

AMERICAN INTERNATIONAL GROUP INC

Form DEF 14C

December 10, 2010

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**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:

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**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

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**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.

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### **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.**



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**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.

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**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

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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

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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

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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,

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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

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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;

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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.

<b>Name and Address</b>	<b>Shares of Common Stock Beneficially Owned</b>	
	<b>Number</b>	<b>Percent</b>
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.



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**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.

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**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

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**Appendix A**

**Written Consent**

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**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