other Holder to distribute Registrable Securities in an Underwritten Offering pursuant to Section 1.1(a)(ii)(A), the Company gives notice of a proposed Underwritten Offering of its equity securities pursuant to Section 1.1(a)(iv) or vice versa and (B) the managing underwriters for such Underwritten Offerings advise the Company, the Investor and any other Holders proposing to participate in such offerings that in the reasonable opinion of such managing underwriters the number of securities requested to be included in such offerings exceeds the number that can be sold without adversely affecting the marketability of such offerings (including an adverse effect on the per share offering price), the Company will include in a combined offering only such number of securities (the **Maximum Number**) that in the reasonable opinion of such managing underwriters can be sold without adversely affecting the marketability of the offering (including an adverse effect on the per share offering price), which securities will be included in the following order of priority: (x) if the Company delivers its notice pursuant to Section 1.1(a)(iv) before the Investor or any other Holder delivers its request pursuant to Section 1.1(a)(ii)(A), then the Company will be allowed to sell up to the number of equity securities it proposes to sell, and if such number is less than the Maximum Number, the Investor and any other Holders will be allowed to sell up to the number of Registrable Securities requested to be sold pursuant to Section 1.1(a)(ii) or 1.1(a)(iv), pro rata on the basis of the aggregate number of Registrable Securities held by each such person; *provided* that the number of securities sold pursuant to this clause (x) shall not exceed the Maximum Number and (y) if the Investor or any other Holder delivers its request pursuant to Section 1.1(a)(ii)(A) before the Company delivers its notice pursuant to Section 1.1(a)(iv), then the Investor and such other Holders will be allowed to sell up to the number of Registrable Securities they propose to sell, pro rata on the basis of the aggregate number of Registrable Securities held by each such person, and if the aggregate number of securities they propose to sell is less than the Maximum Number, the Company will be allowed to sell up to the number of equity securities it proposes to sell; *provided* that the number of securities sold pursuant to this clause (y) shall not exceed the Maximum Number.

Table of Contents

(viii) With respect to any Underwritten Offering of Registrable Securities by the Investor or other Holders pursuant to this Section 1.1, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering any of its equity securities or any securities convertible into or exchangeable or exercisable for such equity securities, during the period not to exceed the lesser of 180 days and the duration of any lock-up period applicable to the Investor or, if the Investor is not participating in such offering, to such other Holders. If such Underwritten Offering is a Fully-marketed Offering, the Company also agrees to use its reasonable best efforts to cause such of its directors and senior executive officers as may be requested by the managing underwriter of such offering to execute and deliver customary lock-up agreements in such form and for such time period up to 90 days as may be requested by the managing underwriter. **Special Registration** means the registration of (A) equity securities and/or options or other securities or rights in respect thereof or related thereto solely registered on Form S-4 or Form S-8 (or successor form) or (B) shares of equity securities and/or options or other securities or rights in respect thereof or related thereto to be offered to directors, members of management, employees, consultants, customers, lenders or vendors of the Company or its subsidiaries or in connection with dividend reinvestment plans.

(ix) With respect to any At-the-market Offering by the Investor pursuant to this Section 1.1, the Company agrees not to effect (other than pursuant to such registration or pursuant to a Special Registration) any sale or distribution, or to file any Shelf Registration Statement (other than such registration or a Special Registration) covering any of its equity securities or any securities convertible into or exchangeable or exercisable for such equity securities, while such At-the-market Offering is continuing.

(x) In connection with any At-the-market Offering, the Investor will agree to commercially reasonable black-out provisions to address the Company's earnings black-out policy in effect at such time. Upon notice from the Company, given with respect to a Subsequent Permitted Offering and otherwise not more than twice in any 12-month period, the Investor will promptly suspend any At-the-market Offering of Registrable Securities for a reasonable period of time to enable the Company to conduct an Underwritten Offering of its equity securities or securities convertible into or exercisable or exchangeable for its equity securities.

(xi) Notwithstanding any other provision of this Agreement, with respect to any Underwritten Offering, whether initiated by the Company, the Investor or any other Holder, occurring prior to the time the Investor's ownership of Voting Securities of the Company falls below 33%, so long as the Investor is participating in such offering, the selection of the managing underwriters (subject to the Company's reasonable approval), the method of distribution, the overall size of the offering and the type of securities offered, as well as the relative amounts and types of securities to be (except as provided in clause (xii) below) offered by each party selling securities in the offering (except as provided in clause (xii) below), and the public offering price per security shall each be subject to the consent of the Investor, in its sole discretion. **Voting Securities** means the Common Stock and any other securities of the Company generally entitled to vote in the election of directors.

Table of Contents

(xii) Notwithstanding any other provision of this Agreement, (A) with respect to the Company's first Underwritten Offering following the Closing Date (the **First Offering**), the Company shall have the right to sell up to a number of equity securities having an aggregated initial per share offering price of \$3.0 billion plus, if the Investor consents in its sole discretion, up to an additional \$4.0 billion to permit the Company to settle securities litigation or to conduct a tender offer or exchange offer for its junior subordinated debentures, *provided* the First Offering occurs before the first anniversary of the Closing Date and (B) if the Board of Directors determines in good faith, after consultation with the Investor, that due to events affecting the Company's operating insurance subsidiaries the Company's reasonably projected Aggregate Liquidity (as defined in the Intercompany Guarantee and Pledge Agreement) will fall below \$8.0 billion within the 12 months following such determination, the Company shall have the right, exercisable once within 12 months of such determination, to initiate an Underwritten Offering with respect to which (x) the Company shall have the right to sell up to a number of equity securities (at a price per share to be determined by the Company) having an aggregate initial per share offering price equal to the greater of \$2.0 billion and the amount equal to the excess of \$8.0 billion over the lowest reasonably projected Aggregate Liquidity (as so defined) during such 12-month period (a **Subsequent Permitted Offering**) and (y) the Investor shall agree with the managing underwriters for such offering not to sell any of its Registrable Securities for a reasonable period following such offering. The Company may conduct a Subsequent Permitted Offering for each 12-month period with respect to which the Board of Directors makes the determination described in clause (B) of the preceding sentence, even if a subsequent 12-month period overlaps with a prior 12-month period.

(xiii) Notwithstanding any other provision of this Agreement, with respect to any Underwritten Offering, whether initiated by the Company, the Investor or any other Holder, occurring prior to the time the Investor's ownership of Voting Securities of the Company falls below 33%, so long as the Investor is participating in such offering, the Investor shall determine, in its sole discretion, all fees to be paid to the underwriters in such offering.

(xiv) In connection with any Underwritten Offering initiated by the Company in which the Investor elects not to participate, the Investor shall agree with the managing underwriters for such offering not to sell any of its Registrable Securities for a reasonable period (not to exceed the lock-up period applicable to the Company) following such offering.

(b) **Expenses of Registration.** All Registration Expenses incurred in connection with any registration, qualification or compliance hereunder shall be borne by the Company. Selling Expenses incurred in connection with any registrations hereunder shall be borne by (i) the Company if the Investor is selling the relevant Registrable Securities, *provided* that the aggregate amount of discounts and selling commissions included in the Selling Expenses for any offering shall not exceed 1% of the gross proceeds of the Registrable Securities sold by the Investor in such offering, and (ii) by the other Holders if such other Holders are selling the relevant Registrable Securities, pro rata on the basis of the aggregate offering or sale price of the securities so sold by such other Holders.

Table of Contents

(c) Obligations of the Company. The Company shall use its reasonable best efforts, for so long as there are Registrable Securities outstanding, to take such actions as are in its control to become a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) and once the Company becomes a well-known seasoned issuer to take such actions as are in its control to remain a well-known seasoned issuer. In addition, whenever required to effect the registration of any Registrable Securities or facilitate the distribution of Registrable Securities pursuant to an effective Shelf Registration Statement, the Company shall, as expeditiously as reasonably practicable:

(i) Prepare and file with the SEC, not later than ten (10) days after notification by the Investor pursuant to Section 1.1(a)(ii), a prospectus supplement with respect to a proposed offering of Registrable Securities pursuant to the Shelf Registration Statement, subject to Section 1.1(a)(iii) and Section 1.1(d), reflecting the plan of distribution specified pursuant to Section 1.1(a)(ii).

(ii) Prepare and file with the SEC such amendments and supplements to the applicable registration statement and the prospectus or prospectus supplement used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement.

(iii) Furnish to the Holders and any underwriters such number of copies of the applicable registration statement and each such amendment and supplement thereto (including in each case all exhibits) and of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned or to be distributed by them.

(iv) Use its reasonable best efforts to register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders or any managing underwriter(s), to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action that may be reasonably necessary to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such Holder; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify each Holder at any time when a prospectus relating to an offering of such Holder's Registrable Securities is required to be delivered under the Securities Act of the happening of any event as a result of which the applicable prospectus, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing.

(vi) Give written notice to the Holders:

Table of Contents

(A) when any registration statement filed pursuant to Section 1.1(a) or any amendment thereto has been filed with the SEC (except for any amendment effected by the filing of a document with the SEC pursuant to the Exchange Act) and when such registration statement or any post-effective amendment thereto has become effective;

(B) of any request by the SEC for amendments or supplements to any registration statement or the prospectus included therein or for additional information;

(C) of the issuance by the SEC of any stop order suspending the effectiveness of any registration statement or the initiation of any proceedings for that purpose;

(D) of the receipt by the Company or its legal counsel of any notification with respect to the suspension of the qualification of the Common Stock for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(E) of the happening of any event that requires the Company to make changes in any effective registration statement or the prospectus related to the registration statement in order to correct any untrue statement or make the statements therein not misleading (which notice shall be accompanied by an instruction to suspend the use of the prospectus until the requisite changes have been made); and

(F) if at any time the representations and warranties of the Company contained in any underwriting agreement contemplated by Section 1.1(c)(x) or any equity distribution agreement contemplated by Section 1.1(c)(xi) cease to be true and correct.

(vii) Use its reasonable best efforts to prevent the issuance or obtain the withdrawal of any order suspending the effectiveness of any registration statement referred to in Section 1.1(c)(vi)(C) at the earliest practicable time.

(viii) Upon the occurrence of any event contemplated by Section 1.1(c)(v) or 1.1(c)(vi)(E), promptly prepare a post-effective amendment to such registration statement or a supplement to the related prospectus or file any other required document so that, as thereafter delivered to the Holders and any underwriters, the prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with Section 1.1(c)(vi)(E) to suspend the use of the prospectus until the requisite changes to the prospectus have been made, then the Holders and any underwriters shall suspend use of such prospectus and use their reasonable best efforts to return to the Company all copies of such prospectus (at the Company's expense) other than permanent file copies then in such Holders' or underwriters' possession. The total number of days that any such suspension

Table of Contents

may be in effect in any 12-month period shall not exceed 90 days; *provided* that the duration of any permitted registration deferrals or suspensions of sales in any 12-month period pursuant to Section 1.1(a)(iii) or Section 1.1(d) shall reduce the duration of any permitted suspensions of sales in such 12-month period pursuant to this Section 1.1(c)(viii).

(ix) Use reasonable best efforts to procure the cooperation of the Company's transfer agent in settling any offering or sale of Registrable Securities, including causing the Registrable Securities to be included in the Company's direct registration system in accordance with any procedures reasonably requested by the Holders or any managing underwriter(s).

(x) If an Underwritten Offering is requested pursuant to 1.1(a)(ii)(A), enter into an underwriting agreement in customary form, scope and substance and take all such other actions reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith or by the managing underwriter(s), if any, to expedite or facilitate such Underwritten Offering, subject to clauses (F) and (G) below, and in connection with such Underwritten Offering, (A) make such representations and warranties to the Holders that are selling stockholders and the managing underwriter(s), if any, with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope, and, if true, confirm the same if and when requested, (B) use its reasonable best efforts to furnish the underwriters and such Holders with opinions of counsel to the Company, addressed to the managing underwriter(s), if any, and such Holders covering the matters customarily covered in such opinions requested in underwritten offerings, (C) use its reasonable best efforts to obtain "cold comfort" letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to each of the managing underwriter(s), if any, and such Holders, such letters to be in customary form and covering matters of the type customarily covered in "cold comfort" letters, (D) include in such underwriting agreement indemnification provisions and procedures customary in underwritten offerings (provided that the Investor shall not be obligated to provide any indemnity or make representations other than those described in Section 1.1(a)(v)), (E) deliver such documents and certificates as may be reasonably requested by the Holders of a majority of the Registrable Securities being sold in connection therewith, their counsel and the managing underwriter(s), if any, to evidence the continued validity of the representations and warranties made pursuant to clause (A) above and to evidence compliance with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company, (F) if such Underwritten Offering is a Fully-marketed Offering, make members of management and executives of the Company available to travel to participate in roadshows, similar sales events and other marketing activities and (G) if such Underwritten Offering is not a Fully-marketed Offering, and if requested by the Investor or such other Holder, make

Table of Contents

members of management and executives of the Company available to participate by telephone, video conference or similar electronic means in roadshows, similar sales events or other marketing activities, *provided* that members of management and executives of the Company shall not be required to participate in such activities for more than one-half of any business day nor more frequently than three times in any 30-day period with respect to all such Underwritten Offerings within such period.

(xi) If an At-the-market Offering is requested pursuant to 1.1(a)(ii)(B), enter into an equity distribution agreement in customary form, scope and substance and take all such other actions reasonably requested by the Investor or by the manager(s), to expedite or facilitate such At-the-market Offering, and in connection with such At-the-market Offering (A) make such representations and warranties to the Investor and the manager(s) with respect to the business of the Company and its subsidiaries, and the Shelf Registration Statement, prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, in customary form, substance and scope, and, if true, confirm the same when requested, (B) use its reasonable best efforts to furnish to the manager(s) and the Investor when requested opinions of counsel to the Company, addressed to the manager(s) and the Investor, covering the matters customarily covered in such opinions requested in At-the-market Offerings, (C) use its reasonable best efforts to obtain when requested cold comfort letters from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any business acquired by the Company for which financial statements and financial data are included in the Shelf Registration Statement) who have certified the financial statements included in such Shelf Registration Statement, addressed to the manager(s) and the Investor, such letters to be in customary form and covering matters of the type customarily covered in cold comfort letters, (D) include in such equity distribution agreement indemnification provisions and procedures customary in dribble-out programs (provided that the Investor shall not be obligated to provide any indemnity or make representations other than those described in Section 1.1(a)(v)) and (E) deliver such documents and certificates as may be reasonably requested by the Investor, its counsel and the manager(s) to evidence the continued validity of the representations and warranties made pursuant to clause (A) above and to evidence compliance with any customary conditions contained in the equity distribution agreement or other agreement entered into by the Company.

(xii) Make available for inspection by a representative of Holders that are selling stockholders, the managing underwriter(s), if any, manager(s), if any, and any attorneys or accountants retained by such Holders, managing underwriter(s) or manager(s), if any, at the offices where normally kept, during reasonable business hours, financial and other records, pertinent corporate documents and properties of the Company, and cause the officers, directors and employees of the Company to supply all information in each case reasonably requested (and of the type customarily provided in connection with due diligence conducted in connection with a registered public offering of securities) by any such representative, managing underwriter(s), manager(s), attorney or accountant in connection with such Shelf Registration Statement, in each case subject to customary confidentiality arrangements in the case of any such persons other than the Investor, its

Table of Contents

advisers, the managing underwriter(s), if any, manager(s), if any, and any attorneys retained by such managing underwriter(s) or manager(s).

(xiii) Use reasonable best efforts to cause all such Registrable Securities to be listed on each national securities exchange on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then listed on any national securities exchange, use its reasonable best efforts to cause all such Registrable Securities to be listed on such securities exchange as the Investor may designate.

(xiv) If requested by Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, or the managing underwriter(s), if any, promptly include in a prospectus supplement or amendment such information as the Holders of a majority of the Registrable Securities being registered and/or sold in connection therewith, managing underwriter(s), if any, or manager(s), if any, may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or such amendment as soon as practicable after the Company has received such request.

(xv) Timely provide to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

(d) Suspension of Sales. Upon receipt of written notice from the Company that a registration statement, prospectus or prospectus supplement contains or may contain an untrue statement of a material fact or omits or may omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that circumstances exist that make inadvisable use of such registration statement, prospectus or prospectus supplement, the Investor and each Holder of Registrable Securities shall forthwith discontinue disposition of Registrable Securities until the Investor and/or Holder has received copies of a supplemented or amended prospectus or prospectus supplement, or until the Investor and/or such Holder is advised in writing by the Company that the use of the prospectus and, if applicable, prospectus supplement may be resumed, and, if so directed by the Company, the Investor and/or such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in the Investor and/or such Holder's possession, of the prospectus and, if applicable, prospectus supplement covering such Registrable Securities current at the time of receipt of such notice. The total number of days that any such suspension may be in effect in any 12-month period shall not exceed 90 days; *provided* that the duration of any permitted registration deferrals or suspensions of sales in any 12-month period pursuant to Section 1.1(a)(iii) or Section 1.1(c)(viii) shall reduce the duration of any permitted suspensions of sales in such 12-month period pursuant to this Section 1.1(d).

(e) Termination of Registration Rights. A Holder's registration rights as to any securities held by such Holder (and its Affiliates, partners, members and former members) shall not be available unless such securities are Registrable Securities.

Table of Contents

(f) Furnishing Information.

(i) Neither the Investor nor any Holder shall use any free writing prospectus (as defined in Rule 405) in connection with the sale of Registrable Securities without the prior written consent of the Company.

(ii) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 1.1(c) that the Investor and/or the selling Holders, the underwriters, if any, and the manager(s), if any, shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registered offering of such Registrable Securities.

(g) Indemnification.

(i) The Company agrees to indemnify each Holder and, if a Holder is a person other than an individual, such Holder's officers, directors, employees, agents, representatives and Affiliates, and each person, if any, that controls a Holder within the meaning of the Securities Act (each, an **Indemnitee**), against any and all losses, claims, damages, actions, liabilities, costs and expenses (including reasonable fees, expenses and disbursements of attorneys and other professionals incurred in connection with investigating, defending, settling, compromising or paying any such losses, claims, damages, actions, liabilities, costs and expenses), joint or several, arising out of or based upon any untrue statement or alleged untrue statement of material fact contained in any registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto or any documents incorporated therein by reference or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto); or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided* that the Company shall not be liable to such Indemnitee in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon (A) an untrue statement or omission made in such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto or contained in any free writing prospectus (as such term is defined in Rule 405) prepared by the Company or authorized by it in writing for use by such Holder (or any amendment or supplement thereto), in reliance upon and in conformity with information regarding such Indemnitee or its plan of distribution or ownership interests which was furnished in writing to the Company by such Indemnitee for use in connection with such registration statement, including any such preliminary prospectus or final prospectus contained therein or any such amendments or supplements thereto, or (B) offers or sales effected by or on behalf of such Indemnitee by means of (as defined in Rule 159A) a free writing prospectus (as defined in Rule 405) that was not authorized in writing by the Company.

Table of Contents

(ii) If the indemnification provided for in Section 1.1(g)(i) is unavailable to an Indemnitee with respect to any losses, claims, damages, actions, liabilities, costs or expenses referred to therein or is insufficient to hold the Indemnitee harmless as contemplated therein, then the Company, in lieu of indemnifying such Indemnitee, shall contribute to the amount paid or payable by such Indemnitee as a result of such losses, claims, damages, actions, liabilities, costs or expenses in such proportion as is appropriate to reflect the relative fault of the Indemnitee, on the one hand, and the Company, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, actions, liabilities, costs or expenses as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Indemnitee, on the other hand, shall be determined by reference to, among other factors, whether the untrue statement of a material fact or omission to state a material fact relates to information supplied by the Company or by the Indemnitee and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 1.1(g)(ii) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 1.1(g)(i). No Indemnitee guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from the Company if the Company was not also guilty of such fraudulent misrepresentation.

(h) Assignment of Registration Rights.

(i) The rights of the Investor to registration of Registrable Securities pursuant to Section 1.1(a) may be assigned by the Investor, in its sole discretion, to a transferee or assignee of Registrable Securities with a market value no less than \$500 million, and upon such assignment, such transferee or assignee shall become a Holder under this Agreement; *provided*, however, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the number and type of Registrable Securities that are being assigned, together with a counterpart of this Agreement executed by the transferee or assignee. For purposes of this Section 1.1(h), market value per share of Common Stock shall be the last reported sale price of the Common Stock on the national securities exchange on which the Common Stock is listed or admitted to trading on the last trading day prior to the proposed transfer, and the market value for either Warrant (or any portion thereof) shall be (i) the product of the market value per share of Common Stock, as described above, times the number of shares of Common Stock underlying such Warrant (or such portion) less (ii) the Exercise Price (as defined in such Warrant).

(ii) If the Investor transfers to a special purpose vehicle wholly-owned by the Investor (an **SPV**) any of its Registrable Securities, the Investor may, in its sole discretion, assign all of its rights under this Agreement with respect to such Registrable Securities to such SPV, and upon such assignment such SPV shall be treated as if it were the Investor with respect to such Registrable Securities so long as such SPV is wholly-owned by the Investor; *provided*, however, the transferor shall, within ten days after such transfer, furnish to the Company written notice of the name and address of such

Table of Contents

transferee or assignee and the number and type of Registrable Securities that are being assigned, together with a counterpart of this Agreement executed by the transferee or assignee.

(i) **Rule 144**. With a view to making available to the Investor and Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144(c)(1) or any similar or analogous rule promulgated under the Securities Act, at all times after the date of this Agreement (the **Signing Date**);

(ii) file with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act;

(iii) so long as the Investor or a Holder owns any Registrable Securities, furnish to the Investor or such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of Rule 144 under the Securities Act, and of the Exchange Act; a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as the Investor or Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities to the public without registration; and

(iv) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act.

(j) As used in this Section 1.1, the following terms shall have the following respective meanings:

(i) **Holder** means the Investor and any other holder of Registrable Securities to whom the registration rights conferred by this Agreement have been transferred in compliance with Section 1.1(h) and that has executed a counterpart of this Agreement. Other than the Investor, any Holder shall cease to be a Holder when all Registrable Securities held by such Holder are eligible to be resold under Rule 144 (regardless of any limitation thereunder on volume or manner of sale).

(ii) **Investor s Counsel** means, if the Investor is participating in the relevant offering, one counsel selected by the Investor for the selling Holders participating in such offering.

(iii) **Register, registered, and registration** shall refer to a registration effected by preparing and (A) filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of effectiveness of such registration statement or (B) filing a prospectus and/or

Table of Contents

prospectus supplement in respect of an appropriate effective registration statement on Form S-3.

(iv) **Registrable Securities** means (A) the 1,655,037,962 shares of Common Stock received by the Investor as part of the Recapitalization, (B) any shares of Common Stock issuable upon conversion of the Series G Preferred Stock, (C) the Warrants (subject to Section 1.1(n)), and (D) any equity securities issued or issuable directly or indirectly with respect to the securities referred to in the foregoing clauses by way of conversion, exercise or exchange thereof, including the shares of Common Stock issuable upon exercise of the Warrants, or share dividend or share split or in connection with a combination of shares, recapitalization, reclassification, merger, amalgamation, arrangement, consolidation or other reorganization; *provided* that, once issued, such securities will not be Registrable Securities when (1) they are sold pursuant to an effective registration statement under the Securities Act or pursuant to Rule 144, (2) they shall have ceased to be outstanding or (3) they have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned to the transferee of the securities; *provided, further* that shares of Common Stock underlying either Warrant will not be Registrable Securities if and when the Warrant pursuant to which such shares of Common Stock are issuable is terminated in accordance with its terms without exercise thereof. No Registrable Securities may be registered under more than one registration statement at any one time.

(v) **Registration Expenses** mean all expenses incurred by the Company in effecting any registration pursuant to this Agreement (whether or not any registration or prospectus becomes effective or final) or otherwise complying with its obligations under this Section 1.1, including all registration, filing and listing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, expenses incurred in connection with any road show, the reasonable fees and disbursements of Investor's Counsel and expenses of the Company's independent accountants in connection with any regular or special reviews or audits incident to or required by any such registration, but shall not include Selling Expenses.

(vi) **Rule 144**, **Rule 159A**, **Rule 405** and **Rule 415** mean, in each case, such rule promulgated under the Securities Act (or any successor provision), as the same shall be amended from time to time.

(vii) **Selling Expenses** mean all discounts, selling commissions, exchange fees and stock transfer taxes applicable to the sale of Registrable Securities and fees and disbursements of counsel for the Investor (other than the fees and disbursements of Investor's Counsel included in Registration Expenses).

(k) At any time, any holder of Registrable Securities (including any Holder) may elect to forfeit its rights set forth in this Section 1.1 from that date forward; *provided* that a Holder forfeiting such rights shall nonetheless be entitled to participate under Sections 1.1(a)(iv), (v) and (vii) in any Pending Underwritten Offering to the same extent that such Holder would have been entitled to if the holder had not withdrawn; and *provided, further*, that no such forfeiture shall terminate a Holder's rights or obligations under Sections 1.1(f) and 1.1(g) with respect to any

Table of Contents

prior registration or Pending Underwritten Offering. **Pending Underwritten Offering** means, with respect to any Holder forfeiting its rights pursuant to this Section 1.1(k), any underwritten offering of Registrable Securities in which such Holder has advised the Company of its intent to register its Registrable Securities either pursuant to Section 1.1(a)(ii) or 1.1(a)(iv) prior to the date of such Holder's forfeiture.

(l) **Specific Performance**. The parties hereto acknowledge that there would be no adequate remedy at law if the Company fails to perform any of its obligations under this Section 1.1 and that the Investor and the Holders from time to time may be irreparably harmed by any such failure, and accordingly agree that the Investor and such Holders, in addition to any other remedy to which they may be entitled at law or in equity, to the fullest extent permitted and enforceable under applicable law, shall be entitled to compel specific performance of the obligations of the Company under this Section 1.1 in accordance with the terms and conditions of this Section 1.1.

(m) **No Inconsistent Agreements**. The Company shall not, on or after the Signing Date, enter into any agreement with respect to its securities that may impair the rights granted to the Investor and the Holders under this Section 1.1 or that otherwise conflicts with the provisions hereof in any manner that may impair the rights granted to the Investor and the Holders under this Section 1.1. The Company represents that, as of the closing of the Recapitalization, it is not a party to any agreement with respect to its securities that is inconsistent with the rights granted to the Investor and the Holders under this Section 1.1 (including agreements that are inconsistent with the order of priority contemplated by Section 1.1(a)(vii)) or that may otherwise conflict with the provisions hereof.

(n) **Registered Sales of the Warrants**. The Holders agree to sell either of the Warrants or any portion thereof under the Shelf Registration Statement as soon as practicable after notifying the Company of any such sale, before which sale the Investor and all Holders of such Warrant shall take reasonable steps to agree to revisions to such Warrant to permit a public distribution of such Warrant, including entering into a warrant agreement and appointing a warrant agent.

1.2 *Other Registration Rights*. This Agreement supersedes any prior agreement, arrangement or understanding providing the Investor with registration rights with respect to any securities of the Company.

Article 2

Miscellaneous

2.1 *Interpretation*. The terms defined in the singular have a comparable meaning when used in the plural, and vice versa. References to herein, hereof, hereunder and the like refer to this Agreement as a whole and not to any particular section or provision, unless expressly stated otherwise herein. Whenever the words include, includes or including are used in this Agreement, they shall be deemed followed by the words without limitation.

Table of Contents

Writing , written and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. No rule of construction against the draftsman shall be applied in connection with the interpretation or enforcement of this Agreement, as this Agreement is the product of negotiation between sophisticated parties advised by counsel. All references to \$ or dollars mean the lawful currency of the United States of America. Except as expressly stated in this Agreement, all references to any statute, rule or regulation are to the statute, rule or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute, rule or regulation include any successor to the section. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Transaction Agreement.

2.2 Termination. This Agreement may be terminated by either party at any time prior to the Closing if the Transaction Agreement is terminated pursuant to its terms. In the event of such a termination of this Agreement, this Agreement shall forthwith become void and there shall be no liability on the part of either party hereto except that nothing herein shall relieve either party from liability for any breach of this Agreement.

2.3 Amendment. No amendment of any provision of this Agreement will be effective unless made in writing and signed in all cases by the Company and the Investor (on behalf of all Holders) so long as the Investor is a Holder or, if the Investor is no longer a Holder, by the Holders of a majority of the then outstanding Registrable Securities; *provided* that the Investor may unilaterally amend any provision of this Agreement to the extent required to comply with any changes after the Signing Date in applicable federal statutes. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative of any rights or remedies provided by law. Each Holder (other than the Investor) by executing a counterpart of this Agreement agrees to be bound by any amendments approved of by the Investor while it is a Holder.

2.4 Governing Law: Submission to Jurisdiction, Etc. This Agreement, and the rights and obligations of the parties hereunder, shall be governed by, and construed and interpreted in accordance with, (a) for so long as the Investor is a Holder, United States federal law and not the law of any State or (b) if the Investor is no longer a Holder, the laws of the State of New York without regard to the rules of conflicts of laws. To the extent that a court looks to the laws of any State to determine or define the United States federal law, it is the intention of the parties hereto that such court shall look only to the laws of the State of New York without regard to the rules of conflicts of laws. Each of the parties hereto agrees (x) to submit to the exclusive jurisdiction and venue of (i) for so long as the Investor is a Holder, the United States District Court for the District of Columbia or, in the case of any claim against the Investor for monetary damages in excess of \$10,000, the United States Court of Federal Claims, or (ii) if the Investor is no longer a Holder, any federal or state court located in New York County, for any and all actions, suits or

Table of Contents

proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, and (y) that notice may be served upon either party at the address and in the manner set forth for notices in Section 12.01 of the Transaction Agreement. To the extent permitted by applicable law, each of the parties hereto hereby unconditionally waives trial by jury in any legal action or proceeding relating to this Agreement or the transactions contemplated hereby.

2.5 *Notices.* Any notice, request, instruction or other document to be given hereunder by any party to the other will be given at the address and in the manner set forth for notices in Section 12.01 of the Transaction Agreement.

2.6 *Definitions.*

(a) When a reference is made in this Agreement to a subsidiary of a person, the term **subsidiary** means any corporation, partnership, joint venture, limited liability company or other entity (x) of which such person or a subsidiary of such person is a general partner or (y) of which a majority of the voting securities or other voting interests, or a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity, is directly or indirectly owned by such person and/or one or more subsidiaries thereof; provided that no Fund shall be a subsidiary for purposes of this Agreement.

(b) The term **Fund** means any investment vehicle managed by the Company or an Affiliate of the Company and created in the ordinary course of the Company's asset management business for the purpose of selling Equity Interests in such investment vehicle to third parties. **Equity Interests** means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in any entity, and any option, warrant or other right entitling the holder thereof to purchase or otherwise acquire any such equity interest.

(c) The term **Affiliate** means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, **control** (including, with correlative meanings, the terms **controlled by** and **under common control with**) when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities by contract or otherwise.

It is understood and agreed that the obligations of the Company under this Agreement shall in no event be deemed to extend to or apply to any Fund or any entity controlled by any Fund.

2.7 *Severability.* (a) The parties intend for the Recapitalization to constitute a single, integrated, non-severable transaction.

(b) Subject to Section 2.7(a), if any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired

Table of Contents

or invalidated so long as the economic or legal substance of the Recapitalization is not affected in any manner materially adverse to any party hereto. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the Recapitalization be consummated as originally contemplated to the fullest extent possible.

2.8 No Third Party Beneficiaries. Nothing contained in this Agreement, expressed or implied, is intended to confer upon any person or entity other than the Company and the Investor any benefit, right or remedies, except that the provisions of Section 1.1 shall inure to the benefit of the persons referred to in that Section.

2.9 Whenever the Investor owns fewer than 33,100,759 shares of Common Stock (as appropriately adjusted for any stock splits, reverse stock splits or dividends on the Common Stock paid in the form of shares of Common Stock or similar transaction, in each case that occur after the closing of the Recapitalization), the Company shall have the right, on written notice to the Investor, to require the Investor, at the Investor's election, either (i) to sell all of its remaining Registrable Securities within 60 days of its receipt of such notice in any manner permitted by this Agreement or (ii) to sell all of its remaining Registrable Securities other than any Warrants to the Company (the **Company Sale Election**) in the manner set forth below. If the Investor makes the Company Sale Election, it shall, by notice to the Company, designate a Trading Day within 60 days of its receipt of the Company's notice as the pricing date for the sale to the Company of all of its remaining Registrable Securities (the **Pricing Date**), which designation may occur after close business on such trading day. The sale of the Investor's remaining Registrable Securities shall occur three business days after the Pricing Date at a price per share equal to the greater of (A) the average of the VWAP of the Common Stock for the period of 20 consecutive Trading Days ending on and including the Pricing Date and (B) the Closing Price of the Common Stock on the Pricing Date. To the extent the Registrable Securities to be sold to the Company include any Warrants, the Company and the Investor shall negotiate in good faith to determine the purchase price per Warrant. If within 60 days of its receipt of the Company's notice, the Investor has not sold all its Registrable Securities pursuant to this Agreement and has not designated the Pricing Date, the Investor shall be deemed to have made the Company Sale Election and the Pricing Date shall be the first Trading Day after the end of such 60-day period. The expenses incurred by the Investor in connection with any Company Sale Election shall be borne by the Company.

