MINUTES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DATE: September 16, 2008

TIME: 12:30 p.m.

LOCATION: Chairman's Office

ATTENDANCE:

Mr. Bernanke, Chairman
Mr. Kohn, Vice Chairman
Mr. Warsh
Mr. Kroszner
Ms. Duke

Sent to Project collect May 2009

Office of the Secretary

Ms. Johnson, Secretary
Mr. Frierson, Deputy Secretary

Board Members

Ms. Smith, Director
Mr. Blanchard, Assistant to the Board

Legal Division

Mr. Alvarez, General Counsel
Mr. Ashton, Deputy General Counsel

Division of Monetary Affairs

Mr. Madigan, Director
Ms. Danker, Deputy Director

Federal Reserve Bank of New York

Mr. Geithner, President (participated by telephone)
Mr. Baxter, Executive Vice President (participated by telephone)
Ms. McConnell, Vice President (participated by telephone)

F.R. Restricted

FRB032 00000371

Department of the Treasury
Mr. Paulson, Secretary (participated by telephone)
Mr. Jester (participated by telephone)

FINANCIAL MARKETS -- Extension of credit to American International Group, Inc.

Discussed.
Approved.
September 16, 2008.

Today, the Board discussed the funding difficulties of American International Group, Inc. (AIG), New York, New York. The evidence available to the Board indicated that AIG, a provider of a wide range of products for both institutional investors and consumers to protect against casualty and financial losses, had experienced a rapid and extreme liquidity shortage. Available evidence also indicated that the company faced the imminent prospect of declaring bankruptcy.

The ensuing discussion of the Board members included consideration of the effect of AIG's disorderly failure on financial markets, the position of the Department of the Treasury on an extension of credit to AIG, and the circumstances presented by this situation as compared with situations recently confronted by the Board. Board members agreed that the disorderly failure of AIG was likely to have a systemic effect on financial markets that were already experiencing a significant level of fragility and that the best alternative available was to lend to AIG to assist it in meeting its obligations in an orderly manner as they came due. Board members also agreed that the terms of the loan should best protect the interests of the U.S. government and taxpayers. Their discussion of terms included collateralizing the loan with all the assets of AIG, receiving a 79.9 percent equity interest in AIG, and reserving the right to veto the payment of dividends to common and preferred shareholders.

Given the unusual and exigent circumstances, the Board authorized the Federal Reserve Bank of New York under section 13(3) of the Federal Reserve Act to extend credit to AIG or any of its subsidiaries, in an amount up to $85 billion, if the New York Reserve Bank obtains evidence that the borrower is unable to secure adequate credit accommodations from other banking institutions. The credit should be secured to the satisfaction of the New York Reserve Bank and should not exceed a period of

FRB032 00000372

24 months, subject to extension by the Reserve Bank after consultation with the Board. The New York Reserve Bank may, as it deems appropriate, impose conditions on its extension of credit to AIG, such as those described in the proposed Summary of Terms for Senior Bridge Facility (Agreement). The Board also approved the recommendation of the New York Reserve Bank that credit be extended at the rate in the proposed Agreement. (NOTE: As required by section 129 of the Emergency Economic Stabilization Act of 2008, the Board approved a report of this action to the Congress by notation voting on November 3, 2008. The Board authorized the Federal Reserve Bank of New York to borrow securities in an amount of up to $37.8 billion from certain insurance subsidiaries of AIG at its meeting on October 6, 2008.)

Participating in these determinations and voting for these actions:
Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Duke.

Background: Proposed resolution and Agreement, September 16, 2008.

Implementation: Resolution and press release, September 16, 2008.

FRB032 00000373

RESOLUTION

Given the unusual and exigent circumstances and pursuant to section 13(3) of the Federal Reserve Act, the Board authorizes the Federal Reserve Bank of New York to extend credit to American International Group, Inc. (AIG) or any of its subsidiaries if the New York Reserve Bank obtains evidence that the borrower is unable to secure adequate credit accommodations from other banking institutions.

The credit should be secured to the satisfaction of the Reserve Bank, and should not exceed a period of 24 months, subject to extension by the Reserve Bank after consultation with the Board. The New York Reserve Bank may, as it deems appropriate, impose conditions, such as those described in its proposed lending facility term sheet, on its extension of credit to AIG.

The Board approves the recommendation of the Federal Reserve Bank of New York that the credit to AIG be extended at the credit rates in the Reserve Bank's proposed lending facility term sheet.

FRB032 00000374

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

PRIVILEGED
9.16.2008
7:42:23 AM

Summary of Terms for
Senior Bridge Facility
("Agreement")

September [ ], 2008

This Summary of Terms is not intended to be legally binding on any person or entity, nor is it intended to be a comprehensive list of all relevant terms and conditions of the transactions contemplated herein. Any binding agreement with respect to the matters referred to herein shall be evidenced by appropriate documentation, executed by the applicable parties.

