



American International Group, Inc.

€750,000,000

8.000% Series A-7 Junior Subordinated Debentures
in denominations that are even multiples of €50,000

Interest is payable annually, beginning May 22, 2009

The Initial Purchasers are offering the Series A-7 Junior Subordinated Debentures only to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to persons that are not U.S. persons in accordance with Regulation S under the Securities Act.

The Series A-7 Junior Subordinated Debentures will bear interest on their principal amount from the date they are issued to but excluding May 22, 2018, at the annual rate of 8.000%, payable annually in arrears on each May 22, beginning on May 22, 2009, and thereafter at an annual rate equal to three-month EURIBOR plus 4.450%, payable quarterly in arrears on each February 22, May 22, August 22 and November 22, beginning on August 22, 2018. We have the right, on one or more occasions, to defer the payment of interest on the Series A-7 Junior Subordinated Debentures for one or more consecutive interest periods that do not exceed five years without being subject to our obligations under the “alternative payment mechanism” described in this offering memorandum and for one or more consecutive interest periods that do not exceed 10 years without giving rise to an event of default. If we defer interest for more than two years and then file for bankruptcy, holders will have no claim for any interest other than for the earliest two years that remain unpaid at the time of filing.

We will be required to repay the principal amount of the Series A-7 Junior Subordinated Debentures on May 22, 2038, or, if that date is not a business day, the next business day (the “*scheduled maturity date*”), only to the extent of the “applicable percentage” of the net proceeds we have received from the sale of “qualifying capital securities” during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to the scheduled maturity date. We will use our commercially reasonable efforts, subject to “market disruption events,” to sell enough qualifying capital securities to permit repayment of the Series A-7 Junior Subordinated Debentures in full on the scheduled maturity date. If any amount is not paid on the scheduled maturity date, it will remain outstanding and we will continue to use our commercially reasonable efforts to sell enough qualifying capital securities to permit the repayment of any remaining principal amount of the Series A-7 Junior Subordinated Debentures in full. On May 22, 2068 (the “*final maturity date*”), we must pay any remaining principal and interest on the Series A-7 Junior Subordinated Debentures in full, whether or not we have sold qualifying capital securities.

The Series A-7 Junior Subordinated Debentures may be redeemed in whole but not in part, at any time prior to May 22, 2018, at our option or in connection with a “tax event” or a “rating agency event,” as described herein, at a make-whole redemption price calculated as described herein, which includes accrued and unpaid interest through the date of redemption. On any interest payment date on or after May 22, 2018, we may redeem the Series A-7 Junior Subordinated Debentures, in whole or in part, at their principal amount plus accrued and unpaid interest through the date of redemption.

If we become obligated to pay “additional amounts” to non-U.S. persons, other than as a result of an event that would, upon receipt of the opinion of counsel required under the definition of “tax event,” constitute a “tax event,” as described herein, we may redeem the Series A-7 Junior Subordinated Debentures at any time in whole, but not in part, at their principal amount plus accrued and unpaid interest through the date of redemption.

The Series A-7 Junior Subordinated Debentures will be subordinated to all of our existing and future senior, subordinated and junior subordinated debt, except for (i) our Series A-1 through A-5 Junior Subordinated Debentures described in this offering memorandum, which will rank *pari passu* with the Series A-7 Junior Subordinated Debentures, (ii) any trade accounts payable and accrued liabilities arising in the ordinary course of business and (iii) any future debt that by its terms is not superior in right of payment, and the Series A-7 Junior Subordinated Debentures will be effectively subordinated to all liabilities of our subsidiaries. AIG also intends to concurrently offer U.S. dollar-denominated junior subordinated debentures (the “*U.S. Dollar Debentures*”), Sterling-denominated junior subordinated debentures (the “*Sterling Debentures*”) and units initially consisting of contracts to purchase shares of our common stock and junior subordinated debentures (the “*Equity Units*”). If issued, the U.S. Dollar Debentures, Sterling Debentures and the junior subordinated debentures included in the Equity Units will rank *pari passu* with the Series A-7 Junior Subordinated Debentures.

Application has been made to the Irish Financial Services Regulatory Authority (the “*Financial Regulator*”), as competent authority under Directive 2003/71/EC, for approval of the Prospectus. Application has been made to the Irish Stock Exchange for the Series A-7 Junior Subordinated Debentures to be admitted to the Official List and traded on its regulated market.

An investment in the Series A-7 Junior Subordinated Debentures involves a high degree of risk. You should carefully consider the risks described under “Risk Factors” beginning on page 8 before purchasing the Series A-7 Junior Subordinated Debentures. You should also consider the risk factors described in Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2007.

The Series A-7 Junior Subordinated Debentures have not been registered under the Securities Act and are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act and outside the United States to persons that are not U.S. persons in accordance with Regulation S under the Securities Act. By purchasing Series A-7 Junior Subordinated Debentures, you will be deemed to have made the acknowledgements, representations, warranties and agreements set forth under the heading “Notice to Investors.” You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Series A-7 Junior Subordinated Debentures may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Series A-7 Junior Subordinated Debentures are not transferable except in accordance with the restrictions described under “Notice to Investors.”

Price per Series A-7 Junior Subordinated Debenture: 99.552%, plus interest, if any, from May 22, 2008

We expect to deliver the Series A-7 Junior Subordinated Debentures to investors through the book-entry facilities of Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking *société anonyme*, on or about May 22, 2008.

Joint Book-Running Managers

Citi
(Joint Structuring
Advisor)

JPMorgan
(Joint Structuring
Advisor)

BNP
PARIBAS

Deutsche Bank
Securities

SOCIETE
GENERALE
Corporate &
Investment Banking

You should rely only on the information contained in this offering memorandum. We are offering to sell the Series A-7 Junior Subordinated Debentures only in jurisdictions where offers and sales are permitted. The information contained or incorporated by reference in this offering memorandum is accurate only as of the date on the cover of this offering memorandum.

Table of Contents

	<u>Page</u>
Prospectus and Documents Incorporated by Reference	iv
Notice to Investors	vi
About This Offering Memorandum	x
Where You Can Find More Information	x
Cautionary Statement Regarding Projections and Other Information About Future Events	xi
Summary	1
Risk Factors	8
Use of Proceeds	15
Description of Terms of the Series A-7 Junior Subordinated Debentures	16
Legal Ownership and Book-Entry Issuance	41
Replacement Capital Covenant	47
Certain United States Federal Income Tax Consequences	57
EU Savings Directive	63
Employee Retirement Income Security Act	64
Business Description	66
Directors and Executive Officers of American International Group, Inc.	67
Plan of Distribution	68
Validity of Securities	71
Listing and General Information	72

You are authorized to use this offering memorandum solely for the purpose of considering the purchase of the Series A-7 Junior Subordinated Debentures described in this offering memorandum. AIG and other sources identified herein have provided the information contained in this offering memorandum. Citigroup Global Markets Limited, J.P. Morgan Securities Ltd., BNP Paribas, Deutsche Bank AG, London Branch, Société Générale, Banco Santander, S.A., Banca IMI S.p.A., CALYON, ING Bank N.V./ S.A., Westpac Banking Corporation, Bayerische Landesbank, Landesbank Hessen-Thüringen Girozentrale, Landesbank Baden-Württemberg, Natixis, Bayerische Hypo-und Vereinsbank AG, Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) (the “*Initial Purchasers*”) make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers. You may not reproduce or distribute this offering memorandum, in whole or in part, and, subject to the following paragraph, you may not disclose any of the contents of this offering memorandum or use any information herein for any purpose other than considering the purchase of the Series A-7 Junior Subordinated Debentures. You agree to the foregoing by accepting delivery of this offering memorandum.

Each purchaser of the Series A-7 Junior Subordinated Debentures offered hereby, and each of its employees, representatives or other agents, may disclose to any and all persons, without limitation of any kind beyond those described in the next sentence, the tax treatment and tax structure of this offering of the Series A-7 Junior Subordinated Debentures and all materials of any kind, including opinions or other tax analyses, that are provided to such person relating to such tax treatment and tax structure. Notwithstanding the foregoing, no such person may disclose AIG’s name or any information identifying AIG until the closing of this offering.

AIG, whose registered office is set out on page 66, accepts responsibility for this document and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for approval of the Prospectus. An application has been made to the Irish Stock Exchange for the Series A-7 Junior Subordinated Debentures to be admitted to the Official List and traded on its regulated market.

The Irish Paying Agent and Irish Listing Agent (such agents collectively, the “*Agents*”) make no representation or warranty, express or implied, as to the accuracy or completeness of the information set forth in this offering memorandum. The Agents assume no responsibility for its accuracy or completeness. Nothing contained in this offering memorandum is or should be relied upon as a promise or representation by the Agents as to the past or the future.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF AIG AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS OFFERING MEMORANDUM ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO LEGAL, BUSINESS OR TAX ADVICE. THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this offering memorandum and the offering and sale of the Series A-7 Junior Subordinated Debentures in certain jurisdictions may be restricted by law. No action has been taken or will be taken in any jurisdiction by AIG or the Initial Purchasers that would permit a public offering of the Series A-7 Junior Subordinated Debentures or possession or distribution of the offering memorandum or any other offering or publicity material relating to the Series A-7 Junior Subordinated Debentures in any jurisdiction

where action for that purpose is required, except that an application has been made to the Irish Stock Exchange for the Series A-7 Junior Subordinated Debentures to be admitted to the Official List and traded on its regulated market. AIG and the Initial Purchasers require persons who obtain possession of this offering memorandum to inform themselves about and to observe any such restrictions. This offering memorandum does not constitute an offer of, or an invitation to purchase, the Series A-7 Junior Subordinated Debentures in any jurisdiction in which such offer or invitation would be unlawful.

IN CONNECTION WITH THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES, J. P. MORGAN SECURITIES LTD. (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER) MAY OVERALLOT SERIES A-7 JUNIOR SUBORDINATED DEBENTURES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES.

The Initial Purchasers have not separately verified the information contained in this offering memorandum. None of the Initial Purchasers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering memorandum. Neither this offering memorandum nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by AIG or the Initial Purchasers that any recipient of this offering memorandum should purchase the Series A-7 Junior Subordinated Debentures. Each potential purchaser of the Series A-7 Junior Subordinated Debentures should determine for itself the relevance of the information contained in, or incorporated by reference in, this offering memorandum, and its purchase of the Series A-7 Junior Subordinated Debentures should be based upon such investigation as it deems necessary. None of the Initial Purchasers undertakes to review the financial condition or affairs of AIG during the life of the arrangements contemplated by this offering memorandum nor to advise any investor or potential investor in the Series A-7 Junior Subordinated Debentures of any information coming to the attention of any of the Initial Purchasers.

PROSPECTUS AND DOCUMENTS INCORPORATED BY REFERENCE

This document (together with the documents incorporated herein by reference as of the date hereof) constitutes a prospectus (the “*Prospectus*”) prepared pursuant to Article 5.3 of the Prospectus Directive for the purpose of seeking admission of the Series A-7 Junior Subordinated Debentures to trading on the regulated market of the Irish Stock Exchange. The distribution of the Prospectus and the offering or sale of the Series A-7 Junior Subordinated Debentures in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus or any Series A-7 Junior Subordinated Debentures come are required by AIG and the Initial Purchasers to inform themselves about and to observe any such restriction. For a description of these and certain further restrictions on offers, sales and transfers of Series A-7 Junior Subordinated Debentures and distribution of the Prospectus, see “Notice to Investors” below.

The Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with the Prospectus and have been filed with the Irish Stock Exchange and filed with the Securities and Exchange Commission (“SEC”) by AIG, each of which shall be deemed to be incorporated in, and to form part of, the Prospectus (except for such information that is deemed “furnished” to the SEC):

- (a) AIG’s Annual Report on Form 10-K for the year ended December 31, 2007;
- (b) AIG’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008;
- (c) AIG’s Proxy Statement dated April 4, 2008; and
- (d) AIG’s Current Reports on Form 8-K filed with the SEC on January 17, 2008, February 11, 2008, February 21, 2008, March 17, 2008, May 8, 2008 and May 12, 2008.

Any statement contained in any of the documents referred to in paragraphs (a), (b), (c) or (d) above shall be deemed to be modified or superseded for the purposes of the Prospectus to the extent that a statement contained herein modifies or supersedes that statement. Copies of these documents, other than any exhibits unless the exhibits are specifically incorporated by reference into the Prospectus, will be available for inspection at the office of the Irish Paying Agent in Dublin during normal business hours, so long as any of the Series A-7 Junior Subordinated Debentures are outstanding. The above documents referred to in paragraphs (a), (b), (c) and (d) also may be accessed on the website of the SEC at <http://www.sec.gov>.

Notwithstanding the fact that AIG's Annual Report on Form 10-K for the year ended December 31, 2007 and AIG's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 are incorporated by reference in their entirety into the Prospectus, the following non-exhaustive cross-reference list is included in order to enable investors to easily identify where the specific items of information listed appear in those documents.

AIG's Annual Report on Form 10-K for the year ended December 31, 2007

Business	Starting on page 3
Risk Factors	Starting on page 16
Selected Financial Data	Page 28
Management's Discussion and Analysis of Financial	
Condition and Results of Operations	Starting on page 29
Financial statements and supplementary data:	Starting on page 128
—Consolidated Balance Sheet	Starting on page 130
—Consolidated Statement of Income	Page 132
—Consolidated Statement of Shareholders' Equity	Page 133
—Consolidated Statement of Cash Flows	Starting on page 134
—Consolidated Statement of Comprehensive Income	Page 136
—Notes to Financial Statements	Starting on page 137
Report of Independent Registered Public Accounting Firm	Starting on page 129

AIG's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008

Financial statements (unaudited):	Starting on page 1
—Consolidated Balance Sheet	Starting on page 1
—Consolidated Statement of Income	Page 3
—Consolidated Statement of Cash Flows	Starting on page 4
—Consolidated Statement of Comprehensive Income	Page 6
—Notes to Financial Statements	Starting on page 7
Management's Discussion and Analysis of Financial Condition and Results of	
Operations	Starting on page 35

NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Series A-7 Junior Subordinated Debentures offered hereby.

The Series A-7 Junior Subordinated Debentures have not been registered under the Securities Act or the laws of any jurisdiction and they are being offered and sold only outside the United States to non-U.S. persons under Regulation S under the Securities Act (“*Regulation S*”) and within the United States only to “Qualified Institutional Buyers” in accordance with Rule 144A under the Securities Act (“*Rule 144A*”).

As used in this section, the terms “United States” and “U.S. person” have the meanings given to them in Regulation S, and terms used that are defined in Rule 144A have the respective meanings given to them in Rule 144A.

By purchasing Series A-7 Junior Subordinated Debentures, each purchaser will be deemed to have represented and agreed with us and the Initial Purchasers as follows:

1. You either (a)(i) are a qualified institutional buyer, (ii) are aware that the sale of the Series A-7 Junior Subordinated Debentures to you is being made in reliance on Rule 144A and (iii) are acquiring the Series A-7 Junior Subordinated Debentures for your own account or the account of one or more other qualified institutional buyers or (b) (i) are not a U.S. person and are outside of the United States and (ii) are aware that the sale of the Series A-7 Junior Subordinated Debentures to you is being made in reliance on Regulation S.
2. You understand and acknowledge that the Series A-7 Junior Subordinated Debentures have not been registered under the Securities Act and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities law, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in this Notice to Investors.
3. You understand and agree that the Series A-7 Junior Subordinated Debentures are being offered only in a transaction not involving any public offering within the meaning of the Securities Act, and that any future resale, pledge or transfer by you of the Series A-7 Junior Subordinated Debentures on which the legend set forth in (9) or (10) below appears may be made only (i) to us, (ii) for so long as the Series A-7 Junior Subordinated Debentures are eligible for resale pursuant to Rule 144A, to a person that you reasonably believe is a qualified institutional buyer acquiring the Series A-7 Junior Subordinated Debentures for its own account or for the account of one or more other qualified institutional buyers in a transaction meeting the requirements of Rule 144A, (iii) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act or (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction.
4. You are purchasing the Series A-7 Junior Subordinated Debentures for your own account, or for one or more accounts for which you are acting as a fiduciary, in each case for investment, and not with a view to, or for offer or sale in connection with, any resale or distribution in violation of the Securities Act, subject to any requirement of law that the disposition of its property (or the property of such investor account or accounts) be at all times within your control.
5. You will, and each subsequent holder is required to, notify any purchaser of Series A-7 Junior Subordinated Debentures from you or the applicable subsequent holder of the resale restrictions referred to in (2) and (3) above, if then applicable.

6. You understand and agree that the Series A-7 Junior Subordinated Debentures initially offered to qualified institutional buyers in reliance on Rule 144A will be represented by Rule 144A global securities, and with respect to any transfer of any interest in a Rule 144A global security, (i) if to a transferee that takes delivery in the form of interests in the Rule 144A global security, the trustee will not require any written certification from the transferor or the transferee and (ii) if to a transferee that takes delivery in the form of interests in the Regulation S global security, the trustee will require written certification from the transferor, in the form provided in the supplemental indenture relating to the Series A-7 Junior Subordinated Debentures, which can be obtained from the trustee, to the effect that the transfer complies with Rule 903 or 904 of Regulation S or Rule 144.
7. You understand and agree that the Series A-7 Junior Subordinated Debentures initially offered to non-U.S. persons outside of the United States in reliance on Regulation S will be represented by Regulation S global securities and with respect to any transfer of interests in a Regulation S global security on or prior to the 40th day after the later of the commencement of the offering and the closing date, to a transferee who takes delivery in the form of an interest in the Rule 144A global security, the trustee will require written certification from the transferor, in the form provided in the supplemental indenture, to the effect that the Series A-7 Junior Subordinated Debentures are being transferred to a person that the transferor and any person acting on its behalf reasonably believe to be a qualified institutional buyer within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer, and the transferor and any person acting on its behalf has taken reasonable steps to ensure that the transferee is aware that the transferor may be relying on Rule 144A in connection with the transfer.
8. Either (1) you are not acquiring the Series A-7 Junior Subordinated Debentures on behalf of or with the assets of (a) any “employee benefit plan” (subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”)), individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “*Code*”), or any entity whose underlying assets include “plan assets” within the meaning of ERISA by reason of the investment by such plans or accounts therein or (b) any governmental or non-U.S. plan subject to any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, “*Similar Laws*”) or (2) the acquisition and holding of the Series A-7 Junior Subordinated Debentures does not constitute a non-exempt prohibited transaction under ERISA, the Code or any Similar Laws.
9. You understand that the Rule 144A global securities will bear a legend to the following effect unless otherwise agreed by us:

THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE IS HEREBY NOTIFIED THAT THE SELLER OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED

INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE OTHER QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER OR (3) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS, PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

EACH PURCHASER AND TRANSFEREE OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE BY ITS ACCEPTANCE HEREOF REPRESENTS THAT EITHER (A) IT IS NOT ACQUIRING THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES WITH THE ASSETS OF (1) ANY “EMPLOYEE BENEFIT PLAN” (SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)), INDIVIDUAL RETIREMENT ACCOUNTS AND OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” WITHIN THE MEANING OF ERISA BY REASON OF THE INVESTMENT BY SUCH PLANS OR ACCOUNTS THEREIN OR (2) ANY GOVERNMENTAL OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF THE CODE OR ERISA (COLLECTIVELY, “SIMILAR LAWS”) OR (B) THE ACQUISITION AND HOLDING OF SUCH SERIES A-7 JUNIOR SUBORDINATED DEBENTURE DOES NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA, THE CODE, OR ANY SIMILAR LAWS. SUCH HOLDER FURTHER REPRESENTS AND COVENANTS THAT THROUGHOUT THE PERIOD IT HOLDS SERIES A-7 JUNIOR SUBORDINATED DEBENTURES, THE FOREGOING REPRESENTATIONS SHALL BE TRUE.

THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

10. You understand that the Series A-7 Junior Subordinated Debentures offered in reliance on Regulation S initially will be represented by the Regulation S global security and that the Regulation S global security will bear a legend to the following effect, unless we determine otherwise in accordance with applicable law:

THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, PRIOR TO THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (1) THE DATE ON WHICH THESE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES WERE FIRST OFFERED AND (2) THE DATE OF ISSUANCE OF THESE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES, MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT (A) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING FOR ITS OWN ACCOUNT

OR THE ACCOUNT OF ONE OR MORE OTHER QUALIFIED INSTITUTIONAL BUYERS IN ACCORDANCE WITH RULE 144A OR (B) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

EACH PURCHASER AND TRANSFEREE OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE BY ITS ACCEPTANCE HEREOF REPRESENTS THAT EITHER (A) IT IS NOT ACQUIRING THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES WITH THE ASSETS OF (1) ANY "EMPLOYEE BENEFIT PLAN" (SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), INDIVIDUAL RETIREMENT ACCOUNTS AND OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF THE INVESTMENT BY SUCH PLANS OR ACCOUNTS THEREIN OR (2) ANY GOVERNMENTAL OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF THE CODE OR ERISA (COLLECTIVELY, "SIMILAR LAWS") OR (B) THE ACQUISITION AND HOLDING OF SUCH SERIES A-7 JUNIOR SUBORDINATED DEBENTURE DOES NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA, THE CODE, OR ANY SIMILAR LAWS. SUCH HOLDER FURTHER REPRESENTS AND COVENANTS THAT THROUGHOUT THE PERIOD IT HOLDS SERIES A-7 JUNIOR SUBORDINATED DEBENTURES, THE FOREGOING REPRESENTATIONS SHALL BE TRUE.

THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SERIES A-7 JUNIOR SUBORDINATED DEBENTURE TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

ABOUT THIS OFFERING MEMORANDUM

Unless otherwise mentioned or unless the context requires otherwise, all references in this offering memorandum to the “Company,” “AIG,” “we,” “our,” “us” and similar references mean American International Group, Inc. and not its subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”) and file with the SEC Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as required of a U.S. listed company. You may read and copy any document we file at the SEC’s public reference room in Washington, D.C. at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-888-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC’s web site at www.sec.gov. Copies of the documents incorporated by reference in this offering memorandum also may be obtained by contacting us as described below.

If at any time during the twelve-month period following the date of original issue of the Series A-7 Junior Subordinated Debentures we are not a reporting issuer under Section 13 or 15(d) of the Exchange Act, we will furnish to you as a holder of Series A-7 Junior Subordinated Debentures and to each purchaser and prospective purchaser of Series A-7 Junior Subordinated Debentures the information required to be provided pursuant to Rule 144A(d)(4) of the Securities Act.

Rather than include certain information in this offering memorandum that we have already included in documents filed with the SEC, we are incorporating this information by reference (except for such information that is deemed “furnished” to the SEC), which means that we are disclosing important information to you by referring to those publicly filed documents that contain the information. The information incorporated by reference is considered to be part of this offering memorandum. Accordingly, we incorporate by reference the following documents filed with the SEC by us:

- Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-08787);
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (File No. 001-08787); and
- Current Reports on Form 8-K filed on January 17, 2008, February 11, 2008, February 21, 2008, March 17, 2008, May 8, 2008 and May 12, 2008 (File No. 001-08787).

You may obtain any of the documents incorporated by reference into this offering memorandum, at no cost, by writing or telephoning us at the following address:

American International Group, Inc.
Investor Relations
70 Pine Street
New York, New York 10270
(212) 770-6293

CAUTIONARY STATEMENT REGARDING PROJECTIONS AND OTHER INFORMATION ABOUT FUTURE EVENTS

This offering memorandum and other publicly available documents, including the documents incorporated by reference herein, may include, and AIG's officers and representatives may from time to time make, projections concerning financial information and statements concerning future economic performance and events, plans and objectives relating to management, operations, products and services, and assumptions underlying these projections and statements. 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 status and potential future outcome of the current regulatory and civil proceedings against AIG and their potential effect on AIG's businesses, financial position, results of operations, cash flows and liquidity, AIG's exposures to subprime mortgages, monoline insurers and the residential real estate market, and AIG's strategy for growth, product development, market position, financial results and reserves. It is possible that AIG's actual results and financial condition may 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 are discussed in "Risk Factors" in Item 1A. of Part I of AIG's Annual Report on Form 10-K for the year ended December 31, 2007. (See "Where You Can Find More Information" in this offering memorandum for how you can obtain copies of this document.) AIG is not under any obligation (and expressly disclaims any such obligation) to update or alter any projections 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.

SUMMARY

In this summary, we have highlighted certain information in this offering memorandum. This summary does not contain all of the information that is important to you. To understand the terms of the Series A-7 Junior Subordinated Debentures, as well as the considerations that are important to you in making a decision to purchase the Series A-7 Junior Subordinated Debentures, you should carefully read this entire offering memorandum, including the information set forth under “Risk Factors” in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2007, as well as our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008. See “Where You Can Find More Information” for more details on how you may obtain copies of such documents.

Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to AIG in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this offering memorandum. Where a claim relating to the information contained in this offering memorandum is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the offering memorandum before the legal proceedings are initiated.