For the purposes of this Section 2.9:

Closing Price per share of Common Stock at any date means the last reported sales price or, if no such reported sale takes place on such date, the average of the reported closing bid and asked prices on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, the principal national securities exchange or quotation system on which the Common Stock is quoted or listed or admitted to trading or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the closing sales price or, if no reported sale takes place, the average of the closing bid and asked prices, as furnished by any two members of the Financial Industry Regulatory Authority selected by the Investor for that purpose. For purposes of determining the Closing Price, extended or after hours trading shall not be taken into account.

Market Disruption Event means (i) a failure by the primary U.S. national or regional securities exchange or market on which the Common Stock is listed or admitted for trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the Common Stock or in any options, contract or future contracts relating to the Common Stock.

Scheduled Trading Day means a day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange or market on which the Common Stock is listed or admitted for trading. If the Common Stock is not so listed or admitted for trading, **Scheduled Trading Day** means a business day.

Trading Day means a day on which (i) there is no Market Disruption Event and (ii) the Common Stock trades regular way on The New York Stock Exchange or, if the Common Stock is not then listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Common Stock is then listed or, if the Common Stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Common Stock is then listed or admitted for trading. If the Common Stock is not so listed

or admitted for trading, Trading Day means a business day.

VWAP per share of the Common Stock on any Trading Day means the per share volume weighted average price as displayed on Bloomberg (or any successor service) page AIG US <Equity> AQR in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on the relevant Trading Day or, if any capital stock or similar equity interests are distributed to holders of Common Stock as contemplated in Section 4.01(c), VWAP per share of such capital stock or similar equity interests on any Trading Day means the per share volume weighted average price as displayed on Bloomberg (or any successor service) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on the relevant Trading Day, or in either case, if such volume weighted average price is unavailable, VWAP means the market value per share of Common Stock or such capital stock or similar equity interests on such Trading Day as determined by a nationally recognized independent investment banking firm retained by the Company for this purpose.

[Signature Page Follows]

21

Table of Contents

In witness whereof, this Registration Rights Agreement has been duly executed and delivered by the duly authorized representatives of the parties hereto as of the date written below.

AMERICAN INTERNATIONAL GROUP, INC.

By:
Name:
Title:

UNITED STATES DEPARTMENT OF THE
TREASURY

By:
Name:
Title:

Date: [_____]



Table of Contents

Appendix C-1

**Merrill Lynch, Pierce, Fenner & Smith Incorporated
Fairness Opinion**

C-1-1

Table of Contents

[BOFA MERRILL LYNCH LETTERHEAD]

CONFIDENTIAL

September 29, 2010

Board of Directors
American International Group, Inc.
70 Pine Street
New York, New York 10270

Members of the Board of Directors:

We understand that American International Group, Inc. (**AIG** , the **Company** or **you**) proposes to enter into a transaction among **AIG**, the Federal Reserve Bank of New York (**FRBNY**), the United States Department of the Treasury (**UST**) and the **AIG Credit Facility Trust** (the **Trust**), pursuant to which, among other things: (a) **AIG** will exchange approximately 924.5 million shares of common stock, par value \$2.50 per share, of **AIG** (**AIG Common Stock**) for \$41.6 billion in aggregate stated amount of **AIG** s **Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock**, par value \$5.00 per share (**Series E Preferred Stock**), currently held by **UST**; (b) **AIG** will exchange approximately 167.6 million shares of **AIG Common Stock** for \$7.5 billion in aggregate stated amount of **AIG** s **Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock**, par value \$5.00 per share (**Series F Preferred Stock**), currently held by **UST**; and (c) **AIG** will issue to the holders of **AIG Common Stock** prior to the Closing, by means of a dividend distribution, 10-year warrants to purchase up to 75 million shares of **AIG Common Stock** in the aggregate at an exercise price of \$45.00 per share (the **Warrants**). We refer to the transactions described in clauses (a), (b) and (c) of the immediately preceding sentence collectively as the **Exchange Transactions** . The terms and conditions of the **Exchange Transactions** are more fully set forth in the term sheet agreed by and between **AIG**, **FRBNY**, **UST** and the **Trust**, which is attached hereto as **Exhibit A** and which the **Company** has informed us will be attached to an agreement in principle by and between the same parties to be entered into on September 30, 2010 (the **Term Sheet**).

You have requested our opinion as to the fairness, from a financial point of view, to the holders of **AIG Common Stock** (other than **UST**) of the consideration to be paid by **AIG** in the **Exchange Transactions**, taken as a whole.

We further understand that the **Exchange Transactions** are part of a series of integrated transactions collectively referred to as the **Recapitalization** (and as further described in the **Term Sheet**) pursuant to which, among other things, at the **Closing** (as defined in the **Term Sheet**): (a) **AIG** will repay in cash (the **FRBNY Repayment**) all of the remaining principal, accrued and unpaid interest, fees and other amounts owing, and terminate all commitments, under the **Credit Agreement** dated as of September 22, 2008 (the **FRBNY Credit Facility**) between **AIG** and the **FRBNY**, to be funded solely from: (i) secured non-recourse loans to **AIG** from **AIA Aurora LLC** and **ALICO Holdings LLC** of the net cash proceeds from the initial public offering of **American International Assurance Company, Limited** (**AIA**) and the sale of **American Life Insurance Company** (**ALICO**), respectively; and (ii) cash generated by **AIG** and its subsidiaries; (b) **AIG** and the **UST** will amend and restate the **SPA** (as defined in the **Term Sheet**) relating to the **Series F Preferred Stock** to convert (the **Series F/G Drawdown Exchange**) a portion, not to exceed \$2 billion, of the amount of **Series F Preferred Stock** that **AIG** can require **UST** to subscribe for and purchase (the **Series F Drawdown Right**), into a right of **AIG** to require **UST** to subscribe for and purchase an equivalent amount (the **Series G Designated Amount**) of a new series of preferred stock of **AIG** to be designated as **Series G Cumulative Mandatory Convertible Preferred Stock** (the **Series G Preferred Stock**) for general corporate purposes (the **Series G Drawdown Right**); (c) pursuant to an exercise of the **Series F Drawdown Right**, **AIG** will require **UST** to subscribe for and purchase **Series F Preferred Stock** (the **Series F Drawdown Shares**) in an aggregate stated amount (the **Series F Closing Drawdown Amount**) equal to the lesser of (i) the remaining balance undrawn pursuant to the **Series F**

Drawdown Right (less the Series G Designated Amount) and (ii) the aggregate liquidation preference of the preferred interests in AIA Aurora LLC and ALICO Holdings LLC

C-1-2

Table of Contents

Board of Directors
American International Group, Inc.
Page 2

outstanding at the Closing (the AIA Preferred Interests and the ALICO Preferred Interests, respectively, and collectively, the AIA/ALICO Preferred Interests); (d) AIG will purchase from the FRBNY the AIA/ALICO Preferred Interests (the Purchased AIA/ALICO Preferred Interests) having an aggregate liquidation preference equal to at least the Series F Closing Drawdown Amount, for a cash purchase price (the AIA/ALICO Preferred Interests Purchase Price) equal to the aggregate outstanding liquidation preference of all of the Purchased AIA/ALICO Preferred Interests and will fund the AIA/ALICO Preferred Interests Purchase Price from the Series F Closing Drawdown Amount; (e) UST will exchange the Series F Drawdown Shares (including amounts drawn at the Closing) for: (i) all of the Purchased AIA/ALICO Preferred Interests; and (ii) shares of Series G Preferred Stock which will evidence (A) any amounts allocated by AIG to the Series G Drawdown Right to be available to be drawn after the Closing and (B) any amounts drawn by AIG on the Series F Drawdown Right between announcement of the Recapitalization and Closing; and (f) the Trust will exchange its AIG Series C Perpetual, Convertible, Participating Preferred Stock (the Series C Preferred Stock) for approximately 562.9 million shares of AIG Common Stock. The terms and conditions of the Recapitalization are more fully set forth in the Term Sheet, and we understand that the consummation of the Exchange Transactions is subject to the contemporaneous completion of the other aspects of the Recapitalization.

Finally, we understand that, following the announcement of the Recapitalization and prior to June 30, 2011, the Company intends to: (a) offer to exchange shares of AIG Common Stock for one or more series of its outstanding hybrid securities; (b) offer to exchange shares of AIG Common Stock and cash for the equity units mandatorily exchangeable for shares of AIG Common Stock that it issued on May 16, 2008; (c) effect an underwritten public offering of shares of AIG Common Stock having net proceeds which, when taken together with the aggregate principal amount of the securities repurchased through the Hybrid Exchange Offer, would exceed \$6.6 billion; (d) effect one or more offerings or placements of senior debt securities in an aggregate principal amount of at least \$1.0 billion; (e) effect one or more offerings or placements of contingent capital securities of the Company and its subsidiaries in an aggregate principal amount of at least \$1.5 billion (through December 31, 2011); and (f) establish new credit facilities in an aggregate principal amount of at least \$1.5 billion. We refer to the transactions described in this paragraph and pursuant to our discussions with senior management of AIG collectively as the Post-Recapitalization Financing Plan.

In connection with this opinion, we have, among other things:

- (i) reviewed publicly available business and financial information relating to AIG;
- (ii) reviewed certain internal financial and operating information with respect to the business, operations and prospects of AIG furnished to or discussed with us by the management of AIG (such forecasts, the AIG Forecasts), which we understand have been provided to you and which set forth, among other things:

the net cash proceeds anticipated to be received from the proposed initial public offering of AIA and the Post-Recapitalization Financing Plan;

the values to be realized upon the disposition of certain businesses of AIG, including, without limitation, ALICO, certain assets held by Nan Shan Life Insurance Company, Ltd., AIG Star Life Insurance Co. Ltd and AIG Edison Life Insurance Company; and

certain assumed financial consequences and operational benefits to AIG of the Series F/G Drawdown Exchange and the elimination of the FRBNY Credit Facility and the Series F Drawdown Right, as

Edgar Filing: AMERICAN INTERNATIONAL GROUP INC - Form DEF 14C
anticipated by AIG's management;

C-1-3

Table of Contents

Board of Directors
American International Group, Inc.
Page 3

(iii) discussed with certain senior officers, directors and other representatives and advisors of AIG the past and current business, operations, financial condition and prospects of AIG and its subsidiaries, including the following:

their assessment of the rationale for the Recapitalization;

the relationship among AIG, the FRBNY and the UST;

the desire of the FRBNY and the UST to effect the Recapitalization at the present time;

the views of AIG's management with respect to the capital and funding requirements of AIG and its subsidiaries;

the impact of the Recapitalization and the Post-Recapitalization Financing Plan on AIG and its subsidiaries' existing financial strength, issuer credit and debt ratings from A.M. Best Co., Moody's Investors Service and Standard & Poor's Ratings Services; and

the adverse impact on the operations of AIG and its subsidiaries of the restrictive covenants of the FRBNY Credit Facility;

(iv) reviewed the financial terms of the Exchange Transactions as set forth in the Term Sheet in relation to, among other things:

current and historical market prices and trading volumes of AIG Common Stock;

the historical and projected earnings and other operating data of AIG and its subsidiaries; and

the capitalization and financial condition of AIG;

(v) considered, to the extent publicly available, the financial terms of certain other transactions which we deemed relevant in evaluating the Exchange Transactions, and reviewed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations we deemed relevant in evaluating those of AIG;

(vi) evaluated certain potential pro forma financial effects of the Recapitalization and the Post-Recapitalization Financing Plan on AIG;

(vii) reviewed the Term Sheet; and

(viii) performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the management of AIG that they are not aware of any

facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the AIG Forecasts, we have been advised by the management of AIG that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of AIG as to the future financial performance of AIG and, at the direction of the management of AIG and with your consent, (i) we have relied upon the AIG Forecasts in our analysis and in arriving at our opinion, and (ii) we have assumed that the anticipated net proceeds from the disposition of assets will be achieved in the amounts and at the times contemplated by the AIG Forecasts. With respect to the Series E Preferred Stock and Series F Preferred Stock to be repurchased by AIG pursuant to the Exchange Transactions, we have assumed, at your direction and with your consent, that the fair value of each of the Series E Preferred Stock and Series F Preferred Stock is equal to the liquidation value thereof. We have relied upon your view that effecting a transaction similar to

C-1-4

Table of Contents

Board of Directors
American International Group, Inc.
Page 4

the Recapitalization is essential for the long-term viability of AIG's businesses. Further, we have assumed, at your direction and with your consent, that (a) AIG will effect the Post-Recapitalization Financing Plan substantially in accordance with the proposed terms thereof, and (b) at all times until completion of the Post-Recapitalization Financing Plan, AIG and its subsidiaries will maintain their financial strength, issuer credit and debt ratings assigned by A.M. Best Co., Moody's Investors Service and Standard & Poor's Ratings Services as in effect on the date hereof.

We are not actuaries and our services did not include actuarial determinations or evaluations by us or any attempt by us to evaluate actuarial assumptions, and we will rely on you with respect to the appropriateness and adequacy of insurance-related reserves of AIG or any of its subsidiaries or affiliates. We will also rely on you with respect to the appropriateness and adequacy of reserves of AIG or any of its subsidiaries or affiliates for credit-related losses on securities, loans, derivative instruments or other counterparty exposures. We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of AIG or any of its subsidiaries (other than the valuations prepared by one of our affiliates with respect to Maiden Lane II LLC and Maiden Lane III LLC and previously delivered in writing to the Company), nor have we made any physical inspection of the properties or assets of AIG or any of its subsidiaries. We have not evaluated the solvency of AIG under any state or federal laws relating to bankruptcy, insolvency or similar matters. Finally, we have assumed, at your direction and with your consent, that the Recapitalization (including the Exchange Transactions) will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Recapitalization (including the Exchange Transactions), no delay, limitation, restriction or condition will be imposed that would have an adverse effect on AIG or the contemplated benefits of the Recapitalization (including the Exchange Transactions). Representatives of AIG have advised us, and we further have assumed, that the final terms of the Recapitalization as set forth in the definitive documentation relating thereto, including the terms of the new Series G Preferred Stock, as consummated will not vary materially from those set forth in the Term Sheet. We are not expressing any opinion as to what the value of the AIG Common Stock actually will be when issued pursuant to the Exchange Transactions or the price at which the AIG Common Stock will trade at any time.

We express no view herein as to, and our opinion does not address, the underlying business decision of AIG to effect the Exchange Transactions or any other aspect of the Recapitalization, the relative merits of the Exchange Transactions or any other aspect of the Recapitalization as compared to any alternative business strategies that might exist for AIG or the effect of any other transaction in which AIG might engage, including the possibility that AIG could continue to operate under its current capital structure or effect a transaction similar to the Recapitalization at a later date. We do not express any view on, and our opinion does not address, any other term, aspect or implications of the Term Sheet or the Recapitalization, including, without limitation, the FRBNY Repayment, the Series F/G Drawdown Exchange, the decision to draw pursuant to the Series F Drawdown Right the Series F Closing Drawdown Amount, the acquisition of the Purchased AIA/ALICO Preferred Interests and the Post-Recapitalization Financing Plan, other provisions for obligations after the closing of the Recapitalization, ancillary agreements between AIG, the FRBNY, the UST and/or the Trust or any of their respective affiliates, or the fairness of the Exchange Transactions or any other aspect of the Recapitalization to, or any consideration received in connection therewith by, the holders of any class of securities, creditors or other constituencies of AIG, including the UST, the FRBNY or the Trust, in each case other than holders in respect of their shares of AIG Common Stock. In addition, our opinion does not address any legal, regulatory, tax or accounting matters, as to which matters we understand AIG has received such advice as it deems necessary from qualified professionals. In addition, we express no opinion or recommendation as to how any holder of any class of securities should vote or act in connection with the Exchange Transactions or any related

matter.

We have acted as financial advisor to AIG in connection with the Recapitalization and will receive a fee for our services, a portion of which is payable upon the rendering of this opinion and a significant portion of

C-1-5

Table of Contents

Board of Directors
American International Group, Inc.
Page 5

which is contingent upon consummation of the Recapitalization. In addition, AIG has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement. We and certain of our affiliates also expect to serve as underwriter, placement agent and/or dealer manager in connection with the transactions contemplated by the Post-Recapitalization Financing Plan, in respect of which we and such affiliates anticipate receiving substantial fees.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of AIG and certain of its affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to AIG and certain of its affiliates and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as book-running manager, lead arranger and/or agent bank for certain credit facilities of AIG and certain of its affiliates, (ii) having acted or acting as financial advisor to AIG and certain of its affiliates in connection with certain mergers and acquisitions transactions, (iii) having acted as manager or arranger for various debt and equity offerings of AIG and certain of its affiliates, (iv) having provided or providing certain cash and treasury management, credit card and commodity, derivatives and foreign exchange trading services to AIG and certain of its affiliates and (v) having acted or acting as lender under certain term loans, letters of credit and credit, leasing and conduit facilities for AIG and certain of its affiliates. In addition, certain of our affiliates maintain significant commercial (including customer) relationships with AIG and certain of its affiliates.

In addition, we and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to potential purchasers of certain of AIG's subsidiaries and/or assets and have received or in the future may receive compensation for the rendering of these services, including acting as financial advisor and providing financing to the purchaser in AIG's pending sale of ALICO and acting as financial advisor and potentially providing financing to a potential purchaser in the contemplated sale of AIG Star Life Insurance Co. Ltd.

It is understood that this letter is for the benefit and use of the Board of Directors of AIG (in its capacity as such) in connection with and for purposes of its evaluation of the Exchange Transactions.

Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. As you are aware, the credit, financial and stock markets have been experiencing unusual volatility and we express no opinion or view as to any potential effects of such volatility on the Exchange Transactions or any other aspect of the Recapitalization or any parties thereto. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion. The issuance of this opinion was approved by our Americas Fairness Opinion Review Committee.

Table of Contents

Board of Directors
American International Group, Inc.
Page 6

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the consideration to be paid by AIG in the Exchange Transactions, taken as a whole, is fair, from a financial point of view, to the holders of AIG Common Stock (other than UST).

Very truly yours,

/s/ Merrill Lynch, Pierce, Fenner & Smith Incorporated

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

C-1-7

Table of Contents

Appendix C-2

**Citigroup Global Markets Inc.
Fairness Opinion**

C-2-1

Table of Contents

[CITIGROUP LETTERHEAD]

CONFIDENTIAL

September 29, 2010

Board of Directors
American International Group, Inc.
70 Pine Street
New York, New York 10270

Members of the Board of Directors:

We understand that American International Group, Inc. (AIG , the Company or you) proposes to enter into a transaction among AIG, the Federal Reserve Bank of New York (FRBNY), the United States Department of the Treasury (UST) and the AIG Credit Facility Trust (the Trust), pursuant to which, among other things: (a) AIG will exchange approximately 924.5 million shares of common stock, par value \$2.50 per share, of AIG (AIG Common Stock) for \$41.6 billion in aggregate stated amount of AIG's Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (Series E Preferred Stock), currently held by UST; (b) AIG will exchange approximately 167.6 million shares of AIG Common Stock for \$7.5 billion in aggregate stated amount of AIG's Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (Series F Preferred Stock), currently held by UST; and (c) AIG will issue to the holders of AIG Common Stock prior to the Closing, by means of a dividend distribution, 10-year warrants to purchase up to 75 million shares of AIG Common Stock in the aggregate at an exercise price of \$45.00 per share (the Warrants). We refer to the transactions described in clauses (a), (b) and (c) of the immediately preceding sentence collectively as the Exchange Transactions . The terms and conditions of the Exchange Transactions are more fully set forth in the term sheet agreed by and between AIG, FRBNY, UST and the Trust, which is attached hereto as Exhibit A and which the Company has informed us will be attached to an agreement in principle by and between the same parties to be entered into on September 30, 2010 (the Term Sheet).

You have requested our opinion as to the fairness, from a financial point of view, to the holders of AIG Common Stock (other than UST) of the consideration to be paid by AIG in the Exchange Transactions, taken as a whole.

We further understand that the Exchange Transactions are part of a series of integrated transactions collectively referred to as the Recapitalization (and as further described in the Term Sheet) pursuant to which, among other things, at the Closing (as defined in the Term Sheet): (a) AIG will repay in cash (the FRBNY Repayment) all of the remaining principal, accrued and unpaid interest, fees and other amounts owing, and terminate all commitments, under the Credit Agreement dated as of September 22, 2008 (the FRBNY Credit Facility) between AIG and the FRBNY, to be funded solely from: (i) secured non-recourse loans to AIG from AIA Aurora LLC and ALICO Holdings LLC of the net cash proceeds from the initial public offering of American International Assurance Company, Limited (AIA) and the sale of American Life Insurance Company (ALICO), respectively; and (ii) cash generated by AIG and its subsidiaries; (b) AIG and the UST will amend and restate the SPA (as defined in the Term Sheet) relating to the Series F Preferred Stock to convert (the Series F/G Drawdown Exchange) a portion, not to exceed \$2 billion, of the amount of Series F Preferred Stock that AIG can require UST to subscribe for and purchase (the Series F Drawdown Right), into a right of AIG to require UST to subscribe for and purchase an equivalent amount (the Series G Designated Amount) of a new series of preferred stock of AIG to be designated as Series G Cumulative Mandatory Convertible Preferred Stock (the Series G Preferred Stock) for general corporate purposes (the Series G Drawdown Right); (c) pursuant to an exercise of the Series F Drawdown Right, AIG will require UST to subscribe for and purchase Series F Preferred Stock (the Series F Drawdown Shares) in an aggregate stated amount (the Series F Closing Drawdown Amount) equal to the lesser of (i) the remaining balance undrawn pursuant to the Series F

Drawdown Right (less the Series G Designated Amount) and (ii) the aggregate liquidation preference of the preferred interests in AIA Aurora LLC and ALICO Holdings LLC

C-2-2

Table of Contents

Board of Directors

American International Group, Inc.

Page 2

outstanding at the Closing (the AIA Preferred Interests and the ALICO Preferred Interests, respectively, and collectively, the AIA/ALICO Preferred Interests); (d) AIG will purchase from the FRBNY the AIA/ALICO Preferred Interests (the Purchased AIA/ALICO Preferred Interests) having an aggregate liquidation preference equal to at least the Series F Closing Drawdown Amount, for a cash purchase price (the AIA/ALICO Preferred Interests Purchase Price) equal to the aggregate outstanding liquidation preference of all of the Purchased AIA/ALICO Preferred Interests and will fund the AIA/ALICO Preferred Interests Purchase Price from the Series F Closing Drawdown Amount; (e) UST will exchange the Series F Drawdown Shares (including amounts drawn at the Closing) for: (i) all of the Purchased AIA/ALICO Preferred Interests; and (ii) shares of Series G Preferred Stock which will evidence (A) any amounts allocated by AIG to the Series G Drawdown Right to be available to be drawn after the Closing and (B) any amounts drawn by AIG on the Series F Drawdown Right between announcement of the Recapitalization and Closing; and (f) the Trust will exchange its AIG Series C Perpetual, Convertible, Participating Preferred Stock (the Series C Preferred Stock) for approximately 562.9 million shares of AIG Common Stock. The terms and conditions of the Recapitalization are more fully set forth in the Term Sheet, and we understand that the consummation of the Exchange Transactions is subject to the contemporaneous completion of the other aspects of the Recapitalization.

Finally, we understand that, following the announcement of the Recapitalization and prior to June 30, 2011, the Company intends to: (a) offer to exchange shares of AIG Common Stock for one or more series of its outstanding hybrid securities; (b) offer to exchange shares of AIG Common Stock and cash for the equity units mandatorily exchangeable for shares of AIG Common Stock that it issued on May 16, 2008; (c) effect an underwritten public offering of shares of AIG Common Stock having net proceeds which, when taken together with the aggregate principal amount of the securities repurchased through the Hybrid Exchange Offer, would equal at least \$6.6 billion; (d) effect one or more offerings or placements of senior debt securities in an aggregate principal amount of at least \$1.0 billion; (e) effect one or more offerings or placements of contingent capital securities of the Company and its subsidiaries in an aggregate principal amount of at least \$1.5 billion (through December 31, 2011); and (f) establish new credit facilities in an aggregate principal amount of at least \$1.5 billion. We refer to the transactions described in this paragraph and pursuant to our discussions with senior management of AIG collectively as the Post-Recapitalization Financing Plan.

In arriving at our opinion, we reviewed the Term Sheet and held discussions with certain senior officers, directors and other representatives and advisors of AIG concerning their assessment of the rationale for the Recapitalization, the relationship among AIG, the FRBNY and the UST, the desire of the FRBNY and the UST to effect the Recapitalization at the present time and the past and current business operations, financial condition and future prospects of AIG and its subsidiaries. We have also considered the views of AIG's management with respect to the capital and funding requirements of AIG and its subsidiaries, the impact of the Recapitalization and the Post-Recapitalization Financing Plan on AIG and its subsidiaries' existing financial strength, issuer credit and debt ratings from A.M. Best Co., Moody's Investors Service and Standard & Poor's Ratings Services, and the adverse impact on the operations of AIG and its subsidiaries of the restrictive covenants of the FRBNY Credit Facility. We also examined certain publicly available business and financial information relating to AIG and certain financial forecasts and other information and data relating to AIG prepared by its management (the AIG Forecasts), which we understand have been provided to you and which set forth, among other things, (i) the net cash proceeds anticipated to be received from the proposed initial public offering of AIA and the Post-Recapitalization Financing Plan; (ii) the values to be realized upon the disposition of certain businesses of AIG, including, without limitation, ALICO, certain assets held by Nan Shan Life Insurance Company, Ltd., AIG Star Life Insurance Co. Ltd and AIG Edison Life Insurance Company; and (iii) certain assumed financial consequences and operational benefits to AIG of the Series F/G Drawdown Exchange and the elimination of the FRBNY Credit Facility and the Series F Drawdown Right,

as anticipated by AIG's management. The AIG Forecasts, including information relating to the assumptions underlying such forecasts, were approved for our use by the management of AIG. We

C-2-3

Table of Contents

Board of Directors
American International Group, Inc.
Page 3

reviewed the financial terms of the Exchange Transactions as set forth in the Term Sheet in relation to, among other things: current and historical market prices and trading volumes of AIG Common Stock; the historical and projected earnings and other operating data of AIG and its subsidiaries; and the capitalization and financial condition of AIG. We considered, to the extent publicly available, the financial terms of certain other transactions which we deemed relevant in evaluating the Exchange Transactions, and reviewed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations we deemed relevant in evaluating those of AIG. We also evaluated certain potential pro forma financial effects of the Recapitalization and the Post-Recapitalization Financing Plan on AIG. In addition to the foregoing, we conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as we deemed appropriate in arriving at our opinion. The issuance of our opinion has been authorized by our fairness opinion committee.

In rendering our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and upon the assurances of the management of AIG that it is not aware of any relevant information that has been omitted or that remains undisclosed to us. With respect to the AIG Forecasts, we have been advised by the management of AIG that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of AIG as to the future financial performance of AIG and, at the direction of the management of AIG and with your consent, (i) we have relied upon the AIG Forecasts in our analysis and in arriving at our opinion, and (ii) we have assumed that the anticipated net proceeds from the disposition of assets will be achieved in the amounts and at the times contemplated by the AIG Forecasts.

With respect to the Series E Preferred Stock and Series F Preferred Stock to be repurchased by AIG pursuant to the Exchange Transactions, we have assumed, at your direction and with your consent, that the fair value of each of the Series E Preferred Stock and Series F Preferred Stock is equal to the liquidation value thereof. We have relied upon your view that effecting a transaction similar to the Recapitalization is essential for the long-term viability of AIG's businesses. Further, we have assumed, at your direction and with your consent, that (a) AIG will effect the Post-Recapitalization Financing Plan substantially in accordance with the proposed terms thereof, and (b) at all times until completion of the Post-Recapitalization Financing Plan, AIG and its subsidiaries will maintain their financial strength, issuer credit and debt ratings assigned by A.M. Best Co., Moody's Investors Service and Standard & Poor's Ratings Services as in effect on the date hereof.

Finally, we have assumed, at your direction and with your consent, that the Recapitalization (including the Exchange Transactions) will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Recapitalization (including the Exchange Transactions), no delay, limitation, restriction or condition will be imposed that would have an adverse effect on AIG or the contemplated benefits of the Recapitalization (including the Exchange Transactions). Representatives of AIG have advised us, and we further have assumed, that the final terms of the Recapitalization as set forth in the definitive documentation relating thereto, including the terms of the new Series G Preferred Stock, as consummated will not vary materially from those set forth in the Term Sheet. We are not expressing any opinion as to what the value of the AIG Common Stock actually will be when issued pursuant to the Exchange Transactions or the price at which the AIG Common Stock will trade at any time. We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of AIG or any of its subsidiaries, nor

have we made any physical inspection of the properties or assets of AIG or any of its subsidiaries. We are not actuaries and our services did not include any actuarial determination or evaluation by us or any attempt to evaluate actuarial assumptions and we will rely on you with respect to the appropriateness and adequacy of insurance-related reserves of AIG or any of its subsidiaries or affiliates. We will also rely on you with respect to the

C-2-4

Table of Contents

Board of Directors
American International Group, Inc.
Page 4

appropriateness and adequacy of reserves of AIG or any of its subsidiaries or affiliates for credit-related losses on securities, loans, derivative instruments or other counterparty exposures. We express no view herein as to, and our opinion does not address, the underlying business decision of AIG to effect the Exchange Transactions or any other aspect of the Recapitalization, the relative merits of the Exchange Transactions or any other aspect of the Recapitalization as compared to any alternative business strategies that might exist for AIG or the effect of any other transaction in which AIG might engage, including the possibility that AIG could continue to operate under its current capital structure or effect a transaction similar to the Recapitalization at a later date. We do not express any view on, and our opinion does not address, any other term, aspect or implications of the Term Sheet or the Recapitalization, including, without limitation, the FRBNY Repayment, the Series F/G Drawdown Exchange, the decision to draw pursuant to the Series F Drawdown Right the Series F Closing Drawdown Amount, the acquisition of the Purchased AIA/ALICO Preferred Interests and the Post-Recapitalization Financing Plan, other provisions for obligations after the closing of the Recapitalization, ancillary agreements between AIG, the FRBNY, the UST and/or the Trust or any of their respective affiliates, or the fairness of the Exchange Transaction or any other aspect of the Recapitalization to, or any consideration received in connection therewith by, the holders of any class of securities, creditors or other constituencies of AIG, including the UST, the FRBNY or the Trust, in each case other than holders in respect of their shares of AIG Common Stock. In addition, we are not expressing any opinion as to the impact of the Exchange Transactions or any other aspect of the Recapitalization on the solvency or viability of AIG, or the ability of AIG to pay its obligations when they come due, and our opinion does not address any legal, regulatory, tax or accounting matters, as to which matters we understand AIG has received such advice as it deems necessary from qualified professionals. Our opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing, as of the date hereof. As you are aware, the credit, financial and stock markets are experiencing unusual volatility and we express no opinion or view as to any potential effects of such volatility on AIG or the contemplated benefits of the Recapitalization.

Citigroup Global Markets Inc. is acting as financial advisor to AIG in connection with the proposed Recapitalization and will receive a fee for such services, a significant portion of which is contingent upon the consummation of the Recapitalization. We also will receive a fee in connection with the delivery of this opinion. In addition, we expect to serve as underwriter, placement agent and/or dealer manager in connection with the transactions contemplated by the Post-Recapitalization Financing Plan, in respect of which we anticipate receiving substantial fees. We and our affiliates in the past have provided, and currently provide, extensive services to AIG and its affiliates, unrelated to the proposed Recapitalization, for which services we and such affiliates have received and expect to receive compensation, including, without limitation, having acted for AIG and its affiliates as underwriter in numerous capital markets transactions, lender or agent under various credit or securitization facilities, and provider of hedging, cash management and other transactional services, including having acted as financial advisor to AIG in its recent sale of ALICO. In the ordinary course of our business, we and our affiliates may actively trade or hold the securities of AIG for our own account or for the account of our customers and, accordingly, may at any time hold a long or short position in such securities. In addition, we and our affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with AIG and its affiliates.

We note that the FRBNY is the principal banking regulator of Citigroup Global Markets Inc. In addition, UST is the significant shareholder of the parent company of Citigroup Global Markets Inc., Citigroup Inc., as a result of its participation in the U.S. government's Troubled Asset Relief Program.

Our advisory services and the opinion expressed herein are provided for the information of the Board of Directors of AIG in its evaluation of the proposed Exchange Transactions, and our opinion is not intended to be and does not

constitute a recommendation to any holder of any class of securities as to how such holder should vote or act on any matters relating to the proposed Exchange Transactions.

C-2-5

Table of Contents

Board of Directors
American International Group, Inc.
Page 5

Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the consideration to be paid by AIG in the Exchange Transactions, taken as a whole, is fair, from a financial point of view, to the holders of AIG Common Stock (other than UST).

Very truly yours,

/s/ Citigroup Global Markets Inc.

CITIGROUP GLOBAL MARKETS INC.