This Summary of Terms shall not constitute an offer to sell, nor the solicitation of an offer to buy, any security or instrument referred to herein.

Lender:	The Federal Reserve Bank of New York ("NY Fed" or "Purchaser")
Borrower:	American International Group, Inc. ("AIG" or the "Borrower")
Guarantors:	Each of the Borrower's present and future Material Subsidiaries (the "Guarantors" and, together with the Borrower, the "Loan Parties") will guarantee (a "Guarantee") the Borrower's obligations under the Facility, up to the maximum amount possible without violating applicable fraudulent conveyance laws and, in the case of ILFC and AGF entities, without violating their material debt instruments. "Material Subsidiaries" means any subsidiary (other than an Excluded Subsidiary) that owns (i) total assets in excess of $__________ or (ii) equity interests in or indebtedness of any other Material Subsidiary. "Excluded Subsidiary" means any (i) regulated insurance subsidiary, (ii) subsidiary of a regulated insurance subsidiary, (iii) foreign subsidiary or (iv) securitization SPV.
Facility:	NY Fed will commit (the "Commitment") to make available to AIG, from time to time as set forth below, a revolving credit facility in the amount of [$85 billion]. In consideration of the Commitment, AIG will issue to [U.S. Treasury] upon entering into the Agreement the Warrants described below.
Closing Date:	Demand Note / Interim Bridge to be discussed in context of draft Senior Bridge Facility Agreement
Security Package:	The Facility will be secured by perfected liens on all personal property of the Borrower and each Guarantor, including, but not

FRB032 00000375

	limited to, receivables, inventory, equipment, licenses, patents, brand names, trademarks, contracts, securities, except that (i) [no more than 66% of the voting stock of any foreign voting subsidiary will be pledged,] (ii) no voting stock of any Designated Subsidiary (as defined in the Borrower's 1989 Indenture or; the bank credit agreements) will be pledged and (iii) any pledge by ILFC or AGF entities will be subject to the limits in their material debt instruments.
Warrants:	Warrants for the purchase of common stock of AIG representing 79.9% of the common stock of AIG on a fully-diluted basis
Periodic Commitment Fee:	Prior to Shareholder Approval of the increase in authorized shares, 2.5% payable in kind every 3 months after closing. After Shareholder Approval, 50bp every 3 months after closing.
Drawn Interest Rate:	Floating rate 3M Libor + 850 with a 3.5% Libor floor per annum PIK
Undrawn Fee:	850 bps per annum PIK
Maturity Date:	18 months from closing.
Default Rate:	If a Default has occurred and is continuing, all amounts due under the Facility shall bear interest at 2% above the rate otherwise applicable thereto.
Rate Basis:	All per annum rates shall be calculated on the basis of a year of 360 days for actual days elapsed.
Commitment Fee:	3.00% of the total Facility, payable on the Closing Date.
Contingent Mandatory Prepayments:	The following amounts will be applied to prepay the outstanding principal of the Loans. 1. 100% of the net proceeds from the issuance or other incurrence of indebtedness by the Loan Parties; 2. 100% of the net proceeds from the issuance of equity or other securities by the Borrower; and 3. 100% of the net proceeds from asset sales by, and of the proceeds of casualty insurance, condemnation awards and similar recoveries received by, the Loan Parties; subject in each case to customary exceptions and other limitations

FRB032 00000376

and exclusions to be agreed.

Initial Conditions:

The availability of the Facility shall be conditioned upon satisfaction of, among other things, the following conditions precedent (the date upon which all such conditions precedent shall be satisfied, the "Closing Date"):

(a) Payment of fees and expenses.

(b) The Borrower shall have executed and delivered satisfactory definitive financing documentation with respect to the Facility (the "Credit Documentation").

(c) The accuracy of all representations and warranties in the Credit Documentation;

(d) There being no default or event of default in existence at the time of, or after giving effect to the making of, such extension of credit.

(e) Creation and perfection of security arrangements to the satisfaction of the Lenders.

(f) All governmental and third party approvals necessary or, in the discretion of the Lenders, advisable in connection with the financing contemplated hereby and the continuing operations of the Borrower and its subsidiaries shall have been obtained and be in full force and effect.

(g) The Lenders shall have received such legal opinions, documents and other instruments as are customary for transactions of this type or as they may reasonably request.

(h) Satisfactory corporate governance arrangements.

Certain Documentation Matters:

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and other terms deemed appropriate by the Lender, including, without limitation:

Representations and Warranties:

Financial statements; absence of undisclosed liabilities; no material adverse change; corporate existence; compliance with law; corporate power and authority; enforceability of Credit Documentation; no conflict with law or contractual obligations; no material litigation; no default; ownership of property; liens; intellectual property; no burdensome restrictions; taxes; Federal Reserve

FRB032 00000377

regulations; ERISA; Investment Company Act; subsidiaries; collateral environmental matters; accuracy of disclosure.