American International Group, Inc.

AIG, a Delaware corporation, is a holding company which, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG’s principal executive offices are located at 70 Pine Street, New York, New York 10270, and its main telephone number is (212) 770-7000.

The Series A-7 Junior Subordinated Debentures

Issuance in Euro

Initial holders of the Series A-7 Junior Subordinated Debentures will be required to pay for the Series A-7 Junior Subordinated Debentures in euro. Depending on the holder’s home currency, an investment in the Series A-7 Junior Subordinated Debentures may present currency-related risks as described in “Risk Factors—An investment in the Series A-7 Junior Subordinated Debentures by a purchaser whose home currency is not the euro entails significant risks.”

Repayment of Principal

We are required to repay the principal amount of the Series A-7 Junior Subordinated Debentures, together with accrued and unpaid interest, on May 22, 2038, or, if that date is not a business day, on the next business day (the “*scheduled maturity date*”), subject to the limitations described below.

We are required to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date only to the extent of the “applicable percentage” of the net proceeds we have received from the issuance of “qualifying capital securities,” as these terms are defined under “Replacement Capital Covenant,” that we have sold during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold a sufficient amount of qualifying capital securities to permit repayment of all of the Series A-7 Junior Subordinated Debentures on the scheduled maturity date, the unpaid amount will remain outstanding and bear interest until repaid. This obligation will continue to apply on each subsequent interest payment date until the earliest to occur of

- the redemption of all the Series A-7 Junior Subordinated Debentures;

- an event of default that results in acceleration of the Series A-7 Junior Subordinated Debentures; and
- May 22, 2068, the final maturity date for the Series A-7 Junior Subordinated Debentures.

Our failure to pay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date will not constitute an event of default under the junior debt indenture governing the Series A-7 Junior Subordinated Debentures. See “Description of Terms of the Series A-7 Junior Subordinated Debentures—Events of Default—Remedies If an Event of Default Occurs” and “Risk Factors—Holders have limited rights of acceleration,” for a discussion of the limited remedies holders of the Series A-7 Junior Subordinated Debentures have if AIG fails to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date.

We will use our commercially reasonable efforts, subject to a “market disruption event,” as described under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Market Disruption Events,” to sell sufficient qualifying capital securities to permit repayment of the Series A-7 Junior Subordinated Debentures in full on the scheduled maturity date in accordance with the preceding paragraph. If we are unable for any reason to issue sufficient qualifying capital securities to permit repayment of the Series A-7 Junior Subordinated Debentures in full, we will use our commercially reasonable efforts, subject to a market disruption event, to sell sufficient qualifying capital securities to permit repayment of any outstanding Series A-7 Junior Subordinated Debentures on the following interest payment date, and on each interest payment date thereafter, until all of the Series A-7 Junior Subordinated Debentures are paid in full.

Any unpaid principal amount of the Series A-7 Junior Subordinated Debentures, together with accrued and unpaid interest, will be due and payable on the final maturity date, regardless of the amount of qualifying capital securities we have sold by that time.

We are not required to issue any securities pursuant to the obligation described above other than qualifying capital securities.

Interest

The Series A-7 Junior Subordinated Debentures will bear interest on their principal amount from and including May 22, 2008 to but excluding May 22, 2018, at the annual rate of 8.000%, payable annually in arrears on May 22 of each year (or if that day is not a business day, the next succeeding business day, without any interest or payment with respect to such delay), beginning on May 22, 2009, and thereafter at a rate equal to three-month EURIBOR (as defined under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Interest Rate and Interest Payment Dates”) plus 4.450%, payable quarterly in arrears on February 22, May 22, August 22 and November 22 of each year (or if any such day is not a business day, the next succeeding business day, unless such business day is in the next calendar month in which case interest will be payable on the immediately preceding business day), beginning on August 22, 2018. We refer to each annual or quarterly date on which interest is payable as an “interest payment date.”

Ranking

The Series A-7 Junior Subordinated Debentures will constitute one series of AIG’s junior subordinated debentures and will be issued by AIG under the junior debt indenture, dated as of March 13, 2007, as supplemented by a supplemental indenture. The Series A-7 Junior Subordinated Debentures will rank *pari passu* with our:

- \$1,000,000,000 aggregate principal amount of 6.25% Series A-1 Junior Subordinated Debentures,
- £750,000,000 aggregate principal amount of 5.75% Series A-2 Junior Subordinated Debentures,
- €1,000,000,000 aggregate principal amount of 4.875% Series A-3 Junior Subordinated Debentures,
- \$750,000,000 aggregate principal amount of 6.45% Series A-4 Junior Subordinated Debentures, and

- \$1,100,000,000 aggregate principal amount of 7.70% Series A-5 Junior Subordinated Debentures (collectively, the “*outstanding parity securities*”).

In addition, the Series A-7 Junior Subordinated Debentures will rank *pari passu* with, if issued, the U.S. Dollar Debentures, the Sterling Debentures and the junior subordinated debentures included in the Equity Units that we are concurrently offering, as well any additional series of junior subordinated debentures that we may offer in the future. We refer to the U.S. Dollar Debentures, the Sterling Debentures and, prior to the settlement of any successful remarketing of the junior subordinated debentures included in the Equity Units, such junior subordinated debentures (each as described under “Concurrent Offerings” below) as the “*other parity securities*.”

The Series A-7 Junior Subordinated Debentures will be unsecured, will rank junior in payment to all of our existing and future “senior debt,” as defined under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Subordination,” and will be effectively subordinated to all liabilities of our subsidiaries. Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt.

Deferral of Interest

We have the right, on one or more occasions, to defer the payment of interest on the Series A-7 Junior Subordinated Debentures for one or more consecutive interest periods that do not exceed five years without being subject to our obligations under the alternative payment mechanism described under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism,” and for one or more consecutive interest periods that do not exceed 10 years without giving rise to an event of default under the terms of the Series A-7 Junior Subordinated Debentures. However, the failure to pay all accrued and unpaid interest at the conclusion of the 10-year deferral period will, after the lapse of 30 days, constitute an event of default permitting acceleration of the Series A-7 Junior Subordinated Debentures. Interest on unpaid interest installments on the Series A-7 Junior Subordinated Debentures will accrue during the deferral period at the then applicable interest rate, compounding on each interest payment date.

During any deferral period, we generally will not be permitted to make any payments of deferred interest or distributions from any source other than “eligible proceeds,” as defined under “Description of Terms of the Series A-7 Subordinated Debentures—Alternative Payment Mechanism,” and we will not be required to make any interest or distribution payments other than pursuant to the alternative payment mechanism after five years or, if earlier, the first interest payment date on which we pay current interest.

Following the earlier of (i) the fifth anniversary of the commencement of a deferral period and (ii) a payment of current interest on the Series A-7 Junior Subordinated Debentures during a deferral period, we will be required to pay deferred interest pursuant to the alternative payment mechanism. Under the alternative payment mechanism, after that date we must, subject to market disruption events, use our commercially reasonable efforts to sell “APM qualifying securities,” as defined under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism” below, and apply the eligible proceeds to pay accrued and unpaid deferred interest on the Series A-7 Junior Subordinated Debentures.

If we defer payments of interest on the Series A-7 Junior Subordinated Debentures, the Series A-7 Junior Subordinated Debentures will be treated as being issued with original issue discount for United States federal income tax purposes. This means that you must include interest income with respect to the deferred distributions on your Series A-7 Junior Subordinated Debentures in gross income for United States federal income tax purposes, even though we will not make actual payments on the Series A-7 Junior Subordinated Debentures during a deferral period. See “Certain United States Federal Income Tax Consequences—United States Holders—Interest Income” and “—Original Issue Discount” and “Risk Factors—Deferral of interest payments will have negative United States federal income tax consequences and is likely to adversely affect the market price of the Series A-7 Junior Subordinated Debentures” for a further discussion of the federal income tax consequences of an interest deferral.

Limitations on Claims in the Event of Our Bankruptcy, Insolvency or Receivership

In the event of our bankruptcy, insolvency or receivership, a holder of Series A-7 Junior Subordinated Debentures will only have a claim for deferred and unpaid interest (including compounded interest thereon) to the extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the deferral period for which interest has not been paid, as further described under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership.”

Certain Payment Restrictions

During any period in which an event of default has occurred and is continuing or we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing, we and our subsidiaries generally may not make payments on or redeem or purchase our capital stock or our debt securities or guarantees ranking *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures, subject to the exceptions described in the next paragraph and under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances.” In addition, if any deferral period lasts longer than one year, subject to the exceptions described in the next paragraph and under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances,” neither we nor any of our subsidiaries will be permitted to purchase, redeem or otherwise acquire any securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until the first anniversary of the date on which all deferred interest has been paid.

The terms of the Series A-7 Junior Subordinated Debentures permit us during a deferral period:

- to make any payment of current or deferred interest on our debt securities or guarantees that rank *pari passu* with the Series A-7 Junior Subordinated Debentures upon our liquidation, including the outstanding parity securities and, if issued, the other parity securities (“*pari passu securities*”), so long as the payment is made *pro rata* to the amounts due on *pari passu* securities (including the Series A-7 Junior Subordinated Debentures), subject to the limitations described in the last paragraph under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism—Remedies and Market Disruptions” to the extent that they apply;
- to make any payment of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities;
- to make any payment of principal in respect of any *pari passu* securities having an earlier scheduled maturity date than the Series A-7 Junior Subordinated Debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Repayment of Principal—Scheduled Maturity Date,” or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the Series A-7 Junior Subordinated Debentures that is made on a *pro rata* basis among one or more series of such securities and the Series A-7 Junior Subordinated Debentures;
- to repurchase any parity securities (including the junior subordinated debentures initially included in the Equity Units) in exchange for common stock in connection with a failed remarketing or similar event, to make any payment of deferred interest on any parity securities (including such junior subordinated debentures) in the form of additional debentures that will rank *pari passu* with the Series A-7 Junior Subordinated Debentures (the “*additional debentures*”) and to repay any such additional debentures at maturity; and
- to repay or redeem any security so as to avoid a breach of the instrument governing the same.

Alternative Payment Mechanism

Unless a market disruption event has occurred, and subject to certain limitations and conditions described under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism,” if we defer interest on the Series A-7 Junior Subordinated Debentures, we will be required, not later than (i) the business day following the fifth anniversary of the commencement of a deferral period or (ii) if earlier, the first interest payment date during a deferral period on which we elect to pay current interest, to issue APM qualifying securities until we have raised an amount of “eligible proceeds” sufficient to pay the deferred interest (and compounded interest thereon) in full. We will not pay deferred interest (and compounded interest thereon) on the Series A-7 Junior Subordinated Debentures from any source other than the eligible proceeds from the sale of APM qualifying securities, unless otherwise required at the time by any applicable regulatory authority, the deferral period is terminated on the interest payment date following certain business combinations or an event of default has occurred and is continuing. We refer to this process as the “*alternative payment mechanism*.” See “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism” for a more detailed description of this mechanism.

The following securities are “APM qualifying securities” for purposes of the alternative payment mechanism:

- “common stock”;
- “qualifying warrants”;
- “qualifying non-cumulative preferred stock”; and
- “mandatorily convertible preferred stock,”

in each case as defined under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism.”

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach a covenant of the junior debt indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy. The remedies of holders of the Series A-7 Junior Subordinated Debentures will be limited in such circumstances as described under “Risk Factors—Holders have limited rights of acceleration.”

Early Redemption of Series A-7 Junior Subordinated Debentures

We may redeem the Series A-7 Junior Subordinated Debentures in whole but not in part, at our option or in connection with a “tax event” or “rating agency event,” at any time prior to May 22, 2018, at a make-whole redemption price calculated as described herein, which includes accrued and unpaid interest through the date of redemption. If we redeem the Series A-7 Junior Subordinated Debentures prior to May 22, 2018, the discount rate used to calculate the make-whole redemption price will be the then current yield on the comparable Bundesobligationen issue plus 0.50%. For descriptions of “tax event,” “rating agency event,” “comparable Bundesobligationen issue” and how the make-whole price will be calculated, see “Description of Terms of the Series A-7 Junior Subordinated Debentures—Early Redemption” below. On or after May 22, 2018, we may redeem the Series A-7 Junior Subordinated Debentures, in whole or in part, on any interest payment date, at their principal amount plus accrued and unpaid interest through the date of redemption.

In addition, we may redeem the Series A-7 Junior Subordinated Debentures, in whole but not in part, at any time if we become obligated to pay “additional amounts,” as described under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Additional Amounts” below, to non-U.S. persons, other than as a result of an event that would, upon receipt of the opinion of counsel required under the definition of “tax event,” constitute a tax event, at their principal amount plus accrued and unpaid interest through the date of redemption.

Any redemption of the Series A-7 Junior Subordinated Debentures must be made in accordance with the “Replacement Capital Covenant” and “Alternative Payment Mechanism.”

Additional Amounts

Subject to the exceptions and limitations described under “Description of Terms of Series A-7 Junior Subordinated Debentures—Additional Amounts,” we will pay additional amounts (“*additional amounts*”) on the Series A-7 Junior Subordinated Debentures with respect to any beneficial owner of the Series A-7 Junior Subordinated Debentures that is a non-U.S. person (subject to the exceptions set forth under “Description of Terms of Series A-7 Junior Subordinated Debentures—Additional Amounts”) to ensure that each net payment to that non-U.S. person on Series A-7 Junior Subordinated Debentures that it beneficially owns will not be less, due to the payment of U.S. withholding tax, than the amount then otherwise due and payable. For this purpose, a “net payment” on a Series A-7 Junior Subordinated Debenture means a payment by us or any paying agent, including payment of principal and interest, after a deduction for any present or future tax, assessment, or other governmental charge on the additional amounts. Additional amounts will constitute interest on the Series A-7 Junior Subordinated Debentures. If we become obligated to pay additional amounts, we may redeem the Series A-7 Junior Subordinated Debentures in whole at any time upon the terms described herein.

Events of Default

The following events are “*events of default*” with respect to the Series A-7 Junior Subordinated Debentures:

- default in the payment of interest, including compounded interest, in full on any Series A-7 Junior Subordinated Debenture for a period of 30 days after the conclusion of a deferral period that lasts for 10 years; or
- default in the payment of the principal of any Series A-7 Junior Subordinated Debenture at the final maturity date or upon a call for redemption; or
- certain events of bankruptcy, insolvency and reorganization involving AIG (but not including its subsidiaries).

The occurrence of an event of default described in the first bullet point will permit the indenture trustee or holders of at least 25% in principal amount of the Series A-7 Junior Subordinated Debentures to accelerate the principal amount of all then outstanding Series A-7 Junior Subordinated Debentures, and the occurrence of an event of default described in the third bullet point will result in an automatic acceleration of the principal amount of all then outstanding Series A-7 Junior Subordinated Debentures. In the case of any other default or breach of the junior debt indenture by AIG, including an event of default under the second bullet point in the definition of that term, there is no right to declare the principal amount of the Series A-7 Junior Subordinated Debentures immediately due and payable. See “Risk Factors—Holders have limited rights of acceleration” for a further discussion of the limited ability of holders to exercise the remedy of acceleration.

Concurrent Offerings

AIG intends to concurrently offer its U.S. dollar-denominated Series A-6 Junior Subordinated Debentures (the “*U.S. Dollar Debentures*”) and its Sterling-denominated Series A-8 Junior Subordinated Debentures (the “*Sterling Debentures*”). The offering of the Series A-7 Junior Subordinated Debentures is not conditioned on the completion of either of these offerings, and AIG may complete none, one, two or all of these offerings (including the offering of the Series A-7 Junior Subordinated Debentures). The Series A-7 Junior Subordinated Debentures will rank *pari passu* with the U.S. Dollar Debentures and the Sterling Debentures, if issued. Each of the U.S. Dollar Debentures and the Sterling Debentures will be subject to a replacement capital covenant that is similar to the replacement capital covenant applicable to the Series A-7 Junior Subordinated Debentures.

AIG is also concurrently offering equity units initially consisting of contracts to purchase shares of our common stock and junior subordinated debentures (the “*Equity Units*”) in a public offering for net proceeds,

after expenses, of approximately \$5.304 billion (or approximately \$5.775 billion if the underwriters exercise their overallotment option in full). The junior subordinated debentures included in the Equity Units consist of three series that are subject to remarketing during various periods in 2011. Each series of junior subordinated debentures included in the Equity Units will rank *pari passu* with the Series A-7 Junior Subordinated Debentures, if issued, at all times prior to its successful remarketing. Upon the successful remarketing of any series of these junior subordinated debentures, such series will cease to be subordinated, will become senior debt and will rank senior to the Series A-7 Junior Subordinated Debentures.

Book-Entry

The Series A-7 Junior Subordinated Debentures held by qualified institutional buyers will be evidenced by one or more Rule 144A global securities and the Series A-7 Junior Subordinated Debentures held by persons who acquired the Series A-7 Junior Subordinated Debentures in compliance with Regulation S will be evidenced by one or more Regulation S global securities, each in the name of, and deposited with, a common depositary on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking société anonyme (“Clearstream”). This means that you will not receive a certificate for your Series A-7 Junior Subordinated Debentures and Series A-7 Junior Subordinated Debentures will not be registered in your name, except under certain limited circumstances described under “Legal Ownership and Book-Entry Issuance.”

Transfer Restrictions

The Series A-7 Junior Subordinated Debentures have not been registered under the Securities Act or any other securities laws and are therefore subject to restrictions on transfer. Holders of the Series A-7 Junior Subordinated Debentures will agree to restrict resales and other transfers of the Series A-7 Junior Subordinated Debentures as described under “Notice to Investors.”

Listing

An application has been made to the Irish Stock Exchange for the Series A-7 Junior Subordinated Debentures to be admitted to the Official List and traded on its regulated market.

Replacement Capital Covenant

We agree in the replacement capital covenant, only for the benefit of persons that buy, hold or sell a specified series of our long-term indebtedness ranking senior to the Series A-7 Junior Subordinated Debentures, that the Series A-7 Junior Subordinated Debentures will not be repaid, redeemed, defeased or purchased by us or any of our subsidiaries on or before May 22, 2048, unless the principal amount repaid or defeased, or the applicable redemption or purchase price does not exceed a maximum amount determined by reference to the aggregate amount of net cash proceeds we have received from the sale of “common stock,” “rights to acquire common stock,” “mandatorily convertible preferred stock,” “debt exchangeable for common equity” and certain “qualifying capital securities” and the market value of any “common stock” or “rights to acquire common stock” we and our subsidiaries have delivered or issued in connection with the conversion or exchange of any convertible or exchangeable securities, other than securities for which we or any of our subsidiaries have received equity credit from any rating agency, in each case within the applicable measurement period. The replacement capital covenant, including the definitions of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity and qualifying capital securities and other important terms, is described in more detail under “Replacement Capital Covenant” below.

If an event of default resulting in the acceleration of the Series A-7 Junior Subordinated Debentures occurs, we will not have to comply with the replacement capital covenant. Our covenant in the replacement capital covenant will run only to the benefit of the covered debtholders. It may not be enforced by the holders of the Series A-7 Junior Subordinated Debentures. The initial covered debtholders are the holders of our 6.25% Notes due 2036, CUSIP No. 026874AZ0.

RISK FACTORS

Before deciding to purchase any Series A-7 Junior Subordinated Debentures, you should pay special attention to the following risk factors, as well as the risk factors set forth in Item 1A. of Part I of AIG's Annual Report on Form 10-K for the year ended December 31, 2007 (to obtain this document, see "Where You Can Find More Information" in this offering memorandum).

Our obligations to make payments on the Series A-7 Junior Subordinated Debentures are subordinate to our payment obligations under our senior debt and pari passu with the outstanding parity securities and other parity securities.

Our obligations under the Series A-7 Junior Subordinated Debentures are unsecured and rank junior in right of payment to all of our existing and future senior debt. See "Description of Terms of the Series A-7 Junior Subordinated Debentures—Subordination" for the definition of "senior debt." As of March 31, 2008, there was approximately \$98.02 billion of outstanding senior debt of AIG.

This means that, unless all senior debt is repaid in full, we cannot make any payments on the Series A-7 Junior Subordinated Debentures if our unsecured indebtedness for borrowed money with a principal amount in excess of \$100 million is accelerated, in the event of our bankruptcy, insolvency or liquidation or in the event of the acceleration of the Series A-7 Junior Subordinated Debentures.

Substantially all of our existing indebtedness, other than the outstanding parity securities, is senior debt. The outstanding parity securities and, if issued, the other parity securities will rank *pari passu* with the Series A-7 Junior Subordinated Debentures and will not constitute senior debt. The terms of the junior debt indenture do not limit our ability to incur additional debt, including secured or unsecured debt.

The Series A-7 Junior Subordinated Debentures will be effectively subordinated to the obligations of our subsidiaries.

We are a holding company that conducts substantially all of our operations through subsidiaries. As a result, our ability to make payments on the Series A-7 Junior Subordinated Debentures will depend primarily upon the receipt of dividends and other distributions from our subsidiaries. Various legal and regulatory limitations restrict the extent to which our subsidiaries may extend credit to, pay dividends or other funds to, or otherwise engage in transactions with, us.

Our right to participate in any distribution of assets from any subsidiary upon the subsidiary's liquidation or otherwise is subject to the prior claims of creditors of that subsidiary, except to the extent that we are recognized as a creditor of that subsidiary. As a result, the Series A-7 Junior Subordinated Debentures will be effectively subordinated to all existing and future liabilities of our subsidiaries. You should look only to the assets of AIG as the source of payment for the Series A-7 Junior Subordinated Debentures, and not those of our subsidiaries.

Our obligation to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date is subject to our ability to issue qualifying capital securities.

Our obligation to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date, May 22, 2038, is limited. We are required to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date only to the extent that we have sold sufficient qualifying capital securities (as defined under "Replacement Capital Covenant") within a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold sufficient qualifying capital securities to permit repayment of the Series A-7 Junior Subordinated Debentures in full on the scheduled maturity date, the unpaid amount will remain outstanding and continue to bear interest until repaid, and we will not be required to repay the Series A-7 Junior Subordinated Debentures until (i) we have issued sufficient qualifying capital securities to permit repayment in accordance with this requirement, (ii) payment on the Series A-7 Junior Subordinated Debentures is accelerated upon the occurrence of an event of default or (iii) the final maturity date for the Series A-7 Junior Subordinated Debentures on May 22, 2068. Our ability to issue qualifying

capital securities will depend on, among other things, market conditions at the time the obligation arises, as well as the acceptability to prospective investors of the terms of these securities. Although we have agreed to use our commercially reasonable efforts to issue sufficient qualifying capital securities to repay the Series A-7 Junior Subordinated Debentures during the 180-day period referred to above and from interest payment date to interest payment date thereafter until the Series A-7 Junior Subordinated Debentures are repaid in full, our failure to do so would not be an event of default or give rise to a right of acceleration or similar remedy, and we will be excused from using our commercially reasonable efforts if certain market disruption events occur. Accordingly, there could be circumstances where we may have sufficient cash to repay the Series A-7 Junior Subordinated Debentures, but are restricted from doing so because we were unable to sell a sufficient amount of qualifying capital securities. In addition, certain of our outstanding parity securities have an earlier scheduled maturity date than the Series A-7 Junior Subordinated Debentures; if such outstanding parity securities are outstanding on the scheduled maturity date, we will be required to repay them in full before repaying the Series A-7 Junior Subordinated Debentures if we are unable to sell a sufficient amount of qualifying capital securities to repay such outstanding parity securities in full. See “—Holders have limited rights of acceleration” below for a further discussion of the limited consequences of our failure to issue qualifying capital securities.

Moreover, we are entering into a replacement capital covenant for the benefit of holders of a designated series of our indebtedness that ranks senior to the Series A-7 Junior Subordinated Debentures pursuant to which we will covenant that neither we nor any of our subsidiaries will repay, redeem, defease or purchase Series A-7 Junior Subordinated Debentures on or before May 22, 2048 unless during the applicable measurement period we or our subsidiaries have sold sufficient common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity or certain qualifying capital securities. The holders of the Series A-7 Junior Subordinated Debentures are not parties to or beneficiaries of the replacement capital covenant. As a result, we may amend the replacement capital covenant at any time without the consent of the holders of the Series A-7 Junior Subordinated Debentures, except that under the terms of the junior debt indenture an amendment that imposes additional restrictions on the type or amount of qualifying capital securities that are considered for purposes of determining the principal amount of the Series A-7 Junior Subordinated Debentures that we are permitted to repay requires the consent of holders of a majority in principal amount of Series A-7 Junior Subordinated Debentures.

We have no obligation to issue any securities other than qualifying capital securities in connection with our obligation to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date.

We have the right to defer interest for 10 years without causing an event of default.