C-2-6

Table of Contents

Appendix D

**Letter to the Government Repayment Committee of
the Board of Directors of AIG, from Rothschild Inc.**

D-1

Table of Contents

[ROTHSCHILD LETTERHEAD]

HIGHLY CONFIDENTIAL

September 29, 2010

Government Repayment Committee of the
Board of Directors
American International Group, Inc.
70 Pine Street
New York, New York 10270

Members of the Government Repayment Committee of the Board of Directors:

We understand that American International Group, Inc. (**AIG** or the **Company**) proposes to enter into a transaction among **AIG**, the Federal Reserve Bank of New York (**FRBNY**), the United States Department of the Treasury (**UST**) and the **AIG Credit Facility Trust** (the **Trust**), pursuant to which, among other things: (a) **AIG** will exchange approximately 924.5 million shares of common stock, par value \$2.50 per share, of **AIG** (**AIG Common Stock**) for \$41.6 billion in aggregate stated amount of **AIG**'s Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (**Series E Preferred Stock**), currently held by **UST**; (b) **AIG** will exchange approximately 167.6 million shares of **AIG Common Stock** for \$7.5 billion in aggregate stated amount of **AIG**'s Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (**Series F Preferred Stock**), currently held by **UST**; and (c) **AIG** will issue to the holders of **AIG Common Stock** prior to the Closing, by means of a dividend distribution, 10-year warrants to purchase up to 75 million shares of **AIG Common Stock** in the aggregate at an exercise price of \$45.00 per share. We refer to the transactions described in clauses (a), (b) and (c) of the immediately preceding sentence collectively as the **Exchange Transactions** . The terms and conditions of the **Exchange Transactions** are more fully set forth in the term sheet agreed by and between **AIG**, **FRBNY**, **UST** and the **Trust**, which is attached hereto as **Exhibit A** and which the **Company** has informed us will be attached to an agreement in principle by and between the same parties to be entered into on September 30, 2010 (the **Term Sheet**).

You have requested our view, from a financial perspective, solely as to the reasonableness of the opinions expressed in the opinion letters, dated the date hereof (the **Fairness Opinions**), delivered by Merrill Lynch, Pierce, Fenner & Smith Incorporated (**Merrill**) and Citigroup Global Markets Inc. (together with **Merrill**, the **Financial Advisors**), financial advisors to the **Company**, with respect to the fairness, from a financial point of view, to the holders of **AIG Common Stock** (other than **UST** and the **Trust**) of the consideration to be paid by **AIG** in the **Exchange Transactions**, taken as a whole. As used herein, the term **Fairness Opinion** excludes any related letters delivered by each of Citigroup Global Markets Inc. and **Merrill** or any of their affiliates addressing certain financing or other transactions dated the date hereof.

We further understand that the **Exchange Transactions** are part of a series of integrated transactions collectively referred to as the **Recapitalization** (and as further described in the **Term Sheet**) pursuant to which, among other things, at the **Closing** (as defined in the **Term Sheet**): (a) **AIG** will repay in cash (the **FRBNY Repayment**) all of the remaining principal, accrued and unpaid interest, fees and other amounts owing, and terminate all commitments, under the **Credit Agreement** dated as of September 22, 2008 (the **FRBNY Credit Facility**) between **AIG** and the **FRBNY**, to be funded solely from: (i) secured non-recourse loans to **AIG** from **AIA Aurora LLC** and **ALICO Holdings LLC** of the net cash proceeds from the initial public offering of American International Assurance Company, Limited (**AIA**) and the sale of American Life Insurance Company (**ALICO**), respectively; and (ii) cash generated by **AIG** and its subsidiaries; (b) **AIG** and the **UST** will amend and restate the **SPA** (as defined in the **Term Sheet**) relating to the **Series F Preferred Stock** to convert (the **Series F/G Drawdown Exchange**) a portion, not to exceed \$2 billion, of the

amount of Series F

Rothschild Inc.
1251 Avenue of the Americas
New York, NY 10020
www.rothschild.com

D-2

Table of Contents

Government Repayment Committee
of the Board of Directors
American International Group, Inc,
September 29, 2010
Page 2

Preferred Stock that AIG can require UST to subscribe for and purchase (the Series F Drawdown Right), into a right of AIG to require UST to subscribe for and purchase an equivalent amount (the Series G Designated Amount) of a new series of preferred stock of AIG to be designated as Series G Cumulative Mandatory Convertible Preferred Stock (the Series G Preferred Stock) for general corporate purposes (the Series G Drawdown Right); (c) pursuant to an exercise of the Series F Drawdown Right, AIG will require UST to subscribe for and purchase Series F Preferred Stock (the Series F Drawdown Shares) in an aggregate stated amount (the Series F Closing Drawdown Amount) equal to the lesser of (i) the remaining balance undrawn pursuant to the Series F Drawdown Right (less the Series G Designated Amount) and (ii) the aggregate liquidation preference of the preferred interests in AIA Aurora LLC and ALICO Holdings LLC outstanding at the Closing (the AIA Preferred Interests and the ALICO Preferred Interests , respectively, and collectively, the AIA/ALICO Preferred Interests); (d) AIG will purchase from the FRBNY the AIA/ALICO Preferred Interests (the Purchased AIA/ALICO Preferred Interests) having an aggregate liquidation preference equal to at least the Series F Closing Drawdown Amount, for a cash purchase price (the AIA/ALICO Preferred Interests Purchase Price) equal to the aggregate outstanding liquidation preference of all of the Purchased AIA/ALICO Preferred Interests and will fund the AIA/ALICO Preferred Interests Purchase Price from the Series F Closing Drawdown Amount; (e) UST will exchange the Series F Drawdown Shares (including amounts drawn at the Closing) for: (i) all of the Purchased AIA/ALICO Preferred Interests; and (ii) shares of Series G Preferred Stock which will evidence (A) any amounts allocated by AIG to the Series G Drawdown Right to be available to be drawn after the Closing and (B) any amounts drawn by AIG on the Series F Drawdown Right between announcement of the Recapitalization and Closing; and (f) the Trust will exchange its AIG Series C Perpetual, Convertible, Participating Preferred Stock (the Series C Preferred Stock) for approximately 562.9 million shares of AIG Common Stock. The terms and conditions of the Recapitalization are more fully set forth in the Term Sheet, and we understand that the consummation of the Exchange Transactions is subject to the contemporaneous completion of the other aspects of the Recapitalization. For the avoidance of doubt, this letter does not address, and we express no view or opinion with respect to the reasonableness or fairness (financial or otherwise) of the Exchange Transactions, the amount, nature, term, aspect or implications of the Term Sheet or the Recapitalization, including, without limitation, the FRBNY Repayment, the Series F/G Drawdown Exchange, the decision to draw pursuant to the Series F Drawdown Right the Series F Closing Drawdown Amount, the acquisition of the Purchased AIA/ALICO Preferred Interests, other provisions for obligations after the closing of the Recapitalization, ancillary agreements between AIG, the FRBNY, the UST and/or the Trust or any of their respective affiliates and including compliance with any legal or contractual requirement of the parties to any of the foregoing.

We also note that the Company and its Financial Advisors, have informed us that none of the Company or the Financial Advisors are aware, nor are we aware, of any potential investors or other alternative sources of financing that have proposed an alternative, or a serious or credible interest in developing an alternative, to the Recapitalization (including the Exchange Transactions).

In preparing this letter, we have, among other things: (i) reviewed the Term Sheet; (ii) discussed the proposed Recapitalization (including the Exchange Transactions) with the management and the Board of Directors of the Company (the Board) and the Company s advisors and other representatives (including the Financial Advisors); (iii) reviewed certain publicly available business and financial information relating to the Company; (iv) reviewed certain audited and unaudited financial statements of the Company, and certain other internal financial and operating data, provided to or discussed with us by the management of the Company which discussions included the Company s advisors and other representatives (including the Financial Advisors); (v) reviewed certain pro forma financial

forecasts relating to the Company prepared by the management of the Company and reviewed by the Financial Advisors, and discussed with the management of the Company and the Financial Advisors the assumptions underlying such forecasts and the relative likelihood

D-3

Table of Contents

Government Repayment Committee
of the Board of Directors
American International Group, Inc,
September 29, 2010
Page 3

of achieving the future financial results reflected in such financial forecasts; (vi) participated in meetings during which discussions were held with the management of the Company and the Financial Advisors regarding the past and current operations and financial condition of the Company and the prospects of the Company; (vii) reviewed a schedule of risk factors prepared by the management of the Company with respect to the foreseeable future operations and financial condition of the Company on a standalone basis absent the occurrence of the Recapitalization (including the Exchange Transactions); (viii) considered such other factors and information, and reviewed such other analyses, as we deemed appropriate and (ix) reviewed the presentations of the Financial Advisors to the Board, dated as of the date hereof and the Fairness Opinions provided to us.

In preparing this letter, we have not assumed, with the Company's consent, any obligation to verify independently any of the financial or other information utilized, reviewed or considered by us in developing our view and have relied on such information, including all information that was publicly available to us or provided to us by the Company or its advisors and other representatives (including the Financial Advisors) as being accurate and complete in all material respects. In addition, we have, with the Company's consent, relied upon management's valuation of the various assets and liabilities of the Company, without independent verification, and we have assumed and been advised that such valuations have been reasonably and accurately prepared in good faith on bases reflecting the best available estimates and judgments of the management of the Company. With respect to the Series E Preferred Stock and Series F Preferred Stock to be repurchased by AIG pursuant to the Exchange Transactions, we have assumed, with the Company's consent, that the fair value of each of the Series E Preferred Stock and Series F Preferred Stock is equal to the liquidation value thereof. We have also, with the Company's consent, relied upon the schedule of risk factors prepared by the management of the Company with respect to the foreseeable future operations and financial condition of the Company on a standalone basis absent the occurrence of the Recapitalization (including the Exchange Transactions), without independent verification, and we have assumed and been advised that such schedule has been reasonably and accurately prepared in good faith on bases reflecting the best available judgments of the management of the Company. With the consent of the Company and without independent verification, (i) we have assumed and been advised that the analyses and presentations prepared for the Company by each of the Financial Advisors have been accurately prepared in good faith on bases reflecting the best available estimates and judgments of the Financial Advisors and (ii) that the opinions expressed in the Fairness Opinions comply in all respects with the requirements of the respective engagement letters between the Financial Advisors and the Company. We have not assumed responsibility for making an independent evaluation, appraisal or physical inspection of any of the assets or liabilities (contingent or otherwise) of the Company.

We have assumed, without any diligence review, that the liens, claims and encumbrances of the Company's lenders, creditors and claimants with respect to the outstanding debt obligations of the Company are valid, perfected and enforceable against the Company. With respect to the restructuring of the outstanding debt obligations of the Company, we have assumed, based on information provided to us by management of the Company that, pursuant to the Recapitalization, the obligations of the Company pursuant to FRBNY Credit Agreement will be satisfied and discharged and the Company's credit facility thereunder shall be extinguished at the closing of the Recapitalization.

With respect to the financial forecasts and other information and operating data for the Company provided to or discussed with us by the management of the Company or the Financial Advisors, we have been advised, and have assumed that such forecasts and information have been reasonably and accurately prepared in good faith on bases reflecting the best available estimates and judgments of the management of the Company, including members of

management directly responsible for the operations of the Company's various business units, as to the future financial performance of the Company. In that regard we have assumed, that the net

D-4

Table of Contents

Government Repayment Committee
of the Board of Directors
American International Group, Inc,
September 29, 2010
Page 4

proceeds from asset dispositions will be achieved in the amounts and at the times contemplated by such forecasts. We express no view as to the reasonableness of such forecasts and projections or the assumptions on which they are based. We have also assumed that there has not occurred any material change in the assets, financial condition, results of operations, business or prospects of the Company since the date on which the most recent financial statements or other financial or business information relating to the Company were made available to us.

We are not tax, bankruptcy, legal or regulatory advisors and we have relied, with your consent, upon the Company and its tax, bankruptcy, legal and regulatory advisors to make their own assessment of all tax, bankruptcy, legal or regulatory matters relating to the Recapitalization (including the Exchange Transactions).

We further have assumed that the terms and conditions of the Recapitalization (including the Exchange Transactions) as set forth in each of the definitive agreements and the other agreements and documents related thereto (collectively the Transaction Documents), will conform in all material respects, as applicable, with the Term Sheet and the Certificates of Designations of the Series C Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock, that any representations and warranties of the parties in the Transaction Documents will be true and correct, that each of the parties to the Transaction Documents will perform all of the covenants and agreements to be performed by it under the Transaction Documents, that the Recapitalization (including the Exchange Transactions) and related transactions will be in compliance with all applicable laws, regulations and contractual obligations of the parties thereto and will be consummated in all material respects in accordance with the terms and conditions described in the Term Sheet and to be contained in the Transaction Documents without any material waiver, delay, amendment or modification thereof, and that all governmental, regulatory, creditor, stockholder or other consents, waivers and approvals necessary for the consummation of the Recapitalization (including the Exchange Transactions) and related transactions will be obtained. Notwithstanding the foregoing, we have assumed that the amount and form of consideration to be paid by the Company in the Exchange Transactions will conform in all respects with the Term Sheet.

This letter is based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Accordingly, although subsequent developments may affect the view expressed in this letter, we have not assumed any obligation to update, revise or reaffirm this letter unless such an update is specifically requested by the Company and agreed to by us. In each case, we have made the assumptions herein with your consent.

We are serving as financial advisor to the Government Repayment Committee of the Board (formerly known as the Special Restructuring Committee, the Special Committee) in connection with the Recapitalization and are entitled to certain fees for our services, a portion of which is payable upon delivery of this letter to the Special Committee. In the past, we have served as a financial advisor to the United States Department of the Treasury and received customary fees for such services. Except with respect to the foregoing, we are not currently engaged on any other advisory assignments with the Company or any of its affiliates or related parties, nor have we served as financial advisor to the Company on any assignments other than with respect to the Recapitalization within the past two years. In addition, we or our affiliates may, in the future, provide financial advisory or other services to the Company and/or its affiliates and may receive fees for such services. In the ordinary course of business, we and our affiliates may trade the securities of the Company for our and/or their own accounts or for the accounts of customers and may, therefore, at any time hold a long or short position in such securities. We and our affiliates also may maintain relationships with the Company and

its affiliates or related parties.

D-5

Table of Contents

Government Repayment Committee
of the Board of Directors
American International Group, Inc,
September 29, 2010
Page 5

This letter does not address, and we express no view as to, the merits of the underlying decision by the Company to proceed with or engage in the Recapitalization (including the Exchange Transactions) and the related transactions or any alternative business strategies that might exist for the Company, the advisability of the Recapitalization (including the Exchange Transactions) or the consideration to be received by, or the impact on, any creditor, claimant, holder of any class of securities or other constituencies of any party (including, without limitation, the United States Department of the Treasury, the Federal Reserve Bank of New York or the federal government of the United States) in connection with the Recapitalization (including the Exchange Transactions), nor does it address any other transaction that the Company has considered or may consider.

This letter is provided for the benefit and information of the Special Committee in connection with and for the purposes of its evaluation of the Exchange Transactions. This letter does not constitute a recommendation to any holder of Common Stock or other holder of any class of securities of the Company as to how any such holder should act on any matter relating to the Recapitalization (including the Exchange Transactions). This letter is given as of the date hereof and we disclaim any obligation to change this letter, to advise any person of any change that may come to our attention or to update this letter after the date hereof.

Based upon and subject to the foregoing and other factors we deem relevant in reliance thereon, it is our view that, as of the date hereof, the opinions expressed in the Fairness Opinions delivered by the Financial Advisors with respect to Exchange Transactions, taken as a whole, are reasonable from a financial perspective.

Very truly yours,

ROTHSCHILD INC.

/s/ Rothschild Inc.

D-6

Table of Contents

Annex 1

**Annual Report on Form 10-K for the year ended December 31, 2009
(certain exhibits omitted)**

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the transition period from _____ to _____
Commission file number 1-8787**

**American International Group, Inc.
(Exact name of registrant as specified in its charter)**

Delaware
(State or other jurisdiction of
incorporation or organization)

13-2592361
(I.R.S. Employer
Identification No.)

70 Pine Street, New York, New York
(Address of principal executive offices)

10270
(Zip Code)

Registrant's telephone number, including area code (212) 770-7000

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|--|--|
| Common Stock, Par Value \$2.50 Per Share | New York Stock Exchange |
| 5.75% Series A-2 Junior Subordinated Debentures | New York Stock Exchange |
| 4.875% Series A-3 Junior Subordinated Debentures | New York Stock Exchange |
| 6.45% Series A-4 Junior Subordinated Debentures | New York Stock Exchange |
| 7.70% Series A-5 Junior Subordinated Debentures | New York Stock Exchange |
| Corporate Units (composed of stock purchase contracts and junior subordinated debentures) | New York Stock Exchange |
| NIKKEI 225 [®] Index Market Index Target-Term Securities [®] due January 5, 2011 | NYSE Arca |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant computed by reference to the price at which the common equity was last sold of \$23.20 as of June 30, 2009 (the last business day of the registrant's most recently completed second fiscal quarter), was approximately \$2,794,000,000.

As of January 29, 2010, there were outstanding 134,926,293 shares of Common Stock, \$2.50 par value per share, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

| Document of the Registrant | Form 10-K Reference Locations |
|---|---------------------------------------|
| Portions of the registrant's definitive proxy statement for the 2010 Annual Meeting of Shareholders | Part III, Items 10, 11, 12, 13 and 14 |

American International Group, Inc., and Subsidiaries
Table of Contents

| Index | Page |
|---|---|
| <u>PART I</u> | |
| <u>Item 1.</u> <u>Business</u> | <u>3</u> |
| <u>Item 1A.</u> <u>Risk Factors</u> | <u>17</u> |
| <u>Item 1B.</u> <u>Unresolved Staff Comments</u> | <u>30</u> |
| <u>Item 2.</u> <u>Properties</u> | <u>30</u> |
| <u>Item 3.</u> <u>Legal Proceedings</u> | <u>30</u> |
| <u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders</u> | <u>30</u> |
| <u>PART II</u> | |
| | <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of</u> |
| <u>Item 5.</u> <u>Equity Securities</u> | <u>31</u> |
| <u>Item 6.</u> <u>Selected Financial Data</u> | <u>33</u> |
| <u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>35</u> |
| <u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u> | <u>190</u> |
| <u>Item 8.</u> <u>Financial Statements and Supplementary Data</u> | <u>191</u> |
| <u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | <u>346</u> |
| <u>Item 9A.</u> <u>Controls and Procedures</u> | <u>346</u> |
| <u>Item 9B.</u> <u>Other Information</u> | <u>347</u> |
| <u>PART III</u> | |
| <u>Item 10.</u> <u>Directors, Executive Officers and Corporate Governance</u> | <u>348</u> |
| <u>Item 11.</u> <u>Executive Compensation</u> | <u>348</u> |
| | <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder</u> |
| <u>Item 12.</u> <u>Matters</u> | <u>348</u> |
| <u>Item 13.</u> <u>Certain Relationships and Related Transactions, and Director Independence</u> | <u>348</u> |
| <u>Item 14.</u> <u>Principal Accounting Fees and Services</u> | <u>348</u> |
| <u>PART IV</u> | |
| <u>Item 15.</u> <u>Exhibits, Financial Statement Schedules</u> | <u>349</u> |
| <u>Signatures</u> | <u>350</u> |

Table of Contents

American International Group, Inc., and Subsidiaries

Part I

Item 1. Business

American International Group, Inc. (AIG), a Delaware corporation, is a holding company which, through its subsidiaries, is engaged primarily in a broad range of insurance and insurance-related activities in the United States and abroad.

Since September 2008, AIG has been working to protect and enhance the value of its key businesses, execute an orderly asset disposition plan, and position itself for the future. AIG has entered into several important transactions and relationships with the Federal Reserve Bank of New York (FRBNY), the AIG Credit Facility Trust (together with its trustees, acting in their capacity as trustees, the Trust) and the United States Department of the Treasury (the Department of the Treasury). As a result of these arrangements, AIG is controlled by the Trust, which was established for the sole benefit of the United States Treasury.

AIG's four reportable segments are as follows:

General Insurance;

Domestic Life Insurance & Retirement Services;

Foreign Life Insurance & Retirement Services; and

Financial Services.

The principal business units in each of AIG's reportable segments at year-end 2009 are shown below. For information on AIG's reportable segments, including geographic areas of operation, and changes made in 2009, see Note 4 to the Consolidated Financial Statements.

General Insurance

Domestic Life Insurance & Retirement Services

American Home Assurance Company
(American Home)

American General Life Insurance Company
(American General)

National Union Fire Insurance Company of
Pittsburgh, Pa. (National Union)

American General Life and Accident Insurance
Company (AGLA)

New Hampshire Insurance Company (New
Hampshire)

The United States Life Insurance Company in the
City of New York (USLIFE)

Lexington Insurance Company (Lexington)

The Variable Annuity Life Insurance Company
(VALIC)

Chartis Overseas, Ltd.

Western National Life Insurance Company
(Western National)

AIU Insurance Company (AIUI)

SunAmerica Annuity and Life Assurance Company
(SunAmerica Annuity)

American International Reinsurance Company
Limited (AIRCO)

Table of Contents

American International Group, Inc., and Subsidiaries

Foreign Life Insurance & Retirement Services**Financial Services**

American Life Insurance Company (ALICO)

International Lease Finance Corporation (ILFC)

AIG Star Life Insurance Co., Ltd. (AIG Star Life)

AIG Financial Products Corp. and AIG Trading Group Inc. and their respective subsidiaries (AIGFP)

AIG Edison Life Insurance Company (AIG Edison Life)

American General Finance, Inc. (AGF)

American International Assurance Company, Limited, together with American International Assurance Company (Bermuda) Limited (AIA)

AIG Consumer Finance Group, Inc. (AIGCFG)

The Philippine American Life and General Insurance Company (Philamlife)

AIG Credit Corp. (A.I. Credit)

Throughout this Annual Report on Form 10-K, AIG presents its operations in the way it believes will be most meaningful, as well as most transparent. Certain of the measurements used by AIG management are non-GAAP financial measures under SEC rules and regulations. Underwriting profit (loss) is utilized to report results for AIG's General Insurance operations. Pre-tax income (loss) before net realized capital gains (losses) is utilized to report results for AIG's life insurance and retirement services operations. For an explanation of why AIG management considers these non-GAAP measures useful to investors, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

Following is additional information about AIG's operations:

General Insurance Operations

AIG's General Insurance subsidiaries are multiple line companies writing substantially all lines of property and casualty insurance both domestically and abroad and comprise the Commercial Insurance and the Foreign General Insurance operating segments. In July 2009, AIG's General Insurance subsidiaries were rebranded as Chartis (Commercial Insurance operates as Chartis U.S. and Foreign General Insurance operates as Chartis International). Chartis Private Client Group (Private Client Group) is part of Chartis U.S.

AIG is diversified both in terms of classes of business and geographic locations. In General Insurance, general and auto liability business is the largest class of business written and represented approximately 15 percent of net premiums written for the year ended December 31, 2009. During 2009, 8 percent, 6 percent and 6 percent of the direct General Insurance premiums written (gross premiums less return premiums and cancellations, excluding reinsurance assumed and before deducting reinsurance ceded) were written in the states of California, New York and Texas, respectively, and 11 percent and 9 percent were written in Japan and the United Kingdom, respectively. No other state or foreign country accounted for more than five percent of such premiums.

The majority of AIG's General Insurance business is in the casualty classes, which tend to involve longer periods of time for the reporting and settling of claims. This may increase the risk and uncertainty with respect to AIG's loss reserve development.

Commercial Insurance

Commercial Insurance's business in the United States and Canada is conducted through American Home, National Union, Lexington and certain other General Insurance company subsidiaries of AIG.

Chartis U.S. writes substantially all classes of business insurance, accepting such business mainly from insurance brokers. This provides Chartis U.S. the opportunity to select specialized markets and retain underwriting control. Any licensed broker is able to submit business to Chartis U.S. without the traditional agent-company contractual relationship, but such broker usually has no authority to commit Chartis U.S. to accept a risk.

In addition to writing substantially all classes of business insurance, including large commercial or industrial property insurance, excess liability, inland marine, environmental, workers compensation and excess and umbrella

Table of Contents**American International Group, Inc., and Subsidiaries**

coverages, Chartis U.S. offers many specialized forms of insurance such as aviation, accident and health, equipment breakdown, directors and officers liability (D&O), difference-in-conditions, kidnap-ransom, export credit and political risk, and various types of professional errors and omissions coverages. Also included in Chartis U.S. are the operations of Commercial Casualty, which provides insurance and risk management programs for large corporate customers and is a leading provider of customized structured insurance products, and Chartis Environmental, which focuses on providing specialty products to clients with environmental exposures. Lexington writes surplus lines for risks on which conventional insurance companies do not readily provide insurance coverage, either because of complexity or because the coverage does not lend itself to conventional contracts. The Chartis Worldsource Division introduces and coordinates AIG's products and services to U.S.-based multinational clients and foreign corporations doing business in the U.S. Private Client Group provides a broad range of coverages for high net worth individuals.

Foreign General Insurance

Chartis International writes both commercial and consumer lines of insurance through a network of agencies, branches and foreign-based insurance subsidiaries. Chartis International uses various marketing methods and multiple distribution channels to write both commercial and consumer lines of insurance with certain refinements for local laws, customs and needs. Chartis International operates in Asia, the Pacific Rim, Europe, the U.K., Africa, the Middle East and Latin America.

Discussion and Analysis of Consolidated Net Losses and Loss Expense Reserve Development

The reserve for net losses and loss expenses represents the accumulation of estimates for reported losses (case basis reserves) and provisions for losses incurred but not reported (IBNR), both reduced by applicable reinsurance recoverable and the discount for future investment income, where permitted. Net losses and loss expenses are charged to income as incurred.

The Liability for unpaid claims and claims adjustment expense (loss reserves) established with respect to foreign business is set and monitored in terms of the currency in which payment is expected to be made. Therefore, no assumption is included for changes in currency rates. See also Note 1(v) to the Consolidated Financial Statements.

Management reviews the adequacy of established loss reserves utilizing a number of analytical reserve development techniques. Through the use of these techniques, management is able to monitor the adequacy of AIG's established reserves and determine appropriate assumptions for inflation. Also, analysis of emerging specific development patterns, such as case reserve redundancies or deficiencies and IBNR emergence, allows management to determine any required adjustments.

The Analysis of Consolidated Losses and Loss Expense Reserve Development table presents the development of net losses and loss expense reserves for calendar years 1999 through 2009. Immediately following this table is a second table that presents all data on a basis that excludes asbestos and environmental net losses and loss expense reserve development. The opening reserves held are shown at the top of the table for each year-end date. The amount of loss reserve discount included in the opening reserve at each date is shown immediately below the reserves held for each year. The undiscounted reserve at each date is thus the sum of the discount and the reserve held.

The upper half of the table presents the cumulative amounts paid during successive years related to the undiscounted opening loss reserves. For example, in the table that excludes asbestos and environmental losses, with respect to the net losses and loss expense reserve of \$28.65 billion at December 31, 2002, by the end of 2009 (seven years later) \$39.64 billion had actually been paid in settlement of these net loss reserves. In addition, as reflected in the lower section of the table, the original undiscounted reserve of \$30.15 billion was reestimated to be \$50.79 billion at December 31, 2009. This increase from the original estimate generally results from a combination of a number of factors, including claims being settled for larger amounts than originally estimated. The original estimates will also be increased or decreased as more information becomes known about the individual claims and overall claim frequency and severity patterns. The redundancy (deficiency) depicted in the table, for any particular calendar year, presents the aggregate change in estimates over the period of years subsequent to the calendar year reflected at the top of the respective column heading. For example, the deficiency of \$2.62 billion at December 31, 2009 related to December 31, 2008 net losses and loss expense reserves of \$73.64 billion represents the cumulative amount by which reserves in 2008 and prior years have developed unfavorably during 2009.

Table of Contents

American International Group, Inc., and Subsidiaries

The bottom of each table below presents the remaining undiscounted and discounted net loss reserve for each year. For example, in the table that excludes asbestos and environmental losses, for the 2001 year-end, the remaining undiscounted reserves held at December 31, 2009 are \$9.71 billion, with a corresponding discounted net reserve of \$8.98 billion.

Analysis of Consolidated Losses and Loss Expense Reserve Development

The following table presents for each calendar year the losses and loss expense reserves and the development thereof including those with respect to asbestos and environmental claims. See also Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Segment Results General Insurance Operations Liability for unpaid claims and claims adjustment expense.*

| <i>(in millions)</i> | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Reserves Held | \$ 25,636 | \$ 25,684 | \$ 26,005 | \$ 29,347 | \$ 36,228 | \$ 47,253 | \$ 57,476 | \$ 62,630 | \$ 69,288 | \$ 72,455 | \$ 67,899 |
| Discount (in Reserves Held) | 1,075 | 1,287 | 1,423 | 1,499 | 1,516 | 1,553 | 2,110 | 2,264 | 2,429 | 2,574 | 2,655 |
| Net Reserves Held (Undiscounted) | 26,711 | 26,971 | 27,428 | 30,846 | 37,744 | 48,806 | 59,586 | 64,894 | 71,717 | 75,029 | 70,554 |
| Paid (Cumulative) as of: | | | | | | | | | | | |
| One year later | 8,266 | 9,709 | 11,007 | 10,775 | 12,163 | 14,910 | 15,326 | 14,862 | 16,531 | 24,267 | |
| Two years later | 14,640 | 17,149 | 18,091 | 18,589 | 21,773 | 24,377 | 25,152 | 24,388 | 31,791 | | |
| Three years later | 19,901 | 21,930 | 23,881 | 25,513 | 28,763 | 31,296 | 32,295 | 34,647 | | | |
| Four years later | 23,074 | 26,090 | 28,717 | 30,757 | 33,825 | 36,804 | 40,380 | | | | |
| Five years later | 25,829 | 29,473 | 32,685 | 34,627 | 38,087 | 43,162 | | | | | |
| Six years later | 28,165 | 32,421 | 35,656 | 37,778 | 42,924 | | | | | | |
| Seven years later | 30,336 | 34,660 | 38,116 | 41,493 | | | | | | | |
| Eight years later | 31,956 | 36,497 | 41,055 | | | | | | | | |
| Nine years later | 33,489 | 38,943 | | | | | | | | | |
| Ten years later | 35,359 | | | | | | | | | | |

| <i>(in millions)</i> | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Reserves Held (Undiscounted) | \$ 26,711 | \$ 26,971 | \$ 27,428 | \$ 30,846 | \$ 37,744 | \$ 48,806 | \$ 59,586 | \$ 64,894 | \$ 71,717 | \$ 75,029 | \$ 70,554 |
| Undiscounted Liability as of: | | | | | | | | | | | |
| One year later | 26,358 | 26,979 | 31,112 | 32,913 | 40,931 | 53,486 | 59,533 | 64,238 | 71,836 | 77,800 | |
| Two years later | 27,023 | 30,696 | 33,363 | 37,583 | 49,463 | 55,009 | 60,126 | 64,764 | 74,318 | | |
| | 29,994 | 32,732 | 37,964 | 46,179 | 51,497 | 56,047 | 61,242 | 67,303 | | | |

| | | | | | | | | | | |
|-----------------------------------|----------|----------|----------|----------|----------|----------|---------|---------|---------|---------|
| Three years later | | | | | | | | | | |
| Four years later | 31,192 | 36,210 | 45,203 | 48,427 | 52,964 | 57,618 | 63,872 | | | |
| Five years later | 33,910 | 41,699 | 47,078 | 49,855 | 54,870 | 60,231 | | | | |
| Six years later | 38,087 | 43,543 | 48,273 | 51,560 | 57,300 | | | | | |
| Seven years later | 39,597 | 44,475 | 49,803 | 53,917 | | | | | | |
| Eight years later | 40,217 | 45,767 | 52,034 | | | | | | | |
| Nine years later | 41,168 | 47,682 | | | | | | | | |
| Ten years later | 42,727 | | | | | | | | | |
| Net Redundancy / Deficiency) | (16,016) | (20,711) | (24,606) | (23,071) | (19,556) | (11,425) | (4,286) | (2,409) | (2,601) | (2,771) |
| Remaining Reserves (Undiscounted) | 7,368 | 8,739 | 10,979 | 12,424 | 14,376 | 17,069 | 23,492 | 32,656 | 42,527 | 53,533 |
| Remaining Discount Reserves | 511 | 609 | 723 | 856 | 988 | 1,124 | 1,309 | 1,552 | 1,893 | 2,261 |
| Remaining Reserves | 6,857 | 8,130 | 10,256 | 11,568 | 13,388 | 15,945 | 22,183 | 31,104 | 40,634 | 51,272 |

AIG 2009 Form 10-K

6

Table of Contents

American International Group, Inc., and Subsidiaries

The following table presents the gross liability (before discount), reinsurance recoverable and net liability recorded at each year end and the reestimation of these amounts as of December 31, 2009:

| (in millions) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Gross Liability, End of Year | \$ 37,278 | \$ 39,222 | \$ 42,629 | \$ 48,173 | \$ 53,388 | \$ 63,430 | \$ 79,279 | \$ 82,263 | \$ 87,929 | \$ 91,832 | \$ 88,800 |
| Reinsurance Recoverable, End of Year | 10,567 | 12,251 | 15,201 | 17,327 | 15,644 | 14,624 | 19,693 | 17,369 | 16,212 | 16,803 | 17,800 |
| Net Liability, End of Year | 26,711 | 26,971 | 27,428 | 30,846 | 37,744 | 48,806 | 59,586 | 64,894 | 71,717 | 75,029 | 70,999 |
| Estimated Gross Liability | 64,160 | 71,146 | 76,143 | 77,873 | 78,829 | 79,883 | 86,444 | 86,462 | 92,086 | 94,932 | 94,932 |
| Estimated Reinsurance Recoverable | 21,433 | 23,464 | 24,109 | 23,956 | 21,529 | 19,652 | 22,572 | 19,159 | 17,768 | 17,132 | 17,132 |
| Estimated Net Liability | 42,727 | 47,682 | 52,034 | 53,917 | 57,300 | 60,231 | 63,872 | 67,303 | 74,318 | 77,800 | 77,800 |
| Relative Gross Surplus/Deficiency | (26,882) | (31,924) | (33,514) | (29,700) | (25,441) | (16,453) | (7,165) | (4,199) | (4,157) | (3,100) | (3,100) |

* During 2009, Transatlantic Holdings, Inc. (Transatlantic) was deconsolidated and 21st Century Insurance Group and Agency Auto Division (excluding AIG Private Client Group) (21st Century) and HSB Group, Inc. (HSB) were sold. Immediately preceding these sales, the loss and loss expense reserves for these entities totaled \$9.7 billion. As a result of the sales and deconsolidation, these obligations ceased being the responsibility of AIG. The sales and deconsolidation are reflected in the table above as a reduction in December 31, 2009 net reserves of \$9.7 billion and as a \$8.6 billion increase in paid losses for the years 1999 through 2008 to reflect no impact on incurred losses for these periods.