Affirmative Covenants:	Delivery of financial statements, reports, accountants' letters, projections, officers' certificates and other information requested by the Lenders; payment of other obligations; continuation of business and maintenance of existence and material rights and privileges; compliance with laws and material contractual obligations; maintenance of property and insurance; maintenance of books and records; right of the Lender (and third party experts retained bu it at the expense of the Borrower) to inspect property and books and records; notices of defaults, litigation and other material events; future subsidiaries; and compliance with environmental laws.
Financial Covenants:	TBD.
Negative Covenants:	Limitations on: indebtedness (including preferred stock of subsidiaries); liens; guarantee obligations; mergers, consolidations, liquidations and dissolutions; sales of assets; leases; dividends and other payments in respect of capital stock (no common dividends); capital expenditures; investments, loans and advances; optional payments and modifications of other debt instruments; transactions with affiliates; sale and leasebacks; changes in fiscal year; negative pledge clauses; and changes in lines of business. Additional restrictions to be agreed.
Events of Default:	Nonpayment of principal when due; nonpayment of interest, fees or other amounts; material inaccuracy of representations and warranties; violation of covenants; cross-default; loss of lien perfection or priority or unenforceability of Guarantees; bankruptcy events; certain ERISA events; material judgments; and a change of control (the definition of which is to be agreed).
Expenses and Indemnification:	The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Lender associated with the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all out-of-pocket expenses of the Lender (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the Credit Documentation. The Lender (and its affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless against, any loss, li-

FRB032 00000378

ability, cost or expense incurred in respect of the financing contemplated hereby or the use or the proposed use of proceeds thereof (except to the extent resulting from the gross negligence or willful misconduct of the indemnified party).

Governing Law and Forum:	State of New York.
Counsel to the Lender:	Davis Polk & Wardwell.

FRB032 00000379

ANNEX A

Summary of Terms of Warrants

Issuer:	American International Group, Inc. ("AIG")
Exercise Price:	Lowest possible price per share ([ ], subject to ability of the board to determine vs. shareholder vote)
Shares issuable upon exercise:	79.9% of the common stock of AIG subject to Shareholder Approval
Shareholder Approval	Required to issue stock above authorized by unissued shares
Exercise Terms:	The Warrants may be exercised in whole or in part at any time during the period commencing on the date of issuance and ending on the 10th anniversary of the date of the Senior Revolving Bridge Facility.
Anti-Dilution Protections:	Customary and appropriate adjustments to be made to the exercise price and/or number of shares issuable in the event of stock distributions, stock dividends, issuances of common stock below a specified price, and similar corporate events.
Transferable:	[freely transferable]

FRB032 00000380

RESOLUTION

Given the unusual and exigent circumstances and pursuant to section 13(3) of the Federal Reserve Act, the Board authorizes the Federal Reserve Bank of New York to extend credit to American International Group, Inc. (AIG) or any of its subsidiaries if the New York Reserve Bank obtains evidence that the borrower is unable to secure adequate credit accommodations from other banking institutions.

The credit should be secured to the satisfaction of the Reserve Bank, and should not exceed a period of 24 months, subject to extension by the Reserve Bank after consultation with the Board. The New York Reserve Bank may, as it deems appropriate, impose conditions, such as those described in its proposed lending facility term sheet, on its extension of credit to AIG.

The Board approves the recommendation of the Federal Reserve Bank of New York that the credit to AIG be extended at the credit rates in the Reserve Bank's proposed lending facility term sheet.

FRB032 00000381

FEDERAL RESERVE press release

For immediate release September 16, 2008

The Federal Reserve Board on Tuesday, with the full support of the Treasury Department, authorized the Federal Reserve Bank of New York to lend up to $85 billion to the American International Group (AIG) under Section 13(3) of the Federal Reserve Act. The secured loan has terms and conditions designed to protect the interests of the U.S. government and taxpayers.

The Board determined that, in current circumstances, a disorderly failure of AIG could add to already significant levels of financial market fragility and lead to substantially higher borrowing costs, reduced household wealth and materially weaker economic performance.

The purpose of this liquidity facility is to assist AIG in meeting its obligations as they come due. This loan will facilitate a process under which AIG will sell certain of its businesses in an orderly manner, with the least possible disruption to the overall economy.

The AIG facility has a 24-month term. Interest will accrue on the outstanding balance at a rate of three-month Libor plus 850 basis points. AIG will be permitted to draw up to $85 billion under the facility.

The interests of taxpayers are protected by key terms of the loan. The loan is collateralized by all the assets of AIG, and of its primary non-regulated subsidiaries. These assets include the stock of substantially all of the regulated subsidiaries. The loan is expected to be repaid from the proceeds of the sale of the firm's assets. The U.S. government will receive a 79.9 percent equity interest in AIG and has the right to veto the payment of dividends to common and preferred shareholders.

-0-

FRB032 00000382