We have the right to defer interest on the Series A-7 Junior Subordinated Debentures for a period of up to 10 years. Although we would be subject to the alternative payment mechanism after the earlier of the fifth anniversary of the commencement of the deferral period and the first interest payment date on which we make any payment of current interest during a deferral period, if we are unable to raise sufficient eligible proceeds, we may defer payment of accrued interest on the Series A-7 Junior Subordinated Debentures for a period of up to 10 years without causing an event of default. During any such deferral period, holders of Series A-7 Junior Subordinated Debentures will receive limited or no current payments and, so long as we are otherwise in compliance with our obligations, such holders will have no remedies against us for nonpayment unless within 30 days after the conclusion of the 10-year deferral period we fail to pay all previously deferred interest (including compounded interest).

Interest and principal payments may be made on pari passu securities even though interest has not been paid on the Series A-7 Junior Subordinated Debentures.

We may in the future issue *pari passu* securities as to which during a deferral period we are required to make payments of interest or principal that are not made *pro rata* with payments of interest on the Series A-7 Junior Subordinated Debentures or other *pari passu* securities and that, if not made, would cause us to breach

the terms of the instrument governing the *pari passu* securities. The terms of the Series A-7 Junior Subordinated Debentures permit us during a deferral period:

- to make any payment of current interest or deferred interest on *pari passu* securities during a deferral period that is made *pro rata* to the amounts due on *pari passu* securities and the Series A-7 Junior Subordinated Debentures, subject to the limitations described in the last paragraph under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism—Remedies and Market Disruptions” to the extent that they apply;
- to make any payment of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities;
- to make any payment of principal in respect of any *pari passu* securities having an earlier scheduled maturity date than the Series A-7 Junior Subordinated Debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Repayment of Principal—Scheduled Maturity Date,” or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the Series A-7 Junior Subordinated Debentures that is made on a *pro rata* basis among one or more series of such securities and the Series A-7 Junior Subordinated Debentures; and
- to repay or redeem any security necessary to avoid a breach of the instrument governing the same.

The outstanding parity securities constitute and, if issued, the U.S. Dollar Debentures and the Sterling Debentures will constitute, *pari passu* securities and will not require us to make interest payments on these securities while interest is being deferred on the Series A-7 Junior Subordinated Debentures, other than pursuant to an alternative payment mechanism that is substantially the same as the alternative payment mechanism for the Series A-7 Junior Subordinated Debentures. While interest is being deferred on the Series A-7 Junior Subordinated Debentures, we may also repurchase any parity securities (including the junior subordinated debentures initially included in the Equity Units) in exchange for common stock in connection with a failed remarketing or similar event, pay deferred interest on any parity securities (including such junior subordinated debentures) in the form of additional debentures that will rank *pari passu* with the Series A-7 Junior Subordinated Debentures and repay any such additional debentures at maturity.

Our ability to pay deferred interest is limited by the terms of the alternative payment mechanism and is subject to market disruption events and other factors beyond our control.

If we elect to defer interest payments, we will not be permitted to pay deferred interest on the Series A-7 Junior Subordinated Debentures (and compounded interest thereon) during the deferral period, which may last up to 10 years, from any source other than from the net proceeds received by us from the issuance of “common stock” or “mandatorily convertible preferred stock” up to the “maximum share number,” “qualifying warrants” up to the “maximum warrant number,” or “qualifying non-cumulative preferred stock” or “mandatorily convertible preferred stock” up to the “preferred stock issuance cap” (each as described below and defined under “Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism”), unless otherwise directed by a regulatory authority, the deferral period is terminated on the interest payment date following certain business combinations or an event of default has occurred and is continuing.

- ***Maximum Share Number.*** The junior debt indenture provides that the number of shares of common stock that we may issue (or which would be issuable upon conversion of any mandatorily convertible preferred stock) to fund the payment of deferred interest on the Series A-7 Junior Subordinated Debentures may not exceed 200 million (subject to adjustment) if our shareholders approve an increase in the number of our authorized shares of common stock, which we will propose for shareholder vote at our annual meeting of shareholders to take place in 2009.

Unless and until such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares, the maximum share number is 95 million shares and, to the extent permitted by law, we will be required to use commercially reasonable efforts to increase our authorized shares of common stock if approval is not obtained at the 2009 annual meeting.

- **Maximum Warrant Number.** The junior debt indenture provides that the number of shares of common stock that underlie qualifying warrants that we may sell to fund the payment of deferred interest on the Series A-7 Junior Subordinated Debentures may not exceed 200 million (or 400 million if we amend the definition of APM qualifying securities to eliminate common stock) (subject to adjustment) if our shareholders approve an increase in the number of our authorized shares of common stock, which we will propose for shareholder vote at our annual meeting of shareholders to take place in 2009. Unless and until such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares, the maximum warrant number will equal zero and we will not be permitted to amend the definition of APM qualifying securities to eliminate common stock.
- **Preferred Stock Issuance Cap.** The preferred stock issuance cap limits the net proceeds of the issuance of qualifying non-cumulative preferred stock and mandatorily convertible preferred stock that we may apply to the payment of deferred interest on the Series A-7 Junior Subordinated Debentures to 25% of the aggregate principal amount of the Series A-7 Junior Subordinated Debentures issued.

The maximum share number and the maximum warrant number are subject to increase in certain circumstances, but we may not increase the preferred stock issuance cap. These restrictions may prevent us from issuing sufficient shares of common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock for the purpose of paying all deferred interest on the Series A-7 Junior Subordinated Debentures.

The occurrence of a market disruption event may prevent or delay a sale of common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock pursuant to the alternative payment mechanism and, accordingly, the payment of deferred interest on the Series A-7 Junior Subordinated Debentures. Market disruption events may occur as a result of events and circumstances both within and beyond our control, such as the failure to obtain any consent or approval of our stockholders or a regulatory body or governmental authority to issue common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock notwithstanding our commercially reasonable efforts. Moreover, we may encounter difficulties in successfully marketing our common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock, particularly during times we are subject to the restrictions on dividends as a result of the deferral of interest. To the extent we do not sell sufficient common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock to fund deferred interest payments in these circumstances, we will not be permitted to pay deferred interest on the Series A-7 Junior Subordinated Debentures, even if we have cash available from other sources. In addition, the outstanding parity securities have, and the U.S. Dollar Debentures and the Sterling Debentures, if issued, will have, comparable provisions with respect to the payment of deferred interest. Accordingly, if these securities are outstanding during a deferral period, we will be required to pay deferred interest on them on a *pro rata* basis with the Series A-7 Junior Subordinated Debentures if we are unable to sell sufficient shares of common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock to pay the deferred interest on all series in full. See “Description of Terms of the Series A-7 Junior Subordinated Debentures—Option to Defer Interest Payments,” “—Alternative Payment Mechanism” and “—Market Disruption Events” for a more detailed explanation of the alternative payment mechanism.

The junior debt indenture limits our obligation to raise proceeds from the sale of common stock and qualifying warrants to pay deferred interest during the first five years of a deferral period.

The junior debt indenture limits our obligation to raise proceeds from the sale of common stock and qualifying warrants to pay deferred interest during the first five years of any deferral period to an amount we refer to as the “stock and warrant issuance cap.” This cap provides that, during the first five years of any deferral period, in order to pay deferred interest, we are not required to issue shares of common stock or qualifying warrants to purchase a number of shares of our common stock in excess of an aggregate of 2% of the total number of issued and outstanding shares of our common stock as of the date of our then most recent publicly available consolidated financial statements. Once we reach the stock and warrant issuance cap for a deferral period, we will not be obligated to sell common stock or qualifying warrants to pay deferred interest relating to such deferral period until the fifth anniversary of such deferral period.

We have the ability under certain circumstances to narrow the definition of APM qualifying securities.

We may, without the consent of the holders of the Series A-7 Junior Subordinated Debentures, amend the definition of “APM qualifying securities” for the purposes of the alternative payment mechanism to eliminate common stock, qualifying warrants or mandatorily convertible preferred stock (but not both common stock and qualifying warrants) from the definition if, after the date of this offering memorandum, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes. The elimination of common stock, qualifying warrants or mandatorily convertible preferred stock from the definition of APM qualifying securities, together with continued application of the preferred stock issuance cap, may make it more difficult for us to succeed in selling sufficient APM qualifying securities to fund the payment of the deferred interest.

Deferral of interest payments will have negative United States federal income tax consequences and is likely to adversely affect the market price of the Series A-7 Junior Subordinated Debentures.

If we defer interest payments on the Series A-7 Junior Subordinated Debentures, you will be required to accrue income, in the form of original issue discount, for United States federal income tax purposes with respect to the deferred interest on the Series A-7 Junior Subordinated Debentures, even if you normally report income when received and even though you may not receive the cash attributable to that income during the deferral period. See “Certain United States Federal Income Tax Consequences—United States Holders—Interest Income” and “—Original Issue Discount,” for a further discussion of the tax consequences of a deferral.

If we exercise our right to defer interest, the market price of the Series A-7 Junior Subordinated Debentures is likely to be adversely affected. As a result of the existence of our deferral right, the market price of the Series A-7 Junior Subordinated Debentures may be more volatile than the market prices of other securities that are not subject to optional interest deferrals.

Your claims in bankruptcy, insolvency and receivership to receive payment in respect of deferred interest may be limited.

In the event of our bankruptcy, insolvency or receivership, a holder of Series A-7 Junior Subordinated Debentures will have a claim for deferred and unpaid interest (including compounded interest thereon) only to the extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the deferral period for which interest has not been paid. Because we are permitted to defer interest payments for up to 10 years without an event of default, claims may be extinguished in respect of interest accrued (and compounded) during as many as eight years.

Holders have limited rights of acceleration.

The remedies for any breach of our obligations under the alternative payment mechanism, the restrictions imposed in connection with any optional deferral of interest payments and our obligation to raise proceeds from the issuance of qualifying capital securities to permit the repayment of the Series A-7 Junior Subordinated Debentures on or after the scheduled maturity date are all limited. Our failure to comply with these obligations and restrictions will not constitute an event of default or give rise to a right of acceleration or similar remedy under the terms of the junior debt indenture. See “Description of Terms of the Series A-7 Junior Subordinated Debentures—Events of Default—Remedies If an Event of Default Occurs” for a description of the limited remedies of holders of the Series A-7 Junior Subordinated Debentures.

Changes in demand for Series A-7 Junior Subordinated Debentures could adversely affect their market price.

The Series A-7 Junior Subordinated Debentures are unlike traditional subordinated debt securities in that interest may be deferred for up to 10 years, holders have limited remedies and our obligation to repay the principal amount of the Series A-7 Junior Subordinated Debentures prior to the final maturity date is subject to conditions. Investor demand for securities with the characteristics of the Series A-7 Junior Subordinated Debentures may change as these characteristics are assessed by market participants, regulators and others. Accordingly, the Series A-7 Junior Subordinated Debentures that you purchase, whether pursuant to the offer made by this offering memorandum or in the secondary market, may trade at a significant discount to the price that you paid.

The trading market for the Series A-7 Junior Subordinated Debentures may be limited.

The Series A-7 Junior Subordinated Debentures have not been registered under the Securities Act or under any state securities laws. Therefore, they may not be transferred or resold except in a transaction exempt from or not subject to the registration requirements of the Securities Act and applicable state securities laws. See “Notice to Investors.”

Prior to this offering, there was no public market for the Series A-7 Junior Subordinated Debentures and if an active trading market does not develop for the Series A-7 Junior Subordinated Debentures, you may not be able to resell them. Although we have applied for listing of the Series A-7 Junior Subordinated Debentures for trading on the regulated market of the Irish Stock Exchange, no assurance can be given that a trading market for the Series A-7 Junior Subordinated Debentures will develop. The lack of a trading market could adversely affect your ability to sell the Series A-7 Junior Subordinated Debentures and the price at which you may be able to sell the Series A-7 Junior Subordinated Debentures. The liquidity of the trading market, if any, and future trading prices of the Series A-7 Junior Subordinated Debentures will depend on many factors, including, among other things, the market price of the outstanding parity securities, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors.

An investment in the Series A-7 Junior Subordinated Debentures by a purchaser whose home currency is not the euro entails significant risks.

An investment in the Series A-7 Junior Subordinated Debentures by a purchaser whose home currency is not the euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder’s home currency and the euro and the possibility of the imposition or modification of foreign exchange controls. These risks generally depend on factors over which we have no control, such as economic and political events and the supply of and demand for the relevant currencies. In recent years, rates of exchange between the euro and certain currencies have been highly volatile, and each holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the Series A-7 Junior Subordinated Debentures. Depreciation of the euro against the holder’s home currency would result in a decrease in the effective yield of such Series A-7 Junior

Subordinated Debentures below its coupon rate and, in certain circumstances, could result in a loss to the holder.

The Series A-7 Junior Subordinated Debentures permit us to make payments in U.S. dollars if we are unable to obtain euros.

If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of such Series A-7 Junior Subordinated Debenture will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euro will be converted into U.S. dollars on the basis of the most recently available market exchange rate for the euro. Any payment in respect of such Series A-7 Junior Subordinated Debenture so made in U.S. dollars will not constitute an event of default under the junior debt indenture.

In a lawsuit for payment on the Series A-7 Junior Subordinated Debentures, an investor may bear currency exchange risk.

The Series A-7 Junior Subordinated Debentures will be governed by New York law. Under New York law, a New York state court rendering a judgment on the Series A-7 Junior Subordinated Debentures would be required to render the judgment in euros. However, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on the Series A-7 Junior Subordinated Debentures, investors would bear currency exchange risk until a New York state court judgment is entered, which could be a long time.

In courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the Series A-7 Junior Subordinated Debentures in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of euros into U.S. dollars will depend upon various factors, including which court renders the judgment.

USE OF PROCEEDS

The net proceeds from this offering are estimated to be €739,140,000 after deducting the Initial Purchaser fees and commissions that we will pay. We intend to use the net proceeds from this offering for general corporate purposes.

DESCRIPTION OF TERMS OF THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES

We have summarized below certain terms of the 8.000% Series A-7 Junior Subordinated Debentures, which we refer to in this offering memorandum as the “Series A-7 Junior Subordinated Debentures.” This summary is not complete. You should refer to the junior subordinated indenture dated as of March 13, 2007, as supplemented by a supplemental indenture. References herein to the “*junior debt indenture*” are to that junior subordinated indenture, as so supplemented. The Bank of New York will act as indenture trustee under the junior debt indenture. We urge you to read the junior debt indenture in its entirety because it, and not this description, defines your rights as holders of the Series A-7 Junior Subordinated Debentures. You may request copies of the junior debt indenture at our address shown under the caption “Where You Can Find More Information.”

The Series A-7 Junior Subordinated Debentures will be unsecured and junior in right of payment to all of our senior debt, as defined below under “—Subordination,” and *pari passu* with the outstanding parity securities and, if issued, the other parity securities.

Issuance in Euro

Initial holders will be required to pay for the Series A-7 Junior Subordinated Debentures in euro.

If the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or the euro is no longer used by the member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the Series A-7 Junior Subordinated Debentures will be made in U.S. dollars until the euro is again available to us or so used. The amount payable on any date in euro will be converted into U.S. dollars on the basis of the most recently available market exchange rate for the euro. Any payment in respect of the Series A-7 Junior Subordinated Debentures so made in U.S. dollars will not constitute an event of default under the junior debt indenture.

Interest Rate and Interest Payment Dates

The Series A-7 Junior Subordinated Debentures will bear interest from and including May 22, 2008 to but excluding May 22, 2018, at the annual rate of 8.000%, payable annually in arrears on May 22 of each year, beginning on May 22, 2009, and thereafter at a rate equal to three-month EURIBOR plus 4.450%, payable quarterly in arrears on February 22, May 22, August 22 and November 22 of each year, beginning on August 22, 2018. We refer to these dates as “*interest payment dates*” and we refer to the period beginning on and including May 22, 2008 and ending on but excluding the first interest payment date and each successive period beginning on and including an interest payment date and ending on but excluding the next interest payment date as an “*interest period*.” The amount of interest payable for any interest period ending on or prior to May 22, 2018 will be computed on the basis of Actual/Actual (ICMA) as defined below. The amount of interest payable for any interest period commencing on or after May 22, 2018 will be computed on the basis of a 360-day year and the actual number of days elapsed. In the event that any interest payment date on or before May 22, 2018 would otherwise fall on a day that is not a business day, the interest payment due on that date will be postponed to the next day that is a business day and no interest will accrue as a result of that postponement. In the event that any interest payment date after May 22, 2018 would otherwise fall on a day that is not a business day, that interest payment date will be postponed to the next day that is a business day and interest will accrue to the actual interest payment date; however, if the postponement would cause the day to fall in the next calendar month, the interest payment date will instead be brought forward to the immediately preceding business day.

“*Actual/Actual (ICMA)*” means:

(a) if the interest period is not a full annual interest period, the number of days in such period divided by 365 days (or in the case of a leap year, 366 days); and

(b) if the interest period is longer than one full annual interest period, the sum of: (x) the number of days in such period falling in the interest period in which it begins divided by 365 days (or in the case of a

leap year, 366) and (y) the number of days in such period falling in the next interest period divided by 365 days (or in the case of a leap year, 366).

Accrued interest that is not paid on the applicable interest payment date will bear additional interest, to the extent permitted by law, at the interest rate in effect from time to time, from the relevant interest payment date, compounded on each subsequent interest payment date. When we use the term “*interest*,” we are referring not only to regularly scheduled interest payments but also interest on interest payments not paid on the applicable interest payment date and any additional amounts payable on any interest payable on an interest payment date as described below under “—Additional Amounts.”

Interest is payable on each interest payment date to the person in whose name a Series A-7 Junior Subordinated Debenture is registered at the close of business on the day preceding that interest payment date, whether or not a business day or in the event the Series A-7 Junior Subordinated Debentures cease to be held in book-entry form, at the close of business on the date fifteen days prior to that interest payment date, whether or not a business day.

For the purposes of calculating interest due on the Series A-7 Junior Subordinated Debentures after May 22, 2018:

- “*Three-month EURIBOR*,” with respect to any quarterly interest period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period that appears on Reuters Screen EURIBOR01 as of 11:00 a.m., Brussels time, on the second TARGET settlement day (as defined below) immediately preceding the first day of such interest period. If the Reuters Screen EURIBOR01 does not include such a rate or is unavailable on such date, the calculation agent (as defined below) will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the calculation agent (after consultation with us), to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such date, to prime banks in the Euro-zone inter-bank market for deposits in an amount in euro that is representative for a single transaction in such market and for a three-month period beginning on the day that is two TARGET settlement days after such date. If at least two such offered quotations are so provided, the rate for the interest period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the calculation agent will request each of three major banks in the Euro-zone inter-bank market, as selected by the calculation agent, to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., Brussels time, on such date. Rates quoted will be for loans in euro to leading European banks for a three-month period beginning on the day that is two TARGET settlement days after such date based on a principal amount that is representative of a single transaction in that market at that time. If at least two such rates are so provided, the rate for the interest period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the interest period will be the rate in effect with respect to the immediately preceding interest period, or, in the case of the quarterly interest period beginning on May 22, 2018, three-month EURIBOR will be 4.858%.
- “*Calculation agent*” means AIG Financial Products Corp., or any other firm appointed by us, acting as calculation agent.
- A “*TARGET settlement day*” means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.
- “*Reuters Screen EURIBOR01*” means the display designated on Reuters Screen EURIBOR01 or any successor service or page for the purpose of displaying EURIBOR offered rates of major banks, as determined by the calculation agent.

All percentages resulting from any calculation of three-month EURIBOR will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point (for example, 9.876541% (or .09876541) would be rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) would be rounded up to 9.87655% (or .0987655)). All amounts used in or resulting from any

calculation will be rounded upward or downward, as appropriate, to the nearest cent, with one-half cent or more being rounded upward. The establishment of three-month EURIBOR for each interest period by the calculation agent shall (in the absence of manifest error) be final and binding.

In determining three-month EURIBOR during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market. Those reference banks and dealers may include the calculation agent itself and our other affiliates.

“*Business Day*” means any day, other than (i) a Saturday, Sunday or other day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or (ii) a day that is not a TARGET settlement day.

Option to Defer Interest Payments

We may elect at one or more times to defer payment of interest on the Series A-7 Junior Subordinated Debentures for one or more consecutive interest periods that do not exceed 10 years. We may defer payment of interest prior to, on or after the scheduled maturity date. We may not defer interest beyond the final maturity date or the earlier redemption date of any Series A-7 Junior Subordinated Debentures being redeemed. We currently do not intend to exercise our option to defer interest on the Series A-7 Junior Subordinated Debentures.

Deferred interest on the Series A-7 Junior Subordinated Debentures will bear interest at the then applicable interest rate, compounded on each interest payment date, subject to applicable law. As used in this offering memorandum, a “*deferral period*” refers to the period beginning on an interest payment date with respect to which we elect to defer interest and ending on the earlier of (i) the tenth anniversary of that interest payment date and (ii) the next interest payment date on which we have paid all accrued and previously unpaid interest on the Series A-7 Junior Subordinated Debentures.

We have agreed in the junior debt indenture that:

- immediately following the first interest payment date during the deferral period on which we elect to pay current interest or, if earlier, the fifth anniversary of the beginning of the deferral period, we will be required to use commercially reasonable efforts to sell “common stock,” “qualifying warrants,” “qualifying non-cumulative preferred stock” and “mandatorily convertible preferred stock” pursuant to the alternative payment mechanism, unless we have delivered notice of a “market disruption event,” and apply the “eligible proceeds,” as these terms are defined under “—Market Disruption Events” and “—Alternative Payment Mechanism” below, to the payment of any deferred interest (and compounded interest) on the next interest payment date, and this requirement will continue in effect until the end of the deferral period;
- we will not pay deferred interest on the Series A-7 Junior Subordinated Debentures (and compounded interest thereon) prior to the final maturity date from any source other than eligible proceeds, unless otherwise required by an applicable regulatory authority, the deferral period is terminated on the interest payment date following certain business combinations described below or an event of default has occurred and is continuing; and
- the sale of mandatorily convertible preferred stock to pay deferred interest is an option that may be exercised at our sole discretion, and we will not be obligated to sell mandatorily convertible preferred stock or to apply the proceeds of any such sale to pay deferred interest on the Series A-7 Junior Subordinated Debentures, and no class of investors of our securities or other obligations, or any other party, may require us to issue mandatorily convertible preferred stock.

We may pay current interest at all times from any available funds.

If we are involved in a merger, consolidation, amalgamation, binding share exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction (a “*business combination*”) where immediately after the consummation of the business combination more than 50% of the surviving or resulting entity’s voting stock is owned by the shareholders of the other party to the business

combination or continuing directors cease for any reason to constitute a majority of the directors of the surviving or resulting entity, then the foregoing rules will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination. “*Continuing director*” means a director who was a director of AIG at the time the definitive agreement relating to the transaction was approved by the AIG board of directors.

Although our failure to comply with the foregoing rules with respect to the alternative payment mechanism and payment of interest during a deferral period will be a breach of the junior debt indenture, it will not constitute an event of default under the junior debt indenture or give rise to a right of acceleration or similar remedy.

We will give the holders of the Series A-7 Junior Subordinated Debentures and the indenture trustee written notice of our election to begin a deferral period at least one business day before the record date for the next interest payment date. However, our failure to pay interest on any interest payment date will itself constitute the commencement of a deferral period unless we pay such interest within five business days after the interest payment date, whether or not we provide a notice of deferral. A failure to pay interest will not give rise to an event of default unless we fail to pay interest, including compounded interest, in full for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period.

If we have paid all deferred interest on the Series A-7 Junior Subordinated Debentures, we can again defer interest payments on the Series A-7 Junior Subordinated Debentures as described above. The junior debt indenture does not limit the number or frequency of interest deferral periods.

Dividend and Other Payment Stoppages During Interest Deferral and Under Certain Other Circumstances

We have agreed that, so long as any Series A-7 Junior Subordinated Debentures remain outstanding, if an event of default has occurred and is continuing or we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing, then we will not, and will not permit any of our subsidiaries to:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock;
- make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our debt securities that upon our liquidation rank *pari passu* with, or junior to, the Series A-7 Junior Subordinated Debentures; or
- make any guarantee payments regarding any guarantee by us of securities of any of our subsidiaries if the guarantee ranks *pari passu* with, or junior in interest to, the Series A-7 Junior Subordinated Debentures.