Analysis of Consolidated Losses and Loss Expense Reserve Development Excluding Asbestos and Environmental Losses and Loss Expense Reserve Development

The following table presents for each calendar year the losses and loss expense reserves and the development thereof excluding those with respect to asbestos and environmental claims. See also Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Segment Results General Insurance Operations Liability for unpaid claims and claims adjustment expense.*

| (in millions) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Reserves Held | \$ 24,745 | \$ 24,829 | \$ 25,286 | \$ 28,651 | \$ 35,559 | \$ 45,742 | \$ 55,226 | \$ 60,451 | \$ 67,597 | \$ 71,062 | \$ 66,588 |
| Discount (in Reserves Held) | 1,075 | 1,287 | 1,423 | 1,499 | 1,516 | 1,553 | 2,110 | 2,264 | 2,429 | 2,574 | 2,655 |
| Net Reserves Held (Undiscounted) | 25,820 | 26,116 | 26,709 | 30,150 | 37,075 | 47,295 | 57,336 | 62,715 | 70,026 | 73,636 | 69,243 |
| Paid (Cumulative) as of: | | | | | | | | | | | |

Edgar Filing: AMERICAN INTERNATIONAL GROUP INC - Form DEF 14C

| | | | | | | | | | | |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| One year later | 8,195 | 9,515 | 10,861 | 10,632 | 11,999 | 14,718 | 15,047 | 14,356 | 16,183 | 24,028 |
| Two years later | 14,376 | 16,808 | 17,801 | 18,283 | 21,419 | 23,906 | 24,367 | 23,535 | 31,204 | |
| Three years later | 19,490 | 21,447 | 23,430 | 25,021 | 28,129 | 30,320 | 31,163 | 33,555 | | |
| Four years later | 22,521 | 25,445 | 28,080 | 29,987 | 32,686 | 35,481 | 39,009 | | | |
| Five years later | 25,116 | 28,643 | 31,771 | 33,353 | 36,601 | 41,600 | | | | |
| Six years later | 27,266 | 31,315 | 34,238 | 36,159 | 41,198 | | | | | |
| Seven years later | 29,162 | 33,051 | 36,353 | 39,637 | | | | | | |
| Eight years later | 30,279 | 34,543 | 39,055 | | | | | | | |
| Nine years later | 31,469 | 36,752 | | | | | | | | |
| Ten years later | 33,101 | | | | | | | | | |

7 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

| (Billions) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Reserves Held (discounted) | \$ 25,820 | \$ 26,116 | \$ 26,709 | \$ 30,150 | \$ 37,075 | \$ 47,295 | \$ 57,336 | \$ 62,715 | \$ 70,026 | \$ 73,636 | \$ 69,000 |
| Estimated Liability as of: | | | | | | | | | | | |
| 1 year later | 25,437 | 26,071 | 30,274 | 32,129 | 39,261 | 51,048 | 57,077 | 62,043 | 70,096 | 76,251 | |
| 2 years later | 26,053 | 29,670 | 32,438 | 35,803 | 46,865 | 52,364 | 57,653 | 62,521 | 72,423 | | |
| 3 years later | 28,902 | 31,619 | 36,043 | 43,467 | 48,691 | 53,385 | 58,721 | 64,904 | | | |
| 4 years later | 30,014 | 34,102 | 42,348 | 45,510 | 50,140 | 54,908 | 61,195 | | | | |
| 5 years later | 31,738 | 38,655 | 44,018 | 46,925 | 51,997 | 57,365 | | | | | |
| 6 years later | 34,978 | 40,294 | 45,201 | 48,584 | 54,272 | | | | | | |
| 7 years later | 36,283 | 41,213 | 46,685 | 50,786 | | | | | | | |
| 8 years later | 36,889 | 42,459 | 48,761 | | | | | | | | |
| 9 years later | 37,795 | 44,219 | | | | | | | | | |
| 10 years later | 39,199 | | | | | | | | | | |
| Surplus/Deficiency | (13,379) | (18,103) | (22,052) | (20,636) | (17,197) | (10,070) | (3,859) | (2,189) | (2,397) | (2,615) | |
| Reserving Reserves (discounted) | 6,098 | 7,467 | 9,706 | 11,149 | 13,074 | 15,765 | 22,186 | 31,349 | 41,219 | 52,223 | |
| Reserving Discount | 511 | 609 | 723 | 856 | 988 | 1,124 | 1,309 | 1,552 | 1,893 | 2,261 | |
| Reserving Reserves | 5,587 | 6,858 | 8,983 | 10,293 | 12,086 | 14,641 | 20,877 | 29,797 | 39,326 | 49,962 | |

The following table presents the gross liability (before discount), reinsurance recoverable and net liability recorded at each year end and the reestimation of these amounts as of December 31, 2009:

| (Billions) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Liability, End of Year | \$ 34,666 | \$ 36,777 | \$ 40,400 | \$ 46,036 | \$ 51,363 | \$ 59,790 | \$ 73,808 | \$ 77,111 | \$ 83,551 | \$ 87,973 | \$ 84,000 |
| Reinsurance Recoverable, End of Year | 8,846 | 10,661 | 13,691 | 15,886 | 14,288 | 12,495 | 16,472 | 14,396 | 13,525 | 14,337 | 15,000 |
| Estimated Gross Liability | 25,820 | 26,116 | 26,709 | 30,150 | 37,075 | 47,295 | 57,336 | 62,715 | 70,026 | 73,636 | 69,000 |
| Estimated Reinsurance Recoverable | 55,041 | 62,549 | 68,075 | 70,148 | 71,492 | 72,836 | 79,818 | 80,494 | 86,995 | 90,589 | |
| Estimated Net Liability | 15,842 | 18,330 | 19,314 | 19,362 | 17,220 | 15,471 | 18,623 | 15,590 | 14,572 | 14,338 | |
| Relative Gross Surplus/Deficiency | 39,199 | 44,219 | 48,761 | 50,786 | 54,272 | 57,365 | 61,195 | 64,904 | 72,423 | 76,251 | |
| Surplus/Deficiency | (20,375) | (25,772) | (27,675) | (24,112) | (20,129) | (13,046) | (6,010) | (3,383) | (3,444) | (2,616) | |

* During 2009, Transatlantic was deconsolidated and 21st Century and HSB were sold. Immediately preceding these sales, the loss and loss expense reserves for these entities totaled \$9.6 billion. As a result of the sales and deconsolidation, these obligations ceased being the responsibility of AIG. The sales and deconsolidation are

reflected in the table above as a reduction in December 31, 2009 net reserves of \$9.6 billion and as a \$8.6 billion increase in paid losses for the years 1999 through 2008 to reflect no impact on incurred losses for these periods.

The Liability for unpaid claims and claims adjustment expense as reported in AIG's Consolidated Balance Sheet at December 31, 2009 differs from the total reserve reported in the Annual Statements filed with state insurance departments and, where appropriate, with foreign regulatory authorities. The differences at December 31, 2009 relate primarily to reserves for certain foreign operations not required to be reported in the United States for statutory reporting purposes. Further, statutory practices in the United States require reserves to be shown net of applicable reinsurance recoverable.

The reserve for gross losses and loss expenses is prior to reinsurance and represents the accumulation for reported losses and IBNR. Management reviews the adequacy of established gross loss reserves in the manner previously described for net loss reserves.

For further discussion regarding net reserves for losses and loss expenses, see Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Segment Results General Insurance Operations Liability for unpaid claims and claims adjustment expense.

Table of Contents

American International Group, Inc., and Subsidiaries

Domestic Life Insurance & Retirement Services Operations

AIG's Domestic Life Insurance & Retirement Services segment, rebranded as SunAmerica Financial Group in December 2009, is comprised of several life insurance and retirement services businesses that market their products and services under the brands of American General, AGLA, VALIC, Western National, SunAmerica Retirement Markets, SunAmerica Mutual Funds, SunAmerica Affordable Housing Partners, FSC Securities, Royal Alliance and SagePoint Financial. The businesses offer a comprehensive suite of life insurance, retirement savings products and guaranteed income solutions through an established multi-channel distribution network that includes banks, national, regional and independent broker-dealers, career financial advisors, wholesale life brokers, insurance agents and a direct-to-consumer platform.

AIG's Domestic Life Insurance businesses offer a broad range of protection products, including individual term and universal life insurance and group life and health products. In addition, Domestic Life Insurance offers a variety of payout annuities, which include single premium immediate annuities, structured settlements and terminal funding annuities.

Domestic Retirement Services businesses offer group retirement products and individual fixed and variable annuities. Certain previously acquired closed blocks and other fixed and variable annuity blocks that have been discontinued are reported as runoff annuities. Domestic Retirement Services also maintains a runoff block of Guaranteed Investment Contracts (GICs) that were written in (or issued to) the institutional market place prior to 2006.

Results for certain brokerage service, mutual fund, GIC and other asset management activities previously reported in the Asset Management segment are now included in Domestic Life Insurance & Retirement Services.

Foreign Life Insurance & Retirement Services Operations

AIG's Foreign Life Insurance & Retirement Services operations include insurance and investment-oriented products such as whole and term life, investment linked, universal life and endowments, personal accident and health products, group products, including pension, life and health, and fixed and variable annuities. The Foreign Life Insurance & Retirement Services products are sold through independent producers, career agents, financial institutions and direct marketing channels.

AIG's principal Foreign Life Insurance & Retirement Services operations include ALICO, AIG Star Life, AIG Edison Life, AIA and Philamlife, which is now an AIA subsidiary. ALICO is incorporated in Delaware and all of its business is written outside the United States. ALICO has operations either directly or through subsidiaries in Europe, including the U.K., Latin America, the Caribbean, the Middle East, and Japan. AIA operates primarily in China (including Hong Kong), Singapore, Malaysia, Thailand, Korea, Australia, New Zealand, Vietnam, Indonesia and India. The operations in India are conducted through a joint venture, Tata AIG Life Insurance Company Limited. Philamlife is the largest life insurer in the Philippines. AIG Star Life and AIG Edison Life operate in Japan.

On October 12, 2009, AIG entered into an agreement to sell its 97.57 percent share of Nan Shan Life Insurance Company, Ltd. (Nan Shan), for approximately \$2.15 billion. As a result of this transaction, Nan Shan qualified as a discontinued operation and met the criteria for held-for-sale accounting in the fourth quarter of 2009. See Note 2 to the Consolidated Financial Statements for further discussion.

Reinsurance Operations

Chartis subsidiaries operate worldwide primarily by underwriting and accepting risks for their direct account and securing reinsurance on that portion of the risk in excess of the limit which they wish to retain. This operating policy differs from that of many insurance companies that will underwrite only up to their net retention limit, thereby requiring the broker or agent to secure commitments from other underwriters for the remainder of the gross risk amount.

9 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

Various AIG classes of business, including Commercial Insurance, AIU and AIG Risk Finance, as well as certain life insurance subsidiaries, use AIRCO as a reinsurer for certain of their businesses. In Bermuda, AIRCO discounts reserves attributable to certain classes of general insurance business assumed from other AIG subsidiaries.

For a further discussion of reinsurance, see Item 1A. Risk Factors Reinsurance; Management's Discussion and Analysis of Financial Condition and Results of Operations Risk Management Insurance Risk Management Reinsurance.

Insurance Investment Operations

A significant portion of AIG's General Insurance and Domestic and Foreign Life Insurance & Retirement Services revenues are derived from AIG's insurance investment operations.

The following table summarizes the investment results of AIG's insurance operations, excluding the results of discontinued operations:

| Years Ended December 31, (in millions) | Annual Average Investments^(a) | Net Investment Income | Pre-tax Return on Average Investments^(b) |
|---|---|--------------------------------------|--|
| General Insurance: | | | |
| 2009 | \$ 89,236 | \$ 3,295 | 3.7% |
| 2008 | 92,313 | 2,606 | 2.8 |
| 2007 | 96,207 | 5,348 | 5.6 |
| Domestic Life Insurance & Retirement Services: | | | |
| 2009 | \$ 148,202 | \$ 9,553 | 6.4% |
| 2008 | 196,515 | 9,134 | 4.6 |
| 2007 | 248,720 | 13,582 | 5.5 |
| Foreign Life Insurance & Retirement Services: | | | |
| 2009 | \$ 182,183 | \$ 11,502 | 6.3% |
| 2008 | 180,833 | 157 | 0.1 |
| 2007 | 182,216 | 10,184 | 5.6 |

(a) Includes real estate investments and collateral assets invested under the securities lending program.

(b) Net investment income divided by the annual average investments.

AIG's worldwide insurance investment policy places primary emphasis on investments in government and fixed income securities in all of its portfolios and, to a lesser extent, investments in high-yield bonds, common stocks, real estate, hedge funds and other alternative investments, in order to enhance returns on policyholders' funds and generate net investment income. The ability to implement this policy is somewhat limited in certain territories as there may be a lack of attractive long-term investment opportunities or investment restrictions may be imposed by the local regulatory authorities.

Financial Services Operations

AIG's Financial Services subsidiaries engage in diversified activities including aircraft leasing, capital markets, consumer finance and insurance premium finance. Together, the Aircraft Leasing, Capital Markets and Consumer Finance operations generate the majority of the revenues produced by the Financial Services operations. A.I. Credit also contributes to Financial Services results principally by providing insurance premium financing for both AIG's policyholders and those of other insurers.

Aircraft Leasing

AIG's Aircraft Leasing operations are the operations of ILFC, which generates its revenues primarily from leasing new and used commercial jet aircraft to foreign and domestic airlines. Revenues also result from the remarketing of commercial jet aircraft for ILFC's own account, and remarketing and fleet management services for airlines and financial institutions.

AIG 2009 Form 10-K

10

Table of Contents

American International Group, Inc., and Subsidiaries

Capital Markets

Capital Markets is comprised of the operations of AIGFP, which engaged as principal in a wide variety of financial transactions, including standard and customized financial products involving commodities, credit, currencies, energy, equities and interest rates. AIGFP also invests in a diversified portfolio of securities and principal investments and engages in borrowing activities that involve issuing standard and structured notes and other securities and entering into guaranteed investment agreements (GIAs). Due to the extreme market conditions experienced in 2008, the downgrades of AIG's credit ratings by the rating agencies, as well as AIG's intent to refocus on its core businesses, beginning in late 2008 and continuing through 2009 AIGFP has been unwinding its businesses and portfolios. See Management's Discussion and Analysis of Financial Condition and Results of Operations 2010 Business Outlook Financial Services.

Consumer Finance

AIG's Consumer Finance operations in North America are principally conducted through AGF. AGF derives most of its revenues from finance charges assessed on real estate loans, secured and unsecured non-real estate loans and retail sales finance receivables.

AIG's foreign consumer finance operations are principally conducted through AIGCFG. AIGCFG operates primarily in emerging and developing markets. During 2009, AIG divested most of the AIGCFG operations. As of December 31, 2009, AIGCFG had operations in Argentina, Taiwan, India, Colombia and Poland. The operations in Poland, at December 31, 2009, were under contract for sale and met the criteria for held for sale accounting in 2009.

Other Operations

AIG's Other operations includes results from Parent & Other operations, after allocations to AIG's business segments, results from noncore businesses and gains and losses on sales of divested businesses.

Parent & Other

AIG's Parent & Other operations consists primarily of interest expense, restructuring costs, expenses of corporate staff not attributable to specific reportable segments, expenses related to efforts to improve internal controls, corporate initiatives, certain compensation plan expenses, corporate level net realized capital gains and losses, certain litigation related charges and net gains and losses on sale of divested businesses.

Noncore Businesses

Noncore businesses include results of certain businesses that have been divested or are being wound down or repositioned.

Noncore Insurance Businesses

Beginning in 2009, in order to better align financial reporting with the manner in which AIG's chief operating decision makers review AIG's businesses to make decisions about resources to be allocated and to assess performance, the results for United Guaranty Corporation (UGC), Transatlantic, 21st Century and HSB are included in AIG's Other operations category. These amounts were previously reported as part of General Insurance operations. Prior period amounts have been revised to conform to the current presentation. As a result of the current year dispositions of 21st Century and HSB, and the deconsolidation of Transatlantic, only UGC is still reporting ongoing results of operations. See Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity AIG's Strategy for Stabilization and Repayment of its Obligations as They Come Due Asset Disposition Plan Sales of Businesses and Specific Asset Dispositions for further discussion.

11 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

Mortgage Guaranty

The main business of the subsidiaries of UGC is the issuance of residential mortgage guaranty insurance, both domestically and internationally, that covers the first loss for credit defaults on high loan-to-value first-lien mortgages for the purchase or refinance of one- to four-family residences.

During 2008, UGC tightened underwriting guidelines and increased premium rates for its first-lien business, ceased insuring second-lien business as of September 30, 2008 and during the fourth quarter of 2008 ceased insuring new private student loan business and suspended insuring new business throughout its European operations. All of these actions were in response to the worsening conditions in the global housing markets and resulted in a significant decline in new business written during the second half of 2008 through 2009.

Transatlantic

On June 10, 2009, AIG closed the previously announced secondary public offering of 29.9 million shares of Transatlantic common stock owned directly and indirectly by AIG for aggregate gross proceeds of \$1.1 billion. As of the close of the offering, AIG indirectly retained 13.9 percent of the Transatlantic common stock issued and outstanding. As of December 31, 2009, after confirmation from the New York Insurance Department that AIG is not considered to control Transatlantic, AIG no longer considers Transatlantic to be a related party.

Noncore Asset Management Operations

With the announced sale of AIG's investment advisory and third party Institutional Asset Management business (excluding the Global Real Estate investment management business), AIG will no longer benefit from the management fee and carried interest cash flows from these businesses, but the sale will reduce operating costs related to AIG's asset management activities. Asset Management is no longer considered a reportable segment, and the results for these Asset Management operations described below have been presented as a Noncore business in AIG's Other operations category. Brokerage service commissions, other asset management fees, and investment income from GICs previously reported in the Asset Management segment are now included in the Domestic Life Insurance & Retirement Services segment. Results for prior periods have been revised accordingly.

Matched Investment Program

AIG's Matched Investment Program (MIP) is a spread-based investment operation which invests primarily in fixed maturity securities (corporate and structured), loans and, to a lesser extent, single name credit default swaps. Due to the extreme market conditions experienced in 2008 and the downgrades of AIG's credit ratings, the MIP is currently in run-off. No additional debt issuances are expected for the MIP for the foreseeable future.

Institutional Asset Management Business

AIG's Institutional Asset Management business, conducted through AIG Global Asset Management Holdings Corp. and its subsidiaries and affiliated companies (collectively, AIG Investments), provides an array of investment products and services globally to institutional investors, pension funds, AIG subsidiaries, AIG affiliates and high net worth investors. These products include traditional equity and fixed maturity securities, and a wide range of real estate and alternative asset classes. Services include investment advisory and sub-advisory services, investment monitoring and transaction structuring. Within the equity and fixed maturity asset classes, AIG Investments offers various forms of structured investments. Within the alternative asset class, AIG Investments offers hedge and private equity funds and fund-of-funds, direct investments and distressed debt investments. AIG Global Real Estate Investment Corp. (AIG Global Real Estate) provides a wide range of real estate investment, development and management services for AIG subsidiaries, as well as for third-party institutional investors, pension funds and high net worth investors. AIG Global Real Estate also maintains a proprietary real estate investment portfolio through various joint venture platforms.

On September 5, 2009, AIG entered into an agreement to sell its investment advisory and third party Institutional Asset Management businesses. This sale will exclude those asset management businesses providing traditional fixed

Table of Contents**American International Group, Inc., and Subsidiaries**

income asset and liability management for AIG's insurance company subsidiaries and the AIG Global Real Estate investment management business, as well as proprietary real estate and private equity investments. AIG expects to continue relationships with the divested businesses for other investment management services used by its insurance company subsidiaries. Upon completion of the sale, AIG will no longer benefit from the management fee and carried interest cash flow from these businesses, but the sale will reduce operating costs related to AIG's asset management activities.

For additional information regarding the business of AIG on a consolidated basis, the contributions made to AIG's consolidated revenues and pre-tax income and the assets held by General Insurance, Domestic Life Insurance & Retirement Services, Foreign Life Insurance & Retirement Services, Financial Services and the Other operations category, see Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 1 and 4 to the Consolidated Financial Statements.

Locations of Certain Assets

As of December 31, 2009, approximately 44 percent of the consolidated assets of AIG were located in foreign countries (other than Canada), including \$6.9 billion of cash and securities on deposit with foreign regulatory authorities. Foreign operations and assets held abroad may be adversely affected by political developments in foreign countries, including tax changes, nationalization and changes in regulatory policy, as well as by consequence of hostilities and unrest. The risks of such occurrences and their overall effect upon AIG vary from country to country and cannot easily be predicted. If expropriation or nationalization does occur, AIG's policy is to take all appropriate measures to seek recovery of such assets. Certain of the countries in which AIG's business is conducted have currency restrictions which generally cause a delay in a company's ability to repatriate assets and profits. See also Item 1A. Risk Factors - Foreign Operations and Notes 1 and 4 to the Consolidated Financial Statements.

Regulation

AIG's operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, investment advisory, banking and thrift regulators in the United States and abroad. AIG's operations have become more diverse and consumer-oriented, increasing the scope of regulatory supervision and the possibility of intervention. In light of AIG's liquidity problems beginning in the third quarter of 2008, AIG and its regulated subsidiaries have been subject to intense review and supervision around the world. Regulators have taken significant steps to protect the businesses of the entities they regulate. These steps have included:

- restricting or prohibiting the payment of dividends to AIG parent and its subsidiaries;

- restricting or prohibiting other payments to AIG parent and its subsidiaries;

- requesting additional capital contributions from AIG parent;

- requesting that intercompany reinsurance reserves be covered by assets locally;

- restricting the business in which the subsidiaries may engage;

- requiring pre-approval of all proposed transactions between the regulated subsidiaries and AIG parent or with any affiliate; and

- requiring more frequent reporting, including with respect to capital and liquidity positions.

These and other actions have made it challenging for AIG to continue to engage in business in the ordinary course. AIG does not expect these conditions to change significantly in the foreseeable future.

In 1999, AIG became a unitary thrift holding company within the meaning of the Home Owners' Loan Act (HOLA) when the Office of Thrift Supervision (OTS) granted AIG approval to organize AIG Federal Savings Bank. AIG is subject to OTS regulation, examination, supervision and reporting requirements. In addition, the OTS has enforcement authority over AIG and its subsidiaries. Among other things, this permits the OTS to restrict or prohibit

Table of Contents

American International Group, Inc., and Subsidiaries

activities that are determined to be a serious risk to the financial safety, soundness or stability of AIG's subsidiary savings association, AIG Federal Savings Bank.

Under prior law, a unitary savings and loan holding company, such as AIG, was not restricted as to the types of business in which it could engage, provided that its savings association subsidiary continued to be a qualified thrift lender. The Gramm-Leach-Bliley Act of 1999 (GLBA) provides that no company may acquire control of an OTS regulated institution after May 4, 1999 unless it engages only in the financial activities permitted for financial holding companies under the law or for multiple savings and loan holding companies. The GLBA, however, grandfathered the unrestricted authority for activities with respect to a unitary savings and loan holding company existing prior to May 4, 1999, so long as its savings association subsidiary continues to be a qualified thrift lender under the HOLA. As a unitary savings and loan holding company whose application was pending as of May 4, 1999, AIG is grandfathered under the GLBA and generally is not restricted under existing laws as to the types of business activities in which it may engage, provided that AIG Federal Savings Bank continues to be a qualified thrift lender under the HOLA.

Certain states require registration and periodic reporting by insurance companies that are licensed in such states and are controlled by other corporations. Applicable legislation typically requires periodic disclosure concerning the corporation that controls the registered insurer and the other companies in the holding company system and prior approval of intercorporate services and transfers of assets (including in some instances payment of dividends by the insurance subsidiary) within the holding company system. AIG's subsidiaries are registered under such legislation in those states that have such requirements.

AIG's insurance subsidiaries, in common with other insurers, are subject to regulation and supervision by the states and by other jurisdictions in which they do business. Within the United States, the method of such regulation varies but generally has its source in statutes that delegate regulatory and supervisory powers to an insurance official. The regulation and supervision relate primarily to approval of policy forms and rates, the standards of solvency that must be met and maintained, including risk-based capital, the licensing of insurers and their agents, the nature of and limitations on investments, restrictions on the size of risks that may be insured under a single policy, deposits of securities for the benefit of policyholders, requirements for acceptability of reinsurers, periodic examinations of the affairs of insurance companies, the form and content of reports of financial condition required to be filed, and reserves for unearned premiums, losses and other purposes. In general, such regulation is for the protection of policyholders rather than the equity owners of these companies.

AIG has taken various steps to enhance the capital positions of the Chartis U.S. companies. AIG entered into capital maintenance agreements with these companies that set forth procedures through which AIG has provided, and expects to continue to provide, capital support. Also, in order to allow the Chartis companies to record as an admitted asset at December 31, 2009 certain reinsurance ceded to non-U.S. reinsurers (which has the effect of maintaining the level of the statutory surplus of such companies), AIG obtained and entered into reimbursement agreements for approximately \$1.5 billion of letters of credit issued by several commercial banks in favor of certain Chartis companies and funded trusts totaling \$2.8 billion.

In the U.S., the Risk-Based Capital (RBC) formula is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. Thus, inadequately capitalized general and life insurance companies may be identified. The U.S. RBC formula develops a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. Thus, the target level of statutory surplus varies not only as a result of the insurer's size, but also based on the risk profile of the insurer's operations.

The RBC Model Law provides for four incremental levels of regulatory attention for insurers whose surplus is below the calculated RBC target. These levels of attention range in severity from requiring the insurer to submit a plan for corrective action to placing the insurer under regulatory control.

The statutory surplus of each of the U.S.-based life and property and casualty insurance subsidiaries exceeded their RBC minimum required levels as of December 31, 2009.

Table of Contents**American International Group, Inc., and Subsidiaries**

To the extent that any of AIG's insurance entities would fall below prescribed levels of statutory surplus, it would be AIG's intention, subject to FRBNY approval, to provide appropriate capital or other types of support to that entity.

A substantial portion of AIG's general insurance business and a majority of its life insurance business is conducted in foreign countries. The degree of regulation and supervision in foreign jurisdictions varies. Generally, AIG, as well as the underwriting companies operating in such jurisdictions, must satisfy local regulatory requirements. Licenses issued by foreign authorities to AIG subsidiaries are subject to modification or revocation by such authorities, and these subsidiaries could be prevented from conducting business in certain of the jurisdictions where they currently operate.

In addition to licensing requirements, AIG's foreign operations are also regulated in various jurisdictions with respect to currency, policy language and terms, advertising, amount and type of security deposits, amount and type of reserves, amount and type of capital to be held, amount and type of local investment and the share of profits to be returned to policyholders on participating policies. Some foreign countries regulate rates on various types of policies. Certain countries have established reinsurance institutions, wholly or partially owned by the local government, to which admitted insurers are obligated to cede a portion of their business on terms that may not always allow foreign insurers, including AIG subsidiaries, full compensation. In some countries, regulations governing constitution of technical reserves and remittance balances may hinder remittance of profits and repatriation of assets.

See Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Regulation and Supervision and Note 17 to Consolidated Financial Statements.

Competition

AIG's businesses operate in highly competitive environments, both domestically and overseas. Principal sources of competition are insurance companies, banks, investment banks and other non-bank financial institutions.

The insurance industry in particular is highly competitive. Within the United States, Chartis subsidiaries compete with approximately 3,300 other stock companies, specialty insurance organizations, mutual companies and other underwriting organizations. AIG's Domestic Life Insurance & Retirement Services subsidiaries compete in the United States with approximately 1,900 life insurance companies and other participants in related financial services fields. Overseas, AIG's subsidiaries compete for business with the foreign insurance operations of large U.S. insurers and with global insurance groups and local companies in particular areas in which they are active.

As a result of the reduction of the credit ratings of AIG and its subsidiaries, uncertainty relating to AIG's financial condition and AIG's asset disposition plan, AIG's businesses have faced and continue to face intense competition to retain existing customers and to maintain business with existing customers and counterparties at historical levels. Further, AIG has been and continues to be at a significant disadvantage in certain markets in soliciting new customers. Although surrender rates have begun to stabilize, AIG expects these difficult conditions to continue for the foreseeable future.

Competition is also intense for key employees. The announced asset dispositions, limitations placed by the American Recovery and Reinvestment Act of 2009 and the Special Master for Troubled Asset Relief Program (TARP) Executive Compensation on compensation arrangements and programs, decline in AIG's common stock price and uncertainty surrounding AIG's financial condition have adversely affected AIG's ability to retain and motivate key employees and to attract new employees. It is unclear whether, for the foreseeable future, AIG will be able to create a compensation structure that permits AIG to retain and motivate key employees.

For a further discussion of the risks relating to retaining existing customers, soliciting new customers and retaining key employees, see item 1A. Risk Factors.

Other Information about AIG

At December 31, 2009, AIG and its subsidiaries had approximately 96,000 employees.

Table of Contents**American International Group, Inc., and Subsidiaries**

AIG's Internet address for its corporate website is www.aigcorporate.com. AIG makes available free of charge, through the Investor Information section of AIG's corporate website, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Proxy Statements on Schedule 14A and amendments to those reports or statements filed or furnished pursuant to Sections 13(a), 14(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). AIG also makes available on its corporate website copies of the charters for its Audit, Nominating and Corporate Governance and Compensation and Management Resources Committees, as well as its Corporate Governance Guidelines (which include Director Independence Standards), Director, Executive Officer and Senior Financial Officer Code of Business Conduct and Ethics, Employee Code of Conduct and Related-Party Transactions Approval Policy. Except for the documents specifically incorporated by reference into this Annual Report on Form 10-K, information contained on AIG's website or that can be accessed through its website is not incorporated by reference into this Annual Report on Form 10-K.

Directors and Executive Officers of AIG

All directors of AIG are elected for one-year terms at the annual meeting of shareholders. In addition, the terms of each of the AIG Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share, (AIG Series E Preferred Stock) and the AIG Series F Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share, (AIG Series F Preferred Stock) provide for the election of the greater of two additional directors or up to 20 percent of the total number of AIG directors (rounded up after giving effect to the election) upon a failure of AIG to make four quarterly dividend payments, whether or not consecutive. These preferred directors would be elected by a majority of the votes cast by the holder of the AIG Series E Preferred Stock and the AIG Series F Preferred Stock, voting together as a single class. If elected, such preferred directors would hold office until the next annual meeting (or special meeting called to elect directors) or until all dividends payable on all outstanding shares of the AIG Series E Preferred Stock and the AIG Series F Preferred Stock have been declared and paid in full for four consecutive quarters. As of February 17, 2010, the holder of the AIG Series E Preferred Stock and the AIG Series F Preferred Stock had not elected any directors pursuant to the provision, although AIG had failed to make four quarterly dividend payments.