The restrictions listed above do not apply to:

- purchases, redemptions or other acquisitions of shares of our capital stock in connection with:
 - any employment benefit plan or other compensatory contract or arrangement; or the Assurance Agreement, dated as of June 27, 2005, by AIG in favor of eligible employees and relating to specified obligations of Starr International Company, Inc. (as such agreement may be amended, supplemented, extended, modified or replaced from time to time); or
 - a dividend reinvestment, stock purchase plan or other similar plan;
- any exchange or conversion of any class or series of our capital stock (or any capital stock of a subsidiary of AIG) for any class or series of our capital stock or of any class or series of our indebtedness for any class or series of our capital stock; or

- the purchase of fractional interests in shares of our capital stock in accordance with the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or
- any declaration of a dividend in connection with any stockholders' rights plan, or the issuance of rights, equity securities or other property under any stockholders' rights plan, or the redemption or repurchase of rights in accordance with any stockholders' rights plan; or
- any dividend in the form of equity securities, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of the warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks on a parity with or junior to such equity securities; or
- any payment during a deferral period of current or deferred interest in respect of *pari passu* securities that is made *pro rata* to the amounts due on *pari passu* securities and the Series A-7 Junior Subordinated Debentures, *provided* that such payments are made in accordance with the last paragraph under "Description of Terms of the Series A-7 Junior Subordinated Debentures—Alternative Payment Mechanism—Remedies and Market Disruptions" to the extent that it applies, and any payments of deferred interest on *pari passu* securities that, if not made, would cause us to breach the terms of the instrument governing such *pari passu* securities. The outstanding parity securities constitute, and the U.S. Dollar Debentures and the Sterling Debentures, if issued, will constitute, *pari passu* securities and will require AIG to make interest payments on these securities while interest is being deferred on the Series A-7 Junior Subordinated Debentures only pursuant to an alternative payment mechanism substantially the same as the alternative payment mechanism for the Series A-7 Junior Subordinated Debentures. While interest is being deferred on the Series A-7 Junior Subordinated Debentures, we may also repurchase any parity securities (including the junior subordinated debentures initially included in the Equity Units) in exchange for common stock in connection with a failed remarketing or similar event, pay deferred interest on any parity securities (including such junior subordinated debentures) in the form of additional debentures that will rank *pari passu* with the Series A-7 Junior Subordinated Debentures and repay any such additional debentures at maturity; or
- any payment of principal in respect of any *pari passu* securities having an earlier scheduled maturity date than the Series A-7 Junior Subordinated Debentures, as required under a provision of such *pari passu* securities that is substantially the same as the provision described below under "—Repayment of Principal—Scheduled Maturity Date," or any such payment in respect of *pari passu* securities having the same scheduled maturity date as the Series A-7 Junior Subordinated Debentures that is made on a *pro rata* basis among one or more series of such securities and the Series A-7 Junior Subordinated Debentures; or
- any repayment or redemption of a security necessary to avoid a breach of the instrument governing the same.

In addition, if any deferral period lasts longer than one year, neither we nor any of our subsidiaries will be permitted to purchase, redeem or otherwise acquire any securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until the first anniversary of the date on which all deferred interest has been paid, subject to the exceptions listed above. However, if we are involved in a business combination where immediately after its consummation more than 50% of the surviving or resulting entity's voting stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the surviving or resulting entity's board of directors, then the one-year restriction on repurchases described in the previous sentence will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination.

Alternative Payment Mechanism

Obligations and Limitations Applicable to All Deferral Periods

Subject to the conditions described in “—Option to Defer Interest Payments” above and to the exclusions described in “—Market Disruption Events” below, if we defer interest on the Series A-7 Junior Subordinated Debentures, we will be required, commencing not later than (i) the first interest payment date on which we elect to pay current interest or (ii) if earlier, the business day following the fifth anniversary of the commencement of the deferral period, to issue “APM qualifying securities,” as defined below, subject to the limits described below, until we have raised an amount of “eligible proceeds,” as defined below, at least equal to the aggregate amount of accrued and unpaid deferred interest on the Series A-7 Junior Subordinated Debentures. We refer to this method of funding the payment of accrued and unpaid interest as the “*alternative payment mechanism*.”

We have agreed to apply eligible proceeds raised during any deferral period pursuant to the alternative payment mechanism to pay deferred interest on the Series A-7 Junior Subordinated Debentures.

“*Eligible proceeds*,” for each relevant interest payment date, means the net proceeds (after underwriters’ or placement agents’ fees, commissions or discounts and other expenses relating to the issuance or sale) that AIG has received during the 180 days prior to the related interest payment date from the issuance of APM qualifying securities to persons that are not subsidiaries of AIG, up to the “maximum share number” in the case of APM qualifying securities that are common stock or mandatorily convertible preferred stock, up to the “maximum warrant number” in the case of APM qualifying securities that are qualifying warrants, and up to the “preferred stock issuance cap” in the case of APM qualifying securities that are qualifying non-cumulative preferred stock or mandatorily convertible preferred stock, as these terms are defined below.

“*APM qualifying securities*” means common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock; *provided* that we may amend the definition of “APM qualifying securities” to eliminate common stock, qualifying warrants or mandatorily convertible preferred stock (but not both common stock and qualifying warrants) from the definition if, after the date of this offering memorandum, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes. We will not be permitted to amend the definition of APM qualifying securities to eliminate common stock prior to such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares (as described below). We will promptly notify the holders of the Series A-7 Junior Subordinated Debentures, in the manner contemplated in the junior debt indenture, of such change.

“*Common stock*,” under the alternative payment mechanism, means shares of AIG common stock, including treasury stock and shares of common stock sold pursuant to AIG’s dividend reinvestment plan and employee benefit plans.

“*Qualifying warrants*” means net share settled warrants to purchase shares of common stock that:

- have an exercise price greater than the “current stock market price” of our common stock as of their date of pricing; and
- we are not entitled to redeem for cash and the holders are not entitled to require us to repurchase for cash in any circumstances.

If we eliminate our common stock from the definition of APM qualifying securities, we will be required to use commercially reasonable efforts, subject to the maximum warrant number (as defined below), to set the terms of any qualifying warrants we issue pursuant to the alternative payment mechanism so that the proceeds from the issuances of qualifying warrants, together with the proceeds from the sale of any other APM qualifying securities, are sufficient proceeds to pay all deferred interest on the Series A-7 Junior Subordinated Debentures in accordance with the alternative payment mechanism.

We intend to issue qualifying warrants with exercise prices at least 10% above the current stock market price of our common stock on the date of pricing of the warrants. The “*current stock market price*” of our common stock on any date is the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if our common stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which our common stock is traded. If our common stock is not listed on any U.S. securities exchange on the relevant date, the “*current stock market price*” will be the average of the midpoint of the bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

“*Qualifying non-cumulative preferred stock*” means our non-cumulative perpetual preferred stock that (i) contains no remedies other than “permitted remedies” and (ii)(a) is redeemable, but is subject to “intent-based replacement disclosure,” as such terms are defined under “Replacement Capital Covenant” below, and has a provision that provides for mandatory suspension of distributions upon its failure to satisfy one or more financial tests set forth therein or (b) is subject to a replacement capital covenant substantially similar to the replacement capital covenant applicable to the Series A-7 Junior Subordinated Debentures.

“*Mandatorily convertible preferred stock*” means cumulative preferred stock with (a) no prepayment obligation on the part of AIG, whether at the election of the holders or otherwise, and (b) a requirement that the preferred stock converts into our common stock within three years from the date of its issuance at a conversion ratio within a range established at the time of issuance of the preferred stock, subject to customary anti-dilution adjustments.

We are not permitted to issue qualifying non-cumulative preferred stock or mandatorily convertible preferred stock for the purpose of paying deferred interest to the extent the net proceeds of such issuance applied to pay interest on the Series A-7 Junior Subordinated Debentures pursuant to the alternative payment mechanism, together with the net proceeds of all prior issuances of qualifying non-cumulative preferred stock and still-outstanding mandatorily convertible preferred stock applied during the current and all prior deferral periods, would exceed 25% of the aggregate principal amount of the Series A-7 Junior Subordinated Debentures (including any additional Series A-7 Junior Subordinated Debentures issued as described under “—Further Issues” below) issued under the junior debt indenture (the “*preferred stock issuance cap*”).

The “*maximum share number*” will equal 200 million and the “*maximum warrant number*” will equal 200 million (or 400 million if we amend the definition of APM qualifying securities to eliminate common stock) if our shareholders approve an increase in the number of our authorized shares of common stock, which we will propose for shareholder vote at our annual meeting of shareholders to take place in 2009. Unless and until such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares, the maximum share number will equal 95 million shares and the maximum warrant number will equal zero and, to the extent permitted by law, we will be required to use commercially reasonable efforts to increase our authorized shares of common stock at future annual meetings of shareholders if approval is not obtained at the 2009 annual meeting. We will not be permitted to amend the definition of APM qualifying securities to eliminate common stock prior to such time as the number of our authorized shares of common stock is increased by at least 1.225 billion shares. On each interest payment date during a deferral period, we will increase the maximum share number, as necessary, for so long as such deferral period is continuing, such that it is at least equal to the number of shares of common stock that we would need to issue to raise sufficient proceeds to pay, assuming a price per share equal to the average of the current market price of shares of our common stock over the ten-trading day period preceding such date, three times the then outstanding deferred interest on the Series A-7 Junior Subordinated Debentures (including compounded interest thereon) up to a maximum of 10 years’ of interest (including compounded interest thereon); *provided* that we will only be required to increase the maximum share number to the extent that such increase does not result in a maximum share number that is greater than the number of “*available shares*.” We will calculate the number of available shares by subtracting from the number of authorized and unissued shares of common stock on such date the maximum number of shares of common stock that can be issued under existing options, warrants, convertible securities, equity-linked contracts, equity compensation plans and other agreements of any type that require us

to issue a determinable maximum number of shares of common stock, including without limitation for the purpose of funding deferred distributions (such maximum number the “*fixed commitments*”). The available shares will be allocated on a *pro rata* basis to our obligations under any similar commitments of ours under which we are required to increase our maximum obligation to issue shares of common stock in comparable circumstances. If the increase in the maximum share number is limited by the number of available shares, to the extent permitted by law, we will use commercially reasonable efforts to obtain shareholder consent at the next annual meeting of our shareholders to increase the number of shares of our authorized common stock so that it is no longer limited. Our failure consistent with applicable law to use commercially reasonable efforts to seek shareholder approval to increase the number of authorized shares would constitute a breach under the junior debt indenture, but would not constitute an event of default under the junior debt indenture or give rise to a right of acceleration or similar remedy. If we amend the definition of APM qualifying securities to eliminate common stock, the foregoing obligations shall apply to the maximum warrant number, assuming a price per qualifying warrant equal to 50% of the average of the current market price of our common stock over the relevant period. For purposes of determining the amounts accruing during any period after May 22, 2018, the interest will be computed by reference to three-month EURIBOR on the calculation date plus a margin equal to 4.450%. We will provide notice to the trustee if we increase the maximum share number or maximum warrant number.

If, as of a date no more than 15 and no less than 10 business days in advance of any interest payment date, we have not raised sufficient eligible proceeds to pay all deferred interest (including compounded interest thereon) on the Series A-7 Junior Subordinated Debentures in accordance with the alternative payment mechanism on such interest payment date as a result of the foregoing limitation, we will provide written certification to the trustee (which the trustee will promptly forward upon receipt to each holder of record of the Series A-7 Junior Subordinated Debentures) of our calculation of the maximum share number or maximum warrant number, as the case may be, the number of authorized and unissued shares of our common stock, the fixed commitments and the number of shares of our common stock issued (or issuable upon exercise of such qualifying warrants) that we have sold pursuant to the alternative payment mechanism during the 180-day period preceding the date of such notice.

Additional Limitations Applicable to the First Five Years of Any Deferral Period

We may become subject to the alternative payment mechanism prior to the fifth anniversary of the commencement of a deferral period if we elect to pay current interest prior to such date. In such event, we are not required to issue shares of common stock or qualifying warrants under the alternative payment mechanism for the purpose of paying deferred interest during the first five years of that deferral period to the extent the number of shares of common stock issued and the number of shares of common stock subject to such qualifying warrants, together with the number of shares of common stock previously issued and the number of shares of common stock subject to qualifying warrants previously issued during such deferral period to pay interest on the Series A-7 Junior Subordinated Debentures pursuant to the alternative payment mechanism would, in the aggregate, exceed 2% of the total number of issued and outstanding shares of our common stock as of the date of our then most recent publicly available consolidated financial statements (the “*stock and warrant issuance cap*”).

Once we reach the stock and warrant issuance cap for a deferral period, we will not be required to issue more shares of common stock or qualifying warrants under the alternative payment mechanism during the first five years of such deferral period even if the stock and warrant issuance cap subsequently increases because of a subsequent increase in the number of outstanding shares of our common stock. The stock and warrant issuance cap will cease to apply after the fifth anniversary of the commencement of any deferral period, at which point we must pay any deferred interest regardless of the time at which it was deferred, using the alternative payment mechanism, subject to the limitations described under “—Obligations and Limitations Applicable to All Deferral Periods” above and any market disruption event. In addition, if the stock and warrant issuance cap is reached during a deferral period and we subsequently pay all deferred interest, the stock and warrant issuance cap will cease to apply at the termination of such deferral period, reset to zero and will not apply again unless and until we start a new deferral period. The preferred stock issuance cap,

however, does not reset to zero even if we pay all deferred interest, and the net proceeds from sales of qualifying non-cumulative preferred stock and then outstanding mandatorily convertible preferred stock applied pursuant to the alternative payment mechanism during such deferral period and all prior deferral periods cumulate as qualifying non-cumulative preferred stock is issued, or so long as mandatorily convertible preferred stock is outstanding, to pay deferred interest.

Remedies and Market Disruptions

Although our failure to comply with our obligations with respect to the alternative payment mechanism will breach a covenant under the junior debt indenture, it will not constitute an event of default thereunder or give rise to a right of acceleration or similar remedy. The remedies of holders of the Series A-7 Junior Subordinated Debentures will be limited in these circumstances as described under “Risk Factors — Holders have limited rights of acceleration.”

If, due to a market disruption event or otherwise, we were able to raise some, but not all, eligible proceeds necessary to pay all deferred interest on any interest payment date, we will apply any available eligible proceeds to pay accrued and unpaid interest on the applicable interest payment date in chronological order based on the date each payment was first deferred, and you will be entitled to receive your *pro rata* share of any amounts so paid. If, in addition to the Series A-7 Junior Subordinated Debentures, other *pari passu* securities (including the outstanding parity securities and, if issued, the U.S. Dollar Debentures and the Sterling Debentures) are outstanding under which we are obligated to sell common stock, qualifying warrants, qualifying non-cumulative preferred stock or mandatorily convertible preferred stock and apply the net proceeds to the payment of deferred interest or distributions, then on any date and for any period the amount of net proceeds received by us from those sales and available for payment of the deferred interest and distributions shall be applied to the Series A-7 Junior Subordinated Debentures and those other *pari passu* securities on a *pro rata* basis up to, in the case of common stock, the stock and warrant issuance cap and the maximum share number, in the case of qualifying warrants, the stock and warrant issuance cap and the maximum warrant number, in the case of mandatorily convertible preferred stock, the maximum share number and the preferred stock issuance cap, and, in the case of qualifying non-cumulative preferred stock, the preferred stock issuance cap (or comparable provisions in the instruments governing those *pari passu* securities) in proportion to the total amounts that are due on the Series A-7 Junior Subordinated Debentures and such *pari passu* securities. The Series A-7 Junior Subordinated Debentures and the outstanding parity securities all permit, and the U.S. Dollar Debentures and the Sterling Debentures, if issued, will permit, *pro rata* payments to be made on any other series so long as we deposit with our paying agent or segregate and hold in trust for payment the *pro rata* proceeds applicable to such series that we have not paid.

Market Disruption Events

A “*market disruption event*” means, for purposes of sales of APM qualifying securities pursuant to the alternative payment mechanism or sales of qualifying capital securities pursuant to “—Repayment of Principal—Scheduled Maturity Date” below, as applicable (collectively, the “*permitted securities*”), the occurrence or existence of any of the following events or sets of circumstances:

- trading in securities generally (or in our shares specifically) on the New York Stock Exchange or any other national securities exchange, or in the over-the-counter market, on which our capital stock is then listed or traded shall have been suspended or its settlement generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the relevant regulatory body or governmental agency having jurisdiction that materially disrupts or otherwise has a material adverse effect on trading in, or the issuance and sale of, permitted securities;
- we would be required to obtain the consent or approval of our stockholders or a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue permitted securities and we fail to obtain that consent or approval notwithstanding our commercially reasonable efforts to obtain that consent or approval;

- an event occurs and is continuing as a result of which the offering document for the offer and sale of permitted securities would, in our reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading, *provided* that (1) one or more events described under this bullet point shall not constitute a market disruption event with respect to a period of more than 90 days in any 180-day period and (2) multiple suspension periods contemplated by this bullet point shall not exceed an aggregate of 180 days in any 360-day period;
- we reasonably believe that the offering document for the offer and the sale of permitted securities would not be in compliance with a rule or regulation of the Securities and Exchange Commission (for reasons other than those referred to in the immediately preceding bullet point) and we are unable to comply with such rule or regulation or such compliance is unduly burdensome, *provided* that (1) one or more events described under this bullet point shall not constitute a market disruption event with respect to a period of more than 90 days in any 180-day period and (2) multiple suspension periods contemplated by this bullet point shall not exceed an aggregate of 180 days in any 360-day period;
- a banking moratorium shall have been declared by the federal or state authorities of the United States that results in a material disruption of any of the markets on which our permitted securities are trading;
- a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States;
- the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in our capital stock has been materially disrupted; or
- there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, or the effect of international conditions on the financial markets in the United States, that materially disrupts the capital markets such as to make it, in our judgment, impracticable or inadvisable to proceed with the offer and sale of the permitted securities.

We will be excused from our obligations under the alternative payment mechanism in respect of any interest payment date if we provide written certification to the indenture trustee (which the indenture trustee will promptly forward upon receipt to each holder of record of Series A-7 Junior Subordinated Debentures) no more than 30 and no less than 10 business days in advance of that interest payment date certifying that:

- a market disruption event occurred after the immediately preceding interest payment date; and
- either (a) the market disruption event continued for the entire period from the business day immediately following the preceding interest payment date to the business day immediately preceding the date on which that certification is provided or (b) the market disruption event continued for only part of this period, but we were unable after commercially reasonable efforts to raise sufficient eligible proceeds during the rest of that period to pay all accrued and unpaid interest.

We will not be excused from our obligations under the alternative payment mechanism or our obligations in connection with the repayment of principal described under “—Repayment of Principal—Scheduled Maturity Date” below if we determine not to pursue or complete the sale of permitted securities due to pricing, dividend rate or dilution considerations.

Repayment of Principal

Scheduled Maturity Date

We must repay the principal amount of the Series A-7 Junior Subordinated Debentures, together with accrued and unpaid interest, on May 22, 2038, or if that date is not a business day, the next business day (“*scheduled maturity date*”), subject to the limitations described below.

Our obligation to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date is limited. We are required to repay the Series A-7 Junior Subordinated Debentures on the scheduled maturity date only to the extent of the “applicable percentage” of the net proceeds we have received from the issuance of “qualifying capital securities,” as these terms are defined under “Replacement Capital Covenant,” that we have sold during a 180-day period ending on a notice date not more than 30 or less than 10 business days prior to such date. If we have not sold sufficient qualifying capital securities to permit repayment of all principal and accrued and unpaid interest on the Series A-7 Junior Subordinated Debentures on the scheduled maturity date, the unpaid amount will remain outstanding from interest payment date to interest payment date until we have raised sufficient proceeds to permit repayment in full in accordance with this obligation, an event of default which results in acceleration of the Series A-7 Junior Subordinated Debentures occurs or the final maturity date on May 22, 2068.

We agree in the junior debt indenture to use our commercially reasonable efforts (except as described below) to sell sufficient qualifying capital securities in a 180-day period ending on a notice date not more than 30 and not less than 10 business days prior to the scheduled maturity date to permit repayment of the Series A-7 Junior Subordinated Debentures in full on this date in accordance with the above requirement. We further agree in the junior debt indenture that if we are unable for any reason to sell sufficient qualifying capital securities to permit payment in full on the scheduled maturity date, we will use our commercially reasonable efforts (except as described below) to sell sufficient qualifying capital securities to permit repayment on the next interest payment date, and on each interest payment date thereafter until the Series A-7 Junior Subordinated Debentures are repaid in full or redeemed, an event of default resulting in their acceleration occurs or the final maturity date occurs. Our failure to use our commercially reasonable efforts to sell a sufficient amount of qualifying capital securities would be a breach of covenant under the junior debt indenture; however, such breach will not be an event of default thereunder. See “Risk Factors—Holders have limited rights of acceleration.”

We are not required under the junior debt indenture to use commercially reasonable efforts to issue any securities other than qualifying capital securities in connection with the above obligation.

We will issue to holders a notice of repayment at least 10 but not more than 15 days before the scheduled repayment date. If any Series A-7 Junior Subordinated Debentures are to be repaid in part only, the notice of repayment will state the portion of the principal amount thereof to be repaid.

We may amend or supplement the replacement capital covenant from time to time with the consent of the holders of the specified series of indebtedness benefiting from the replacement capital covenant, *provided* that no such consent shall be required if any of the following apply (it being understood that any such amendment or supplement may fall into one or more of the following): (i) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as “replacement capital securities,” as described under “Replacement Capital Covenant” below, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate to that effect, (ii) such amendment or supplement is not materially adverse to the covered debtholders, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not materially adverse to the covered debtholders, or (iii) such amendment or supplement eliminates common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities if, after the date of this offering memorandum, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an

insubstantial risk that the failure to eliminate common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States. For this purpose, an amendment or supplement that adds new types of securities qualifying as replacement capital securities or modifies the requirements of securities qualifying as replacement capital securities will not be deemed materially adverse to the covered debtholders if, following such amendment or supplement, the replacement capital covenant would constitute a “qualifying replacement capital covenant,” as described under “Replacement Capital Covenant” below.

We generally may amend or supplement the replacement capital covenant without the consent of the holders of the Series A-7 Junior Subordinated Debentures. With respect to qualifying capital securities, on the other hand, we have agreed in the junior debt indenture that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or purchase of the Series A-7 Junior Subordinated Debentures is permitted, except with the consent of holders of a majority by principal amount of the Series A-7 Junior Subordinated Debentures.

Any unpaid amounts on the Series A-7 Junior Subordinated Debentures that remain outstanding beyond the scheduled maturity date will continue to bear interest at a rate equal to three-month EURIBOR plus 4.450% and we will continue to pay quarterly interest on the Series A-7 Junior Subordinated Debentures after the scheduled maturity date, subject to our rights and obligations under “—Option to Defer Interest Payments” and “—Alternative Payment Mechanism” above.

“*Commercially reasonable efforts*” to sell our qualifying capital securities means commercially reasonable efforts to complete the offer and sale of our qualifying capital securities to third parties that are not subsidiaries of ours in public offerings or private placements. We will not be considered to have made commercially reasonable efforts to effect a sale of qualifying capital securities if we determine to not pursue or complete such sale due to pricing, coupon, dividend rate or dilution considerations.

We will be excused from our obligation under the junior debt indenture to use commercially reasonable efforts to sell qualifying capital securities to permit repayment of the Series A-7 Junior Subordinated Debentures if we provide written certification to the indenture trustee (which certification will be forwarded to each holder of record of Series A-7 Junior Subordinated Debentures) no more than 30 and no less than 10 business days in advance of the required repayment date certifying that:

- a market disruption event was existing at any time during the period commencing 180 days prior to the date on which certification is provided or, in the case of any required repayment date after the scheduled maturity date, commencing on the immediately preceding interest payment date and ending on the business day immediately preceding the date on which the certification is provided; and
- either (a) the market disruption event continued for the entire 180-day period or the period since the most recent interest payment date, as the case may be, or (b) the market disruption event continued for only part of the period, but we were unable after commercially reasonable efforts to raise sufficient net proceeds during the rest of that period to permit repayment of the Series A-7 Junior Subordinated Debentures in full.

Payments in respect of the Series A-7 Junior Subordinated Debentures on and after the scheduled maturity date will be applied, first, to deferred interest to the extent of eligible proceeds under the alternative payment mechanism, second, to current interest and, third, to repay the principal of the Series A-7 Junior Subordinated Debentures; *provided* that if we are obligated to sell qualifying capital securities and repay any outstanding *pari passu* securities in addition to the Series A-7 Junior Subordinated Debentures, then on any date and for any period such payments shall be applied:

- first, to any *pari passu* securities having an earlier scheduled maturity date than the Series A-7 Junior Subordinated Debentures, until the principal of and all accrued and unpaid interest on those securities has been paid in full; and

- second, to the Series A-7 Junior Subordinated Debentures and any other *pari passu* securities having the same scheduled maturity date as the Series A-7 Junior Subordinated Debentures *pro rata* in accordance with their respective outstanding principal amounts.

None of such payments shall be applied to any other *pari passu* securities having a later scheduled maturity date until the principal of and all accrued and unpaid interest on the Series A-7 Junior Subordinated Debentures has been paid in full (except to the extent permitted under “—Dividend and Other Payment Stoppages during Interest Deferral and under Certain Other Circumstances” and the last paragraph under “—Alternative Payment Mechanism—Remedies and Market Disruptions” above). If we raise less than \$5 million of net proceeds from the sale of qualifying capital securities during the relevant 180-day or three-month period, we will not be required to repay any Series A-7 Junior Subordinated Debentures on the scheduled maturity date or the next quarterly interest payment date, as applicable. On the next interest payment date as of which we have raised at least \$5 million of net proceeds during the 180-day period preceding the applicable notice date (or, if shorter, the period since we last repaid any principal amount of Series A-7 Junior Subordinated Debentures), we will be required to repay a principal amount of Series A-7 Junior Subordinated Debentures equal to the applicable percentage of the net proceeds from the sale of qualifying capital securities during such 180-day or shorter period.

Final Maturity Date

Any principal amount of the Series A-7 Junior Subordinated Debentures, together with accrued and unpaid interest, will be due and payable on May 22, 2068 (or, if such day is not a business day, the following business day), which is the final maturity date for the Series A-7 Junior Subordinated Debentures, regardless of the amount of qualifying capital securities we have issued and sold by that time. At that time, we may repay the Series A-7 Junior Subordinated Debentures with any monies available to us. If we repay the Series A-7 Junior Subordinated Debentures prior to the final maturity date when any deferred interest remains unpaid, the unpaid deferred interest (including compounded interest thereon) may only be paid pursuant to the alternative payment mechanism described above under “—Alternative Payment Mechanism.”

Limitation on Claims in the Event of Our Bankruptcy, Insolvency or Receivership

The junior debt indenture provides that a holder of Series A-7 Junior Subordinated Debentures, by that holder’s acceptance of the Series A-7 Junior Subordinated Debentures, agrees that in the event of our bankruptcy, insolvency or receivership prior to the redemption or repayment of such holder’s Series A-7 Junior Subordinated Debentures, that holder of Series A-7 Junior Subordinated Debentures will only have a claim for deferred and unpaid interest (including compounded interest thereon) to the extent such interest (including compounded interest thereon) relates to the earliest two years of the portion of the deferral period for which interest has not been paid. See “Risk Factors—Your claims in bankruptcy, insolvency and receivership to receive payment in respect of deferred interest may be limited,” for a further discussion of this limitation of rights.

Early Redemption

The Series A-7 Junior Subordinated Debentures:

- are redeemable, in whole but not in part, at our option or upon the occurrence of a “rating agency event” or a “tax event,” at any time prior to May 22, 2018, at a make-whole redemption price, as described below;
- are redeemable in whole or in part, at our option, on any interest payment date on or after May 22, 2018, at 100% of the principal amount of the Series A-7 Junior Subordinated Debentures, plus accrued and unpaid interest to the date of redemption;
- are redeemable at any time, in whole but not in part, if we become obligated to pay additional amounts, other than as a result of an event that would, upon receipt of the opinion of counsel

required under the definition of “tax event,” constitute a tax event, as described below under “—Additional Amounts”; and

- are not subject to any sinking fund, a holder’s right to require us to purchase such holder’s Series A-7 Junior Subordinated Debentures or similar provisions;

provided that any redemption of Series A-7 Junior Subordinated Debentures will be subject to the restrictions described under “Replacement Capital Covenant” below.

- In the case of a redemption on or after May 22, 2018, or if prior to such date we become obligated to pay “additional amounts” other than as a result of an event that would, upon receipt of the opinion of counsel required under the definition of “tax event,” constitute a tax event, the redemption price will be equal to 100% of the principal amount of the Series A-7 Junior Subordinated Debentures, plus accrued and unpaid interest thereon to the date of redemption.

In the case of a redemption prior to May 22, 2018, the make-whole redemption price will be equal to:

- 100% of the principal amount of the Series A-7 Junior Subordinated Debentures; or
- as determined by the calculation agent, if greater, the sum of the present values of the remaining scheduled payments of principal (assuming for this purpose that the Series A-7 Junior Subordinated Debentures are to be redeemed at their principal amount on May 22, 2018) discounted from May 22, 2018, and interest thereon that would have been payable to and including May 22, 2018 (not including any portion of any payment of interest accrued to the redemption date) discounted from the relevant interest payment date to the redemption date on an annual basis at the then current yield on the comparable Bundesobligationen issue plus 0.50%;

plus, in either case, accrued and unpaid interest on the Series A-7 Junior Subordinated Debentures to the date of redemption.

If we redeem or repay the Series A-7 Junior Subordinated Debentures prior to the final maturity date when any deferred interest remains unpaid, the unpaid deferred interest (including compounded interest thereon) may only be paid pursuant to the alternative payment mechanism, as described under “—Alternative Payment Mechanism.”

The definitions of certain terms used in the second preceding paragraph above are listed below.

“*Comparable Bundesobligationen issue*” means the 4.00% German Bundesobligationen due January 4, 2018, or, if such security is no longer in issue, the German Bundesobligationen security selected by an independent investment bank selected by the calculation agent as having a maturity comparable to the term remaining from the redemption date to May 22, 2018 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity.

For purposes of the above, a “*tax event*” means that we have requested and received an opinion of counsel experienced in such matters to the effect that, as a result of any:

- amendment to or change in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or becomes effective after the date of this offering memorandum;
- proposed change in those laws or regulations that is announced after the date of this offering memorandum;
- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the date of this offering memorandum; or

- threatened challenge asserted in connection with an audit of us, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Series A-7 Junior Subordinated Debentures;

there is more than an insubstantial risk that interest payable by us on the Series A-7 Junior Subordinated Debentures is not, or will not be, deductible by us, in whole or in part, for United States federal income tax purposes.

For purposes of the above, a “*rating agency event*” means that any “rating agency” amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series A-7 Junior Subordinated Debentures, which amendment, clarification or change results in:

- the shortening of the length of time the Series A-7 Junior Subordinated Debentures are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the issue date of the Series A-7 Junior Subordinated Debentures, or
- the lowering of the equity credit (including up to a lesser amount) assigned to the Series A-7 Junior Subordinated Debentures by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the issue date of the Series A-7 Junior Subordinated Debentures.

A “*rating agency*” means any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act (or any successor provision), that publishes a rating for us on the relevant date.

If less than all of the Series A-7 Junior Subordinated Debentures are to be redeemed at any time, selection of Series A-7 Junior Subordinated Debentures for redemption will be made by the indenture trustee on a *pro rata* basis, by lot or by such method as the indenture trustee deems fair and appropriate.

We will issue to holders a notice of redemption at least 10 but not more than 60 days before the redemption date. If any Series A-7 Junior Subordinated Debentures are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. A new Series A-7 Junior Subordinated Debenture in principal amount equal to the unredeemed portion thereof will be issued and delivered to the indenture trustee, or its nominee, or, in the case of Series A-7 Junior Subordinated Debentures in definitive form, issued in the name of the holder thereof, in each case upon cancellation of the original Series A-7 Junior Subordinated Debenture.

Additional Amounts

Subject to the exemptions and limitations set forth below, we will pay additional amounts (“*additional amounts*”) on the Series A-7 Junior Subordinated Debentures with respect to any beneficial owner of the Series A-7 Junior Subordinated Debentures that is a non-U.S. person to ensure that each net payment to that non-U.S. person on the Series A-7 Junior Subordinated Debentures that it beneficially owns will not be less, due to the payment of U.S. withholding tax, than the amount then otherwise due and payable. For this purpose, a “*net payment*” on a Series A-7 Junior Subordinated Debenture means a payment by us or any paying agent, including payment of principal and interest, after deduction for any present or future U.S. tax, assessment, or other governmental charge on the additional amounts. As used herein, “U.S.” means the United States of America, including each state of the United States and the District of Columbia, its territories, its possessions, and other areas within its jurisdiction. Additional amounts are included in the interest on the Series A-7 Junior Subordinated Debentures.

We will not be required to make any payment of any tax, assessment or other governmental charge imposed by any government, political subdivision, or taxing authority of that government, except as provided in the prior paragraph. In addition, if we become obligated to pay additional amounts, other than as a result of an event that would, upon receipt of the opinion of counsel required under the definition of “tax event,” constitute a tax event, we may redeem the Series A-7 Junior Subordinated Debentures at any time in whole

but not in part at 100% of their principal amount plus accrued and unpaid interest through the date of redemption as described above under “—Early Redemption.”

We will not be required to pay additional amounts, however, in any of the circumstances described in items (1) through (13) below.

- (1) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner:
 - having a relationship with the U.S. as a citizen, resident, or otherwise;
 - having had such a relationship in the past; or
 - being considered as having had such a relationship.
- (2) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner:
 - being treated as present in or engaged in a trade or business in the U.S.;
 - being treated as having been present in or engaged in a trade or business in the U.S. in the past; or
 - having or having had a permanent establishment in the U.S.
- (3) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner being or having been a:
 - personal holding company;
 - foreign private foundation or other foreign tax-exempt organization;
 - passive foreign investment company;
 - controlled foreign corporation; or
 - corporation that has accumulated earnings to avoid U.S. federal income tax.
- (4) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner owning or having owned, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote.
- (5) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld solely by reason of the beneficial owner being a bank (i) purchasing Series A-7 Junior Subordinated Debentures in the ordinary course of its lending business or (ii) that is neither (A) buying the Series A-7 Junior Subordinated Debentures for investment purposes only nor (B) buying the Series A-7 Junior Subordinated Debentures for resale to a third-party that either is not a bank or holding the Series A-7 Junior Subordinated Debentures for investment purposes only.

For purposes of items (1) through (5) above, “*beneficial owner*” includes a fiduciary, settlor, partner, member, shareholder or beneficiary of the holder if the holder is an estate, trust, partnership, limited liability company, corporation or other entity, or a person holding a power over an estate or trust administered by a fiduciary holder.

- (6) Additional amounts will not be payable to any beneficial owner of a Series A-7 Junior Subordinated Debenture that is:
- a fiduciary;
 - a partnership;
 - a limited liability company;
 - another fiscally transparent entity; or
 - not the sole beneficial owner of the Series A-7 Junior Subordinated Debenture, or any portion of the Series A-7 Junior Subordinated Debenture.

However, this exception to the obligation to pay additional amounts will apply only to the extent that a beneficiary or settlor in relation to the fiduciary, or a beneficial owner, partner, or member of the partnership, limited liability company or other fiscally transparent entity, would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner, partner, or member received directly its beneficial or distributive share of the payment.

- (7) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure of the beneficial owner or any other person to comply with applicable certification, identification, documentation or other information reporting requirements. This exception to the obligation to pay additional amounts will apply only if compliance with these reporting requirements is required as a precondition to exemption from such tax, assessment or other governmental charge by statute or regulation of the U.S. or by an applicable income tax treaty to which the U.S. is a party.
- (8) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is collected or imposed by any method other than by withholding from a payment on the applicable Series A-7 Junior Subordinated Debentures by us or any withholding agent (within the meaning of the applicable rules).
- (9) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is imposed or withheld by reason of the presentation by the beneficial owner for payment more than 30 days after the date on which such payment becomes due or is duly provided for, whichever occurs later.
- (10) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any:
- estate tax;
 - inheritance tax;
 - gift tax;
 - sales tax;
 - excise tax;
 - transfer tax;
 - wealth tax;
 - personal property tax; or
 - similar tax, assessment, withholding, deduction or other governmental charge.

- (11) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge required to be withheld by any withholding agent (within the meaning of the applicable rules) from a payment of principal or interest on the Series A-7 Junior Subordinated Debentures if that payment can be made without such withholding by any other withholding agent.
- (12) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any tax, assessment or other governmental charge that is required to be made pursuant to any EU Directive on the taxation of savings income or any law implementing or complying with, or introduced to conform to, any such Directive.
- (13) Additional amounts will not be payable if a payment on the Series A-7 Junior Subordinated Debentures is reduced as a result of any combination of items (1) through (12) above.

As used in this offering memorandum the term “*non-U.S. person*” means any person who, for U.S. federal income tax purposes is:

- a nonresident alien individual;
- a foreign corporation;
- a foreign partnership, one or more of the members of which, for U.S. federal income tax purposes, is a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust; or
- a nonresident alien fiduciary of an estate or trust that is not subject to U.S. federal income tax on a net income basis on income or gain from a Series A-7 Junior Subordinated Debenture.

Events of Default

The following events are “*events of default*” with respect to the Series A-7 Junior Subordinated Debentures:

- default in the payment of interest, including compounded interest, in full on any Series A-7 Junior Subordinated Debenture for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period if such deferral period has not ended prior to the conclusion of such 10-year period; or
- default in the payment of the principal on any Series A-7 Junior Subordinated Debenture at the final maturity date or upon a call for redemption; or
- certain events of bankruptcy, insolvency and reorganization involving AIG (but not including its subsidiaries).

Remedies If an Event of Default Occurs

All remedies available upon the occurrence of an event of default under the junior debt indenture will be subject to the restrictions described below under “—Subordination.” If an event of default occurs, the indenture trustee will have special duties. In that situation, the indenture trustee will be obligated to use its rights and powers under the junior debt indenture, and to use the same degree of care and skill in doing so that a prudent person would use in that situation in conducting his or her own affairs. If an event of default of the type described in the first bullet point in the definition of that term has occurred and has not been cured, the indenture trustee or the holders of at least 25% in principal amount of the Series A-7 Junior Subordinated Debentures may declare the entire principal amount of all the then outstanding Series A-7 Junior Subordinated Debentures to be due and immediately payable. This is called a declaration of acceleration of maturity. If an event of default described in the third bullet point in the definition has occurred, the principal amount of all then outstanding Series A-7 Junior Subordinated Debentures will immediately become due and payable. In the case of any other default or breach of the junior debt indenture by AIG, including an event of default under

the second bullet point in the definition of that term, there is no right to declare the principal amount of the Series A-7 Junior Subordinated Debentures immediately due and payable.

The holders of a majority in aggregate outstanding principal amount of Series A-7 Junior Subordinated Debentures may, on behalf of the holders of all the Series A-7 Junior Subordinated Debentures, waive any default or event of default, except an event of default under the second or third bullet point above or a default with respect to a covenant or provision which under the junior debt indenture cannot be modified or amended without the consent of the holder of each outstanding Series A-7 Junior Subordinated Debenture.

Except in cases of an event of default, where the indenture trustee has the special duties described above, the indenture trustee is not required to take any action under the junior debt indenture at the request of any holders unless the holders offer the indenture trustee reasonable protection from expenses and liability called an indemnity. If indemnity reasonably satisfactory to the indenture trustee is provided, the holders of a majority in principal amount of the outstanding Series A-7 Junior Subordinated Debentures may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the indenture trustee. These majority holders may also direct the indenture trustee in performing any other action under the junior debt indenture with respect to the Series A-7 Junior Subordinated Debentures.

Before you bypass the indenture trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests under the junior debt indenture, the following must occur:

- a holder of the Series A-7 Junior Subordinated Debenture must give the indenture trustee written notice that an event of default has occurred and remains uncured;
- the holders of 25% in principal amount of all Series A-7 Junior Subordinated Debentures must make a written request that the indenture trustee take action because of the default, and they must offer reasonable indemnity to the indenture trustee against the cost, expenses and liabilities of taking that action; and
- the indenture trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity.

We will give to the indenture trustee every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the junior debt indenture, or else specifying any default.

Subordination

Holders of the Series A-7 Junior Subordinated Debentures should recognize that contractual provisions in the junior debt indenture may prohibit us from making payments on the Series A-7 Junior Subordinated Debentures. The Series A-7 Junior Subordinated Debentures are subordinate and junior in right of payment, to the extent and in the manner stated in the junior debt indenture, to all of our senior debt, as defined in the junior debt indenture.

The junior debt indenture defines “*senior debt*” as all indebtedness and obligations of, or guaranteed or assumed by, us:

- for borrowed money;
- evidenced by bonds, debentures, notes or other similar instruments; and
- that represent obligations to policyholders of insurance or investment contracts;

in each case, whether existing now or in the future, and all amendments, renewals, extensions, modifications and refundings of any indebtedness or obligations of that kind. Senior debt will also include any subordinated or junior subordinated debt that by its terms is not expressly *pari passu* or subordinated to the Series A-7 Junior Subordinated Debentures; all guarantees of securities issued by any trust, partnership or other entity affiliated with us that is, directly or indirectly, our financing vehicle; and intercompany debt. The Series A-7 Junior Subordinated Debentures will rank *pari passu* with the outstanding parity securities and, if issued, the

other parity securities. Upon a successful remarketing of a series of junior subordinated debentures issued as part of the Equity Units, such junior subordinated debentures will cease to be subordinated and will become senior debt. The junior debt indenture does not restrict or limit in any way our ability to incur senior debt. As of March 31, 2008, we had approximately \$98.02 billion of outstanding senior debt.

Senior debt excludes:

- trade accounts payable and accrued liabilities arising in the ordinary course of business; and
- any indebtedness, guarantee or other obligation that is specifically designated as being subordinate, or not superior, in right of payment to the Series A-7 Junior Subordinated Debentures (including the outstanding parity securities and, if issued, the other parity securities).

The junior debt indenture provides that, unless all principal of and any premium or interest on the senior debt has been paid in full, no payment or other distribution may be made with respect to any Series A-7 Junior Subordinated Debentures in the following circumstances:

- in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization, assignment for creditors or other similar proceedings or events involving us or our assets; or
- any event of default with respect to any senior debt for borrowed money having at the relevant time an aggregate outstanding principal amount of at least \$100 million has occurred and is continuing and has been accelerated (unless the event of default has been cured or waived or ceased to exist and such acceleration has been rescinded); or
- in the event the Series A-7 Junior Subordinated Debentures have been declared due and payable prior to the final maturity date.

If the indenture trustee under the junior debt indenture or any holders of the Series A-7 Junior Subordinated Debentures receive any payment or distribution that is prohibited under the subordination provisions, then the indenture trustee or the holders will have to repay that money to the holders of the senior debt.

The subordination provisions do not prevent the occurrence of an event of default. This means that the indenture trustee under the junior debt indenture and the holders of the Series A-7 Junior Subordinated Debentures can take action against us, but they will not receive any money until the claims of the holders of senior debt have been fully satisfied.

Defeasance

Subject to compliance with the replacement capital covenant, the following discussion of defeasance will be applicable to the Series A-7 Junior Subordinated Debentures until May 22, 2018. Upon a full defeasance or covenant defeasance, the subordination provisions applicable to the Series A-7 Junior Subordinated Debentures would cease to apply.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from any payment or other obligations on the Series A-7 Junior Subordinated Debentures, called full defeasance, if the following conditions are met:

- We must deposit in trust for the benefit of all holders of the Series A-7 Junior Subordinated Debentures a combination of money and notes or bonds of the Federal Republic of Germany or an agency or government-sponsored entity thereof (the obligations of which are backed by the full faith and credit of the Federal Republic of Germany) that will generate enough cash to make interest, principal and any other payments on the Series A-7 Junior Subordinated Debentures on their various due dates.

- There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on the Series A-7 Junior Subordinated Debentures any differently than if we did not make the deposit. Under current U.S. federal tax law, the deposit and our legal release from the obligations pursuant to the Series A-7 Junior Subordinated Debentures would be treated as though we took back the Series A-7 Junior Subordinated Debentures and gave the holders their share of the cash and notes or bonds deposited in trust. In that event, a holder could recognize gain or loss on the Series A-7 Junior Subordinated Debentures such holder is deemed to have given back to us.
- We must deliver to the indenture trustee a legal opinion of our counsel confirming the tax law change described above.
- No event or condition may exist that, under the provisions described above under “— Subordination,” would prevent us from making payments of principal, premium or interest on the Series A-7 Junior Subordinated Debentures on the date of the deposit referred to above or during the 90 days after that date.

If we ever did accomplish full defeasance, as described above, a holder would have to rely solely on the trust deposit for repayment on the Series A-7 Junior Subordinated Debentures. Such holders could not look to us for repayment in the unlikely event of any shortfall.

Covenant Defeasance

Under current U.S. federal tax law, we can make the same type of deposit as described above and we will be released from some of the restrictive covenants under the Series A-7 Junior Subordinated Debentures. This is called covenant defeasance. In that event, holders would lose the protection of these covenants but would gain the protection of having money and notes or bonds of the government or government agencies of the Federal Republic of Germany set aside in trust to repay the Series A-7 Junior Subordinated Debentures. In order to achieve covenant defeasance, we must do the following:

- Deposit in trust for the benefit of all holders of the Series A-7 Junior Subordinated Debentures a combination of money and notes or bonds of the Federal Republic of Germany or an agency or government-sponsored entity thereof (the obligations of which are backed by the full faith and credit of the Federal Republic of Germany) that will generate enough cash to make interest, principal and any other payments on the Series A-7 Junior Subordinated Debentures on their various due dates.
- Deliver to the indenture trustee a legal opinion of our counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing the holders to be taxed on the Series A-7 Junior Subordinated Debentures any differently than if we did not make the deposit.

If we accomplish covenant defeasance, a holder of the Series A-7 Junior Subordinated Debentures can still look to us for repayment of the Series A-7 Junior Subordinated Debentures if there were a shortfall in the trust deposit. In fact, if an event of default occurred (such as a bankruptcy) and the Series A-7 Junior Subordinated Debentures became immediately due and payable, there could be such a shortfall.

Form, Exchange and Transfer

The Series A-7 Junior Subordinated Debentures will be issued in fully registered form and in denominations that are even multiples of €50,000.

Since the Series A-7 Junior Subordinated Debentures will be initially issued as one or more global securities, only the common depositary for Euroclear and Clearstream will be entitled to transfer and exchange any global security as described in this subsection, since the common depositary or its nominee will be the sole holder of that global security. Those who own beneficial interests in a global security do so through participants in Euroclear and Clearstream, and the rights of these indirect owners will be governed solely by

the applicable procedures of the depositary and its participants. We describe book-entry procedures below under “Legal Ownership and Book-Entry Issuance.”

Holders may have their Series A-7 Junior Subordinated Debentures broken into more Series A-7 Junior Subordinated Debentures of smaller denominations of not less than €50,000 or combined into fewer Series A-7 Junior Subordinated Debentures of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

Subject to the restrictions relating to Series A-7 Junior Subordinated Debentures represented by global securities, holders may exchange or transfer Series A-7 Junior Subordinated Debentures at the office of the indenture trustee. They may also replace lost, stolen or mutilated Series A-7 Junior Subordinated Debentures at that office. The indenture trustee acts as our agent for registering Series A-7 Junior Subordinated Debentures in the names of holders and transferring Series A-7 Junior Subordinated Debentures. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers. The indenture trustee’s agent may require an indemnity before replacing any Series A-7 Junior Subordinated Debentures.

Holders will not be required to pay a service charge to transfer or exchange Series A-7 Junior Subordinated Debentures, but holders may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

In the event of any redemption, neither we nor the indenture trustee will be required to:

- issue, register the transfer of or exchange Series A-7 Junior Subordinated Debentures during the period beginning at the opening of business 15 days before the day of selection for redemption of Series A-7 Junior Subordinated Debentures and ending at the close of business on the day of mailing of the relevant notice of redemption; and
- transfer or exchange any Series A-7 Junior Subordinated Debentures so selected for redemption, except, in the case of any Series A-7 Junior Subordinated Debentures being redeemed in part, any portion thereof not being redeemed.

Payment and Paying Agents

The paying agent for the Series A-7 Junior Subordinated Debentures will initially be the indenture trustee.

Notices

We and the indenture trustee will send notices regarding the Series A-7 Junior Subordinated Debentures only to holders, using their addresses as listed in the indenture trustee’s records.

Restrictions on Transfer; Legends

The Series A-7 Junior Subordinated Debentures will be subject to certain restrictions on transfer as set forth under “Notice to Investors.”

Payment of Stamp and Other Taxes

We will pay all stamp and other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of the Series A-7 Junior Subordinated Debentures to the Initial Purchasers. We will not be required to make any payment with respect to any other tax, assessment or governmental charge imposed by any government or any political subdivision thereof or taxing authority thereof or therein, including upon resale by the Initial Purchasers.

Further Issues

We have the right to issue additional Series A-7 Junior Subordinated Debentures in the future, *provided* that the total principal amount of Series A-7 Junior Subordinated Debentures outstanding may not exceed €1,250,000,000 and any further issues must be fungible for United States federal income tax purposes. Any such additional Series A-7 Junior Subordinated Debentures will have the same terms as the Series A-7 Junior Subordinated Debentures being offered by this offering memorandum but may be offered at a different offering price and accrue interest from a different date than the Series A-7 Junior Subordinated Debentures being offered hereby. If issued, any such additional Series A-7 Junior Subordinated Debentures will become part of the same series as the Series A-7 Junior Subordinated Debentures being offered hereby.

Governing Law

The Series A-7 Junior Subordinated Debentures are governed by and will be construed in accordance with the laws of the State of New York.

Prescription

The Series A-7 Junior Subordinated Debentures are not subject to any prescription provisions with regard to claims against AIG for payment.