All executive officers are elected to one-year terms, but serve at the pleasure of the Board of Directors. Except as hereinafter noted, each of the executive officers has, for more than five years, occupied an executive position with AIG or companies that are now its subsidiaries. There are no arrangements or understandings between any executive officer and any other person pursuant to which the executive officer was elected to such position. Prior to joining AIG in August 2009, Mr. Benmosche served as a member of the Board of Directors of Credit Suisse Group since 2002. Mr. Benmosche was former Chairman, President, and Chief Executive Officer of MetLife, a leading provider of insurance and other financial services. Earlier in his career he served as Executive Vice President for PaineWebber, Inc. Mr. Hancock served as Vice Chairman of Key Corp. from January 2008 until joining AIG in February 2010. Mr. Hancock was Managing Director of Trinsum Group, Inc., an asset management and strategic advisory firm from 2007 to January 2008 and President and Co-Founder of Integrated Finance Limited, an asset management and strategic advisory firm from 2002 to 2007. Mr. Russo was Senior Counsel at Patton Boggs LLP prior to joining AIG in February 2010. Mr. Russo served as Executive Vice President and Chief Legal Officer of Lehman Brothers Holdings Inc. for more than five years prior to December 2008. Mr. Wilson spent 18 years with AXA Asia Pacific Holdings Limited, a leading provider of life insurance, wealth management and advice businesses in the Asia-Pacific region, where he held a number of senior management positions until joining AIA as Deputy President in December 2006. In 2007, he was promoted to President and Chief Operating Officer of AIA, and in May 2009 he became Chief Executive Officer and President of AIA Group Limited.

Table of Contents

American International Group, Inc., and Subsidiaries

Set forth below is information concerning the directors and executive officers of AIG as of February 25, 2010.

| Name | Title | Age | Served as Director or Officer Since |
|-----------------------|---|------------|--|
| Robert H. Benmosche | Director and Chief Executive Officer | 65 | 2009 |
| Dennis D. Dammerman | Director | 64 | 2008 |
| Harvey Golub | Director and Chairman of the Board of Directors | 70 | 2009 |
| Laurette T. Koellner | Director | 55 | 2009 |
| Christopher S. Lynch | Director | 52 | 2009 |
| Arthur C. Martinez | Director | 70 | 2009 |
| George L. Miles, Jr. | Director | 68 | 2005 |
| Robert S. Miller | Director | 68 | 2009 |
| Suzanne Nora Johnson | Director | 52 | 2008 |
| Morris W. Offit | Director | 73 | 2005 |
| Douglas M. Steenland | Director | 58 | 2009 |
| Peter D. Hancock | Executive Vice President Finance, Risk and Investments | 51 | 2010 |
| David L. Herzog | Executive Vice President and Chief Financial Officer | 50 | 2005 |
| Rodney O. Martin, Jr. | Executive Vice President Life Insurance | 57 | 2002 |
| Kristian P. Moor | Executive Vice President Domestic General Insurance | 50 | 1998 |
| Thomas A. Russo | Executive Vice President Legal, Compliance, Regulatory Affairs, Government Affairs and General Counsel | 66 | 2010 |
| Nicholas C. Walsh | Executive Vice President Foreign General Insurance | 59 | 2005 |
| Mark A. Wilson | Executive Vice President Life Insurance | 43 | 2010 |
| Jay S. Wintrob | Executive Vice President Domestic Life and Retirement Services | 52 | 1999 |
| William N. Dooley | Senior Vice President Financial Services | 57 | 1992 |
| Jeffrey J. Hurd | Senior Vice President Human Resources and Communications | 43 | 2010 |
| Robert E. Lewis | Senior Vice President and Chief Risk Officer | 58 | 1993 |
| Monika M. Machon | Senior Vice President and Chief Investment Officer | 49 | 2009 |

Brian T. Schreiber

Senior Vice President Strategic
Planning

44

2002

Item 1A. Risk Factors

AIG has been significantly and adversely affected by the market turmoil in late 2008 and early 2009, and, despite the recovery in the markets in mid and late 2009, is subject to significant risks, as discussed below. Many of these risks are interrelated and occur under similar business and economic conditions, and the occurrence of certain of them may in turn cause the emergence, or exacerbate the effect, of others. Such a combination could materially increase the severity of the impact on AIG. As a result, should certain of these risks emerge, AIG may need additional support from the U.S. government. Without additional support from the U.S. government, in the future there could exist substantial doubt about AIG's ability to continue as a going concern. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Consideration of AIG's Ability to Continue as a Going Concern and Note 1 to the Consolidated Financial Statements for a further discussion.

Since September 2008, AIG has been working to protect and enhance the value of its key businesses, to execute an orderly asset disposition plan and to position itself for the future, with the primary goal of enabling it to repay U.S. taxpayers for the support it has received. AIG's efforts have been and continue to be subject to risks, the most significant of which are the following:

Execution of Restructuring Plan

A number of factors outside AIG's control could impair AIG's ability to implement its asset disposition plan, which is a critical component of AIG's plan to repay U.S. taxpayers for the support provided under the Credit Facility (FRBNY Credit Facility) provided by the FRBNY under the Credit Agreement, dated as of September 22, 2008 (as amended, the FRBNY

17 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

Credit Agreement), and the TARP preferred stock issued to the Department of the Treasury. AIG's asset disposition plan could be adversely affected by an inability to complete asset dispositions due to, among other things:

- an inability of purchasers to obtain funding;
- a general unwillingness of potential buyers to commit capital;
- an adverse change in interest rates and borrowing costs; and
- declines in AIG asset values and deterioration in its businesses.

Further, AIG may be unable to negotiate favorable terms in connection with asset sales, including with respect to price. As a result, AIG may need to modify its asset disposition plan to sell additional or different assets.

As part of its restructuring efforts, AIG may need to materially alter its capital structure. In connection with its restructuring efforts, AIG may need to materially alter its current capital structure. This could include the issuance of additional shares of AIG common stock, par value \$2.50 per share (AIG Common Stock) or other equity securities that may dilute, perhaps significantly, the current holders of AIG Common Stock.

The complexity of executing AIG's asset disposition plan, combined with the challenges of operating AIG's businesses in the current environment, could place further stress on AIG's internal controls, increase AIG's costs and divert the attention of AIG management and employees from their normal duties. The execution of AIG's asset disposition plan has introduced a large number of complex and non-standard transactions which are placing a strain on existing resources, systems and communication channels. Furthermore, AIG's employees are operating in an environment where the frequency and uncertainty of developments could decrease the attention devoted to internal controls over financial reporting. Although AIG is taking steps to mitigate these risks, including through the use of third party consultants and advance planning, it is possible that these risks could delay AIG from preparing timely financial statements and making required filings in a timely manner, and otherwise adversely affect AIG's internal controls over financial reporting.

The restructuring of AIG's businesses is a complex undertaking requiring the creation of standalone infrastructure and systems at certain subsidiaries. The duplication of infrastructure and systems will continue to increase AIG's costs.

Highly Leveraged Capital Structure

AIG has a highly leveraged capital structure and has significant preferred stock outstanding. As of December 31, 2009, AIG had approximately \$141.5 billion of consolidated indebtedness, including \$23.4 billion and \$4.7 billion outstanding under the FRBNY Credit Facility (all of which is secured indebtedness) and the FRBNY Commercial Paper Funding Facility (CPFF), respectively. In addition, as of the same date, AIG had \$41.6 billion and \$5.3 billion aggregate liquidation preference of AIG Series E Preferred Stock and AIG Series F Preferred Stock, respectively. The market capitalization of the AIG Common Stock was \$4.0 billion as of December 31, 2009 and \$3.6 billion at February 17, 2010.

This highly leveraged capital structure may have several important consequences on AIG's future operations, including, but not limited to:

- The obligations of AIG under the AIG Series E Preferred Stock and AIG Series F Preferred Stock are significantly in excess of the market capitalization of the AIG Common Stock, and, in the event of a liquidation, dissolution or winding up of AIG, all of these preferred stock obligations would have to be paid before any payment could be made on the AIG Common Stock. Moreover, AIG may make further drawdowns on the commitment of the Department of the Treasury under the AIG Series F Preferred Stock (the Department of the Treasury Commitment) and thereby increase its preferred stock obligations.

AIG does not anticipate paying dividends on the AIG Common Stock in the foreseeable future.

The trading market for the AIG Common Stock has been extremely volatile and this volatility may continue for the foreseeable future.

Table of Contents

American International Group, Inc., and Subsidiaries

Liquidity

AIG parent's ability to access funds from its subsidiaries is limited. As a holding company, AIG parent depends on dividends, distributions and other payments from its subsidiaries to fund payments due on AIG's obligations, including its outstanding debt. Further, the majority of AIG's investments are held by its regulated subsidiaries. In light of AIG's current financial situation and the retained deficit resulting from the losses recorded in recent quarters, certain of AIG's regulated subsidiaries have been restricted from making dividend payments, or advancing funds, to AIG, and AIG expects these restrictions to continue. In the case of subsidiaries not currently subject to these restrictions, these subsidiaries may be limited in their ability to make dividend payments or advance funds to AIG in the future because of the need to support their own capital levels.

In addition, in connection with the execution of the purchase agreement between AIG and AIRCO and the FRBNY, dated June 25, 2009 (AIA Purchase Agreement), and the purchase agreement between AIG and the FRBNY, dated June 25, 2009 (ALICO Purchase Agreement), on December 1, 2009, AIG, the FRBNY and each special purpose vehicle (SPV) entered into limited liability company agreements, which set forth the terms and conditions of the respective parties' ownership and governance rights in each SPV. Under the terms of these agreements, the AIA SPV and the ALICO SPV may only distribute funds to AIG parent (prior to the payment of the preferred returns and liquidation preferences on the preferred interests in each respective SPV and, in the case of the AIA SPV, a payment of 1 percent of the net income of the AIA SPV to the holders of the preferred interests in the AIA SPV for all fiscal years prior to payment of the preferred return and liquidation preference) in an aggregate amount not to exceed \$200 million and \$400 million, respectively, per fiscal year.

These factors may hinder AIG's ability to access funds that AIG parent may need to make payments on its obligations, including those arising from day-to-day business activities.

AIG parent's ability to support its subsidiaries is limited. Historically, AIG has provided capital and liquidity to its subsidiaries to maintain regulatory capital ratios, comply with rating agency requirements and meet unexpected cash flow obligations. More recently, AIG has relied on the FRBNY Credit Facility and the Department of the Treasury Commitment to meet these needs, given AIG's inability to access its traditional sources of liquidity, including the public debt markets, since the third quarter of 2008. AIG's current limited access to liquidity may reduce or prevent AIG from providing support to its subsidiaries. If AIG is unable to provide support to a subsidiary having an immediate capital or liquidity need, the subsidiary could become insolvent or, in the case of an insurance subsidiary or other regulated entity, could be seized by its regulator.

Certain of the investments held by AIG's subsidiaries are illiquid and/or are difficult to sell, or to sell in significant amounts or at acceptable prices, to generate cash to meet their needs. AIG's subsidiaries' investments in certain securities, including certain fixed income securities and certain structured securities, private equity securities, investment partnerships, mortgage loans, flight equipment, finance receivables and real estate are illiquid or may not be disposed of quickly. These asset classes represented approximately 23 percent of the carrying value of AIG's total consolidated cash and invested assets at December 31, 2009. In addition, the steep decline in the U.S. real estate market and tight credit markets have materially adversely affected the liquidity of other AIG securities portfolios, including its residential and commercial mortgage-related securities and investment portfolios. In the event additional liquidity is required by one or more AIG subsidiaries beyond what can be provided through cash generated by operations or the sale or monetization of their more liquid assets, it may be difficult to generate additional liquidity by selling, pledging or otherwise monetizing the less liquid investments described above.

Credit and Financial Strength Ratings

Adverse ratings actions regarding AIG's long-term debt ratings by the major rating agencies would require AIG to post a substantial amount of additional collateral payments pursuant to, and/or permit the termination of, derivative transactions to which AIGFP is a party, which could further adversely affect AIG's business and its consolidated results of operations, financial condition and liquidity. Additional obligations to post collateral or the costs of assignment, termination or obtaining alternative credit could significantly reduce the amounts then available under the FRBNY Credit Facility and the Department of the Treasury Commitment. Credit ratings estimate a company's ability to meet its obligations and may

Table of Contents

American International Group, Inc., and Subsidiaries

directly affect the cost and availability to that company of unsecured financing. In the event of a further downgrade of AIG's long-term senior debt ratings, AIGFP would be required to post additional collateral, and certain of AIGFP's counterparties would be permitted to elect early termination of contracts.

For a further discussion of AIG's liquidity, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources and Liquidity—Liquidity.

It is estimated that as of the close of business on February 17, 2010, based on AIG's outstanding financial derivative transactions, including those of AIGFP at that date, a one-notch downgrade of AIG's long-term senior debt ratings to Baa1 by Moody's Investors Service (Moody's) and BBB+ by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), would permit counterparties to make additional collateral calls and permit the counterparties to elect early termination of contracts, resulting in up to approximately \$1.8 billion of corresponding collateral postings and termination payments; a two-notch downgrade to Baa2 by Moody's and BBB by S&P would result in approximately \$1.4 billion in additional collateral postings and termination payments above the one-notch downgrade amount; and a three-notch downgrade to Baa3 by Moody's and BBB- by S&P would result in approximately \$0.3 billion in additional collateral postings and termination payments above the two-notch downgrade amount. Additional collateral postings upon downgrade are estimated based on the factors in the individual collateral posting provisions of the Credit Support Annex (CSA) with each counterparty and current exposure as of February 17, 2010. Factors considered in estimating the termination payments upon downgrade include current market conditions, the complexity of the derivative transactions, historical termination experience and other observable market events such as bankruptcy and downgrade events that have occurred at other companies. The actual termination payments could significantly differ from management's estimates given market conditions at the time of downgrade and the level of uncertainty in estimating both the number of counterparties who may elect to exercise their right to terminate and the payment that may be triggered in connection with any such exercise.

Adverse rating actions could result in further reductions in credit limits extended to AIG and in a decline in the number of counterparties willing to transact with AIG or its subsidiaries. To appropriately manage risk, AIG needs trading counterparties willing to extend sufficient credit limits to purchase and sell securities, commodities and other assets, as well as to conduct hedging activities. To the extent that counterparties are unwilling to trade with or to extend adequate credit limits to AIG or its subsidiaries, AIG could be exposed to open positions or other unhedged risks, resulting in increased volatility of results and increased losses.

A downgrade in the Insurer Financial Strength ratings of AIG's insurance companies could prevent the companies from writing new business and retaining customers and business. Insurer Financial Strength ratings are an important factor in establishing the competitive position of insurance companies. Insurer Financial Strength ratings measure an insurance company's ability to meet its obligations to contract holders and policyholders, help maintain public confidence in a company's products, facilitate marketing of products and enhance a company's competitive position.

Further downgrades of the Insurer Financial Strength ratings of AIG's insurance companies may prevent these companies from offering products and services or result in increased policy cancellations or termination of assumed reinsurance contracts. Moreover, a downgrade in AIG's credit ratings may, under credit rating agency policies concerning the relationship between parent and subsidiary ratings, result in a downgrade of the Insurer Financial Strength ratings of AIG's insurance subsidiaries.

FRBNY Credit Facility

The FRBNY Credit Agreement requires AIG to devote significant resources to debt repayment for the foreseeable future, thereby significantly reducing capital available for other purposes. AIG is required to repay the five-year FRBNY Credit Facility primarily using the proceeds from sales of assets, including businesses. Unless otherwise agreed by the FRBNY, the amount available under the FRBNY Credit Facility is generally permanently reduced by the amount of the net cash proceeds from asset dispositions.

AIG's significant obligations require it to dedicate all of its net cash proceeds from asset dispositions and a considerable portion of its cash flows from operations to the repayment of the FRBNY Credit Facility, thereby

AIG 2009 Form 10-K 20

Table of Contents**American International Group, Inc., and Subsidiaries**

reducing the funds available for investment in its businesses. Moreover, because AIG's debt service obligations are very high, AIG may be more vulnerable to competitive pressures and have less flexibility to plan for or respond to changing business and economic conditions.

AIG must sell or otherwise dispose of significant assets to service the debt under the FRBNY Credit Facility. AIG must make asset dispositions to repay the borrowings under the FRBNY Credit Facility. A continued delay or inability to effect these dispositions at acceptable prices and on acceptable terms could result in AIG being unable to repay the FRBNY Credit Facility by its maturity date.

If AIG is not able to repay the FRBNY Credit Facility from the proceeds of asset dispositions and cannot otherwise repay the FRBNY Credit Facility in accordance with its terms, an event of default would result. In such an event, the FRBNY could enforce its security interest in AIG's pledged collateral. In addition, an event of default or declaration of acceleration under the FRBNY Credit Agreement could also result in an event of default under other agreements. In such an event, AIG would likely not have sufficient liquid assets to meet its obligations under such agreements and could become insolvent.

Borrowings available to AIG under the FRBNY Credit Facility and drawdowns under the Department of the Treasury Commitment may not be sufficient to meet AIG's funding needs and additional financing may not be available or could be prohibitively expensive. The inability of AGF or ILFC to raise sufficient liquidity to meet their obligations without support from AIG, additional collateral calls, deterioration in investment portfolios affecting statutory surplus, high surrenders of annuity and other policies, further downgrades in AIG's credit ratings, catastrophe losses or reserve strengthening, or a further deterioration in AIGFP's remaining super senior credit default swap portfolio could cause AIG to require additional funding in excess of the borrowings available under the FRBNY Credit Facility and available drawdowns on the Department of the Treasury Commitment. In that event, AIG would be required to find additional financing and new financing sources. Such financing could be difficult, if not impossible, to obtain and, if available, very expensive, and additional funding from the FRBNY, the Department of the Treasury or other government sources may not be available. If AIG is unable to obtain sufficient financing to meet its capital needs, AIG could become insolvent.

The FRBNY Credit Agreement includes financial and other covenants that impose restrictions on AIG's financial and business operations. The FRBNY Credit Agreement requires AIG to maintain a minimum aggregate liquidity level and restricts AIG's ability to make certain capital expenditures. The FRBNY Credit Agreement also restricts the ability of AIG parent and its restricted subsidiaries to incur additional indebtedness, incur liens, merge, consolidate, sell assets, enter into hedging transactions outside the normal course of business, or pay dividends. These covenants could restrict AIG's business and thereby adversely affect AIG's results of operations.

Moreover, if AIG fails to comply with the covenants in the FRBNY Credit Agreement and is unable to obtain a waiver or amendment, an event of default would result. If an event of default were to occur, the FRBNY could, among other things, declare outstanding borrowings under the FRBNY Credit Agreement immediately due and payable and enforce its security interest in AIG's pledged collateral. In addition, an event of default or declaration of acceleration under the FRBNY Credit Agreement could also result in an event of default under AIG's other agreements. In such an event, AIG would likely not have sufficient liquid assets to meet its obligations under such agreements and could become insolvent.

Controlling Shareholder

The AIG Credit Facility Trust, a trust for the sole benefit of the United States Treasury, which is overseen by three trustees, holds a controlling interest in AIG. AIG's interests and those of AIG's minority shareholders may not be the same as those of the Trust or the United States Treasury. In accordance with the FRBNY Credit Agreement, in early March 2009, AIG issued 100,000 shares of the AIG Series C Perpetual, Convertible, Participating Preferred Stock, par value \$5.00 per share (AIG Series C Preferred Stock) to the Trust, a trust for the sole benefit of the United States Treasury

Table of Contents

American International Group, Inc., and Subsidiaries

established under the AIG Credit Facility Trust Agreement dated as of January 16, 2009 (as it may be amended from time to time, the Trust Agreement). The AIG Series C Preferred Stock is entitled to:

participate in any dividends paid on AIG's Common Stock, with the payments attributable to the AIG Series C Preferred Stock being approximately 79.8 percent of the aggregate dividends paid on AIG's Common Stock, treating the AIG Series C Preferred Stock as converted; and

to the extent permitted by law, vote with AIG's Common Stock on all matters submitted to AIG's shareholders and hold approximately 79.8 percent of the aggregate voting power of AIG's Common Stock, treating the AIG Series C Preferred Stock as converted.

The AIG Series C Preferred Stock will remain outstanding even if the FRBNY Credit Facility is repaid in full or otherwise terminates. In addition, upon shareholder approval and the filing with the Delaware Secretary of State of certain amendments to AIG's Amended and Restated Certificate of Incorporation, the Trust will be able to convert at its option all or a portion of the AIG Series C Preferred Stock into shares of AIG's Common Stock.

As a result of its ownership of the AIG Series C Preferred Stock, the Trust is able, subject to the terms of the Trust Agreement and the AIG Series C Preferred Stock, to elect all of AIG's directors and will be able, to the extent permitted by law, to control the vote on substantially all matters, including:

approval of mergers or other business combinations;

a sale of all or substantially all of AIG's assets;

issuance of any additional common stock or other equity securities; and

other matters that might be favorable to the United States Treasury, but not to AIG's other shareholders.

Moreover, the Trust's ability to cause or prevent a change in control of AIG could also have an adverse effect on the market price of AIG's Common Stock.

The Trust may also, subject to the terms of the Trust Agreement and applicable securities laws, transfer all, or a portion of, the AIG Series C Preferred Stock to another person or entity and, in the event of such a transfer, that person or entity could become the controlling shareholder.

Possible future sales of AIG Series C Preferred Stock or common stock by the Trust could adversely affect the market for AIG Common Stock. Pursuant to the AIG Series C Preferred Stock Purchase Agreement, dated as of March 1, 2009 (the AIG Series C Preferred Stock Purchase Agreement), between the Trust and AIG, AIG has agreed to file a shelf registration statement that will allow the Trust to publicly sell AIG Series C Preferred Stock or any shares of AIG's Common Stock it receives upon conversion of the AIG Series C Preferred Stock. In addition, the Trust could sell AIG Series C Preferred Stock or shares of AIG's Common Stock without registration under certain circumstances, such as in a private transaction. Although AIG can make no prediction as to the effect, if any, that such sales would have on the market price of AIG's Common Stock, sales of substantial amounts of AIG Series C Preferred Stock or AIG's Common Stock, or the perception that such sales could occur, could adversely affect the market price of AIG's Common Stock. If the Trust sells or transfers shares of AIG Series C Preferred Stock or AIG's Common Stock as a block, another person or entity could become AIG's controlling shareholder.

Market Conditions

AIG's businesses, consolidated results of operations and financial condition have been and may continue to be materially and adversely affected by market conditions. AIG's businesses are highly dependent on the business environment in which they operate. In 2008 and through early 2009, the significant deterioration in worldwide economic conditions materially and adversely affected AIG's businesses. The global financial crisis resulted in a serious lack of liquidity, highly volatile markets, a steep depreciation in asset values across all classes, an erosion of investor and public confidence, a widening of credit spreads, a lack of price transparency in many markets and the collapse or merger of several prominent financial institutions. Difficult economic conditions also resulted in increased unemployment and a severe decline in business activity across a wide range of industries and regions. While the

Table of Contents

American International Group, Inc., and Subsidiaries

environment have generally stabilized and improved in mid and late 2009, asset values for many asset classes have not returned to previous levels and business, and financial and economic conditions, particularly unemployment levels, lending activities and the housing markets, continue to be negatively affected. There can be no assurance that the conditions supporting the recent recovery will continue in the near or long term. If they do not, AIG may be negatively affected in a number of ways, including:

declines in the valuation and performance of its investment portfolio;

unrealized market valuation losses on its super senior credit default swap portfolio;

an inability to implement its asset disposition program, as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Resources and Liquidity AIG's Strategy for Stabilization and Repayment of its Obligations as They Come Due Asset Disposition Plan;

increased credit losses;

impairments of goodwill and other long-lived assets;

an increase in the valuation allowance relating to its deferred tax asset;

a decline in new business levels;

an increase in policy surrenders and cancellations;

a writeoff of deferred policy acquisition costs (DAC); and

the ability of current or potential contractual counterparties to execute transactions that are part of AIG's asset disposition plans.

Reputational Harm

Adverse publicity and public reaction to events concerning AIG has had and may continue to have a material adverse effect on AIG. Since September 2008, AIG has been the subject of intense scrutiny and extensive comment by the global news media and segments of the public at large in the communities that AIG serves. At times, there has been strong criticism of actions taken by AIG, its management and its employees and of transactions in which AIG has engaged. In a few instances, such as the public reaction over the payment of retention awards to AIGFP employees, this criticism has included harassment of individual AIG employees and public protest affecting AIG facilities.

This scrutiny and extensive commentary have adversely affected AIG by damaging AIG's business, reputation and brand among current and potential customers, agents and other distributors of AIG products and services, thereby reducing sales of AIG products and services, and resulting in an increase in AIG policyholder surrenders and non-renewals of AIG policies. This scrutiny and commentary have also undermined employee morale and AIG's ability to motivate and retain its employees. If this level of criticism continues or increases, AIG's business may be further adversely affected and its ability to retain and motivate employees further harmed.

Employees

The limitations on incentive compensation contained in the American Recovery and Reinvestment Act of 2009, and the restrictions placed on compensation by the Special Master for TARP Executive Compensation, may adversely affect AIG's ability to retain and motivate its highest performing employees. The American Recovery and Reinvestment Act of 2009 (Recovery Act) contains restrictions on bonus and other incentive compensation payable to the five executives named in a company's proxy statement and the next twenty highest paid employees of companies receiving TARP funds. Pursuant to the Recovery Act, the Office of the Special Master for TARP Executive

Compensation (Special Master) issued Determination Memorandum with respect to AIG's named executive officers (except for the Chief Executive Officer) and twenty highest paid employees, and reviewed AIG's compensation arrangements for its next 75 most highly compensated employees and issued a Determination Memorandum on their compensation structures, which

23 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

placed significant new restrictions on their compensation as well. Historically, AIG has embraced a pay-for-performance philosophy. Based on the limitations placed on incentive compensation by the Determination Memoranda issued by the Special Master, it is unclear whether, for the foreseeable future, AIG will be able to create a compensation structure that permits AIG to retain and motivate its most senior and most highly compensated employees and other high performing employees who become subject to the purview of the Special Master. An inability of AIG to retain and motivate its highest performing employees may affect its ability to stabilize its businesses, execute its asset disposition and restructuring activities and prepare and make required filings in a timely manner with the SEC and other federal, state and foreign regulators.

A loss of key AIGFP employees could prevent an orderly wind-down of AIGFP's businesses and portfolios, lead to potentially significant losses and could adversely affect AIG's internal control over financial reporting. In light of, among other things, the negative publicity surrounding the retention payments to AIGFP employees, a number of key employees have left AIGFP. Moreover, substantially all of the last installment of the AIGFP retention awards has been paid. Going forward, the lack of further retention incentives may adversely affect AIG's ability to retain AIGFP personnel to complete the process of unwinding AIGFP's businesses. While AIGFP continues to wind down its business in an orderly manner, the loss of additional key employees could adversely affect AIG's ability to effectively wind down AIGFP and AIG's internal control over financial reporting, notwithstanding the additional consulting resources retained at AIGFP during 2009. Although AIG views the large-market risk books at AIGFP as generally well hedged, except for credit risk, maintaining the hedges requires continuous monitoring and adjustment. If AIGFP loses the key employees who are familiar with and know how to hedge these positions, gaps in hedging could result in significant losses to AIGFP. AIG relies upon the knowledge and experience of the AIGFP employees involved in the financial reporting process for the effective and timely preparation of required filings and financial statements and operation of internal controls. In addition, AIGFP's portfolios contain a significant number of complex transactions that are difficult to understand and manage. It would not be practical to replace all the key AIGFP traders and risk managers who oversee these complex transactions if these employees were to leave AIGFP. Personal knowledge of these trades and the unique systems at AIGFP is critical to an effective wind-down of AIGFP's businesses and portfolios. Furthermore, in the current economic environment, any perceived disruption in AIGFP's ability to conduct business, such as one that would result from the departure of these key employees, could cause parties to limit or cease trading with AIGFP, which would further adversely affect AIGFP's ability to cost-effectively hedge its positions and its effort to wind down its businesses and portfolios.

Because of the decline in the value of equity awards previously granted to employees, and the uncertainty surrounding AIG's asset disposition program, AIG may be unable to retain key employees. AIG relies upon the knowledge and talent of its employees to successfully conduct business. The decline in AIG's Common Stock price has dramatically reduced the value of equity awards previously granted to its key employees. Also, the announcement of proposed asset dispositions has resulted in competitors seeking to hire AIG's key employees. Retention programs have assisted AIG in keeping key employees, but there can be no assurance that newly adopted compensation programs will provide similar retentive benefits. A loss of key employees could reduce the value of AIG's businesses and impair its ability to effect a successful restructuring plan.

A loss of key employees in AIG's financial reporting process could prevent AIG from making required filings and preparing financial statements on a timely basis and otherwise could adversely affect its internal controls. AIG relies upon the knowledge and experience of the employees involved in the financial reporting process for the effective and timely preparation of required filings and financial statements and operation of internal controls. If these employees depart, AIG may not be able to replace them with individuals having comparable knowledge and experience. Retention programs have assisted AIG in keeping key employees, but there can be no assurance that newly adopted compensation programs will provide similar retentive benefits.

Conflicts of interest may arise as AIG implements its asset disposition plan. AIG relies on certain key employees to operate its businesses during the asset disposition period, to provide information to prospective buyers and to maximize the value of businesses to be divested. The successful completion of the asset disposition plan could be adversely affected by any conflict of interests arising as a result of the asset disposition process between AIG, which

is generally interested in maximizing the proceeds from an asset disposition, and its employees, who may be focused on obtaining employment from the acquiror.

Table of Contents**American International Group, Inc., and Subsidiaries**

Employee error and misconduct may be difficult to detect and prevent and may result in significant losses. Losses may result from, among other things, fraud, errors, failure to document transactions properly or to obtain proper internal authorization or failure to comply with regulatory requirements, both generally, and during the asset disposition process. There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years, and AIG runs the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct, and the controls that AIG has in place to prevent and detect this activity may not be effective in all cases. This risk may be heightened by AIG's asset disposition program since employees who perceive that they will lose their jobs may engage in intentional misconduct or simply fail to comply with AIG's reporting requirements.

Policyholder Behavior

AIG's policyholders and agents and other distributors of AIG's insurance products have expressed significant concerns in the wake of announcements by AIG of adverse financial results. Many of AIG's businesses depend upon the financial stability (both actual and perceived) of AIG parent. Concerns that AIG or its subsidiaries may not be able to meet their obligations have negatively affected AIG's businesses in many ways, including:

requests by customers to withdraw funds from AIG under annuity and certain life insurance contracts;

a refusal by independent agents, brokers and banks to continue to offer AIG products and services;

a refusal of counterparties, customers or vendors to continue to do business with AIG; and

requests by customers and other parties to terminate existing contractual relationships.

Continued economic uncertainty, additional adverse results or a lack of confidence in AIG and AIG's businesses may cause AIG customers, agents and other distributors to cease or reduce their dealings with AIG, turn to competitors or shift to products that generate less income for AIG. Although AIG has announced its intent to refocus its business and certain AIG subsidiaries are rebranding themselves in an attempt to overcome a perception of instability, AIG cannot be sure that such efforts will be successful in attracting or maintaining clients.

Concentration of Investments and Exposures

Concentration of AIG's investment portfolios in any particular segment of the economy may have adverse effects. AIG's results of operations have been adversely affected and may continue to be adversely affected by a concentration in residential mortgage-backed, commercial mortgage-backed and other asset-backed securities and commercial mortgage loans. AIG also has significant exposures to financial institutions and, in particular, to money center and global banks. These types of concentrations in AIG's investment portfolios could have an adverse effect on the value of these portfolios and consequently on AIG's consolidated results of operations and financial condition. While AIG seeks to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular industry, asset class, group of related industries or geographic region may have a greater adverse effect on the investment portfolios to the extent that the portfolios are concentrated. Furthermore, AIG's ability to sell assets relating to such particular groups of related assets may be limited if other market participants are seeking to sell at the same time.

Concentration of AIG's insurance and other risk exposures may have adverse effects. AIG seeks to manage the risks to which it is exposed as a result of the insurance policies, derivatives and other obligations that it undertakes to customers and counterparties by monitoring the diversification of its exposures by exposure type, industry, geographic region, counterparty and otherwise and by using reinsurance, hedging and other arrangements to limit or offset exposures that exceed the limits it wishes to retain. In certain circumstances, or with respect to certain exposures, such risk management arrangements may not be available on acceptable terms, or AIG's exposure in absolute terms may be so large that even slightly adverse experience compared to AIG's expectations may cause a material adverse effect on AIG's consolidated financial condition or results of operations.

Casualty Insurance Underwriting and Reserves

Casualty insurance liabilities are difficult to predict and may exceed the related reserves for losses and loss expenses. Although AIG regularly reviews the adequacy of the established Liability for unpaid claims and claims adjustment

25 AIG 2009 Form 10-K

Table of Contents**American International Group, Inc., and Subsidiaries**

expense and conducts an extensive analysis of its reserves at each year end, there can be no assurance that AIG's loss reserves will not develop adversely and have a material adverse effect on AIG's results of operations. For example, in the fourth quarter of 2009, AIG's general insurance operations recorded a \$2.3 billion reserve strengthening charge. Estimation of ultimate net losses, loss expenses and loss reserves is a complex process for long-tail casualty lines of business, which include excess and umbrella liability, D&O, professional liability, medical malpractice, workers compensation, general liability, products liability and related classes, as well as for asbestos and environmental exposures. Generally, actual historical loss development factors are used to project future loss development. However, there can be no assurance that future loss development patterns will be the same as in the past. Moreover, any deviation in loss cost trends or in loss development factors might not be discernible for an extended period of time subsequent to the recording of the initial loss reserve estimates for any accident year. Thus, there is the potential for reserves with respect to a number of years to be significantly affected by changes in loss cost trends or loss development factors that were relied upon in setting the reserves. These changes in loss cost trends or loss development factors could be attributable to changes in inflation or in the judicial environment, or in other social or economic phenomena affecting claims, such as the effects that the recent disruption in the credit markets could have on reported claims under D&O or professional liability coverages. For a further discussion of AIG's loss reserves, including the fourth quarter 2009 charge relating to an increase in the net loss and loss adjustment reserves, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations Segment Results—General Insurance Operations—Liability for unpaid claims and claims adjustment expense.

Risk Management

AIG is exposed to a number of significant risks, and AIG's risk management policies, processes and controls may not be effective in mitigating AIG's risk exposures in all market conditions and to all types of risk. The major risks to which AIG is exposed include credit risk, market risk, including credit spread risk, operational risk, liquidity risk and insurance risk. AIG's risk management policies, tools and processes have in the past been ineffective and could be ineffective in the future as well. A failure of AIG's risk management could materially and adversely affect AIG's consolidated results of operations, liquidity or financial condition, result in regulatory action or litigation or further damage AIG's reputation. For a further discussion of AIG's risk management process and controls, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.

Operational risks of asset dispositions. AIG is exposed to various operational risks associated with the dispositions of subsidiaries and the resulting restructuring of AIG at the business and corporate levels. These risks include the ability to deconsolidate systems and processes of divested operations without adversely affecting AIG, the ability of AIG to fulfill its obligations under any transition separation agreements agreed upon with buyers, the ability of AIG to downsize the corporation as dispositions are accomplished and the ability of AIG to continue to provide services previously performed by divested entities.

AIGFP wind-down risks. An orderly and successful wind-down of AIGFP's businesses and portfolios is subject to numerous risks, including market conditions, counterparty willingness to transact or terminate transactions with AIGFP and the retention of key personnel. An orderly and successful wind-down will also depend on the stability of AIG's credit ratings. Further downgrades of AIG's credit ratings likely would have an adverse effect on the wind-down of AIGFP's businesses and portfolios.

Regulatory Capital Credit Default Swap Portfolio

A deterioration in the credit markets may cause AIG to recognize unrealized market valuation losses in AIGFP's regulatory capital super senior credit default swap portfolio in future periods which could have a material adverse effect on AIG's consolidated financial condition or consolidated results of operations. Moreover, depending on how the extension of the Basel I capital floors is implemented, the period of time that AIGFP remains at risk for such deterioration could be significantly longer than anticipated by AIGFP.

A total of \$150.0 billion in net notional amount of the super senior credit default swap (CDS) portfolio of AIGFP as of December 31, 2009, represented derivatives written for financial institutions, principally in Europe, which AIG understands to have been originally written primarily for the purpose of providing regulatory capital relief rather than

Table of Contents

American International Group, Inc., and Subsidiaries

for arbitrage purposes. The net fair value of the net derivative asset for these CDS transactions was \$116 million at December 31, 2009.

The regulatory benefit of these transactions for AIGFP's financial institution counterparties is generally derived from the terms of the Capital Accord of the Basel Committee on Banking Supervision (Basel I) that existed through the end of 2007 and which is in the process of being replaced by the Revised Framework for the International Convergence of Capital Measurement and Capital Standards issued by the Basel Committee on Banking Supervision (Basel II). It was originally expected that financial institution counterparties would have transitioned from Basel I to Basel II by the end of the two-year adoption period on December 31, 2009, after which they would have received little or no additional regulatory capital benefit from these CDS transactions, except in a small number of specific instances. However, the Basel Committee recently announced that it has agreed to keep in place the Basel I capital floors beyond the end of 2009, although it remains to be seen how this extension will be implemented by the various European Central Banking districts. Should certain counterparties continue to receive favorable regulatory capital benefits from these transactions, those counterparties may not exercise their options to terminate the transactions in the expected time frame. AIGFP continues to reassess the expected maturity of this portfolio. As of December 31, 2009, AIGFP estimated that the weighted average expected maturity of the portfolio was 1.35 years.

The nature of the information provided or otherwise available to AIGFP with respect to the underlying assets in each regulatory capital CDS transaction is not consistent across all transactions. Furthermore, in a majority of corporate loan transactions and all of the residential mortgage transactions, the pools are blind, meaning that the identities of obligors are not disclosed to AIGFP. In addition, although AIGFP receives periodic reports on the underlying asset pools, virtually all of the regulatory capital CDS transactions contain confidentiality restrictions that preclude AIGFP's public disclosure of information relating to the underlying referenced assets. AIGFP analyzes the information regarding the performance and credit quality of the underlying pools of assets required to make its own risk assessment and to determine any changes in credit quality with respect to such pools of assets. While much of this information received by AIGFP cannot be aggregated in a comparable way for disclosure purposes because of the confidentiality restrictions and the inconsistency of the information, it does provide a sufficient basis for AIGFP to evaluate the risks of the portfolio and to determine a reasonable estimate of fair value.

Given the current performance of the underlying portfolios, the level of subordination and AIGFP's own assessment of the credit quality of the underlying portfolio, as well as the risk mitigants inherent in the transaction structures, AIGFP does not expect that it will be required to make payments pursuant to the contractual terms of those transactions providing regulatory capital relief. AIGFP will continue to assess the valuation of this portfolio and monitor developments in the marketplace. Given the potential for further significant deterioration in the credit markets and the risk that AIGFP's expectations with respect to the termination of these transactions by its counterparties may not materialize, there can be no assurance that AIG will not recognize unrealized market valuation losses from this portfolio in future periods. Depending on how the extension of the Basel I capital floors is implemented, AIG could also remain at risk for a significantly longer period of time than originally anticipated. Moreover, given the size of the credit exposure, a decline in the fair value of this portfolio could have a material adverse effect on AIG's consolidated results of operations for an individual reporting period or to AIG's consolidated financial condition.

Adjustments to Deferred Policy Acquisition Costs for Life Insurance and Retirement Services Companies

Interest rate fluctuations, increased surrenders, investment returns and other events may require AIG subsidiaries to accelerate the amortization of deferred policy acquisition costs (DAC) which could adversely affect AIG's consolidated financial condition or results of operations. DAC represents the costs that vary with and are related primarily to the acquisition of new and renewal insurance and annuity contracts. When interest rates rise or customers lose confidence in a company, policy loans and policy surrenders and withdrawals of life insurance policies and annuity contracts may increase as policyholders seek to buy products with perceived higher returns or more stability, requiring AIG subsidiaries to accelerate the amortization of DAC. To the extent such amortization exceeds surrender or other charges earned upon surrender and withdrawals of certain life insurance policies and annuity contracts, AIG's results of operations could be negatively affected.

Table of Contents**American International Group, Inc., and Subsidiaries**

DAC for both insurance-oriented and investment-oriented products, as well as retirement services products is reviewed for recoverability, which involves estimating the future profitability of current business. This review involves significant management judgment. If the actual emergence of future profitability were to be substantially lower than estimated, AIG could be required to accelerate its DAC amortization and such acceleration could adversely affect AIG's results of operations. For a further discussion of DAC, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Notes 1 and 9 to the Consolidated Financial Statements.

Catastrophe Exposures

The occurrence of catastrophic events could adversely affect AIG's consolidated financial condition or results of operations. The occurrence of events such as hurricanes, earthquakes, pandemic disease, acts of terrorism and other catastrophes could adversely affect AIG's consolidated financial condition or results of operations, including by exposing AIG's businesses to the following:

widespread claim costs associated with property, workers' compensation, mortality and morbidity claims;

loss resulting from the value of invested assets declining to below the amount required to meet policy and contract liabilities; and

loss resulting from actual policy experience emerging adversely in comparison to the assumptions made in the product pricing related to mortality, morbidity, termination and expenses.

Reinsurance

Reinsurance may not be available or affordable. AIG subsidiaries are major purchasers of reinsurance and utilize reinsurance as part of AIG's overall risk management strategy. Reinsurance is an important risk management tool to manage transaction and insurance line risk retention and to mitigate losses that may arise from catastrophes. Market conditions beyond AIG's control determine the availability and cost of the reinsurance purchased by AIG subsidiaries. For example, reinsurance may be more difficult to obtain after a year with a large number of major catastrophes. Accordingly, AIG may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms, in which case AIG would have to accept an increase in exposure risk, reduce the amount of business written by its subsidiaries or seek alternatives.

Reinsurance subjects AIG to the credit risk of its reinsurers and may not be adequate to protect AIG against losses. Although reinsurance makes the reinsurer liable to the AIG subsidiary to the extent the risk is ceded, it does not relieve the AIG subsidiary of the primary liability to its policyholders. Accordingly, AIG bears credit risk with respect to its subsidiaries' reinsurers to the extent not mitigated by collateral or other credit enhancements. A reinsurer's insolvency or inability or refusal to make timely payments under the terms of its agreements with the AIG subsidiaries could have a material adverse effect on AIG's results of operations and liquidity. For additional information on AIG's reinsurance, see Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Insurance Risk Management—Reinsurance.

Regulation

AIG is subject to extensive regulation in the jurisdictions in which it conducts its businesses, and recent regulatory actions have made it challenging for AIG to continue to engage in business in the ordinary course. AIG's operations around the world are subject to regulation by different types of regulatory authorities, including insurance, securities, investment advisory, banking and thrift regulators in the United States and abroad. AIG's operations have become more diverse and consumer-oriented, increasing the scope of regulatory supervision and the possibility of intervention. In light of AIG's liquidity issues beginning in the third quarter of 2008, AIG and its regulated subsidiaries have been subject to intense review and supervision around the world. Regulators have taken significant steps to protect the businesses of the entities they regulate. These steps have included:

restricting or prohibiting the payment of dividends to AIG parent and its subsidiaries;

restricting or prohibiting other payments to AIG parent and its subsidiaries;

Table of Contents

American International Group, Inc., and Subsidiaries

requesting additional capital contributions from AIG parent;

requesting that intercompany reinsurance reserves be covered by assets locally;

restricting the business in which the subsidiaries may engage;

requiring pre-approval of all proposed transactions between the regulated subsidiaries and AIG parent or any affiliate; and

requiring more frequent reporting, including with respect to capital and liquidity positions.

These and other actions have made it challenging for AIG to continue to maintain focus on its businesses and engage in business in the ordinary course. AIG does not expect these conditions to change in the foreseeable future.

Requirements of the USA PATRIOT Act, the Office of Foreign Assets Control, and similar laws that apply to AIG may expose AIG to significant penalties. The operations of certain of AIG's subsidiaries are subject to laws and regulations, including the USA PATRIOT Act of 2001, which requires companies to know certain information about their clients and to monitor their transactions for suspicious activities. In addition, the Department of the Treasury's Office of Foreign Assets Control administers regulations requiring U.S. persons to refrain from doing business, or allowing their clients to do business through them, with certain organizations or individuals on a prohibited list maintained by the U.S. government or with certain countries. The United Kingdom, the European Union and other jurisdictions maintain similar laws and regulations. Although AIG has instituted compliance programs to address these requirements, there are inherent risks in global transactions such as those engaged in by AIG and its subsidiaries.

Proposed regulations may affect AIG's operations, financial condition and ability to compete effectively. Legislators and regulators have recently put forward various proposals that may impact the profitability of certain of AIG's businesses or even its ability to conduct certain businesses at all, including proposals relating to restrictions on the type of activities in which financial institutions are permitted to engage and the size of financial institutions, and proposals to impose additional taxes on a limited subset of financial institutions and insurance companies (either based on size, activities, geography, government support or other criteria). It is unclear how these and other such proposals would apply to AIG or its competitors or how they could impact AIG's consolidated results of operations, financial condition, and ability to compete effectively.

Foreign Operations

Foreign operations expose AIG to risks that may affect its operations, liquidity and financial condition. AIG provides insurance, investment and other financial products and services to both businesses and individuals in more than 130 countries and jurisdictions. A substantial portion of AIG's General Insurance business and all of its Foreign Life Insurance & Retirement Services business is conducted outside the United States. Operations outside the United States, particularly those in developing nations, may be affected by regional economic downturns, changes in foreign currency exchange rates, political upheaval, nationalization and other restrictive government actions, which could also affect other AIG operations.

The degree of regulation and supervision in foreign jurisdictions varies. Generally, AIG, as well as its subsidiaries operating in such jurisdictions, must satisfy local regulatory requirements. Licenses issued by foreign authorities to AIG subsidiaries are subject to modification and revocation. Thus, AIG's insurance subsidiaries could be prevented from conducting future business in certain of the jurisdictions where they currently operate. Adverse actions from any single country could adversely affect AIG's results of operations, liquidity and financial condition depending on the magnitude of the event and AIG's financial exposure at that time in that country.

Legal Proceedings

Significant legal proceedings may adversely affect AIG's results of operations. AIG is party to numerous legal proceedings, including securities class actions and regulatory or governmental investigations. Due to the nature of the litigation, the lack of precise damage claims and the type of claims made against AIG, AIG cannot currently quantify its ultimate or maximum liability for these actions. It is possible that developments in these unresolved matters could

have a material adverse effect on AIG's consolidated financial condition or consolidated results of operations for an
29 AIG 2009 Form 10-K

Table of Contents**American International Group, Inc., and Subsidiaries**

individual reporting period. For a discussion of these unresolved matters, see Note 15 to the Consolidated Financial Statements.

Use of Estimates

If actual experience differs from management's estimates used in the preparation of financial statements, AIG's consolidated results of operations or financial condition could be adversely affected. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the application of accounting policies that often involve a significant degree of judgment. AIG considers that its accounting policies that are most dependent on the application of estimates and assumptions, and therefore viewed as critical accounting estimates, are those described in Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates. These accounting estimates require the use of assumptions, some of which are highly uncertain at the time of estimation. Additionally, the recoverability of deferred tax assets depends primarily on AIG achieving its estimated values for all or a portion of AIA and ALICO, as well as certain other transactions. The failure to receive the estimated values or to effect such transactions could result in AIG recording a charge resulting in a reduction, possibly material, of the net deferred tax asset. Further, such transactions could result in a goodwill or other long-lived asset impairment charge. These estimates, by their nature, are based on judgment and current facts and circumstances. Therefore, actual results could differ from these estimates, possibly in the near term, and could have a material effect on the consolidated financial statements.

Aircraft Suppliers

There are limited suppliers of aircraft and engines. The supply of jet transport aircraft, which ILFC purchases and leases, is dominated by two airframe manufacturers, Boeing and Airbus, and a limited number of engine manufacturers. As a result, ILFC is dependent on the manufacturers' success in remaining financially stable, producing aircraft and related components which meet the airlines' demands, both in type and quantity, and fulfilling their contractual obligations to ILFC. Competition between the manufacturers for market share is intense and may lead to instances of deep discounting for certain aircraft types that could negatively affect ILFC's competitive pricing.

Item 1B. Unresolved Staff Comments

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the end of AIG's fiscal year relating to AIG's periodic or current reports under the Exchange Act.

Item 2. Properties

AIG and its subsidiaries operate from approximately 1,730 offices in the United States, 54 in Puerto Rico, 7 in Canada and numerous offices in over 100 foreign countries. The offices in Greensboro and Winston-Salem, North Carolina; Amarillo, Ft. Worth and Houston, Texas; Wilmington, Delaware; San Juan, Puerto Rico; Livingston, New Jersey; Terre Haute and Evansville, Indiana; Nashville, Tennessee; Stevens Point, Wisconsin; Barstow and Riverside, California; 175 Water Street in New York, New York; and offices in more than 30 foreign countries and jurisdictions including Bermuda, Chile, Hong Kong, the Philippines, Japan, the U.K., Singapore, Malaysia, Taiwan and Thailand are located in buildings owned by AIG and its subsidiaries. The remainder of the office space utilized by AIG and its subsidiaries is leased.

Item 3. Legal Proceedings

For a discussion of legal proceedings, see Note 15(a) to the Consolidated Financial Statements, which is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of 2009.

AIG 2009 Form 10-K

30

Table of Contents

American International Group, Inc., and Subsidiaries

Part II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

AIG Common Stock is listed on the New York Stock Exchange, as well as on the stock exchanges in Ireland and Tokyo.

The following table presents the high and low closing sale prices on the New York Stock Exchange Composite Tape and the dividends paid per share of AIG Common Stock for each quarter of 2009 and 2008, in all cases, as adjusted for the reverse common stock split:

| | 2009 | | | 2008 | | |
|----------------|----------|---------|----------------|-------------|-----------|----------------|
| | High | Low | Dividends Paid | High | Low | Dividends Paid |
| First quarter | \$ 34.80 | \$ 7.00 | \$ - | \$ 1,186.40 | \$ 796.00 | \$ 4.00 |
| Second quarter | 40.20 | 21.00 | - | 980.80 | 529.20 | 4.00 |
| Third quarter | 50.23 | 9.48 | - | 602.00 | 41.00 | 4.40 |
| Fourth quarter | 45.90 | 28.06 | - | 80.00 | 27.00 | - |

The approximate number of record holders of common stock as of January 29, 2010 was 56,028.

Under the FRBNY Credit Facility, AIG is restricted from paying dividends on the AIG Common Stock. Moreover, pursuant to terms of each of the AIG Series E Preferred Stock and AIG Series F Preferred Stock, AIG is not able to declare or pay any cash dividends on the AIG Common Stock or on any AIG preferred stock ranking junior to such series of preferred stock for any period until dividends on each of the AIG Series E Preferred Stock and AIG Series F Preferred Stock have been paid for such period. AIG has not paid dividends on the AIG Series E Preferred Stock and AIG Series F Preferred Stock outstanding in 2009 and no dividends have been paid on the AIG Common Stock since the third quarter of 2008. In addition, AIG did not pay any dividends on the AIG Series D Preferred Stock while it was outstanding.

For a discussion of certain restrictions on the payment of dividends to AIG by some of its insurance subsidiaries, see Item 1A. Risk Factors – Liquidity – AIG parent's ability to access funds from its subsidiaries is limited, and Note 16 to the Consolidated Financial Statements.

AIG's table of equity compensation plans previously approved by security holders and equity compensation plans not previously approved by security holders will be included in the definitive proxy statement for AIG's 2010 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the close of AIG's fiscal year pursuant to Regulation 14A.

31 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

Performance Graph

The following Performance Graph compares the cumulative total shareholder return on AIG Common Stock for a five-year period (December 31, 2004 to December 31, 2009) with the cumulative total return of the S&P's 500 stock index (which includes AIG) and a peer group of companies consisting of nine insurance companies to which AIG compares its business and operations: ACE Limited, Aflac Incorporated, The Chubb Corporation, The Hartford Financial Services Group, Inc., Lincoln National Corporation, MetLife, Inc., Prudential Financial, Inc., The Travelers Companies, Inc. and XL Capital Ltd.

FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURNS**Value of \$100 Invested on December 31, 2004**

| | 2004 | 2005 | As of December 31, | | 2008 | 2009 |
|------------|-------------|-------------|---------------------------|-------------|-------------|----------------|
| | | | 2006 | 2007 | | |
| AIG | \$ 100.00 | \$ 104.85 | \$ 111.19 | \$ 91.47 | \$ 2.66 | \$ 2.54 |
| S&P 500 | 100.00 | 104.91 | 121.48 | 128.16 | 80.74 | 102.11 |
| Peer Group | 100.00 | 122.98 | 142.29 | 148.63 | 86.00 | 100.36 |

AIG 2009 Form 10-K 32

Table of Contents

American International Group, Inc., and Subsidiaries

Item 6. Selected Financial Data

The Selected Consolidated Financial Data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and accompanying notes included elsewhere herein.

Years Ended December 31,*(in millions, except per share data)*

| | 2009^(a) | 2008^(a) | 2007^(a) | 2006^(a) | 2005^(a) |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Revenues ^(b) : | | | | | |
| Premiums and other considerations | \$ 64,702 | \$ 78,564 | \$ 74,753 | \$ 69,565 | \$ 65,588 |
| Net investment income | 25,239 | 11,433 | 30,051 | 27,612 | 24,480 |
| Net realized capital gains (losses) | (6,854) | (52,705) | (3,501) | 62 | 601 |
| Unrealized market valuation gains (losses) on AIGFP super senior credit default swap portfolio | 1,418 | (28,602) | (11,472) | - | - |
| Other income | 11,499 | (1,794) | 13,801 | 9,687 | 12,060 |
| Total revenues | 96,004 | 6,896 | 103,632 | 106,926 | 102,729 |
| Benefits, claims and expenses: | | | | | |
| Policyholder benefits and claims incurred | 61,436 | 58,839 | 62,452 | 57,052 | 60,834 |
| Policy acquisition and other insurance expenses ^(c) | 20,674 | 26,284 | 19,819 | 19,003 | 17,310 |
| Interest expense ^(d) | 15,369 | 17,007 | 4,751 | 3,657 | 2,572 |
| Restructuring expenses and related asset impairment and other expenses | 1,386 | 804 | - | - | - |
| Net loss on sale of divested businesses | 1,271 | - | - | - | - |
| Other expenses ^(c) | 9,516 | 10,490 | 8,476 | 6,224 | 7,143 |
| Total benefits, claims and expenses | 109,652 | 113,424 | 95,498 | 85,936 | 87,859 |
| Income (loss) from continuing operations before income tax expense (benefit) and cumulative effect of change in accounting principles ^{(b)(e)(f)} | (13,648) | (106,528) | 8,134 | 20,990 | 14,870 |
| Income tax expense (benefit) ^(g) | (1,878) | (8,894) | 1,267 | 6,368 | 4,224 |
| Income (loss) from continuing operations before cumulative effect of change in accounting principles | (11,770) | (97,634) | 6,867 | 14,622 | 10,646 |
| Income (loss) from discontinued operations, net of tax | (543) | (2,753) | 621 | 528 | 309 |
| Net income (loss) | (12,313) | (100,387) | 7,488 | 15,150 | 10,955 |
| Net income (loss) attributable to AIG | (10,949) | (99,289) | 6,200 | 14,048 | 10,477 |
| Earnings per common share attributable to AIG: | | | | | |
| Basic | | | | | |
| Income (loss) from continuing operations before cumulative effect of change in accounting principles | (86.30) | (737.12) | 43.40 | 103.60 | 78.43 |
| | (4.18) | (19.73) | 4.58 | 3.87 | 2.26 |

| | | | | | |
|---|------------------|-----------|------------|------------|-----------|
| Income (loss) from discontinued operations | | | | | |
| Cumulative effect of change in accounting principles, net of tax | - | - | - | 0.26 | - |
| Net income (loss) attributable to AIG | (90.48) | (756.85) | 47.98 | 107.73 | 80.69 |
| Diluted | | | | | |
| Income (loss) before cumulative effect of change in accounting principles | (86.30) | (737.12) | 43.17 | 103.07 | 77.63 |
| Income (loss) from discontinued operations | (4.18) | (19.73) | 4.56 | 3.85 | 2.23 |
| Cumulative effect of change in accounting principles, net of tax | - | - | - | 0.26 | - |
| Net income (loss) attributable to AIG | (90.48) | (756.85) | 47.73 | 107.18 | 79.86 |
| Dividends declared per common share | - | 8.40 | 15.40 | 13.00 | 12.60 |
| Year-end balance sheet data: | | | | | |
| Total investments | 601,165 | 636,912 | 829,468 | 767,812 | 665,166 |
| Total assets | 847,585 | 860,418 | 1,048,361 | 979,414 | 851,847 |
| Commercial paper and other short-term debt ^(h) | 4,739 | 15,718 | 13,114 | 13,028 | 9,208 |
| Long-term debt ⁽ⁱ⁾ | 136,733 | 177,485 | 162,935 | 135,650 | 100,641 |
| Total AIG shareholders' equity | 69,824 | 52,710 | 95,801 | 101,677 | 86,317 |
| Total equity | \$ 98,076 | \$ 60,805 | \$ 104,273 | \$ 107,037 | \$ 90,076 |

Table of Contents

American International Group, Inc., and Subsidiaries

(a) *Certain reclassifications have been made to prior period amounts to conform to the current period presentation.
See Note 1 to the Consolidated Financial Statements.*

See Note 1(y) to the Consolidated Financial Statements for effects of adopting new accounting standards.

AIG 2009 Form 10-K

34

Table of Contents

American International Group, Inc., and Subsidiaries

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, AIG presents its operations in the way it believes will be most meaningful. Underwriting profit (loss) is utilized to report results for AIG's General Insurance operations and pre-tax income (loss) before net realized capital gains (losses) is utilized to report result for AIG's life insurance and retirement services operations as these measures enhance the understanding of the underlying profitability of the ongoing operations of these businesses and allow for more meaningful comparisons with AIG's insurance competitors. AIG has also incorporated into this discussion a number of cross-references to additional information included throughout this Annual Report on Form 10-K to assist readers seeking additional information related to a particular subject.

| Index | Page |
|---|-------------|
| Cautionary Statement Regarding Forward-Looking Information | 35 |
| Executive Overview | 36 |
| Consideration of AIG's Ability to Continue as a Going Concern | 43 |
| Capital Resources and Liquidity | 43 |
| Liquidity | 43 |
| Results of Operations | 62 |
| Consolidated Results | 63 |
| Segment Results | 72 |
| General Insurance Operations | 72 |
| Liability for Unpaid Claims and Claims Adjustment Expense | 79 |
| Domestic Life Insurance & Retirement Services Operations | 101 |
| Foreign Life Insurance & Retirement Services Operations | 107 |
| Financial Services Operations | 111 |
| Other Operations | 116 |
| Critical Accounting Estimates | 121 |
| Investments | 155 |
| Investment Strategy | 156 |
| Other-Than-Temporary Impairments | 167 |
| Risk Management | 172 |
| Overview | 172 |
| Corporate Risk Governance | 173 |
| Credit Risk Management | 174 |
| Market Risk Management | 177 |
| Operational Risk Management | 179 |
| Insurance Risk Management | 180 |
| Segment Risk Management | 182 |
| Insurance Operations | 182 |
| Financial Services | 186 |
| Noncore Asset Management Operations | 190 |

Cautionary Statement Regarding Forward-Looking Information

This Annual Report on Form 10-K and other publicly available documents may include, and AIG's officers and representatives may from time to time make, projections and statements which may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These projections and statements are not historical facts but instead represent only AIG's belief regarding future events, many of which, by

their nature, are inherently uncertain and outside AIG's control. These projections and statements may address, among other things:

the outcome of the completed transactions with the Federal Reserve Bank of New York (FRBNY) and the United States Department of the Treasury (Department of the Treasury);

35 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

the number, size, terms, cost, proceeds and timing of dispositions and their potential effect on AIG's businesses, financial condition, results of operations, cash flows and liquidity (and AIG at any time and from time to time may change its plans with respect to the sale of one or more businesses);

AIG's long-term business mix which will depend on the outcome of AIG's asset disposition program;

AIG's exposures to subprime mortgages, monoline insurers and the residential and commercial real estate markets;

the separation of AIG's businesses from AIG parent company;

AIG's ability to retain and motivate its employees; and

AIG's strategy for customer retention, growth, product development, market position, financial results and reserves.

It is possible that AIG's actual results and financial condition will differ, possibly materially, from the anticipated results and financial condition indicated in these projections and statements. Factors that could cause AIG's actual results to differ, possibly materially, from those in the specific projections and statements include:

a failure to close transactions contemplated in AIG's restructuring plan;

developments in global credit markets; and

such other factors as discussed throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations and in Item 1A. Risk Factors of this Annual Report on Form 10-K.

AIG is not under any obligation (and expressly disclaims any obligation) to update or alter any projection or other statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Executive Overview

AIG reports the results of its operations through four reportable segments: General Insurance, Domestic Life Insurance & Retirement Services, Foreign Life Insurance & Retirement Services, and Financial Services. AIG evaluates performance based on pre-tax income (loss), excluding results from discontinued operations and net gains (losses) on sales of divested businesses because AIG believes that this provides more meaningful information on how its operations are performing.

General Insurance branded as Chartis in July 2009, is comprised of multiple line companies writing substantially all lines of property and casualty insurance and various personal lines both domestically and abroad.

Domestic Life Insurance & Retirement Services branded as SunAmerica Financial Group in December 2009, AIG's Domestic Life Insurance businesses offer a broad range of protection products, including individual term and universal life insurance, and group life and health products. In addition, Domestic Life Insurance offers a variety of payout annuities, which include single premium immediate annuities, structured settlements and terminal funding annuities. Domestic Retirement Services businesses offer group retirement products and individual fixed and variable annuities. Certain previously acquired closed blocks and other fixed and variable annuity blocks that have been discontinued are reported as runoff annuities. Domestic Retirement Services also maintains a runoff block of Guaranteed Investment Contracts (GICs) that were written in (or issued to) the institutional market place prior to 2006.

Foreign Life Insurance & Retirement Services provides insurance and investment-oriented products such as whole and term life, investment linked, universal life and endowments, personal accident and health products, group products including pension, life and health, and fixed and variable annuities.

Financial Services engages in diversified activities, including commercial aircraft and equipment leasing, capital markets operations, consumer finance and insurance premium financing, both in the United States and abroad.

Table of Contents**American International Group, Inc., and Subsidiaries**

With the announced sale of AIG's investment advisory and third party Institutional Asset Management business (excluding the Global Real Estate investment management business), AIG will no longer benefit from the management fee and carried interest cash flows from these businesses, but the sale will reduce operating costs related to AIG's asset management activities. Asset Management is no longer considered a reportable segment, and the results for the Institutional Asset Management businesses and the Matched Investment Program (MIP), which is in run-off, are presented as a Noncore business in AIG's Other operations category. In addition, results for certain brokerage service, mutual fund, GIC and other asset management activities previously reported in the Asset Management segment are now included in the Domestic Life Insurance & Retirement Services segment. Results for prior periods have been revised accordingly.

AIG has entered into several important transactions and relationships with the FRBNY, the AIG Credit Facility Trust (together with its trustees, acting in their capacity as trustees, the Trust) and the Department of the Treasury. As a result of these arrangements, AIG is controlled by the Trust, which was established for the sole benefit of the United States Treasury.

Since September 2008, AIG has been working to protect and enhance the value of its key businesses, execute an orderly asset disposition plan, and position itself for the future.

The discussion that follows should be read in conjunction with the Consolidated Financial Statements and accompanying notes included elsewhere herein.

Priorities for 2010

AIG is focused on the following priorities for 2010:

continued stabilization and strengthening of AIG's businesses;

realize additional progress in restructuring and asset disposition initiatives to enable repayment of amounts outstanding under the FRBNY Credit Facility provided by the FRBNY under the Credit Agreement, dated as of September 22, 2008 (as amended, the FRBNY Credit Agreement), between AIG and the FRBNY;

execute plans to realize value from dispositions of interests in American International Assurance Company, Ltd. (AIA) and American Life Insurance Company (ALICO);

further wind-down of AIG's exposure to certain financial products and derivatives trading activities; and

address funding needs of International Lease Finance Corporation (ILFC) and American General Finance, Inc. (AGF) and explore alternative restructuring opportunities.

2009 Financial Overview

Global financial markets continued their recovery in the second half of 2009, as investors returned to equity and bond markets. This optimism, not yet accompanied by a robust economic recovery, produced a strong rally in bond, equity and commodity markets. Cash accumulated by investors in 2008 and early 2009 continued to flow out of short-term money market accounts and into higher yielding assets, creating investment demand in excess of available new supply in many sectors. While securitized mortgage products participated to a degree in the rally, particularly in desirable tranches of well-collateralized transactions, the commercial mortgage and equity real estate sectors continue to lag.

The improved market environment noted above contributed to the substantial reduction in the loss from continuing operations before income taxes, which declined to \$13.6 billion in 2009 compared to \$106.5 billion in 2008. The following significant drivers also contributed to this improvement:

the 2008 period included non-credit impairments (i.e., severity losses) throughout the year that are no longer required for fixed maturity securities due to the adoption of the new other-than-temporary impairments accounting standard commencing in the second quarter of 2009. Additionally, other-than-temporary

37 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

impairments declined from the 2008 period due to improved market conditions. See Note 6 to the Consolidated Financial Statements; and Investments – Other-Than-Temporary Impairments;

unrealized market valuation gains of \$1.4 billion in 2009 related to AIGFP's super senior credit default swap portfolio compared to unrealized market valuation losses of \$28.6 billion in 2008 due to the substantial decline in outstanding net notional amount resulting from the termination of contracts in the fourth quarter of 2008 associated with the Maiden Lane III transaction (ML III) as well as the narrowing of corporate credit spreads. See Note 6 to the Consolidated Financial Statements; and

a \$3.4 billion decline in goodwill impairment charges.

Additionally, the net loss in 2009 decreased due to \$25.4 billion of deferred tax expense recorded in 2008 associated with the potential sale of foreign businesses and valuation allowances.