Credit Ratings

We expect that the Series A-7 Junior Subordinated Debentures will be rated “A” (CreditWatch with negative implications) by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, “Aa3” (on review for possible downgrade) by Moody’s Investor Service and “A+” (negative rating outlook) by Fitch Ratings. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Special Situations

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease substantially all of our assets to another firm. However, we may not take any of these actions unless all the following conditions are met:

- When we merge or consolidate out of existence or sell or lease substantially all of our assets, the other firm may not be organized under a foreign country’s laws, that is, it must be a corporation, partnership or trust organized under the laws of a state of the United States or the District of Columbia or under federal law, and it must agree to be legally responsible for the Series A-7 Junior Subordinated Debentures.
- The merger, sale of assets or other transaction must not cause a default on the Series A-7 Junior Subordinated Debentures, and we must not already be in default (unless the merger or other transaction would cure the default). For purposes of this no-default test, a default would include an event of default that has occurred and not been cured. A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

If the conditions described above are satisfied with respect to Series A-7 Junior Subordinated Debentures, we will not need to obtain the approval of the holders of Series A-7 Junior Subordinated Debentures in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets. It is possible that this type of transaction may result in a reduction in our credit

rating or may reduce our operating results or impair our financial condition. Holders of the Series A-7 Junior Subordinated Debentures, however, will have no approval rights with respect to any transaction of this type.

Modification and Waiver of the Series A-7 Junior Subordinated Debentures

There are four types of changes we can make to the junior debt indenture and the Series A-7 Junior Subordinated Debentures.

Changes Requiring Approval of All Holders. First, there are changes that cannot be made to the Series A-7 Junior Subordinated Debentures without specific approval of each holder of the Series A-7 Junior Subordinated Debentures affected by the change. Following is a list of those types of changes:

- change the stated maturity or interest payable on the Series A-7 Junior Subordinated Debentures;
- reduce any amounts due on the Series A-7 Junior Subordinated Debentures;
- reduce the amount of principal payable upon acceleration of the maturity of the Series A-7 Junior Subordinated Debentures following an event of default;
- change the currency of payment on the Series A-7 Junior Subordinated Debentures;
- impair a holder's right to sue for payment;
- reduce the percentage of holders of the Series A-7 Junior Subordinated Debentures whose consent is needed to modify or amend the junior debt indenture;
- reduce the percentage of holders of the Series A-7 Junior Subordinated Debentures whose consent is needed to waive compliance with certain provisions of the junior debt indenture or to waive certain defaults;
- modify any other aspect of the provisions dealing with modification and waiver of the junior debt indenture.

We may, with the indenture trustee's consent, execute, without the consent of any holder of the Series A-7 Junior Subordinated Debentures, any supplemental indenture for the purpose of creating any new series of junior subordinated debentures.

Changes Requiring a Majority Vote. The second type of change to the junior debt indenture and the Series A-7 Junior Subordinated Debentures is the kind that requires a vote in favor by holders of the Series A-7 Junior Subordinated Debentures owning a majority of the principal amount of the Series A-7 Junior Subordinated Debentures. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect in any material respect holders of the Series A-7 Junior Subordinated Debentures. We may also obtain a waiver of a past default from the holders of the Series A-7 Junior Subordinated Debentures owning a majority of the principal amount of the Series A-7 Junior Subordinated Debentures. However, we cannot obtain a waiver of a payment default or any other aspect of the junior debt indenture or the Series A-7 Junior Subordinated Debentures listed in the first category described above under “—Changes Requiring Approval of All Holders” unless we obtain the individual consent of each holder to the waiver.

Changes Not Requiring Approval. The third type of change does not require any vote by holders of the Series A-7 Junior Subordinated Debentures. This type is limited to clarifications, our right, under certain circumstances, to modify the definition of APM qualifying securities, and certain other changes that would not adversely affect in any material respect holders of the Series A-7 Junior Subordinated Debentures.

Modification of Subordination Provisions. We may not modify the subordination provisions of the junior debt indenture in a manner that would adversely affect in any material respect the Series A-7 Junior Subordinated Debentures, without the consent of the holders of a majority in principal amount of the Series A-7 Junior Subordinated Debentures.

Our Relationship with the Trustee

The Bank of New York is one of our lenders and from time to time provides other banking services to us and our subsidiaries.

The Bank of New York serves or will serve as the trustee for certain of our senior debt securities and our subordinated debt securities and any warrants that we may issue under our warrant indenture, as well as the trustee under any amended and restated trust agreement and capital securities subordinated guarantee that we may enter into in connection with the issuance of capital securities. Consequently, if an actual or potential event of default occurs with respect to any of these securities, trust agreements or subordinated guarantees, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, trust agreements or subordinated guarantees and we would be required to appoint a successor trustee. For this purpose, a “potential” event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded.

LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE

In this section, we describe special considerations that will apply to Series A-7 Junior Subordinated Debentures for so long as they remain issued in global—*i.e.*, book-entry—form. First, we describe the difference between legal ownership and indirect ownership of Series A-7 Junior Subordinated Debentures. Then, we describe special provisions that apply to Series A-7 Junior Subordinated Debentures.

Who is the Legal Owner of a Registered Security?

The Series A-7 Junior Subordinated Debentures held by qualified institutional buyers will be evidenced by one or more Rule 144A global securities and Series A-7 Junior Subordinated Debentures held by persons who acquired the Series A-7 Junior Subordinated Debentures in compliance with Regulation S will be evidenced by one or more Regulation S global securities, each in the name of, and deposited with, a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking société anonyme (“Clearstream”). The Rule 144A global securities and the Regulation S global securities are referred to herein as “*global securities*.” We refer to those who have securities registered in their own names, on the books that we or the indenture trustee maintain for this purpose, as the “*holders*” of those Series A-7 Junior Subordinated Debentures. These persons are the legal holders of the Series A-7 Junior Subordinated Debentures. We refer to those who, indirectly through others, own beneficial interests in Series A-7 Junior Subordinated Debentures that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in Series A-7 Junior Subordinated Debentures issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners

Since we will initially issue the Series A-7 Junior Subordinated Debentures in book-entry form only, they will be represented by one or more global securities registered in the name of a common depository (or its nominee) that holds them on behalf of Euroclear and Clearstream and the other financial institutions that participate in their respective book-entry systems. These participating institutions, in turn, hold beneficial interests in the Series A-7 Junior Subordinated Debentures on behalf of themselves or their customers.

Under the junior debt indenture, only the persons in whose name Series A-7 Junior Subordinated Debentures are registered are recognized as the holders of those Series A-7 Junior Subordinated Debentures represented thereby. Consequently, for so long as the Series A-7 Junior Subordinated Debentures are issued in global form, we will recognize only the common depository as the holder of the securities and we will make all payments on the Series A-7 Junior Subordinated Debentures, including deliveries of any property other than cash, to Euroclear and Clearstream. The common depository passes along the payments it receives to Euroclear and Clearstream, which in turn pass the payments along to their participants. Euroclear and Clearstream and their participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the Series A-7 Junior Subordinated Debentures.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the book-entry system of Euroclear and Clearstream or holds an interest through a participant in Euroclear or Clearstream. As long as the Series A-7 Junior Subordinated Debentures are issued in global form, investors will be indirect owners, and not holders, of the Series A-7 Junior Subordinated Debentures.

Street Name Owners

If we terminate an existing global security, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For Series A-7 Junior Subordinated Debentures held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the Series A-7 Junior Subordinated

Debentures are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property, to them.

These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold Series A-7 Junior Subordinated Debentures in street name will be indirect owners, not holders, of those Series A-7 Junior Subordinated Debentures.

Legal Holders

Our obligations, as well as the obligations of the indenture trustee under the junior debt indenture and the obligations, if any, of any third parties employed by us or any agents of theirs, run only to the holders of the Series A-7 Junior Subordinated Debentures. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a Series A-7 Junior Subordinated Debenture or has no choice because we are issuing the Series A-7 Junior Subordinated Debentures only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the junior debt indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the junior debt indenture—we would seek the approval only from the holders, and not the indirect owners, of the Series A-7 Junior Subordinated Debentures. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to “you” in this offering memorandum, we mean all purchasers of the Series A-7 Junior Subordinated Debentures being offered by this offering memorandum, whether they are the holders or only indirect owners of those securities. When we refer to “your Series A-7 Junior Subordinated Debentures” in this offering memorandum, we mean the Series A-7 Junior Subordinated Debentures in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners

If you hold Series A-7 Junior Subordinated Debentures through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles Series A-7 Junior Subordinated Debentures payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for the holders’ consent, if ever required;
- how it would exercise rights under the Series A-7 Junior Subordinated Debentures if there were an event of default or other event triggering the need for holders to act to protect their interests; and
- if the Series A-7 Junior Subordinated Debentures are in book-entry form, how the depositary’s rules and procedures will affect these matters.

Global Securities

Upon the issuance of the Series A-7 Junior Subordinated Debentures, Euroclear and/or Clearstream will credit, on their book-entry registration and transfer system, the respective principal amounts of the Series A-7 Junior Subordinated Debentures represented by the global securities to the accounts of persons that have accounts with Euroclear and/or Clearstream. The accounts to be initially credited shall be designated by the Initial Purchasers. Ownership of beneficial interests in the Series A-7 Junior Subordinated Debentures will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear

and/or Clearstream (with respect to interests of participants) or by participants or persons that hold through participants (with respect to interests of persons other than participants).

When you purchase Series A-7 Junior Subordinated Debentures through the Euroclear or Clearstream systems, the purchases must be made by or through a direct or indirect participant in the Euroclear or Clearstream system, as the case may be. The participant will receive credit for the Series A-7 Junior Subordinated Debentures that you purchase on Euroclear's or Clearstream's records, and, upon its receipt of such credit, you will become the beneficial owner of those Series A-7 Junior Subordinated Debentures. Your ownership interest will be recorded only on the records of the direct or indirect participant in Euroclear or Clearstream, as the case may be, through which you purchase the Series A-7 Junior Subordinated Debentures and not on Euroclear's or Clearstream's records. Neither Euroclear nor Clearstream, as the case may be, will have any knowledge of your beneficial ownership of the Series A-7 Junior Subordinated Debentures. Euroclear's or Clearstream's records will show only the identity of the direct participants and the amount of the Series A-7 Junior Subordinated Debentures held by or through those direct participants. You will not receive a written confirmation of your purchase or sale or any periodic account statement directly from Euroclear or Clearstream. You should instead receive those documents from the direct or indirect participant in Euroclear or Clearstream through which you purchase the Series A-7 Junior Subordinated Debentures. As a result, the direct or indirect participants are responsible for keeping accurate account of the holdings of their customers. The trustee will wire payments on the Series A-7 Junior Subordinated Debentures to the common depositary as the holder of the global security. The trustee and we will treat the common depositary or any successor nominee to the common depositary as the owner of the global security for all purposes. Accordingly, the trustee, any paying agent and we will have no direct responsibility or liability to pay amounts due with respect to the global security to you or any other beneficial owners in a global security. Any redemption or other notices with respect to the Series A-7 Junior Subordinated Debentures will be sent by us directly to Euroclear or Clearstream, which will, in turn, inform the direct participants (or the indirect participants), which will then contact you as a beneficial holder, all in accordance with the rules of Euroclear or Clearstream, as the case may be, and the internal procedures of the direct participant (or the indirect participant) through which you hold your beneficial interest in the Series A-7 Junior Subordinated Debentures.

Investors may hold their interests in Series A-7 Junior Subordinated Debentures directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such systems. The beneficial interests in the Series A-7 Junior Subordinated Debentures may not be held through, trades of the Series A-7 Junior Subordinated Debentures may not be settled through, and payments with respect to the Series A-7 Junior Subordinated Debentures may not be made through, the facilities of The Depository Trust Company.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under “—Special Situations When a Global Security Will Be Terminated.” As a result of these arrangements, the common depositary, or its nominee, will be the sole registered owner and holder of all Series A-7 Junior Subordinated Debentures represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with Euroclear or Clearstream or with another institution that does. Thus, so long as the Series A-7 Junior Subordinated Debentures are represented by a global security an investor will not be a holder of the security, but only an indirect owner of an interest in the global security.

The Series A-7 Junior Subordinated Debentures will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under “—Special Situations When a Global Security Will Be Terminated.” If termination occurs, we may issue the Series A-7 Junior Subordinated Debentures through another book-entry clearing system or decide that the Series A-7 Junior Subordinated Debentures may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary and those of the investor's bank, broker, financial institution or other intermediary through which it holds its interest, as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of Series A-7 Junior Subordinated Debentures and instead deal only with the depositary that holds the global security.

Since the Series A-7 Junior Subordinated Debentures will be issued initially only in the form of a global security, an investor should be aware of the following:

- An investor cannot cause the Series A-7 Junior Subordinated Debentures to be registered in his or her own name, and cannot obtain non-global securities for his or her interest in the Series A-7 Junior Subordinated Debentures, except in the special situations we describe below;
- An investor will be an indirect holder and must look to his or her own bank, broker or other financial institutions for payments on Series A-7 Junior Subordinated Debentures and protection of his or her legal rights relating to the Series A-7 Junior Subordinated Debentures, as we describe above under “—Who is the Legal Owner of a Registered Security?”;
- An investor may not be able to sell interests in the Series A-7 Junior Subordinated Debentures to some insurance companies and other institutions that are required by law to own their Series A-7 Junior Subordinated Debentures in non-book-entry form;
- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the Series A-7 Junior Subordinated Debentures must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- The depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global security. We do not supervise the depositary in any way;
- The depositary may require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your bank, broker or other financial institutions may require you to do so as well; and
- Financial institutions that participate in Euroclear's or Clearstream's book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the Series A-7 Junior Subordinated Debentures, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, Euroclear or Clearstream, as applicable, may require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Special Situations When a Global Security Will Be Terminated

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the Series A-7 Junior Subordinated Debentures it represented. After that exchange, the choice of whether to hold the Series A-7 Junior Subordinated Debentures directly or in street name will be up to the investor. Investors must consult their own banks, brokers or other financial institutions, to find out how to have their interests in a global security transferred on termination to

their own names, so that they will be holders. We have described the rights of holders and street name investors above under “—Who is the Legal Owner of a Registered Security?”.

The special situations for termination of a global security are as follows:

- if the common depositary notifies us that it is unwilling, unable or no longer qualified to continue as common depositary for that global security and we do not appoint another institution to act as common depositary within 60 days;
- if we notify the indenture trustee that we wish to terminate that global security; or
- if an event of default has occurred with regard to the Series A-7 Junior Subordinated Debentures and has not been cured or waived.

If a global security is terminated, only the common depositary, and not us, is responsible for deciding the names of the institutions in whose names the Series A-7 Junior Subordinated Debentures represented by the global security will be registered and, therefore, who will be the holders of those Series A-7 Junior Subordinated Debentures.

Euroclear

Euroclear Bank S.A./N.V. has informed us that it holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries, through electronic book-entry changes in accounts of those participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the Initial Purchasers may be Euroclear participants. Nonparticipants in the Euroclear System may hold and transfer book-entry interests in the Series A-7 Junior Subordinated Debentures through accounts with a participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the Series A-7 Junior Subordinated Debentures through one or more securities intermediaries standing between such other securities intermediary and Euroclear. This information is published on Euroclear’s website: www.euroclear.com. This information has been accurately reproduced and, as far as AIG is aware and is able to ascertain from information published by Euroclear, no facts have been omitted which would render this information materially inaccurate or misleading.

Investors electing to acquire a beneficial interest in Series A-7 Junior Subordinated Debentures through an account with Euroclear or some other securities intermediary must follow the settlement procedures of that intermediary with respect to the settlement of new issues of securities.

Investors electing to acquire, hold or transfer a beneficial interest in Series A-7 Junior Subordinated Debentures through an account with Euroclear or some other securities intermediary must follow the settlement procedures of that intermediary with respect to the settlement of secondary market transactions in Series A-7 Junior Subordinated Debentures. Investors that acquire, hold and transfer interests in the Series A-7 Junior Subordinated Debentures by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such intermediary and each other intermediary, if any, standing between themselves and the investor.

Euroclear has advised that, under Belgian law, investors that are credited with securities on the records of Euroclear have a co-property right in the fungible pool of interests in securities on deposit with Euroclear in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear, Euroclear participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear. If Euroclear did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all participants credited with such interests in securities on Euroclear’s records, all participants having an amount of interests

in securities of such type credited to their accounts with Euroclear would have the right under Belgian law to the return of their *pro rata* share of the amount of interests in securities actually on deposit. Under Belgian law, Euroclear is required to pass on the benefits of ownership in any interests in Series A-7 Junior Subordinated Debentures on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Distributions with respect to the Series A-7 Junior Subordinated Debentures held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Euroclear terms and conditions.

The information in this section concerning Euroclear and Euroclear's book-entry system has been accurately reproduced from sources that we believe to be reliable, but we assume no responsibility for the performance of Euroclear or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Clearstream

Clearstream has informed us that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear operator to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including the Initial Purchasers, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks, and may include the Initial Purchasers. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. This information is published on Clearstream's website: www.clearstream.com. This information has been accurately reproduced and, as far as AIG is aware and is able to ascertain from information published by Clearstream, no facts have been omitted which would render this information materially inaccurate or misleading.

Distributions with respect to Series A-7 Junior Subordinated Debentures held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures.

The information in this section concerning Clearstream and Clearstream's book-entry system has been accurately reproduced from sources that we believe to be reliable, but we assume no responsibility for the performance of Clearstream or its participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Special Timing Considerations Relating to Transactions in Euroclear and Clearstream

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any Series A-7 Junior Subordinated Debentures held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other financial institutions are open for business in the U.S.

In addition, because of time-zone differences, U.S. investors who hold their interests in the Series A-7 Junior Subordinated Debentures through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date.

REPLACEMENT CAPITAL COVENANT

We have summarized below certain terms of the replacement capital covenant. This summary is not a complete description of the replacement capital covenant and is qualified in its entirety by the terms and provisions of the full document, which is available from us upon request and will be filed by us in a Current Report on Form 8-K. See “Where You Can Find More Information,” for information on how you can contact us to obtain a copy of the replacement capital covenant.

In the replacement capital covenant, we agree for the benefit of persons that buy, hold or sell a specified series of our long-term indebtedness ranking senior to the Series A-7 Junior Subordinated Debentures that we will not repay, redeem, defease or purchase, and none of our subsidiaries will purchase, all or a part of the Series A-7 Junior Subordinated Debentures prior to May 22, 2048, unless the principal amount repaid or defeased, or the applicable redemption or purchase price, does not exceed the sum of:

- the “applicable percentage” of the aggregate amount of net cash proceeds we and our subsidiaries have received from the sale of “common stock,” “rights to acquire common stock,” “mandatorily convertible preferred stock,” “debt exchangeable for common equity” and “qualifying capital securities,” plus
- the “applicable percentage” of the aggregate market value of any common stock (or rights to acquire common stock) we and our subsidiaries have delivered or issued in connection with the conversion of any convertible or exchangeable securities, other than securities for which we or any of our subsidiaries has received equity credit from any “NRSRO”;

in each case to persons other than AIG and its subsidiaries since the most recent “measurement date” (without double counting proceeds received in any prior “measurement period”). The foregoing limitation will not restrict the repayment, redemption or other acquisition of any Series A-7 Junior Subordinated Debentures that we have previously defeased in accordance with the replacement capital covenant. We sometimes refer collectively in this offering memorandum to common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity and qualifying capital securities as “*replacement capital securities*.” To the extent the net proceeds we receive from issuing replacement capital securities are not denominated in euro, for purposes of the replacement capital covenant the amount of such net proceeds shall be deemed to be the amount of euro that we could have purchased with such proceeds on the date of the settlement of the issuance of such replacement capital securities at the spot rate of exchange in effect on that date, regardless of whether the net proceeds are actually converted into euro.

“*Applicable percentage*” means:

- in the case of any common stock or rights to acquire common stock, (a) 133.33% with respect to any repayment, redemption or purchase prior to May 22, 2018, (b) 200% with respect to any repayment, redemption or purchase on or after May 22, 2018 and prior to May 22, 2038 and (c) 400% with respect to any repayment, redemption or purchase on or after May 22, 2038;
- in the case of any mandatorily convertible preferred stock, debt exchangeable for common equity or any qualifying capital securities described in clause (i) of the definition of that term, (a) 100% with respect to any repayment, redemption or purchase prior to May 22, 2038 and (b) 300% with respect to any repayment, redemption or purchase on or after May 22, 2038;
- in the case of any qualifying capital securities described in clause (ii) of the definition of that term, (a) 100% with respect to any repayment, redemption or purchase prior to May 22, 2038 and (b) 200% with respect to any repayment, redemption or purchase on or after May 22, 2038; and
- in the case of any qualifying capital securities described in clause (iii) of the definition of that term, 100%.

“*Common stock*” means any of our equity securities (including equity securities held as treasury shares) or rights to acquire equity securities that have no preference in the payment of dividends or amounts payable upon the liquidation, dissolution or winding up of AIG (including a security that tracks the performance of, or

relates to the results of, a business, unit or division of AIG), and any securities that have no preference in the payment of dividends or amounts payable upon liquidation, dissolution or winding up and are issued in exchange therefor in connection with a merger, consolidation, binding share exchange, business combination, recapitalization or other similar event.

“Debt exchangeable for common equity” means a security or combination of securities that:

- gives the holder a beneficial interest in (i) a fractional interest in a stock purchase contract for a share of common stock of AIG that will be settled in three years or less, with the number of shares of common stock of AIG purchasable pursuant to such stock purchase contract to be within a range established at the time of issuance of the subordinated debt securities referred to in clause (ii), subject to customary anti-dilution adjustments, and (ii) debt securities of AIG or one of its subsidiaries that are non-callable prior to the settlement date of the stock purchase contract;
- provides that the holders directly or indirectly grant AIG a security interest in such securities and their proceeds (including any substitute collateral permitted under the transaction documents) to secure the holders’ direct or indirect obligation to purchase common stock of AIG pursuant to such stock purchase contracts;
- includes a remarketing feature pursuant to which the debt securities are remarketed to new investors commencing not later than the settlement date of the stock purchase contract; and
- provides for the proceeds raised in the remarketing to be used to purchase common stock of AIG under the stock purchase contracts and, if there has not been a successful remarketing by the settlement date of the stock purchase contract, provides that the stock purchase contracts will be settled by AIG exercising its remedies as a secured party with respect to the debt securities or other collateral directly or indirectly pledged by holders of the debt exchangeable for common equity.

“Employee benefit plan” means any written purchase, savings, option, bonus, appreciation, profit sharing, thrift, incentive, pension or similar plan or arrangement or any written compensatory contract or arrangement.

“Measurement date” means with respect to any repayment, redemption, defeasance or purchase of the Series A-7 Junior Subordinated Debentures (i) on or prior to the scheduled maturity date, the date 180 days prior to delivery of notice of such repayment, defeasance or redemption or the date of such purchase and (ii) after the scheduled maturity date, the date 90 days prior to the date of such repayment, redemption, defeasance or purchase, except that, if during the 90 days (or any shorter period) preceding the date that is 90 days prior to the date of such repayment, redemption, defeasance or purchase, net cash proceeds described above were received but no repayment, redemption, defeasance or purchase was made in connection therewith, the measurement date shall be the earliest date upon which such net cash proceeds were received.

For example, if we receive proceeds from the issuance of qualifying capital securities before the scheduled maturity date but after we have given the indenture trustee a notice of repayment and we do not redeem or purchase any Series A-7 Junior Subordinated Debentures based on the receipt of these proceeds, the measurement date with respect to the next interest payment date will be the date we received those proceeds (even though it is more than 90 days prior to that interest payment date) and, accordingly, we may count those proceeds in connection with the repayment of the Series A-7 Junior Subordinated Debentures on that interest payment date.

“Measurement period” with respect to any notice date or purchase date means the period (i) beginning on the measurement date with respect to such notice date or purchase date and (ii) ending on such notice date or purchase date. Measurement periods cannot run concurrently.

“NRSRO” means any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act (or any successor provision).