Fourth Quarter 2009 Net Loss

AIG incurred a net loss attributable to AIG of \$8.9 billion during the fourth quarter of 2009. This loss resulted primarily from the following:

total FRBNY interest and amortization expense of \$6.2 billion (\$4.0 billion after tax), including accelerated amortization of \$5.2 billion (\$3.4 billion after tax) in connection with the \$25 billion reduction in outstanding balance and maximum lending commitment under the FRBNY Credit Facility as a result of the issuance of preferred interests;

a loss recognized on the pending sale of Nan Shan of \$2.8 billion (\$1.5 billion after tax), reported in discontinued operations;

increases in Commercial Insurance loss reserves on certain long-tail casualty classes of business totaling \$2.3 billion (\$1.5 billion net of tax); and

a valuation allowance change of \$2.7 billion for tax benefits not presently recognizable, including those shown above.

For a complete discussion of financial results, see Consolidated Results and Segment Results.

2010 Business Outlook

During 2009, AIG took steps to prepare AIA and ALICO for possible divestiture in initial public offerings or by third party sale, depending on market conditions and subject to customary regulatory approvals. In furtherance of that goal, the Hong Kong Stock Exchange was chosen as the listing venue for any initial public offering of AIA, and AIG has been in discussions with a third party regarding the potential sale of ALICO. The final determination on divestiture strategies for these companies remains subject to AIG Board approval and market conditions. A sale of ALICO, which is a component of the Japan & Other reporting unit, would require AIG to assess whether any of the \$4.7 billion of goodwill associated with the reporting unit was impaired. See Critical Accounting Estimates – Goodwill Impairment for a discussion of management's approach to testing goodwill for impairment.

AIG's strategy going forward is to focus on its leading global general insurance business and its domestic and certain foreign life insurance and retirement services businesses, while at the same time addressing liquidity and risk issues within the Financial Services segment.

AIG has completed several transactions with the FRBNY and continues to execute its plans for repaying the FRBNY Credit Facility. AIG has incurred, and may continue to incur, significant additional restructuring-related charges, such as additional accelerated amortization expense related to the prepaid commitment asset and additional material write-offs of deferred taxes, goodwill and other long-lived assets.

Continued difficult market conditions have caused a decline in the value of certain private equity and real estate assets held for investment purposes, resulting in impairment charges. The persistence of the troubled global economy driven by tight credit markets and high unemployment will likely continue to adversely affect pre-tax income in future

Table of Contents**American International Group, Inc., and Subsidiaries**

periods. Management continues to assess value declines and the permanence of such declines. These market conditions have also adversely affected the ability to pay or refinance maturing debt obligations in the private equity and real estate portfolios.

On June 10, 2009, the Department of the Treasury issued regulations implementing the compensation limits of the American Recovery and Reinvestment Act of 2009. These regulations restrict the amount of bonus and other incentive compensation that a company receiving TARP funds may pay to certain employees. For AIG these limits apply to the five executives named in AIG's proxy statement and the next twenty highest paid employees of AIG (the Top 25). The regulations also created the Office of Special Master for TARP Executive Compensation (Special Master), which is responsible for interpreting and applying the compensation regulations. AIG is required to obtain the Special Master's approval of the compensation of the Top 25, and the compensation structure of AIG's executive officers and AIG's next 26 to 100 most highly compensated employees and executive officers (the Top 100). The Special Master has issued Determination Memoranda covering the Top 25 and Top 100. These Determination Memoranda place significant new conditions on the compensation of these employees, and the conditions in the Determination Memoranda may impair AIG's ability to retain and motivate them. See Item 1A. Risk Factors – Employees for a further discussion of this risk.

General Insurance

Given current insurance capital levels and the relatively benign 2009 catastrophe season, the overall expectation is that both property and casualty market pricing will continue to decline in 2010. While rate change has become more stable in recent quarters, Chartis does not expect this trend to continue in 2010. In addition, overall economic conditions have decreased the volume of ratable exposures (i.e., asset values, payrolls and sales), which has had a corresponding negative impact on overall market premium base. Given these factors, AIG expects organic modest gross and net premium growth in 2010, driven by growth in Foreign General Insurance.

In 2010, Chartis expects to continue to execute capital management initiatives begun in 2009 by enhancing its Enterprise Risk Management function; developing broad-based risk appetite guidelines for its operating units; and executing underwriting and reinsurance strategies to improve capital ratios, increase return on equity by line of business and reduce exposure to certain businesses where inadequate pricing and increased loss trends may exist.

Chartis U.S. expects overall gross written premiums to remain consistent with 2009 levels. However, its business mix is expected to continue to change, reflecting capital management initiatives. Net written premiums may decline as Chartis U.S. modifies its reinsurance program to be consistent with its capital management initiatives.

Gross written premiums for Chartis International are expected to grow more substantially in 2010, due in large part to its existing presence in emerging markets and its anticipated increased stake in The Fuji Fire & Marine Insurance Company Limited which would require consolidation of its operations into AIG.

Domestic Life Insurance & Retirement Services

AIG expects sales and deposits to gradually recover in 2010-2011 as market conditions improve, AIG ratings remain stable, negative AIG publicity subsides, rebranding efforts take hold and distribution is reinstated at additional financial institutions.

Domestic Life Insurance & Retirement Services companies maintained higher liquidity in 2008 and 2009 which negatively affected net investment income results. As such cash balances are reinvested into longer term securities in 2010-2011, AIG expects investment yields to gradually improve.

Foreign Life Insurance & Retirement Services

AIG expects that sales of foreign life investment-oriented products will continue to be lower than historic levels due to the lingering negative effects of AIG events on third party financial institution distribution networks, primarily in Japan and the U.K. and that sales of risk-based insurance products will continue to improve, particularly in Asia.

Table of Contents**American International Group, Inc., and Subsidiaries**

AIA and ALICO have experienced improved operating conditions and are expected to continue to improve as the rebranding initiatives and revitalization of their agency and direct marketing distribution networks continues.

Financial Services**Capital Markets**

AIGFP continued unwinding its businesses and portfolios during 2009, and these activities are expected to continue in 2010. During 2009, AIGFP reduced the notional amount of its derivative portfolio by 41 percent, from \$1.6 trillion at December 31, 2008 to \$940.7 billion at December 31, 2009. AIGFP reduced the number of its outstanding trade positions by approximately 18,900, from approximately 35,000 at December 31, 2008 to approximately 16,100 at December 31, 2009. In connection with these activities, AIGFP has disaggregated its portfolio of existing transactions into a number of separate books and has developed a plan for addressing each book, including assessing each book's risks, risk mitigation options, monitoring metrics and certain implications of various potential outcomes. Each plan has been reviewed by a steering committee whose membership includes senior executives of AIG. The plans are subject to change as efforts progress and as conditions in the financial markets evolve, and they contemplate, depending on the book in question, alternative strategies, including sales, assignments or other transfers of positions, terminations of positions, and/or run-offs of positions in accordance with existing terms. Execution of these plans is overseen by a transaction approval process involving senior members of AIGFP and AIG's respective management groups as specific actions entail greater liquidity and financial consequences. Successful execution of these plans is subject, to varying degrees depending on the transactions of a given book, to market conditions and, in many circumstances, counterparty negotiation and agreement.

As a consequence of its wind-down strategy, AIGFP is entering into new derivative transactions only to hedge its current portfolio, reduce risk and hedge the currency, interest rate and other market risks associated with its affiliated businesses. AIGFP has already reduced the size of certain portions of its portfolio, including effecting a substantial reduction in credit derivative transactions in respect of multi-sector collateralized debt obligations (CDOs) in connection with ML III, a sale of its commodity index business, termination and sale of its activities as a foreign exchange prime broker, and sale and other disposition of its energy/infrastructure investment portfolio.

Due to the long-term duration of many of AIGFP's derivative contracts and to the complexity of AIGFP's portfolio, AIG expects that an orderly wind-down will take a substantial period of time. The cost of executing the wind-down will depend on many factors, many of which are not within AIGFP's control, including market conditions, AIGFP's access to markets via market counterparties, the availability of liquidity and the potential implications of further rating downgrades. In addition, the Determination Memorandum issued by the Special Master places significant new restrictions on the compensation of AIGFP employees included in the Top 25 and Top 100 and may impair AIGFP's ability to retain these employees and negatively impact the wind-down of AIGFP's business.

ILFC

Given the current market conditions and ILFC's current limited access to unsecured debt markets, new aircraft purchases may be limited for the foreseeable future. In addition, these market conditions are creating downward pressures that are slowing the growth of ILFC's operating margins. ILFC is currently seeking secured financing and is exploring sales of aircraft portfolios to investors to meet its financial and operating obligations. These secured financings will increase ILFC's composite interest rate, which will put further downward pressure on its operating margins, and any aircraft sales would likely result in a loss, which, depending on the size and composition of the portfolio, could be significant. In addition, sales of large portfolios of aircraft will likely increase the average age of ILFC's fleet and impact future operating margins.

If ILFC's sources of liquidity are not sufficient to meet its contractual obligations as they become due over the next twelve months, ILFC will seek additional funding from AIG, which funding would be subject to AIG receiving the consent of the FRBNY.

Table of Contents

American International Group, Inc., and Subsidiaries

AGF

Since the events of September 2008, AGF's traditional borrowing sources, including its ability to issue unsecured debt in the capital markets, have remained unavailable, and AGF does not expect them to become available in the near future. AGF's liquidity concerns, dependency on AIG, results of its operations and the uncertainty regarding the availability of support from AIG have negatively impacted its credit ratings.

In addition to finance receivable collections, AGF is exploring additional initiatives to meet its financial and operating obligations. These initiatives include additional on-balance sheet securitizations, portfolio sales, and expense reductions. During 2009, AGF closed 200 branch offices, reduced retail sales financing operations, reduced its number of employees by approximately 1,400 through reductions in force and attrition, and sold \$1.9 billion of finance receivables held for sale. In July 2009, AGF securitized \$1.9 billion of real estate loans and received \$967 million in cash proceeds.

If AGF's sources of liquidity are not sufficient to meet its contractual obligations as they become due over the next twelve months, AGF will seek additional funding from AIG, which funding would be subject to AIG receiving the consent of the FRBNY.

Significant Events in 2009

Consummation of the AIA and ALICO SPV Transactions

On December 1, 2009, AIG and the FRBNY completed two transactions pursuant to which AIG transferred to the FRBNY noncontrolling, nonvoting, callable, preferred equity interests (Preferred Interests) in two newly-formed special purpose vehicles (SPVs) in exchange for a \$25 billion reduction of the balance outstanding and the maximum credit available under the FRBNY Credit Facility, which resulted in \$5.2 billion of accelerated amortization of a portion of the prepaid commitment asset. Each SPV has (directly or indirectly) as its only asset 100 percent of the common stock of an operating subsidiary (AIA in one case and ALICO in the other). AIG owns all of the voting common equity interests of each SPV. AIG's purpose for entering into these agreements was to position AIA and ALICO for initial public offerings or third-party sale, depending on market conditions and subject to customary regulatory approvals. An equally important objective of the transactions was to enhance AIG's capitalization consistent with rating agency requirements in order to complete its restructuring plan and repay the support it has received from the FRBNY and the Department of the Treasury. The Preferred Interests are redeemable at the option of AIG and are transferable at the FRBNY's discretion. In the event the board of managers of either SPV initiates a public offering, liquidation or winding up or a voluntary sale, the proceeds must be distributed to the Preferred Interests until the Preferred Interests' redemption value has been paid. The redemption value of the Preferred Interests is the liquidation preference, which includes any undistributed preferred returns through the redemption date, and the amount of distributions that the Preferred Interests would receive in the event of a 100 percent distribution to all the common and Preferred Interest holders at the redemption date.

The Preferred Interests entitle the FRBNY to veto rights over certain significant actions by the SPVs and provide the FRBNY with certain rights including the right to compel the SPVs to use their best efforts to take certain actions, including an initial public offering or a sale of the SPVs or the businesses held by the SPVs. After December 1, 2010, and prior thereto with the concurrence of the trustees of Trust, the FRBNY can compel the holders of the common interests to sell those interests should the FRBNY decide to sell its preferred interests. Following an initial public offering, the FRBNY will have the right to exchange its Preferred Interests for common shares of the publicly-traded entity.

The Preferred Interests in the AIA SPV have an initial liquidation preference of \$16 billion and have the right to a preferred return of five percent per year compounded quarterly through September 22, 2013 and nine percent thereafter. If the preferred return is not distributed, the amount is added to the Preferred Interests' liquidation preference. The AIA Preferred Interests participate in one percent of net income after the preferred return. The AIA Preferred Interests are also entitled to a one percent participation right of any residual value after (i) the AIA preferred return, (ii) the participation right of one percent of AIA's net income, (iii) the liquidation preference on all Preferred Interests has been paid and (iv) the holders of the common interests (currently AIG) have received,

Table of Contents**American International Group, Inc., and Subsidiaries**

including any ordinary course distributions, the sum of (i) \$9 billion and (ii) the amount of any additional capital contributions other than the initial capital contribution. AIG is entitled to receive 99 percent of the remaining residual value from the disposition of AIA by the SPV.

The Preferred Interests in the ALICO SPV consist of senior and junior preferred interests with liquidation preferences of \$1 billion and \$8 billion, respectively. The junior and senior preferred interests have a preferred return of five percent per year compounded quarterly through September 22, 2013 and nine percent thereafter. If the preferred return is not distributed, the amount is added to the Preferred Interests' liquidation preference. The junior preferred interests participate in five percent of any residual value after the liquidation preference and the preferred return for the then-current quarter on the senior and junior preferred interests have been paid and the holders of the common interests (currently AIG) have received, including any ordinary course distributions, the sum of (i) \$6 billion and (ii) the amount of any additional capital contributions other than the initial capital contribution. The senior preferred interests do not have a participating return. AIG is entitled to receive 95 percent of the remaining residual value from the disposition of ALICO by the SPV. See Note 16 to the Consolidated Financial Statements for further discussion.

Exchange of AIG Series D Preferred Stock for AIG Series E Preferred Stock

On April 17, 2009, AIG entered into a Securities Exchange Agreement (the AIG Series E Exchange Agreement) with the Department of the Treasury pursuant to which, among other things, the Department of the Treasury exchanged 4,000,000 shares of AIG's Series D Fixed Rate Cumulative Perpetual Preferred Stock, par value \$5.00 per share (AIG Series D Preferred Stock), for 400,000 shares of AIG's Series E Fixed Rate Non-Cumulative Perpetual Preferred Stock, par value \$5.00 per share (AIG Series E Preferred Stock). See Note 16 to the Consolidated Financial Statements for further discussion.

Department of the Treasury Commitment

On April 17, 2009, AIG entered into a Securities Purchase Agreement with the Department of the Treasury, pursuant to which (i) AIG issued to the Department of the Treasury (a) 300,000 shares of AIG Series F Preferred Stock, and (b) the warrant (AIG Series F Warrant) to purchase 150 shares of AIG common stock, par value \$2.50 per share, and (ii) the Department of the Treasury agreed to provide up to \$29.835 billion (the Department of the Treasury Commitment) in exchange for increases in the liquidation preference of the AIG Series F Preferred Stock. See Note 16 to the Consolidated Financial Statements for further discussion.

Modification of FRBNY Credit Facility

On April 17, 2009, AIG and the Board of Governors of the Federal Reserve System entered into an Amendment No. 3 to the FRBNY Credit Agreement. The FRBNY Credit Agreement was amended, among other things, to remove the minimum 3.5 percent LIBOR borrowing rate floor, and permit the issuance by AIG of the AIG Series E Preferred Stock, the AIG Series F Preferred Stock and the AIG Series F Warrant to the Department of the Treasury.

On December 1, 2009, AIG and the FRBNY entered into an Amendment No. 4 to the FRBNY Credit Agreement in order to, among other things:

provide for the consummation of the AIA and ALICO transactions with the FRBNY; and

reduce the outstanding balance of the FRBNY Credit Agreement and the maximum amount available to be borrowed thereunder by \$25 billion.

Issuance of AIG Series C Preferred Stock

On March 4, 2009, AIG issued to the Trust 100,000 shares of AIG's Series C Perpetual, Convertible, Participating Preferred Stock, par value \$5.00 per share (AIG Series C Preferred Stock), pursuant to the Series C Perpetual, Convertible, Participating Preferred Stock Purchase Agreement, dated as of March 1, 2009 (the AIG Series C Purchase Agreement), between the Trust and AIG, for an aggregate purchase price of \$500,000, with an

AIG 2009 Form 10-K

42

Table of Contents

American International Group, Inc., and Subsidiaries

understanding that additional and independently sufficient consideration was also furnished to AIG by the FRBNY Credit Facility under the FRBNY Credit Agreement.

See Note 1 to the Consolidated Financial Statements for further information on the transactions in the preceding paragraphs and Note 16 to the Consolidated Financial Statements for information on additional transactions completed in 2009.

Life Insurance Securitizations

The previously contemplated life insurance securitization transaction with the FRBNY is no longer being pursued by AIG.

Consideration of AIG's Ability to Continue as a Going Concern

In connection with the preparation of this Annual Report on Form 10-K, management has assessed whether AIG has the ability to continue as a going concern (See Note 1 to the Consolidated Financial Statements). In making this assessment, AIG has considered:

The commitment of the U.S. government to continue to work with AIG to maintain its ability to meet its obligations as they come due;

AIG's liquidity-related actions and plans to stabilize its businesses and repay the debt outstanding under the FRBNY Credit Facility;

The level of AIG's realized and unrealized losses and the negative impact of these losses in shareholders equity and on the capital levels of AIG's insurance subsidiaries;

The additional capital provided or committed through the Department of the Treasury Commitment;

The completion on December 1, 2009 of the transactions contemplated by Purchase Agreement between AIG, AIRCO and the FRBNY dated June 25, 2009 (AIA Purchase Agreement) and the Purchase Agreement between AIG and the FRBNY dated June 25, 2009 (ALICO Purchase Agreement);

The planned sales of significant subsidiaries;

The continuing liquidity issues in certain of AIG's businesses and AIG's actions to address such issues; and

The substantial risks to which AIG is subject.

In considering these items, management made significant judgments and estimates with respect to the potentially adverse financial and liquidity effects of AIG's risks and uncertainties. Management also assessed other items and risks arising in AIG's businesses and made reasonable judgments and estimates with respect thereto. After consideration, management believes that it will have adequate liquidity to finance and operate AIG's businesses and continue as a going concern for at least the next twelve months.

It is possible that the actual outcome of one or more of management's plans could be materially different or that one or more of management's significant judgments or estimates about the potential effects of the risks and uncertainties could prove to be materially incorrect. If one or more of these possible outcomes is realized, AIG may need additional U.S. government support to meet its obligations as they come due. If additional support is not available in such circumstances, there could be substantial doubt about AIG's ability to operate as a going concern.

Capital Resources and Liquidity

Liquidity

FRBNY Credit Facility

At February 17, 2010, AIG had outstanding net borrowings under the FRBNY Credit Facility of \$21 billion, with a remaining available amount of \$14 billion, and accrued compounding interest and fees of \$5.5 billion. As a result of

43 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

the AIA and ALICO transactions on December 1, 2009, there was a \$25 billion reduction in the outstanding balance of the FRBNY Credit Facility and the maximum amount available to be borrowed thereunder. The net borrowings as of December 31, 2009 and February 17, 2010 were reduced by \$1.6 billion of loans extended from AGF to AIG. AIG expects that these loans will be repaid to support AGF's liquidity as needed. Net borrowings under the FRBNY Credit Facility increased by approximately \$3.1 billion from December 31, 2009 to February 17, 2010, with these proceeds primarily used to repay \$3.5 billion of commercial paper outstanding under the FRBNY Commercial Paper Funding Facility (CPFF) for AIG Funding and Curzon Funding LLC.

The following table summarizes net borrowings outstanding and remaining available amount that can be borrowed under the FRBNY Credit Facility:

| | Inception Through | | |
|--|--------------------------|-----------------|-------------------|
| | December | December | |
| | 31, | 31, | Increase |
| | 2009 | 2008 | (Decrease) |
| Net borrowings: | | | |
| Loans to AIGFP for collateral postings, GIA and other debt maturities | \$ 50,605 | \$ 46,997 | \$ 3,608 |
| AIGFP repayments to AIG | (8,903) | (4,093) | (4,810) |
| Capital contributions and loans to insurance companies ^(a) | 23,329 | 20,850 | 2,479 |
| Repayment of obligations to securities lending program | 3,160 | 3,160 | |
| Repayment of intercompany loans | 1,528 | 1,528 | |
| Contributions to AIGCFG subsidiaries ^(b) | 222 | 1,672 | (1,450) |
| Loans to ILFC | 3,900 | | 3,900 |
| Debt payments | 5,448 | 2,109 | 3,339 |
| Issuance of preferred interests in AIA LLC and ALICO LLC | (25,000) | | (25,000) |
| Funding of equity interest in ML III | 5,000 | 5,000 | |
| Repayment from the proceeds of the issuance of AIG Series D Preferred Stock and common stock warrant | (40,000) | (40,000) | |
| Other ^(c) | (1,389) | (423) | (966) |
| Net borrowings | 17,900 | 36,800 | (18,900) |
| Total FRBNY Credit Facility | 35,000 | 60,000 | (25,000) |
| Remaining available amount | 17,100 | 23,200 | (6,100) |
| Net borrowings | 17,900 | 36,800 | (18,900) |
| Accrued compounding interest and fees ^(d) | 5,535 | 3,631 | 1,904 |
| Total balance outstanding | \$ 23,435 | \$ 40,431 | \$ (16,996) |

(a) Includes securities lending activities.

(b) Includes repayments and sales of subsidiaries.

(c)

Includes repayments with proceeds from the CPFF, tax refunds, loans from AGF to AIG discussed above and drawdowns under the Department of the Treasury Commitment, which had not yet been utilized.

- (d) *Excludes interest payable of \$2 million and \$8 million at December 31, 2009 and 2008, respectively, which was included in Other liabilities.*

Department of the Treasury Commitment

The Department of the Treasury Commitment allows AIG to draw down funds in exchange for increases in the liquidation preference of the AIG Series F Preferred Stock. See Note 16 to the Consolidated Financial Statements for further discussion.

AIG 2009 Form 10-K

44

Table of Contents

American International Group, Inc., and Subsidiaries

The following table summarizes drawdown activity and amount remaining available under the Department of the Treasury Commitment:

| <i>(in millions)</i> | Inception Through December 31, 2009* |
|--|---|
| Drawdowns: | |
| Capital contributions to insurance companies | \$ 1,389 |
| Intercompany purchase of ILFC equity ownership | 2,722 |
| UGC related restructuring transactions | 1,132 |
| Temporary paydown of FRBNY Credit Facility | 101 |
| Total drawdowns | 5,344 |
| Original availability under commitment | 29,835 |
| Remaining available amount | \$ 24,491 |

* From January 1, 2010 through February 17, 2010, AIG had requested a draw down of an additional \$2.2 billion under the Department of the Treasury Commitment principally to improve the risk-based capital ratios of its General Insurance subsidiaries by redeeming securities of affiliates held by those subsidiaries.

Additional details regarding liquidity sources are included in Liquidity of Parent and Subsidiaries below.

AIG's Strategy for Stabilization and Repayment of its Obligations as They Come Due**Future Cash Requirements**

AIG expects that the repayment of future debt maturities and the payment of the preferred returns and liquidation preference on the Preferred Interests will be its primary uses of available cash. The net proceeds from any sale, initial public offering or other monetization of AIA and ALICO will first be used to pay the Preferred Interests.

The following table summarizes the maturing debt of AIG and its subsidiaries for the next four quarters:

| <i>(in millions)</i> | First Quarter 2010 | Second Quarter 2010 | Third Quarter 2010 | Fourth Quarter 2010 | Total |
|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|--------------|
| ILFC | \$ 738 | \$ 1,476 | \$ 2,052 | \$ 2,492 | \$ 6,758 |
| AGF * | 729 | 573 | 5,142 | 106 | 6,550 |
| AIG Matched Investment Program | 500 | | 897 | 834 | 2,231 |
| AIGFP | 924 | 460 | 273 | 246 | 1,903 |
| AIG | 889 | | | 500 | 1,389 |
| Other | 36 | 25 | 516 | 24 | 601 |
| Total | \$ 3,816 | \$ 2,534 | \$ 8,880 | \$ 4,202 | \$ 19,432 |

* American General Finance, Inc. On July 9, 2009, AGF converted the \$2.45 billion of loans that it had previously drawn on its 364-Day Syndicated Facility into one-year term loans. AIG has provided a capital support agreement for the benefit of the lenders of these termed-out loans, which must be repaid by July 9, 2010.

AIG's plans for meeting these maturing obligations are as follows:

ILFC's sources of liquidity available to meet these needs include future cash flows from operations, aircraft sales, and potentially additional secured financing arrangements (see Liquidity of Parent and Subsidiaries below). If ILFC does not receive sufficient secured financing, AIG expects that ILFC's current borrowings and future cash flows from operations, including aircraft sales, may be inadequate to permit ILFC to meet its existing obligations. AIG is exploring restructuring opportunities for ILFC. AIG intends to provide support to ILFC through February 28, 2011 to the extent that secured financing, aircraft sales and other sources of funds are not sufficient to meet liquidity needs.

AGF anticipates that its primary sources of liquidity will be customer receivable collections and additional on-balance sheet securitizations and, to a lesser extent, portfolio sales (see Liquidity of Parent and

45 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

Subsidiaries Financial Services AGF below). In addition, AIG is exploring restructuring opportunities for AGF. AIG intends to provide support to AGF through February 28, 2011, to the extent that asset sales, securitizations and/or other transactions are not sufficient to meet AGF's liquidity needs.

Debt maturities for the MIP are expected to be funded through cash flows generated from invested assets (principal and interest) as well as the sale or financing of the asset portfolios in the program. In addition, as a result of AIG's restructuring activities, AIG expects to utilize assets from its noncore businesses and subsidiaries to provide future cash flow enhancement and help the MIP meet its maturing debt obligations.

Approximately \$1.4 billion of AIGFP's debt maturities through December 31, 2010 are fully collateralized, with assets backing the corresponding liabilities, which AIGFP expects will reduce the net amount of cash required to repay the maturing debt. However, in addition to the cash requirements shown above for AIGFP, Curzon Funding LLC, an AIGFP asset-backed commercial paper conduit and Nightingale Finance LLC, a structured investment vehicle sponsored, but not consolidated by AIGFP, had \$1.2 billion and \$1.1 billion, respectively, of commercial paper outstanding under the CPFF at February 17, 2010, all of which matures in April 2010. AIGFP intends to repay this commercial paper at maturity, which is expected to lead to an increase in borrowings under the FRBNY Credit Facility.

AIG expects to meet its debt maturities primarily through the cash flows from, and the disposition of, assets supporting these obligations as well as through borrowings under the FRBNY Credit Facility. In addition, AIG also expects to collect dividends, distributions and other payments from certain subsidiaries to fund payments on its obligations. Additional liquidity is also available under the Department of the Treasury Commitment.

In the future, AIG may need to provide additional capital support for its subsidiaries. AIG has developed certain plans (described below), some of which have already been implemented, to provide stability to its businesses and to provide for the timely repayment of the FRBNY Credit Facility.

Asset Disposition Plan

Since September 2008, AIG has been working to protect and enhance the value of its key businesses, execute an orderly asset disposition plan, and position itself for the future. AIG continually reassesses this plan to maximize value while maintaining flexibility in its liquidity and capital, and expects to accomplish these objectives over a longer time frame than originally contemplated.

Sales of Businesses and Specific Asset Dispositions

Dispositions of certain businesses will be subject to regulatory approval. Proceeds from dispositions, to the extent they do not represent capital of AIG's insurance subsidiaries required for regulatory or ratings purposes, are contractually required to be applied toward the repayment of the FRBNY Credit Facility as mandatory prepayments unless otherwise agreed with the FRBNY.

During 2009 and through February 17, 2010, AIG entered into agreements to sell or completed the sale of operations and assets, excluding AIGFP assets, that had aggregate assets and liabilities with carrying values of \$88.1 billion and \$71.3 billion, respectively, at December 31, 2009 or the date of sale or, in the case of Transatlantic, deconsolidation. These transactions are expected to generate approximately \$5.6 billion of aggregate net cash proceeds that will be available to repay outstanding borrowings and reduce the maximum lending commitment under the FRBNY Credit Facility, after taking into account taxes, transaction expenses, settlement of intercompany loan facilities, and capital required to be retained for regulatory or ratings purposes. Gains and losses recorded in connection with the dispositions of businesses include estimates that are subject to subsequent adjustment. Based on the transactions thus far, AIG does not believe that such adjustments will be material to future results of operations or cash flows.

Table of Contents

American International Group, Inc., and Subsidiaries

These transactions included the following:

On May 28, 2009, AIG completed the sale of its headquarters building in Tokyo for approximately \$1.2 billion in cash. Due to AIG's continued involvement as a lessee, primarily in the form of a lease deposit, through 2011, the sale is accounted for as a financing arrangement with any gain deferred until the expiration of AIG's lease in early 2011.

On June 10, 2009, AIG closed the previously announced secondary public offering of 29.9 million shares of Transatlantic common stock owned by AIG for aggregate proceeds of \$1.1 billion. At the close of the public offering, AIG retained 13.9 percent of Transatlantic's outstanding shares of common stock. As a result, AIG deconsolidated Transatlantic, which resulted in a \$1.4 billion reduction in Noncontrolling interests, a component of Total equity.

On July 1, 2009, AIG closed the sale of its U.S. auto insurance business, 21st Century Insurance Group (21st Century). This operation had total assets and liabilities with carrying values of \$5.7 billion and \$3.4 billion, respectively, at June 30, 2009. Aggregate proceeds from the sale of this business, including proceeds applied to repay intercompany loan facilities, were \$1.9 billion.

On July 28, 2009, AIG completed the sale of a majority of the U.S. life insurance premium finance business of AIG Credit Corp. and A.I. Credit Consumer Discount Company (A.I. Credit), with a carrying value of \$941.3 million at that date, for \$680 million in cash, including \$230 million held in escrow, and an additional \$61.2 million if certain future conditions are met.

On July 28, 2009, AIG entered into an agreement to combine its consumer finance business in Poland, conducted through AIG Bank Polska S.A., into the Polish consumer finance business of Santander Consumer Finance S.A (SCB). In exchange, AIG will receive equity interest in SCB. At closing, all of the AIG intercompany debt facilities related to these entities will be repaid, and AIG will not be responsible for the future funding of the combined consumer finance businesses. The closing is expected to occur in the first quarter of 2010. This transaction met the criteria for held-for-sale accounting in 2009.

On September 5, 2009, AIG entered into an agreement to sell its investment advisory and third party institutional asset management business for total consideration consisting of a cash payment determined at closing based on the net assets of the business being sold plus contingent consideration. This transaction met the criteria for held-for-sale accounting.

On October 12, 2009, AIG entered into an agreement to sell its 97.57 percent share of Nan Shan Life Insurance Company, Ltd. (Nan Shan) for approximately \$2.15 billion. As a result, Nan Shan qualified as a discontinued operation and met the criteria for held-for-sale accounting in 2009. AIG recognized a \$1.5 billion after tax loss on the transaction. See Note 2 to the Consolidated Financial Statements.

AGF Portfolio Sales and Securitization Transaction

During 2009, AGF received proceeds of \$1.9 billion from real estate loan portfolio sales. In addition, on July 30, 2009, AGF issued mortgage-backed certificates in a private securitization transaction of certain AGF real estate loans and received cash proceeds of \$967 million.

AIA and ALICO Transactions with the FRBNY

On December 1, 2009, AIG and the FRBNY completed two transactions pursuant to which AIG transferred to the FRBNY preferred equity interests in newly-formed SPVs in settlement of a portion of the outstanding balance of the FRBNY Credit Facility. Each SPV has (directly or indirectly) as its only asset 100 percent of the common stock of an

AIG operating subsidiary (AIA in one case and ALICO in the other). AIG owns the common interests of each SPV. In exchange for the preferred equity interests received by the FRBNY, there was a \$25 billion reduction in the outstanding balance and maximum lending commitment under the FRBNY Credit Facility. See Note 16 to the Consolidated Financial Statements for further discussion.

47 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

AIGFP Wind-down

AIGFP is engaged in a multi-step process of unwinding its businesses and portfolios. In connection with that process, certain assets were sold. The proceeds from these sales have been used to fund AIGFP's wind-down and are not included in the amounts described above under Sales of Businesses and Specific Asset Dispositions. The FRBNY waived the requirement under the FRBNY Credit Agreement that the proceeds of these specific sales be applied as a mandatory prepayment under the FRBNY Credit Facility, which would have resulted in a permanent reduction of the FRBNY's commitment to lend to AIG. Instead, the FRBNY has given AIGFP permission to retain the proceeds of these completed sales, and has required that such proceeds received from certain future sales be used to voluntarily prepay the FRBNY Credit Facility, with the amounts prepaid available for future reborrowing subject to the terms of the FRBNY Credit Facility. AIGFP is also opportunistically terminating contracts. AIGFP is entering into new derivative transactions only to hedge its current portfolio, reduce risk and hedge the currency, interest rate and other market risks associated with AIG's affiliated businesses. Due to the long-term duration of AIGFP's derivative contracts and the complexity of AIGFP's portfolio, AIG expects that an orderly wind-down of AIGFP will take a substantial period of time. The cost of executing the wind-down will depend on many factors, many of which are not within AIG's control, including market conditions, AIGFP's access to markets via market counterparties, the availability of liquidity and the potential implications of further rating downgrades.

On August 11, 2009, AIGFP completed sales of its energy and infrastructure investment assets, realizing aggregate net proceeds of \$619 million and \$1.3 billion in 2009 and 2008, respectively.

Liquidity of Parent and Subsidiaries**AIG (Parent)**

The following table presents AIG parent's sources of liquidity:

| <i>(In millions)</i> | December 31, 2009 | As of February 17, 2010 |
|---|----------------------------------|--|
| Available borrowing under the FRBNY Credit Facility | \$ 17,100 | \$ 14,000 |
| Cash and short-term investments | 528 | 287 |
| Available capacity under the Department of the Treasury Commitment | 24,491 | 22,292* |
| Total | \$ 42,119 | \$ 36,579 |

* Reflects AIG's February 2010 request to draw down \$2.2 billion under the Department of the Treasury Commitment principally to improve the risk-based capital ratios of its General Insurance subsidiaries by redeeming securities of affiliates held by those subsidiaries.

AIG believes that it has sufficient liquidity at the parent level to meet its obligations through at least the next twelve months. However, no assurance can be given that AIG's cash needs will not exceed projected amounts. The inability of AGF or ILFC to raise sufficient liquidity to meet their obligations without support from AIG, additional collateral calls, deterioration in investment portfolios affecting statutory surplus, higher surrenders of annuities and other policies, further downgrades in AIG's credit ratings, catastrophic losses or reserve strengthening, or a further deterioration in the super senior credit default swap portfolio may result in significant additional cash needs, or loss of some sources of liquidity, or both. Regulatory and other legal restrictions could limit AIG's ability to transfer funds freely, either to or from its subsidiaries. (See Item 1A. Risk Factors above.)

Since the fourth quarter of 2008, AIG has not accessed its traditional sources of long-term or short-term financing through the public debt markets. While no assurance can be given that AIG will be able to access these markets again,

AIG has continued to periodically evaluate its ability to access the capital markets.

Historically AIG depended on dividends, distributions, and other payments from subsidiaries to fund payments on its obligations. In light of AIG's current financial situation, certain of its regulated subsidiaries are restricted from making dividend payments, or advancing funds, to AIG. As a result, AIG has been dependent on the FRBNY and the Department of the Treasury as its primary sources of liquidity. Primary uses of cash flow are for debt service and subsidiary funding. In 2009, AIG parent collected \$2.2 billion in dividends and other payments from subsidiaries (primarily from insurance company subsidiaries), and retired \$1.4 billion of debt, excluding MIP and Series AIGFP debt. Excluding MIP and Series AIGFP debt, AIG parent made interest payments totaling \$1.8 billion, and made

AIG 2009 Form 10-K 48

Table of Contents**American International Group, Inc., and Subsidiaries**

\$5.7 billion in net capital contributions to subsidiaries in 2009. In addition, during the second quarter of 2009, AIG parent drew down on the Department of the Treasury Commitment in order to make loans totaling \$1.2 billion to wholly owned subsidiaries, which in turn were used principally to make capital contributions to insurance companies.

AIG parent traditionally funded a portion of its short-term working capital needs through commercial paper issued by AIG Funding. Since October 2008, all commercial paper issued for AIG Funding was through the CPFF program. AIG Funding was accepted into the CPFF with a total borrowing limit of \$6.9 billion. AIG Funding had approximately \$2 billion in commercial paper outstanding at December 31, 2009, which was repaid in January 2010.

General Insurance

In 2009, AIG made a capital contribution of \$641 million to a Chartis U.S. subsidiary, all of which was returned as a dividend to AIG later in the year. AIG collected an additional \$500 million in dividends from Chartis U.S. in the fourth quarter of 2009. AIG also made a capital contribution of \$91 million in 2009 to a Chartis U.S. subsidiary in connection with the subsidiary's sale of a portion of its Transatlantic common stock.

AIG currently expects that its Chartis subsidiaries will be able to continue to meet their obligations as they come due through cash from operations and, to the extent necessary, asset dispositions. One or more large catastrophes, however, may require AIG to provide additional support to the affected General Insurance operations. In addition, further downgrades in AIG's credit ratings could put pressure on the insurer financial strength ratings of these subsidiaries. A downgrade in the insurer financial strength ratings of an insurance company subsidiary could result in non-renewals or cancellations by policyholders and adversely affect these companies' ability to meet their own obligations and require that AIG provide capital or liquidity support to them. Increases in market interest rates may adversely affect the financial strength ratings of General Insurance subsidiaries as rating agency capital models may reduce the amount of available capital relative to required capital.

At December 31, 2009, Chartis had liquidity in the form of cash and short-term investments. These are consolidated cash and short-term investments for a number of legal entities within Chartis. Generally, these assets are not transferable across various legal entities; however, there are generally sufficient cash and short-term investments within those legal entities such that they can meet their individual liquidity needs. In the event additional liquidity is required, management believes it can provide such liquidity through sale of a portion of its substantial holdings in government and corporate bonds as well as equity securities. Government and corporate bonds represented 95.0 percent of General Insurance total fixed income investments at December 31, 2009. Given the size and liquidity profile of AIG's General Insurance investment portfolios, AIG believes that deviations from its projected claim experience do not constitute a significant liquidity risk. AIG's asset/liability management process takes into account the expected maturity of investments and the specific nature and risk profile of liabilities. Historically, there has been no significant variation between the expected maturities of AIG's General Insurance investments and the payment of claims. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Investments for further information.

Domestic and Foreign Life Insurance & Retirement Services operations

At December 31, 2009, Domestic and Foreign Life Insurance & Retirement Services subsidiaries had liquidity in the form of cash and short-term investments, which management considers adequate to meet foreseeable liquidity needs. Domestic and Foreign Life Insurance & Retirement Services subsidiaries had been increasing their liquidity given recent market disruptions and AIG-specific issues, which reduced investment income in 2009. During the second half of 2009, these subsidiaries began lengthening their maturity profile by purchasing investment grade fixed income securities. Generally, these assets are not transferable across various legal entities; however, there are generally sufficient cash and short-term investments within those legal entities such that they can meet their individual liquidity needs. In the event additional liquidity is required, management believes it can provide such liquidity through sale of a portion of its substantial holdings in government and corporate bonds as well as equity securities. Government and corporate bonds represented 85.6 percent of Domestic and Foreign Life Insurance & Retirement Services total fixed income investments at December 31, 2009. Given the size and liquidity profile of AIG's Domestic and Foreign Life Insurance & Retirement Services investment portfolios, AIG believes that deviations from their projected claim experience do not constitute a significant liquidity risk. The Domestic and Foreign Life Insurance &

Retirement Services subsidiaries have been able to meet liquidity needs, even during the period of higher surrenders
49 AIG 2009 Form 10-K

Table of Contents**American International Group, Inc., and Subsidiaries**

which was experienced from mid-September 2008 through the first quarter of 2009, and expect to be able to do so in the foreseeable future. A significant increase in policy surrenders and withdrawals, which could be triggered by a variety of factors, including AIG specific concerns, could result in a substantial liquidity strain. Other potential events causing a liquidity strain could include economic collapse of a nation or region significant to Domestic and Foreign Life Insurance & Retirement Services operations, nationalization, catastrophic terrorist acts, pandemics or other economic or political upheaval. See Investments Investment Strategy herein for further information.

Domestic Life Insurance & Retirement Services

During 2009, AIG contributed capital totaling \$2.4 billion to certain of its Domestic Life Insurance & Retirement Services subsidiaries (of which \$165 million was retained in the Domestic Life Insurance holding company and not contributed to the operating companies) to replace a portion of the capital lost as a result of net realized capital losses (primarily resulting from other-than-temporary impairment charges) and other investment-related items. Of this amount, \$1.2 billion was funded by drawdowns under the Department of the Treasury Commitment in May 2009. AIG believes that its Domestic Life Insurance & Retirement Services companies currently have adequate capital to support their business plans. Further capital contributions may be required to maintain desired levels of capital to the extent there are future declines in the investment portfolios of the Domestic Life Insurance & Retirement Services companies.

The most significant potential liquidity needs of AIG's Domestic Life Insurance & Retirement Services companies are the funding of surrenders and withdrawals. A substantial increase in these needs could place stress on the liquidity of these companies. However, management believes that these companies have sufficient short-term liquidity to meet such demands.

Beginning in 2009, results for the GIC program are recorded in the Domestic Life Insurance & Retirement Services reportable segment and results for prior periods have been revised accordingly.

The GIC program is in run-off with no new GICs issued subsequent to 2005. The following table summarizes the anticipated run-off of the domestic GIC portfolio:

At December 31, 2009

| <i>(in billions)</i> | 2010 | 2011 - 2012 | 2013 - 2014 | Thereafter | Total |
|----------------------|-------------|------------------------|------------------------|-------------------|--------------|
| Domestic GICs | \$ - | \$ 2.5 | \$ 2.5 | \$ 3.5 | \$ 8.5 |

These GIC liabilities are expected to be funded by investment income and maturities of assets supporting the Domestic Retirement Services companies' liabilities.

Foreign Life Insurance & Retirement Services

During 2009, AIG provided funding of \$624 million to Foreign Life Insurance & Retirement Services subsidiaries. AIG believes that its Foreign Life Insurance & Retirement Services companies currently have adequate capital to support their business plans. However, to the extent there are future declines in the investment portfolios of the Foreign Life Insurance & Retirement Services companies, AIG may need to lend or contribute additional capital to these companies.

In connection with the AIA and ALICO SPV transactions, on December 1, 2009, AIG, the FRBNY and each SPV entered into limited liability company agreements, which set forth the terms and conditions of the respective parties ownership and governance rights in each SPV. Under the terms of these agreements, the AIA SPV and the ALICO SPV may only distribute funds to AIG (prior to the payment of the preferred returns and liquidation preferences on the preferred interests in each respective SPV and, in the case of the AIA SPV, a payment of 1 percent of the net income of the AIA SPV to the holders of the preferred interests in the AIA SPV for all fiscal years prior to payment of the preferred return and liquidation preference) in an aggregate amount not to exceed \$200 million and \$400 million, respectively, per fiscal year.

Financial Services

AIG's major Financial Services operating subsidiaries consist of ILFC, AIGFP, AGF and AIG Consumer Finance Group, Inc. (AIGCFG). Traditional sources of funds to meet the liquidity needs of these operations are generally no

AIG 2009 Form 10-K 50

Table of Contents

American International Group, Inc., and Subsidiaries

longer available. These sources included issuances of guaranteed investment agreements (GIAs), issuance of long- and short-term debt, issuance of commercial paper, bank loans and bank credit facilities. However, ILFC has been able to finance Airbus aircraft purchases under its 2004 Export Credit Agency (ECA) Facility, as further described below, and AIGCFG has been able to retain a significant portion of customer deposits, providing a measure of liquidity.

ILFC

During 2009, ILFC was unable to borrow in the public debt markets and, due to downgrades in its short-term credit rating, lost access to the CPFF and therefore borrowed \$3.9 billion from AIG Funding to repay its maturing debt and other contractual obligations. In addition, ILFC borrowed approximately \$161 million through secured financing arrangements. ILFC is currently pursuing additional secured financings. ILFC had the capacity under its present facilities and indentures to enter into secured financing of approximately \$4.7 billion (or more through subsidiaries that qualify as non-restricted subsidiaries under ILFC's indentures, subject to the receipt of any required consents under the FRBNY Credit Facility and under its bank facilities and terms loans), which was reduced to approximately \$800 million after entry into the Term Loans with AIG Funding as discussed below. ILFC is pursuing potential aircraft sales as one of several options to meet its financial and operating obligations. Proposed portfolios have been presented to potential buyers; some bids have been received and are being evaluated. In evaluating the bids, management is balancing the need for funds with the long-term value of holding aircraft and other financing alternatives. Significant uncertainties currently exist about the possibility of a sale, including the aircraft comprising an actual sale portfolio, the sale price, and whether a sale agreement could be agreed upon with acceptable terms to the buyers and AIG and ILFC.

Because the current market for aircraft is depressed due to the economic downturn and limited availability of buyer financing, it is likely that if a group of aircraft is sold to meet liquidity needs, a realized loss would be incurred. As the uncertainties related to the potential sale portfolios change, the likelihood of a sale changes, which directly impacts the nature, timing and amount of any impairment loss.

Based on the facts and circumstances at December 31, 2009, ILFC performed an impairment analysis of the proposed portfolios and concluded that no impairments on any aircraft in the portfolios had occurred based on management's estimates of the probabilities of retaining or selling the aircraft. If circumstances change and the probability of a sale increases significantly, or a sale transaction is approved or executed, ILFC would most likely incur a loss at a future date. The amount of potential loss would be dependent upon the specific aircraft sold, the sale price, the sale date and any other sale contingencies. Based on the range of potential aircraft portfolio sales currently being explored, the potential for impairment or realized loss could be material to the results of operations for an individual reporting period.

ILFC did not recognize an impairment loss related to any potential aircraft sale portfolios as of December 31, 2009, given the significant uncertainties described above as the probability of sale was not sufficiently likely to cause an impairment. If ILFC does not receive sufficient secured financing, AIG expects that ILFC's current borrowings and future cash flows from operations, including aircraft sales, may be inadequate to permit ILFC to meet its existing obligations. AIG intends to provide support to ILFC through February 28, 2011 to the extent that secured financing, aircraft sales and other sources of funds are not sufficient to meet ILFC's liquidity needs.

Under its current long-term debt ratings, ILFC needs written consent from the security trustee of its 2004 ECA Facility before it can fund Airbus aircraft deliveries under the facility. As of February 17, 2010, ILFC had approximately \$600 million available under the 2004 ECA Facility to finance its Airbus aircraft purchases through June 2010. ILFC financed 25 aircraft under the 2004 ECA Facility during 2009, 19 of which required written consent, which was obtained. However, the trustee's consent for the financing of 5 Airbus aircraft delivered during the fourth quarter of 2009 was not obtained until the first quarter of 2010. ILFC's current credit ratings also require (i) the segregation of security deposits, maintenance reserves and rental payments received for aircraft funded under both its 1999 and 2004 ECA Facilities into separate accounts, controlled by the trustees of the 1999 and 2004 ECA Facilities; and (ii) the filings of individual mortgages on the aircraft funded under the facility in the respective local jurisdictions in which its lessees operate. At December 31, 2009, ILFC had segregated security deposits, maintenance reserves and rental payments aggregating \$315 million related to such aircraft. Segregated rental payments are used to pay

principal and interest on the ECA facilities as they become due.

51 AIG 2009 Form 10-K

Table of Contents**American International Group, Inc., and Subsidiaries**

On October 13, 2009, ILFC entered into two term loan agreements (the Term Loans) with AIG Funding comprised of a new \$2.0 billion credit agreement and a \$1.7 billion amended and restated credit agreement. The Term Loans are secured by a portfolio of aircraft and all related equipment and leases. ILFC used the proceeds from the \$2.0 billion loan to repay in full its obligations under its \$2.0 billion revolving credit facility that matured on October 15, 2009. The second credit agreement amended and restated the two demand note agreements aggregating \$1.7 billion that ILFC entered into in March 2009 with AIG Funding, including extending the maturity date of such demand notes. Both Term Loans mature on September 13, 2013 and currently bear interest at 3-month LIBOR plus 6.025%. The Term Loans are due in full at maturity with no scheduled amortization. On December 4, 2009, the new \$2.0 billion credit agreement was increased to \$2.2 billion. The funds for the Term Loans were provided to AIG Funding through the FRBNY Credit Facility. As a condition of the FRBNY approving the Term Loans, ILFC entered into agreements to guarantee the repayment of AIG's obligations under the FRBNY Credit Agreement up to an amount equal to the aggregate outstanding balance of the Term Loans.

As a result of the Term Loans, ILFC's available capacity under its present facilities and indentures to enter into secured financing was approximately \$800 million at February 17, 2010.

AIGFP

Prior to September 2008, AIGFP had historically funded its operations through the issuance of notes and bonds, GIA borrowings, other structured financing transactions and repurchase agreements.

In the second half of 2008, AIGFP's access to its traditional sources of liquidity was significantly reduced, and it relied on AIG parent to meet most of its liquidity needs. AIGFP's asset backed commercial paper conduit, Curzon Funding LLC, was accepted into the CPFF with a total borrowing limit of \$7.2 billion, and had approximately \$1.2 billion outstanding at February 17, 2010. Separately, a structured investment vehicle sponsored, but not consolidated, by AIGFP, Nightingale Finance LLC, was also accepted into the CPFF with a borrowing limit of \$1.1 billion and had approximately \$1.1 billion outstanding at February 17, 2010. All of the commercial paper matures in April 2010. AIGFP intends to repay this commercial paper at maturity, which will most likely lead to an increase in borrowings under the FRBNY Credit Facility.

The following table presents a rollforward of the amount of collateral posted by AIGFP:

| Year Ended December 31, | Collateral | Additional Postings, | Collateral Returned | Collateral |
|---|------------------------------|---------------------------------|--------------------------------|------------------------------|
| 2009 | Posted as of | Netted by | by | Posted as of |
| (in millions) | December 31, 2008 | Counterparty | Counterparties | December 31, 2009 |
| Collateralized GIAs and other borrowings | \$ 9,401 | \$ 429 | \$ 3,701 | \$ 6,129 |
| Derivatives (including super senior credit default swaps) | 22,791 | 2,098 | 15,082 | 9,807 |
| Total | \$ 32,192 | \$ 2,527 | \$ 18,783 | \$ 15,936 |

AGF

Prior to September 2008, AGF's traditional source of liquidity had been collections of customer receivables and borrowings in the public markets.

With its continued inability to access traditional capital market sources, AGF anticipates that its primary source of funds to support its operations and repay its obligations will be customer receivable collections and additional on-balance sheet securitizations and portfolio sales. In order to improve cash flow from operations, AGF has

significantly limited its lending activities and aggressively managed its expenses. Since September 2008 and through February 17, 2010, AGF's alternative funding sources have included proceeds of \$1.9 billion from real estate loan portfolio sales and cash proceeds of \$967 million from a real estate loan securitization. AGF is considering additional sales and/or securitizations of its finance receivables. In addition, AIG is exploring other restructuring opportunities for AGF. AIG intends to provide support to AGF through February 28, 2011 to the extent that asset sales, securitizations and/or other transactions are not sufficient to meet AGF's liquidity needs. AIG made a \$600 million capital contribution to AGF (through AIG Capital Corporation) during 2009, and AGF loaned \$1.6 billion to AIG parent under demand notes. In July 2009, AGF converted the \$2.45 billion of loans that AGF had previously drawn on

AIG 2009 Form 10-K 52

Table of Contents**American International Group, Inc., and Subsidiaries**

its 364-day Syndicated Facility into one-year term loans. These termed-out loans must be repaid by July 9, 2010. AIG provides a capital support agreement to AGF in connection with these loans.

AIGCFG

AIG believes that the funding needs of AIGCFG have stabilized but it is possible that renewed customer and counterparty concerns could increase AIGCFG's liquidity needs in 2010. During 2009 and through February 17, 2010, AIG has completed the sale of the AIGCFG operations in China, Thailand, the Philippines, Mexico, Hong Kong, Brazil, Russia and Taiwan. AIG has also entered into contracts to sell the AIGCFG operations in Argentina, Colombia and Poland.

Noncore Businesses

The principal cash requirements of AIG's noncore asset management operations are to fund general working capital needs, investment commitments related to proprietary investments in private equity and real estate as well as any liquidity mismatches in the MIP. Management continues to work closely with partners and counterparties to manage future funding requirements on proprietary investments through various strategies including through relinquishing rights in certain properties and funds, the restructuring of investment relationships and sales to third parties. Through early 2010, AIG has made significant progress in reducing contractual investment commitments of its proprietary private equity investment portfolio.

Cash requirements related to Institutional Asset Management are funded through general operating cash flows from management and performance fees, proceeds from events in underlying funds (capital calls to third parties, sales of portfolio companies, etc.) as well as intercompany funding provided by AIG. Consequently, Institutional Asset Management's ability to fund certain of its needs may depend on advances from AIG under various intercompany borrowing facilities. Restrictions on these facilities would have adverse consequences on the ability of the business to satisfy its obligations. With respect to the Global Real Estate investment management business, investing activities are also funded through third-party financing arrangements which are secured by the relevant properties.

UGC

In 2009, pursuant to an excess of loss reinsurance agreement, AIG made capital contributions into a trust to secure statutory credit for ceded losses from UGC's insurance subsidiaries to a wholly owned AIG subsidiary. UGC's insurance subsidiaries have maintained adequate capital and liquidity levels during the year, primarily due to this reinsurance agreement and expect to cede additional losses to the affiliate in 2010.

Matched Investment Program

The Matched Investment Program is in run-off. AIG expects to fund its obligations under this program through cash flows generated from invested assets (principal and interest) as well as the sale or financing of the asset portfolios in the program. However, market illiquidity and diminished values within the investment portfolios may impair AIG's ability to sell the program assets or sell such assets for a price adequate to settle the corresponding liabilities when they come due. In such a case, AIG parent would need to fund the obligations. In addition, as a result of AIG's restructuring activities AIG expects to utilize assets from its non-core businesses and subsidiaries to provide future cash flow enhancement and debt repayment ability for the MIP. AIG did not issue any additional debt to fund the MIP in 2009 or 2008 and does not intend to issue any additional debt for the foreseeable future.

The following table presents the contractual maturities of debt issued under the MIP:

At December 31, 2009

| <i>(in billions)</i> | 2010 | 2011 - 2012 | 2013 - 2014 | Thereafter | Total |
|----------------------|-------------|------------------------|------------------------|-------------------|--------------|
| MIP liabilities | \$ 2.2 | \$ 5.4 | \$ 1.3 | \$ 4.5 | \$ 13.4 |

The MIP invests in various fixed income asset classes which include corporate debt, both public and private, and structured fixed income products consisting of residential mortgage-backed securities (RMBS), commercial

mortgage-backed securities (CMBS) and CDOs. The majority of these investments were rated investment grade at February 17, 2010. In addition, the MIP invests in bank loans, commercial mortgage loans and single name credit default swaps.

53 AIG 2009 Form 10-K

Table of Contents

American International Group, Inc., and Subsidiaries

Debt**The following table presents AIG's total debt outstanding:**

| <i>(in millions)</i> | December 31, 2009 | December 31, 2008 |
|--|----------------------------------|----------------------------------|
| Debt issued by AIG: | | |
| FRBNY Credit Facility (secured) | \$ 23,435 | \$ 40,431 |
| Notes and bonds payable | 10,419 | 11,756 |
| Junior subordinated debt | 12,001 | 11,685 |
| Junior subordinated debt attributable to equity units | 5,880 | 5,880 |
| Loans and mortgages payable | 438 | 416 |
| MIP matched notes and bonds payable | 13,371 | 14,446 |
| Series AIGFP matched notes and bonds payable | 3,913 | 4,660 |
| Total AIG debt | 69,457 | 89,274 |
| Debt guaranteed by AIG: | | |
| AIGFP, at fair value | | |
| Commercial paper and other short-term debt ^(a) | 2,742 | 6,802 |
| GIAs | 8,257 | 13,860 |
| Notes and bonds payable | 2,029 | 5,250 |
| Loans and mortgages payable | 1,022 | 2,175 |
| Hybrid financial instrument liabilities | 1,887 | 2,113 |
| Total AIGFP debt | 15,937 | 30,200 |
| AIG Funding commercial paper ^(a) | 1,997 | 6,856 |
| AIGLH notes and bonds payable | 798 | 798 |
| Liabilities connected to trust preferred stock | 1,339 | 1,415 |
| Total debt issued or guaranteed by AIG | 89,528 | 128,543 |
| Debt not guaranteed by AIG: | | |
| ILFC | | |
| Commercial paper and other short-term debt ^(a) | | 1,748 |
| Junior subordinated debt | 999 | 999 |
| Notes and bonds payable, ECA Facilities, bank financings and other secured financings ^(b) | 25,174 | 30,047 |
| Total ILFC debt | 26,173 | 32,794 |
| AGF | | |

| | | |
|--|-------------------|------------|
| Commercial paper and other short-term debt | | 188 |
| Junior subordinated debt | 349 | 349 |
| Notes and bonds payable | 19,770 | 23,089 |
| Total AGF debt | 20,119 | 23,626 |
| AIGCFG | | |
| Commercial paper and other short-term debt | | 124 |
| Loans and mortgages payable | 216 | 1,596 |
| Total AIGCFG debt | 216 | 1,720 |
| Other subsidiaries | 295 | 670 |
| Debt of consolidated investments held through: | | |
| AIG Investments | 532 | 1,300 |
| AIG Global Real Estate Investment | 4,412 | 4,545 |
| ALICO | 90 | |
| SunAmerica | 107 | 5 |
| Total debt of consolidated investments | 5,141 | 5,850 |
| Total debt not guaranteed by AIG | 51,944 | 64,660 |
| Total debt: | | |
| Total commercial paper and other short-term debt | | 613 |
| Federal Reserve Bank of New York commercial paper funding facility | 4,739 | 15,105 |
| Total long-term debt | 136,733 | 177,485 |
| Total debt | \$ 141,472 | \$ 193,203 |

AIG 2009 Form 10-K 54

Table of Contents

American International Group, Inc., and Subsidiaries

(a) Includes borrowings of \$2.7 billion and \$2.0 billion for AIGFP (through Curzon Funding LLC, AIGFP's asset-backed commercial paper conduit) and AIG Funding, respectively, under the CPFF at December 31, 2009 and \$6.8 billion, \$6.6 billion and \$1.7 billion, respectively, for AIGFP (through Curzon Funding LLC), AIG Funding and ILFC, respectively, under the CPFF at December 31, 2008.

Long-Term Debt

The following table provides the roll-forward of long-term debt, excluding debt of consolidated investments:

| Year Ended December 31, 2009 (in millions) | Balance at December 31, 2008 | Issuances | Maturities and Repayments | Effect of Foreign Exchange | Other Non-Cash Changes ^(a) | Balance at December 31, 2009 |
|---|---------------------------------------|-----------|---------------------------------|-------------------------------------|---|---------------------------------------|
| AIG | | | | | | |
| FRBNY Credit Facility | \$ 40,431 | \$ 32,526 | \$ (26,426) | \$ - | \$ (23,096) | \$ 23,435 |
| Notes and bonds payable | 11,756 | - | (1,381) | 102 | (58) | 10,419 |
| Junior subordinated debt | 11,685 | - | - | 314 | 2 | 12,001 |
| Junior subordinated debt attributable to equity units | 5,880 | - | - | - | - | 5,880 |
| Loans and mortgages payable | 416 | - | (37) | 37 | 22 | 438 |
| MIP matched notes and bonds payable | 14,446 | - | (1,159) | 4 | 80 | 13,371 |
| Series AIGFP matched notes and bonds payable | 4,660 | - | (390) | - | (357) | 3,913 |
| AIGFP, at fair value^(b) | | | | | | |
| GIAAs | 13,860 | 754 | (3,793) | - | (2,564) | 8,257 |
| Notes and bonds payable and hybrid financial instrument liabilities | 7,363 | 49 | (3,627) | - | 131 | 3,916 |
| Loans and mortgages payable | 2,175 | 60 | (1,199) | - | (14) | 1,022 |
| AIGLH notes and bonds payable | 798 | - | - | - | - | 798 |
| Liabilities connected to trust preferred stock | 1,415 | - | - | - | (76) | 1,339 |
| ILFC notes and bonds payable, ECA Facilities, bank financings and other secured financings | 30,047 | 1,295 | (6,288) | 115 | 5 | 25,174 |
| ILFC junior subordinated debt | 999 | - | - | - | - | 999 |
| AGF notes and bonds payable | 23,089 | 962 | (4,421) | 125 | 15 | 19,770 |
| AGF junior subordinated debt | 349 | - | - | - | - | 349 |
| AIGCFG loans and mortgages payable ^(b) | 1,596 | 894 | (1,894) | 30 | (410) | 216 |
| Other subsidiaries | 670 | - | (41) | 15 | (349) | 295 |

| | | | | | | |
|-------|------------|-----------|-------------|--------|-------------|-------------------|
| Total | \$ 171,635 | \$ 36,540 | \$ (50,656) | \$ 742 | \$ (26,669) | \$ 131,592 |
|-------|------------|-----------|-------------|--------|-------------|-------------------|

(a) *FRBNY Credit facility reflects a \$25 billion reduction in outstanding balance as a result of the AIA and ALICO SPV transactions, offset by \$1.9 billion of accrued compounding interest and fees.*

AIG (Parent Company)

AIG historically issued debt securities from time to time to meet its financing needs and those of certain of its subsidiaries, as well as to opportunistically fund the MIP. The maturities of the debt securities issued by AIG to fund the MIP are generally expected to be paid using the cash flows of assets held by AIG as part of the MIP portfolio. However, mismatches in the timing of cash inflows and outflows of the MIP, as well as shortfalls due to impairments of MIP assets, would need to be funded by AIG parent.

55 AIG 2009 Form 10-K

Table of Contents**American International Group, Inc., and Subsidiaries**

As of December 31, 2009, approximately \$7.0 billion principal amount of senior notes were outstanding under AIG's medium-term note program, of which \$3.2 billion was used for AIG's general corporate purposes, \$508 million was used by AIGFP (included within Series AIGFP matched notes bonds and payable in the preceding tables) and \$3.3 billion was used to fund the MIP. The maturity dates of these notes range from 2010 to 2052. To the extent considered appropriate, AIG may enter into swap transactions to manage its effective borrowing rates with respect to these notes.

As of December 31, 2009, the equivalent of \$11.6 billion of notes were outstanding under AIG's Euro medium-term note program, of which \$9.6 billion were used to fund the MIP and the remainder was used for AIG's general corporate purposes. The aggregate amount outstanding includes a \$867 million loss resulting from foreign exchange translation into U.S. dollars, of which \$52 million loss relates to notes issued by AIG for general corporate purposes and \$815 million loss relates to notes issued to fund the MIP. AIG has economically hedged the currency exposure arising from its foreign currency denominated notes.

AIG Life Holdings (US), Inc. (AIGLH)

In connection with its acquisition of AIGLH in 2001, AIG entered into arrangements with AIGLH with respect to outstanding AIGLH capital securities. In 1996, AIGLH issued capital securities through a trust to institutional investors and funded the trust with AIGLH junior subordinated debentures issued to the trust. AIGLH guaranteed payments to the holders of capital securities only to the extent (i) the trust received payments on the debentures and (ii) these payments were available for the trust to pay to holders of capital securities. In 2001, AIG guaranteed the same payments to the holders of capital securities. Like the AIGLH guarantee, the AIG guarantee only applies to any payments actually made to the trust in respect of the debentures. If no payments are made on the debentures, AIG is not required to make any payments to the trust. AIG also guaranteed the debentures pursuant to a guarantee that is expressly subordinated to certain AIGLH senior debt securities. Under AIG's guarantee, AIG is not required to make any payments in respect of the debentures if such payment would be prohibited by the subordination provisions of the debentures. As a result, AIG will never be required to make a payment under its guarantee of the debentures for so long as AIGLH is prohibited from making a payment on the debentures.

AIGFP

Approximately \$1.4 billion of AIGFP's debt maturing through December 31, 2010 is fully collateralized with assets backing the corresponding liabilities. However, mismatches in the timing of cash inflows on the assets and outflows with respect to the liabilities may require assets to be sold to satisfy maturing liabilities. Depending on market conditions and AIGFP's ability to sell assets at that time, proceeds from sales may not be sufficient to satisfy the full amount due on maturing liabilities. Any shortfalls would need to be funded by AIG parent.

ILFC

At December 31, 2009, notes aggregating \$16.9 billion were outstanding, consisting of \$5.4 billion of term notes and \$11.5 billion of medium-term notes with maturities ranging from 2010 to 2015 and interest rates ranging from 0.48 percent to 7.95 percent and \$1.0 billion of junior subordinated debt as discussed below. Notes aggregating \$3.9 billion are at floating interest rates and the remainder are at fixed rates. ILFC enters into swap transactions to manage its effective borrowing rates with respect to these notes.

On October 13, 2009, ILFC entered into two term loan agreements with AIG Funding comprised of a new \$2.0 billion credit agreement and a \$1.7 billion amended and restated credit agreement. The Term Loans are secured by a portfolio of aircraft and all related equipment and leases. Both Term Loans mature on September 13, 2013 and currently bear interest at 3-month LIBOR plus 6.025%. The Term Loans are due in full at maturity with no scheduled amortization. On December 4, 2009, the new \$2.0 billion credit agreement was increased to \$2.2 billion. The funds for the Term Loans were provided to AIG Funding through the FRBNY Credit Facility. As a condition of the FRBNY approving the Term Loans, ILFC entered into agreements to guarantee the repayment of AIG's obligations under the FRBNY Credit Agreement up to an amount equal to the aggregate outstanding balance of the Term Loans.

AIG 2009 Form 10-K

56