“Qualifying capital securities” means securities (other than common stock, rights to acquire common stock or securities exchangeable for or convertible into common stock) that in the determination of AIG’s board of directors (or a duly authorized committee thereof), reasonably construing the definitions and other terms of the replacement capital covenant, meet one of the following criteria:

- (i) in connection with any repayment, redemption or purchase of Series A-7 Junior Subordinated Debentures prior to May 22, 2018:
 - junior subordinated debt securities and guarantees issued by us or our subsidiaries with respect to trust preferred securities if the junior subordinated debt securities and guarantees (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures upon our liquidation, dissolution or winding-up, (b) are “non-cumulative,” (c) have no maturity or a maturity of at least 60 years and (d) are subject to a “qualifying replacement capital covenant”;
 - securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures upon our liquidation, dissolution or winding-up, (b) have no maturity or a maturity of at least 60 years and (c) (i) are “non-cumulative” and subject to a “qualifying replacement capital covenant” or (ii) have a “mandatory trigger provision” and an “optional deferral provision” and are subject to “intent-based replacement disclosure”; or
 - securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures, (b) have no maturity or a maturity of at least 40 years, (c) are subject to a “qualifying replacement capital covenant” and (d) have a “mandatory trigger provision” and an “optional deferral provision”;
- (ii) in connection with any repayment, redemption or purchase of Series A-7 Junior Subordinated Debentures on or after May 22, 2018 but prior to May 22, 2038:
 - all types of securities that would be “qualifying capital securities” under clause (i) above;
 - securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures upon our liquidation, dissolution or winding-up, (b) have no maturity or a maturity of at least 60 years, (c) are subject to a “qualifying replacement capital covenant” and (d) have an “optional deferral provision”;
 - securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures upon our liquidation, dissolution or winding-up, (b) are “non-cumulative,” (c) have no maturity or a maturity of at least 60 years and (d) are subject to “intent-based replacement disclosure”;
 - securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures upon our liquidation, dissolution or winding-up, (b) have no maturity or a maturity of at least 40 years and (c) (i) are “non-cumulative” and subject to a “qualifying replacement capital covenant” or (ii) have a “mandatory trigger provision” and an “optional deferral provision” and are subject to “intent-based replacement disclosure”;
 - securities issued by us or our subsidiaries that (a) rank junior to all of our senior and subordinated debt other than the Series A-7 Junior Subordinated Debentures and the *pari passu* securities, (b) have a “mandatory trigger provision” and an “optional deferral provision,” and are subject to “intent-based replacement disclosure” and (c) have no maturity or a maturity of at least 60 years;
 - cumulative preferred stock issued by us or our subsidiaries that (a) has no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or

otherwise, and (b) (1) has no maturity or a maturity of at least 60 years and (2) is subject to a “qualifying replacement capital covenant”; or

- other securities issued by us or our subsidiaries that (a) rank upon our liquidation, dissolution or winding-up either (1) *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures or (2) *pari passu* with the claims of our trade creditors and junior to all of our long-term indebtedness for money borrowed (other than our long-term indebtedness for money borrowed from time to time outstanding that by its terms ranks *pari passu* with such securities on our liquidation, dissolution or winding-up); and (b) either (1) have no maturity or a maturity of at least 40 years and have a “mandatory trigger provision” and an “optional deferral provision” and are subject to “intent-based replacement disclosure” or (2) have no maturity or a maturity of at least 25 years and are subject to a “qualifying replacement capital covenant” and have a “mandatory trigger provision” and an “optional deferral provision”;
- (iii) in connection with any repayment, redemption or purchase of Series A-7 Junior Subordinated Debentures at any time on or after May 22, 2038:
- all of the types of securities that would be “qualifying capital securities” under clause (ii) above;
 - securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the Series A-7 Junior Subordinated Debentures upon our liquidation, dissolution or winding-up, (b) either (1) have no maturity or a maturity of at least 60 years and are subject to “intent-based replacement disclosure” or (2) have no maturity or a maturity of at least 40 years and are subject to a “qualifying replacement capital covenant” and (c) have an “optional deferral provision”;
 - securities issued by us or our subsidiaries that (a) rank junior to all of our senior and subordinated debt other than the Series A-7 Junior Subordinated Debentures and any other *pari passu* securities, (b) have a “mandatory trigger provision” and an “optional deferral provision” and are subject to “intent-based replacement disclosure” and (c) have no maturity or a maturity of at least 25 years; or
 - preferred stock issued by us or our subsidiaries that either (a) has no maturity or a maturity of at least 60 years and is subject to “intent-based replacement disclosure” or (b) has a maturity of at least 40 years and is subject to a “qualifying replacement capital covenant”

provided, that if any of the securities described above is structured at the time of issuance with a significant distribution rate step-up (whether interest or dividend) prior to May 22, 2038, then such security shall be subject to a “qualifying replacement capital covenant” that will remain in effect until at least May 22, 2038. “*Significant distribution rate step-up*” means, as to a “qualifying capital security,” an increase in the distribution rate at a date after initial issuance of such security of more than 25 basis points (or, if the method of calculating distributions on such “qualifying capital security” is changing at the time of such increase (for example, from a fixed rate to a floating rate based upon a margin above an index or from a floating rate based upon a margin above one index to a floating rate based upon a margin above a different index), an increase in the margin above the applicable credit spread used in calculating such increased rate as compared to the credit spread used in calculating the initial distribution rate of more than 25 basis points).

For purposes of the definitions provided above, the following terms shall have the following meanings:

“*Alternative payment mechanism*” means, with respect to any securities or combination of securities, provisions in the related transaction documents requiring AIG to issue (or use commercially reasonable efforts to issue) one or more types of “APM qualifying securities” raising eligible proceeds at least equal to the deferred distributions on such securities and apply the proceeds to pay unpaid distributions on such securities, commencing on the earlier of (x) the first distribution date after commencement of a deferral period on which

AIG pays current distributions on such securities and (y) the fifth anniversary of the commencement of such deferral period, and that:

- define “eligible proceeds” to mean, for purposes of such alternative payment mechanism, the net proceeds (after underwriters’ or placement agents’ fees, commissions or discounts and other expenses relating to the issuance or sale) that AIG has received during the 180 days prior to the related distribution date from the issuance of APM qualifying securities, up to the maximum share number in the case of APM qualifying securities that are common stock or “mandatorily convertible preferred stock”, up to the maximum warrant number in the case of APM qualifying securities that are qualifying warrants, and up to the “preferred cap” in the case of APM qualifying securities that are “qualifying non-cumulative preferred stock” or “mandatorily convertible preferred stock”;
- permit AIG to pay current distributions on any distribution date out of any source of funds but (x) require AIG to pay deferred distributions only out of eligible proceeds and (y) prohibit AIG from paying deferred distributions out of any source of funds other than eligible proceeds, unless otherwise required at the time by any applicable regulatory authority or if an event of default has occurred that results in an acceleration of the principal amount of the relevant securities;
- include a “repurchase restriction”;
- limit the obligation of AIG to issue (or use commercially reasonable efforts to issue) APM qualifying securities up to:
 - in the case of APM qualifying securities that are common stock or qualifying warrants, during the first five years of any deferral period (x) an amount from the issuance thereof pursuant to the alternative payment mechanism equal to 2% of AIG’s most recently published market capitalization or (y) a number of shares of common stock and qualifying warrants not in excess of 2% of the number of shares of outstanding common stock set forth in AIG’s most recently published financial statements (the “*common cap*”);
 - in the case of APM qualifying securities that are “qualifying non-cumulative preferred stock” or “mandatorily convertible preferred stock,” an amount from the issuance thereof pursuant to the related alternative payment mechanism (including at any point in time from all prior issuances of “qualifying non-cumulative preferred stock” and still-outstanding “mandatorily convertible preferred stock” pursuant to such alternative payment mechanism) equal to 25% of the liquidation or principal amount of the securities that are the subject of the related alternative payment mechanism (the “*preferred cap*”);
 - permit AIG, at its option, to impose a limitation on the issuance of APM qualifying securities consisting of common stock, mandatorily convertible preferred stock and qualifying warrants, in each case to a maximum issuance cap to be set at the discretion of AIG and otherwise substantially similar to the “maximum share number” and “maximum warrant number,” respectively, *provided* that such maximum issuance cap will be subject to AIG’s agreement to use commercially reasonable efforts to increase the maximum issuance cap when reached and (i) simultaneously satisfy its future fixed or contingent obligations under other securities and derivative instruments that provide for settlement or payment in shares of common stock or (ii) if AIG cannot increase the maximum issuance cap as contemplated in the preceding clause, by requesting its board of directors to adopt a resolution for shareholder vote at the next occurring annual shareholders meeting to increase the number of shares of AIG’s authorized common stock for purposes of satisfying AIG’s obligations to pay deferred distributions;
 - in the case of securities other than non-cumulative preferred stock, include a “bankruptcy claim limitation provision”; and

- permit AIG, at its option, to provide that if AIG is involved in a merger, consolidation, amalgamation, binding share exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction (a “*business combination*”) where immediately after the consummation of the business combination more than 50% of the surviving or resulting entity’s voting stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the directors of the surviving or resulting entity, then the first three bullet points will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination. “*Continuing director*” means a director who was a director of AIG at the time the definitive agreement relating to the transaction was approved by AIG’s board of directors;

provided that:

- AIG shall not be obligated to issue (or use commercially reasonable efforts to issue) APM qualifying securities for so long as a market disruption event has occurred and is continuing;
- if, due to a market disruption event or otherwise, AIG is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred distributions on any distribution date, AIG will apply any available eligible proceeds to pay accrued and unpaid distributions on the applicable distribution date in chronological order subject to the “common cap,” “preferred cap” and any “maximum issuance cap”; and
- if AIG has outstanding more than one class or series of securities under which it is obligated to sell a type of APM qualifying securities and apply some part of the proceeds to the payment of deferred distributions, then on any date and for any period the amount of net proceeds received by AIG from those sales and available for payment of deferred distributions on such securities shall be applied to such securities on a *pro rata* basis up to the “common cap,” the “preferred cap” and any maximum issuance cap referred to above, as applicable, in proportion to the total amounts that are due on such securities.

“*APM qualifying securities*” means, with respect to an alternative payment mechanism or a mandatory trigger provision, one or more of the following (as designated in the transaction documents for the qualifying capital securities that include an alternative payment mechanism or a mandatory trigger provision, as applicable): common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock; *provided that*

- if the APM qualifying securities for any alternative payment mechanism or mandatory trigger provision include both common stock and qualifying warrants,
 - such alternative payment mechanism or mandatory trigger provision may permit, but need not require, us to issue qualifying warrants; and
 - we may, without the consent of the holders of the qualifying capital securities, amend the definition of APM qualifying securities to eliminate common stock or qualifying warrants (but not both) from the definition if, after the date of this offering memorandum, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes; and
- if the APM qualifying securities for any alternative payment mechanism or mandatory trigger provision include mandatorily convertible preferred stock,
 - such alternative payment mechanism or mandatory trigger provision may permit, but need not require, us to issue mandatorily convertible preferred stock; and

- we may, without the consent of the holders of the qualifying capital securities, amend the definition of APM qualifying securities to eliminate mandatorily convertible preferred stock from the definition if, after the date of this offering memorandum, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes.

“*Bankruptcy claim limitation provision*” means, with respect to any securities or combination of securities that have an alternative payment mechanism or a mandatory trigger provision, provisions that, upon any liquidation, dissolution, winding up or reorganization or in connection with any insolvency, receivership or proceeding under any bankruptcy law with respect to the issuer, limit the claim of the holders of such securities to distributions that accumulate during (A) any deferral period, in the case of securities that have an alternative payment mechanism or (B) any period in which the issuer fails to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, in the case of securities having a mandatory trigger provision, to:

- in the case of securities having an alternative payment mechanism or “mandatory trigger provision” with respect to which the “APM qualifying securities” do not include “qualifying non-cumulative preferred stock” or “mandatorily convertible preferred stock,” 25% of the stated or principal amount of such securities then outstanding; and
- in the case of any other securities, an amount not in excess of the sum of (x) the amount of accumulated and unpaid distributions (including compounded amounts) that relate to the earliest two years of the portion of the deferral period for which distributions have not been paid and (y) an amount equal to the excess, if any, of the “preferred cap” over the aggregate amount of net proceeds from the sale of “qualifying non-cumulative preferred stock” and still-outstanding “mandatorily convertible preferred stock” that the issuer has applied to pay such distributions pursuant to the alternative payment mechanism or the “mandatory trigger provision,” *provided* that the holders of such securities are deemed to agree that, to the extent the remaining claim exceeds the amount set forth in subclause (x), the amount they receive in respect of such excess shall not exceed the amount they would have received had such claim ranked *pari passu* with the interests of the holders, if any, of “qualifying non-cumulative preferred stock.”

In the case of any cumulative preferred stock that includes a bankruptcy claim limitation provision, such provision shall limit the liquidation preference of such cumulative preferred stock to its stated amount, plus an amount in respect of accumulated and unpaid dividends not in excess of the amount set forth in the first or second bullet point above, as applicable.

“*Intent-based replacement disclosure*” means, as to any security or combination of securities, that the issuer has publicly stated its intention, either in the prospectus or other offering document under which such securities were initially offered for sale or in filings made by the issuer prior to or contemporaneously with the issuance of such securities, that the issuer will repay, redeem, defease or purchase, and will cause its subsidiaries to purchase, such securities only with the proceeds of replacement capital securities that have terms and provisions at the time of repayment, redemption, defeasance or purchase that are as or more equity-like than the securities then being repaid, redeemed, defeased or purchased, raised within 180 days prior to the applicable redemption or purchase date.

“*Mandatory trigger provision*” means, as to any security or combination of securities, provisions in the terms thereof or of the related transaction agreements that:

- upon a failure to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, prohibit the issuer of such securities from making payment of distributions on such securities (including without limitation all deferred and accumulated amounts) other than out of the net proceeds of the issuance and sale of APM qualifying

securities; *provided* that the amount of “qualifying non-cumulative preferred stock” and “mandatorily convertible preferred stock” the net proceeds of which the issuer may apply to pay such distributions pursuant to such provision may not exceed the “preferred cap”;

- in the case of securities other than non-cumulative perpetual preferred stock, require the issuance and sale of APM qualifying securities in an amount at least equal to the amount of unpaid distributions on such securities (including without limitation all deferred and accumulated amounts) and the application of such net proceeds to the payment of such distributions within two years of such failure; *provided* that if the mandatory trigger provision does not require such issuance and sale within one year of such failure, the amount of common stock or qualifying warrants the net proceeds of which the issuer must apply to pay such distributions pursuant to such provision may not exceed the “common cap”;
- include a “repurchase restriction” if the provisions described in the prior bullet point do not require such issuance and sale within one year of such failure;
- prohibit the issuer of such securities from redeeming, defeasing or purchasing any of its securities ranking upon the liquidation, dissolution or winding up of the issuer, junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period prior to the date six months after the issuer applies the net proceeds of the sales described in the first bullet point above to pay such deferred distributions in full, except where non-payment would cause the issuer to breach the terms of the relevant instrument, subject to the exceptions set forth in the first and second bullet points of the definition of “repurchase restriction”;
- other than in the case of non-cumulative preferred stock, include a “bankruptcy claim limitation provision”; and
- do not include any remedies other than “permitted remedies” for the issuer’s failure to pay distributions because of the “mandatory trigger provision” except in the event that distributions have been deferred for one or more distribution periods that total together at least 10 years;

provided that:

- the issuer shall not be obligated to issue (or to use commercially reasonable efforts to issue) APM qualifying securities for so long as a market disruption event has occurred and is continuing;
- if, due to a market disruption event or otherwise, the issuer is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred distributions on any distribution date, the issuer will apply any available eligible proceeds to pay accrued and unpaid distributions on the applicable distribution date in chronological order subject to the “common cap” and the “preferred cap,” as applicable; and
- if the issuer has outstanding more than one class or series of securities under which it is obligated to sell a type of APM qualifying securities and apply some part of the proceeds to the payment of deferred distributions, then on any date and for any period the amount of net proceeds received by the issuer from those sales and available for payment of deferred distributions on such securities shall be applied to such securities on a *pro rata* basis up to the “common cap” and the “preferred cap,” as applicable, in proportion to the total amounts that are due on such securities.

“Non-cumulative” means, with respect to any securities, that the issuer may elect not to make any number of periodic distributions without any remedy arising under the terms of the securities or related agreements in favor of the holders, other than one or more “permitted remedies.” Securities that include an alternative payment mechanism will also be deemed to be “non-cumulative,” other than for the purposes of the definitions of “APM qualifying securities” and “qualifying non-cumulative preferred stock.”

“*Optional deferral provision*” means, as to any securities, a provision in the terms thereof or of the related transaction agreements to the effect of either (a) or (b) below:

- (a) (i) the issuer of such securities may, in its sole discretion, defer in whole or in part payment of distributions on such securities for one or more consecutive distribution periods of up to five years or, if a market disruption event is continuing, 10 years, without any remedy other than “permitted remedies” and (ii) an alternative payment mechanism (*provided* that such alternative payment mechanism need not apply during the first 5 years of any deferral period and need not include a “common cap” or a “preferred cap”); or
- (b) the issuer of such securities may, in its sole discretion, defer in whole or in part payment of distributions on such securities for one or more consecutive distribution periods up to 10 years, without any remedy other than “permitted remedies.”

“*Permitted remedies*” means, with respect to any securities, one or more of the following remedies:

(a) rights in favor of the holders of such securities permitting such holders to elect one or more directors of the issuer (including any such rights required by the listing requirements of any stock or securities exchange on which such securities may be listed or traded), and (b) complete or partial prohibitions on the issuer or its subsidiaries paying distributions on or repurchasing common stock or other securities that rank *pari passu* with or junior as to distributions to such securities for so long as distributions on such securities, including unpaid distributions, remain unpaid.

“*Qualifying non-cumulative preferred stock*” means non-cumulative perpetual preferred stock issued by us that (i) ranks *pari passu* with or junior to all other outstanding preferred stock of the issuer, other than a preferred stock that is issued or issuable pursuant to a stockholders’ rights plan or similar plan or arrangement and (ii) contains no remedies other than “permitted remedies” and either (i) is subject to “intent-based replacement disclosure” and has a provision that provides for mandatory suspension of distributions upon AIG’s failure to satisfy one or more financial tests set forth therein or (ii) is subject to a qualifying replacement capital covenant.

“*Qualifying replacement capital covenant*” means (a) a replacement capital covenant substantially similar to the replacement capital covenant applicable to the Series A-7 Junior Subordinated Debentures or (b) a replacement capital covenant, as identified by AIG’s board of directors, or a duly authorized committee thereof, acting in good faith and in its reasonable discretion and reasonably construing the definitions and other terms of the replacement capital covenant, (i) entered into by a company that at the time it enters into such replacement capital covenant is a reporting company under the Exchange Act and (ii) that restricts the related issuer from redeeming, repaying, purchasing or defeasing, and restricts the subsidiaries of such issuer from purchasing, identified securities except out of the proceeds of specified replacement capital securities that have terms and provisions at the time of redemption, repayment, purchase or defeasance that are as or more equity-like than the securities then being redeemed, repaid, purchased or defeased, raised within 180 days prior to the applicable redemption, repayment, purchase or defeasance date; *provided* that the term of such qualifying replacement capital covenant shall be determined at the time of issuance of the related replacement capital securities taking into account the other characteristics of such securities.

“*Repurchase restriction*” means, with respect to any APM qualifying securities that include an alternative payment mechanism or a mandatory trigger provision, provisions that require AIG and its subsidiaries not to redeem, purchase or defease any of its securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until at least one year after all deferred distributions have been paid, except where non-payment would cause AIG to breach the terms of the relevant instrument, other than the following (none of which shall be restricted or prohibited by a repurchase restriction) if deferral of distributions continues for more than one year:

- redemptions, purchases or other acquisitions of shares of common stock in connection with any employee benefit plan; or

- purchases of shares of common stock pursuant to a contractually binding requirement to buy common stock entered into prior to the beginning of the related deferral period, including under a contractually binding stock repurchase plan.

“Rights to acquire common stock” includes the number of shares of common stock obtainable upon exercise or conversion of any right to acquire common stock, including, any right to acquire common stock pursuant to a stock purchase plan, employee benefit plan or assurance agreement.

Our ability to raise proceeds from qualifying capital securities, mandatorily convertible preferred stock, common stock, debt exchangeable for common equity and rights to acquire common stock during the applicable measurement period with respect to any repayment, purchase or redemption of Series A-7 Junior Subordinated Debentures will depend on, among other things, market conditions at that time as well as the acceptability to prospective investors of the terms of those securities. No assurance can be given that we will be able to issue those securities, and we will be unable to repay or redeem the Series A-7 Junior Subordinated Debentures prior to May 22, 2048 unless we can complete such an issuance.

The initial series of indebtedness benefiting from our replacement capital covenant is our 6.25% Notes due 2036, CUSIP No. 026874AZ0. The replacement capital covenant includes provisions requiring us to redesignate a new series of indebtedness if the covered series of indebtedness approaches maturity, becomes subject to a redemption notice or is reduced to less than \$100,000,000 in outstanding principal amount. We expect that, at all times prior to May 22, 2048, we will be subject to the replacement capital covenant and, accordingly, restricted in our ability to repay, redeem, defease or purchase the Series A-7 Junior Subordinated Debentures.

The replacement capital covenant is made for the benefit of persons that buy, hold or sell the specified series of long-term indebtedness. It is not for the benefit of, and may not be enforced by, the holders of the Series A-7 Junior Subordinated Debentures. Any amendment or termination of our obligations under the replacement capital covenant will require the consent of the holders of at least a majority in principal amount of that series of indebtedness, except that we may amend or supplement the replacement capital covenant without the consent of the holders of that series of indebtedness if any of the following apply (it being understood that any such amendment or supplement may fall into one or more of the following): (i) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as replacement capital securities, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate to that effect, (ii) such amendment or supplement is not materially adverse to the covered debtholders, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not materially adverse to the covered debtholders, or (iii) such amendment or supplement eliminates common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities if, after the date of this offering memorandum, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to eliminate common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States. For this purpose, an amendment or supplement that adds new types of securities qualifying as “replacement capital securities” or modifies the requirements of securities qualifying as “replacement capital securities” will not be deemed materially adverse to the holders of the then-effective series of covered debt if, following such amendment or supplement, the replacement capital covenant would constitute a “qualifying replacement capital covenant.”

With respect to qualifying capital securities, we have agreed in the junior debt indenture that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or purchase of the Series A-7 Junior Subordinated Debentures is permitted, except with the consent of holders of a majority by principal amount of the Series A-7 Junior Subordinated Debentures.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Offering Memorandum and in any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

This section describes the material United States federal income tax consequences of owning the Series A-7 Junior Subordinated Debentures. It applies to holders that hold Series A-7 Junior Subordinated Debentures as capital assets for tax purposes and acquire Series A-7 Junior Subordinated Debentures upon their original issuance at their original offering price.

This section does not apply to a holder that is a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that owns Series A-7 Junior Subordinated Debentures that are a hedge or that are hedged against interest rate risks;
- a person that owns Series A-7 Junior Subordinated Debentures as part of a straddle or conversion transaction for tax purposes; or
- a United States Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Series A-7 Junior Subordinated Debentures, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Series A-7 Junior Subordinated Debentures should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Series A-7 Junior Subordinated Debentures.

The Series A-7 Junior Subordinated Debentures are a novel financial instrument, and there is no clear authority addressing their federal income tax treatment. We have not sought any rulings concerning the treatment of the Series A-7 Junior Subordinated Debentures, and the opinion of our tax counsel is not binding on the Internal Revenue Service (“IRS”). Investors should consult their tax advisors in determining the specific tax consequences and risks to them of purchasing, holding and disposing of the Series A-7 Junior Subordinated Debentures, including the application to their particular situation of the United States federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Classification of the Series A-7 Junior Subordinated Debentures

In the opinion of our counsel, Sullivan & Cromwell LLP, under current law and assuming full compliance with the terms of the junior debt indenture and other relevant documents, and based on our representations to Sullivan & Cromwell LLP, the Series A-7 Junior Subordinated Debentures will be treated as indebtedness of AIG for United States federal income tax purposes (although there is no clear authority on this point). The remainder of this discussion assumes that the Series A-7 Junior Subordinated Debentures will not be recharacterized as other than indebtedness of AIG, unless otherwise indicated.

United States Holders

This subsection describes the tax consequences to a “*United States Holder*.” A holder is a United States Holder if such holder is a beneficial owner of Series A-7 Junior Subordinated Debentures and is:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if (1) a United States court can exercise primary supervision over the trust’s administration and one or more United States persons are authorized to control all substantial decisions of the trust, or (2) such trust has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

As used in this summary, the term “non-United States Holder” means a beneficial owner that is not a United States person for United States federal income tax purposes. This subsection does not apply to a holder that is a non-United States Holder and such holders should refer to “— Non-United States Holders” below.

Interest Income

Under applicable Treasury regulations, a “remote” contingency that stated interest will not be timely paid will be ignored in determining whether a debt instrument is issued with original issue discount, or “*OID*.” We believe that the likelihood of our exercising our option to defer payments is remote within the meaning of the regulations. Based on the foregoing, we believe that the Series A-7 Junior Subordinated Debentures will not be considered to be issued with OID at the time of their original issuance. Accordingly, each United States Holder of Series A-7 Junior Subordinated Debentures should include in gross income that holder’s interest on the Series A-7 Junior Subordinated Debentures in accordance with that holder’s method of tax accounting.

Cash basis taxpayers. A United States Holder that uses the cash receipts and disbursements method of accounting for tax purposes must recognize income equal to the U.S. dollar value of each interest payment, based on the U.S. dollar/euro exchange rate in effect on the date of receipt, regardless of whether the payment is actually converted into U.S. dollars.

Accrual basis taxpayers. A United States Holder that uses an accrual method of accounting for tax purposes may determine the amount of income that is recognized with respect to an interest payment under one of two methods. Under the first method, the holder will determine the amount of income accrued based on the average U.S. dollar/euro exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

Under the second method, a United States Holder will determine the amount of income accrued on the basis of the U.S. dollar/euro exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, a holder that receives a payment of interest within five business days of the last day of such holder’s accrual period or taxable year may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that such interest payment is actually received. If a holder elects the second method, it will apply to all debt instruments that such holder

holds at the beginning of the first taxable year to which the election applies and to all debt instruments that such holder subsequently acquires. This election may not be revoked without the consent of the IRS.

A United States Holder that actually receives an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of Series A-7 Junior Subordinated Debentures for which an amount of income was accrued, will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that was used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the payment was converted into U.S. dollars.

Original Issue Discount

Under the applicable Treasury regulations, if our exercise of the option to defer any payment of interest was determined not to be “remote,” or if we exercised that option, the Series A-7 Junior Subordinated Debentures would be treated as issued with OID at the time of issuance or at the time of that exercise, in which case all stated interest on the Series A-7 Junior Subordinated Debentures would thereafter be treated as OID as long as the Series A-7 Junior Subordinated Debentures remained outstanding.

In that event, all of a United States Holder’s taxable interest income relating to the Series A-7 Junior Subordinated Debentures would constitute OID that would have to be included in income on an economic accrual basis before the receipt of the cash attributable to the interest, regardless of the United States Holder’s method of tax accounting, and actual distributions of stated interest would not be reported as taxable income. Consequently, a United States Holder of Series A-7 Junior Subordinated Debentures would be required to include in gross income OID (generally in the same manner as described above under “Interest Income—Accrual basis taxpayers”) even though we will make no actual payments on the Series A-7 Junior Subordinated Debentures during a deferral period.

The IRS has not defined the meaning of the term “remote” as used in the applicable Treasury Regulations in any binding ruling or interpretation, and it is possible that the IRS could take a position contrary to the interpretation in this offering memorandum.

Because income on the Series A-7 Junior Subordinated Debentures will constitute interest or OID, (i) corporate holders of Series A-7 Junior Subordinated Debentures will not be entitled to a dividends-received deduction relating to any income recognized relating to the Series A-7 Junior Subordinated Debentures and (ii) non-corporate individual holders will not be entitled to any preferential tax rate for any income recognized relating to the Series A-7 Junior Subordinated Debentures.

Because prior to May 22, 2018 interest on the Series A-7 Junior Subordinated Debentures is payable annually on each May 22, or if any such date is not a business day, the following business day, annual interest may be paid in some years on a day that is more than 365 days after the previous interest payment. While it is conceivable that this could cause the Series A-7 Junior Subordinated Debentures to be treated as not paying interest at least annually for purposes of the OID rules, we do not believe this should be the case. There is no authority directly on point, however. If the IRS were to take a contrary position, the OID rules described above may apply.

Sale, Redemption or Maturity of Series A-7 Junior Subordinated Debentures

Upon the sale, redemption or maturity of Series A-7 Junior Subordinated Debentures, a United States Holder will recognize gain or loss equal to the difference between its adjusted tax basis in the Series A-7 Junior Subordinated Debentures and the amount realized on the sale, redemption or maturity of those Series A-7 Junior Subordinated Debentures. The amount realized will not include amounts that are allocated to accrued but unpaid interest, which will be subject to tax in the manner described above under “Interest Income” and “Original Issue Discount.” Assuming that we do not exercise our option to defer payments of interest on the Series A-7 Junior Subordinated Debentures and that the Series A-7 Junior Subordinated Debentures are not deemed to be issued with OID, a United States Holder’s adjusted tax basis in the Series A-7 Junior Subordinated Debentures generally will be the U.S. dollar value of the initial purchase price on the date of purchase. However, the adjusted tax basis of a Series A-7 Junior Subordinated Debenture that is traded on

an established securities market in the hands of a United States Holder that is a cash basis taxpayer, or an accrual basis taxpayer if such holder elects, will be the U.S. dollar value of the initial purchase price on the settlement date when the Series A-7 Junior Subordinated Debenture was purchased. If the Series A-7 Junior Subordinated Debentures are deemed to be issued with OID, a United States Holder's tax basis in the Series A-7 Junior Subordinated Debentures generally will be its initial purchase price, increased by OID previously includible in that United States Holder's gross income to the date of disposition and decreased by distributions or other payments received on the Series A-7 Junior Subordinated Debentures since and including the date that the Series A-7 Junior Subordinated Debentures were deemed to be issued with OID. The amount realized will be the U.S. dollar value of such amount on the date the Series A-7 Junior Subordinated Debentures that are traded on an established securities market mature, are redeemed or sold, except that a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the euro on the settlement date of the maturity, redemption or sale. That gain or loss generally will be a capital gain or loss, except, generally, to the extent of gain or loss that is attributable to changes in the U.S. dollar/euro exchange rate, and such gain or loss will generally be long-term capital gain or loss if the Series A-7 Junior Subordinated Debentures have been held for more than one year.

Should we exercise our option to defer payment of interest on the Series A-7 Junior Subordinated Debentures, the Series A-7 Junior Subordinated Debentures may trade at a price that does not fully reflect the accrued but unpaid interest. In the event of that deferral, a United States Holder who disposes of its Series A-7 Junior Subordinated Debentures between record dates for payments of interest will be required to include in income as ordinary income accrued but unpaid interest on the Series A-7 Junior Subordinated Debentures to the date of disposition and to add that amount to its adjusted tax basis in the Series A-7 Junior Subordinated Debentures deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis, that holder will recognize a capital loss. Capital losses generally cannot be applied to offset ordinary income for United States federal income tax purposes.

Exchange of Amounts in Other Than U.S. Dollars

When a United States Holder of a Series A-7 Junior Subordinated Debenture receives interest or principal, its tax basis in the euro will equal the U.S. dollar value of the euro when the interest is received or at the time of the sale, redemption or retirement. If a United States Holder purchases euro, its tax basis in the euro will generally be equal to the U.S. dollar value of the euro on the date of purchase. If a United States Holder sells or disposes of the euro, including if it is used to purchase the Series A-7 Junior Subordinated Debentures or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Under applicable Treasury regulations, United States taxpayers are required to report certain transactions that give rise to a loss in excess of certain thresholds (a "Reportable Transaction"). Generally, under these regulations and administrative guidance, a United States Holder (or a non-United States Holder that holds Series A-7 Junior Subordinated Debentures in connection with a U.S. trade or business) that recognizes a loss with respect to the Series A-7 Junior Subordinated Debentures that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. Holders should consult with their tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Series A-7 Junior Subordinated Debentures.

Information Reporting and Backup Withholding

Generally, income on the Series A-7 Junior Subordinated Debentures will be subject to information reporting. In addition, United States Holders may be subject to backup withholding on those payments if they do not provide their taxpayer identification numbers to the paying agent in the manner required, fail to certify

that they are not subject to backup withholding, or otherwise fail to comply with applicable backup withholding tax rules. United States Holders may also be subject to information reporting and backup withholding with respect to the proceeds from a sale, exchange, retirement or other taxable disposition (collectively, a “disposition”) of the Series A-7 Junior Subordinated Debentures. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder’s United States federal income tax liability, *provided* the required information is timely furnished to the IRS.

Non-United States Holders

Assuming that the Series A-7 Junior Subordinated Debentures will be respected as indebtedness of AIG, under current United States federal income tax law, no withholding of United States federal income tax will apply to a payment on a Series A-7 Junior Subordinated Debenture to a non-United States Holder under the “Portfolio Interest Exemption,” *provided* that:

- the payment is not effectively connected with the holder’s conduct of a trade or business in the United States;
- the non-United States Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of our stock entitled to vote;
- the non-United States Holder is not a controlled foreign corporation that is related directly or constructively to us through stock ownership; and
- the non-United States Holder satisfies the statement requirement by providing to the paying agent, in accordance with specified procedures, a statement to the effect that the holder is not a United States person (generally through the provision of a properly executed Form W-8BEN).

If a non-United States Holder cannot satisfy the requirements of the Portfolio Interest Exemption described above, payments on the Series A-7 Junior Subordinated Debentures (including payments in respect of OID, if any, on the Series A-7 Junior Subordinated Debentures) made to a non-United States Holder would be subject to a 30 percent United States federal withholding tax, unless that Holder provides its withholding agent with a properly executed statement (i) claiming an exemption from or reduction of withholding under an applicable United States income tax treaty; or (ii) stating that the payment on the Series A-7 Junior Subordinated Debentures is not subject to withholding tax because it is effectively connected with that Holder’s conduct of a trade or business in the United States.

If a non-United States Holder is engaged in a trade or business in the United States (and, if one of certain tax treaties applies, if the non-United States Holder maintains a permanent establishment within the United States in connection with that trade or business) and the interest on the Series A-7 Junior Subordinated Debentures is effectively connected with the conduct of that trade or business (and, if one of certain tax treaties applies, attributable to that permanent establishment), that non-United States Holder will be subject to United States federal income tax on the interest on a net income basis in the same manner as if that non-United States Holder were a United States Holder. In addition, a non-United States Holder that is a foreign corporation that is engaged in a trade or business in the United States may be subject to a 30 percent (or, if one of certain tax treaties applies, any lower rates as provided in that treaty) branch profits tax.

If, contrary to the opinion of our tax counsel, the Series A-7 Junior Subordinated Debentures were recharacterized as equity of AIG, payments on the Series A-7 Junior Subordinated Debentures would generally be subject to U.S. withholding tax imposed at a rate of 30% or such lower rate as might be provided for by an applicable income tax treaty.

Any gain realized on the disposition of a Series A-7 Junior Subordinated Debenture generally will not be subject to United States federal income tax unless:

- that gain is effectively connected with the non-United States Holder’s conduct of a trade or business in the United States (or, if one of certain tax treaties applies, is attributable to a permanent establishment maintained by the non-United States Holder within the United States); or

- the non-United States Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

In general, backup withholding and information reporting will not apply to a distribution on a Series A-7 Junior Subordinated Debenture to a non-United States Holder, or to proceeds from the disposition of a Series A-7 Junior Subordinated Debenture by a non-United States Holder, in each case, if the holder certifies under penalties of perjury that it is a non-United States person and neither we nor our paying agent has actual knowledge to the contrary.

Any amounts withheld under the backup withholding rules will be allowed as a credit against the non-United States Holder's United States federal income tax liability, *provided* the required information is timely furnished to the IRS. In general, if Series A-7 Junior Subordinated Debentures are not held through a qualified intermediary, the amount of payments made on those Series A-7 Junior Subordinated Debentures, the name and address of the beneficial owner and the amount, if any, of tax withheld may be reported to the IRS.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES A-7 JUNIOR SUBORDINATED DEBENTURES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required, from July 1, 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual or residual entity resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments (unless during such period they elect otherwise), deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from July 1, 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual or residual entity resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan (a “*plan*”) subject to the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the Series A-7 Junior Subordinated Debentures. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

ERISA and the Code prohibit plans, as well as individual retirement accounts, Keogh plans and other plans subject to Section 4975 of the Code and certain entities whose underlying assets include “plan assets” within the meaning of ERISA by reason of the investment by such plans or accounts therein (also “*plans*”), from engaging in certain transactions involving plan assets with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (together, “parties in interest”) with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including governmental plans, certain church plans and non-U.S. plans (“*non-ERISA arrangements*”) are not subject to the requirements of ERISA or the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other laws (“*similar laws*”).

AIG and certain of its affiliates may each be considered a party in interest with respect to many plans. The acquisition of Series A-7 Junior Subordinated Debentures by a plan with respect to which we or an affiliate is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or the Code, unless the Series A-7 Junior Subordinated Debentures are acquired pursuant to an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or “PTCEs”, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Series A-7 Junior Subordinated Debentures. These exemptions are PTCE 84-14 (for certain transactions determined or effected by a qualified professional asset manager), 90-1 (for certain transactions involving insurance company pooled separate accounts), 91-38 (for certain transactions involving bank collective investment funds), 95-60 (for transactions involving insurance company general accounts) and 96-23 (for transactions determined or effected by an in-house asset manager). In addition, ERISA Section 408(b)(17) and Code Section 4975(d)(20) provide an exemption for the purchase and sale of securities, *provided* that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any plan involved in the transaction, and *provided further* that the plan pays no more and receives no less than “adequate consideration” in connection with the transaction (the “*service provider exemption*”).

Any purchaser or holder of the Series A-7 Junior Subordinated Debentures or any interest therein will be deemed to have represented by its purchase and holding of the Series A-7 Junior Subordinated Debentures that it either (1) is not a plan and is not purchasing the Series A-7 Junior Subordinated Debentures on behalf of or with the assets of a plan or (2) with respect to the purchase and holding of the Series A-7 Junior Subordinated Debentures is eligible for the exemptive relief available under any of the PTCEs listed above or under the service provider exemption. In addition, any purchaser or holder of the Series A-7 Junior Subordinated Debentures which is a non-ERISA arrangement will be deemed to have represented by its purchase or holding of the Series A-7 Junior Subordinated Debentures that its purchase and holding will not violate the provisions of any similar laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering the purchase of the Series A-7 Junior Subordinated Debentures on behalf of or with plan assets of any plan or non-ERISA arrangement consult with their counsel regarding the availability of an exemption, or the potential consequences of any purchase or holding under similar laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in the Series A-7 Junior

Subordinated Debentures, you should consult your legal counsel. The sale of any Series A-7 Junior Subordinated Debentures to a plan or non-ERISA arrangement is in no respect a representation by AIG or any of its affiliates that such an investment meets all relevant legal requirements with respect to investments by any such plan or arrangement generally or any particular plan or arrangement, or that such investment is appropriate for such plans or arrangements generally or any particular plan or arrangement.

BUSINESS DESCRIPTION

American International Group, Inc., a Delaware corporation incorporated on June 9, 1967 under the laws of the State of Delaware, is a holding company which, through its subsidiaries, is engaged in a broad range of insurance and insurance-related activities worldwide. AIG's registration number with the Secretary of State of the State of Delaware is 658607. AIG's primary activities include both general insurance and life insurance & retirement services operations. Other significant activities include financial services and asset management.

AIG's general insurance subsidiaries write substantially all lines of commercial property and casualty insurance and various personal lines throughout the world. AIG's life insurance & retirement services subsidiaries provide insurance, financial and investment-oriented products throughout the world.

AIG's financial services subsidiaries engage in diversified activities including aircraft and equipment leasing, capital markets, consumer finance and insurance premium finance. AIG's asset management operations comprise a wide variety of investment-related services and investment products.

The principal executive offices of AIG are located at 70 Pine Street, New York, New York 10270, U.S.A., telephone (212) 770-7000; AIG's registered office in Delaware is c/o US Corporation Company, 32 Lockermann Square, Suite L-100, Dover, Delaware 06880, U.S.A.

DIRECTORS AND EXECUTIVE OFFICERS OF AMERICAN INTERNATIONAL GROUP, INC.

As of May 15, 2008, the directors of AIG (in such capacity, each having their business address at 70 Pine Street, New York, New York 10270), together with the principal occupations held by them, are:

<u>Name</u>	<u>Occupation</u>
Stephen F. Bollenbach	Former Co-Chairman and Chief Executive Officer, Hilton Hotels Corporation
Martin S. Feldstein	Professor of Economics, Harvard University; President and Chief Executive Officer, National Bureau of Economic Research
Ellen V. Futter	President, American Museum of Natural History
Richard C. Holbrooke	Vice Chairman, Perseus LLC
Fred H. Langhammer	Chairman, Global Affairs, The Estee Lauder Companies, Inc.
George L. Miles, Jr.	President and Chief Executive Officer, WQED Multimedia
Morris W. Offit	Chairman, Offit Capital Advisors LLC
James F. Orr III	Chairman of the Board of Trustees, The Rockefeller Foundation
Virginia M. Rometty	Senior Vice President, Global Business Services, International Business Machines Corporation
Martin J. Sullivan	President and Chief Executive Officer, American International Group, Inc.
Michael H. Sutton	Consultant; Former Chief Accountant of the United States Securities and Exchange Commission
Edmund S.W. Tse	Senior Vice Chairman—Life Insurance, American International Group, Inc.
Robert B. Willumstad	Former President and Chief Operating Officer, Citigroup Inc.

See AIG's Annual Report on Form 10-K for the year ended December 31, 2007 for a list of AIG's executive officers as of February 28, 2008, and its Proxy Statement dated April 4, 2008 for information regarding any potential conflicts of interest of AIG's directors and executive officers as of April 4, 2008.

Corporate Governance Matters

For a discussion of AIG's corporate governance policies as well as information concerning the committees of the Board of Directors, see "Corporate Governance", in AIG's Proxy Statement dated April 4, 2008.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement, dated the date of this offering memorandum, each Initial Purchaser named below, for whom Citigroup Global Markets Limited and J.P. Morgan Securities Ltd. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the principal amount of Series A-7 Junior Subordinated Debentures set forth opposite their names below:

<u>Name</u>	<u>Principal Amount of Series A-7 Junior Subordinated Debentures</u>
Citigroup Global Markets Limited	€150,000,000.00
J.P. Morgan Securities Ltd.	150,000,000.00
BNP Paribas	112,500,000.00
Deutsche Bank AG, London Branch	112,500,000.00
Société Générale	112,500,000.00
Banco Santander, S.A.	13,200,000.00
Banca IMI S.p.A.	13,200,000.00
ING Bank N.V.	13,200,000.00
CALYON	13,200,000.00
Westpac Banking Corporation	9,900,000.00
Bayerische Landesbank	9,900,000.00
Landesbank Hessen-Thüringen Girozentrale	9,900,000.00
Landesbank Baden-Württemberg	6,000,000.00
Natixis	6,000,000.00
Bayerische Hypo-und Vereinsbank AG	6,000,000.00
Skandinaviska Enskilda Banken AB (publ)	6,000,000.00
Svenska Handelsbanken AB (publ)	6,000,000.00
Total	<u>€750,000,000.00</u>

The Initial Purchasers are committed to take and pay for all of the Series A-7 Junior Subordinated Debentures being offered, if any are taken. The initial offering price is set forth on the cover page of this offering memorandum. After the Series A-7 Junior Subordinated Debentures are released for sale, the Initial Purchasers may change the offering price and other selling terms.

The Series A-7 Junior Subordinated Debentures have not been and will not be registered under the Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Series A-7 Junior Subordinated Debentures to qualified institutional buyers in reliance on Rule 144A under the Securities Act or to non-U.S. persons in offshore transactions in reliance on Regulation S of the Securities Act. Terms used above have the meanings given to them by Rule 144A and Regulation S under the Securities Act.

Accordingly, in connection with sales outside the United States, the Initial Purchasers have agreed that, except as permitted by the purchase agreement and set forth in “Notice to Investors,” they will not offer or sell the Series A-7 Junior Subordinated Debentures within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and they will have sent to each dealer to which they sell Series A-7 Junior Subordinated Debentures during the 40-day restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Series A-7 Junior Subordinated Debentures within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of Series A-7 Junior Subordinated Debentures within the United States by a dealer that is not participating in this offering may

violate the registration requirements of the Securities Act if made otherwise than in accordance with Rule 144A.

In connection with the offering, the Initial Purchasers may purchase and sell Series A-7 Junior Subordinated Debentures in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by an Initial Purchaser of a greater number of Series A-7 Junior Subordinated Debentures than it is required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Series A-7 Junior Subordinated Debentures while the offering is in progress.

These activities by the Initial Purchasers, as well as other purchases by the Initial Purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the Series A-7 Junior Subordinated Debentures. As a result, the price of the Series A-7 Junior Subordinated Debentures may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Initial Purchasers at any time. These transactions may be effected in the over-the-counter market or otherwise.

It is expected that delivery of the Series A-7 Junior Subordinated Debentures will be made against payment therefor on or about the date specified on the cover page of this offering memorandum, which will be the fifth business day following the date of this offering memorandum.

An application has been made to the Irish Stock Exchange for the Series A-7 Junior Subordinated Debentures to be admitted to the Official List and traded on its regulated market.

The Initial Purchasers have agreed to reimburse us for our expenses, including legal, accounting and printing costs, up to a cap of €750,000.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act.

Selling Restrictions

Ireland

Each purchaser of the Series A-7 Junior Subordinated Debentures has represented, warranted and agreed that (or will represent, warrant and agree) that:

- a. it has not and will not underwrite the issue of, or place, offer or sell or otherwise act in Ireland in respect of any Series A-7 Junior Subordinated Debentures other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation; and Irish market abuse law (as defined in the Investment Funds, Companies and Miscellaneous Provisions Act, 2005), including the Market Abuse (Directive 2003/6/EC) Regulations 2005 (S.I. No. 342 of 2005) and any rules issued under section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005;
- b. it has not underwritten and will not underwrite the issue of or place the Series A-7 Junior Subordinated Debentures otherwise than in conformity with the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21; and the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. No. 60 of 2007) (as amended) including, without limitation, Parts 6, 7, 9 and 12 thereof and any codes of conduct or other requirements or guidance issued in connection therewith;
- c. it has not underwritten and will not underwrite the issue of, or place, the Series A-7 Junior Subordinated Debentures, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942-2004 (as amended) and any codes of conduct made under Section 117 thereof; and

- d. it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Series A-7 Junior Subordinated Debentures otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act, 2005 by the Irish Central Bank and Financial Services Regulatory Authority (IFSRA).

United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “*Order*”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”).

Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Relationships with the Initial Purchasers

The Initial Purchasers and their affiliates have from time to time provided, and expect to provide in the future, investment banking, commercial banking and other financial services to us and our affiliates, for which they have received and may continue to receive customary fees and commissions. The Initial Purchasers, or their affiliates, may, from time to time, engage in transactions with and perform services for AIG and its affiliates in the ordinary course of their businesses.

VALIDITY OF SECURITIES

The validity of the Series A-7 Junior Subordinated Debentures will be passed on for AIG by Sullivan & Cromwell LLP and for the Initial Purchasers by Davis Polk & Wardwell. Partners of Sullivan & Cromwell LLP involved in the representation of AIG beneficially own approximately 11,360 shares of AIG common stock. Davis Polk & Wardwell has from time to time provided, and may provide in the future, legal services to us and our affiliates, for which it has received and may continue to receive customary fees.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Our consolidated financial statements and financial statement schedules as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, incorporated into this offering memorandum by reference to our Annual Report on Form 10-K for the year ended December 31, 2007, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as set forth in their report which is also included therein and incorporated by reference herein.

LISTING AND GENERAL INFORMATION

- (1) The Series A-7 Junior Subordinated Debentures have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems with a Common Code of 036532483 (144A)/036532360 (REG S). The International Securities Identification Number for the Series A-7 Junior Subordinated Debentures is XS0365324838 (144A)/XS0365323608 (REG S).
- (2) The total expenses related to the admission of the Series A-7 Junior Subordinated Debentures to trading on the Irish Stock Exchange are expected to be less than U.S.\$50,000.
- (3) For so long as any of the Series A-7 Junior Subordinated Debentures are outstanding, physical copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of the Irish Paying Agent:
 - (a) the constitutive documents of AIG;
 - (b) the junior subordinated indenture, dated as of March 13, 2007, between AIG and The Bank of New York, as trustee, as supplemented with respect to the Series A-7 Junior Subordinated Debentures; and
 - (c) the documents incorporated by reference in the Prospectus referred to under “Prospectus and Documents Incorporated by Reference.”
- (4) AIG has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Series A-7 Junior Subordinated Debentures. Resolutions authorizing the issue and sale of the Series A-7 Junior Subordinated Debentures were adopted by AIG’s board of directors on May 14, 2008.
- (5) Except as disclosed in this Prospectus, as of the date of this Prospectus, there has been no significant change in the consolidated financial or trading position of AIG nor any material adverse change in the prospects of AIG since March 31, 2008.
- (6) Except as disclosed in this Prospectus, neither AIG nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which AIG is aware) during the 12 months preceding the date of this document, that may have or have had in the recent past a significant effect on the financial position or profitability of AIG and its subsidiaries.
- (7) On June 3, 2003 the Council of Economic and Finance Ministers of the European Union adopted a Directive regarding the taxation of savings income. Under Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of payment of interest and (or other similar income) paid by a person to an individual resident in that other Member State. However, during a transitional period (the “Transitional Period”), Austria, Belgium and Luxembourg will instead operate a withholding system unless they elect otherwise. The rate of such withholding tax will be 15% during the first three years, 20% during the subsequent three years and 35% until the end of the Transitional Period. The Transitional Period commenced on July 1, 2005, and will terminate after agreement on exchange of information is reached between the European Union and certain non-European states (including the United States, Switzerland, Liechtenstein, San Marino, Monaco and Andorra). Persons considering the purchase of Series A-7 Junior Subordinated Debentures should consult their own advisors concerning application of Directive 2003/48/EC to their particular situation.
- (8) As a result of the implementation of Directive 2004/109/EC (the “*EU Transparency Directive*”), AIG may become subject to obligations in relation to its financial statements which are unduly burdensome. In particular, AIG may be required to prepare its financial statements in accordance with International Financial Reporting Standards for accounting periods beginning on or after January 1, 2009.

Although no final decision has been made, in the event AIG is required under the EU Transparency Directive to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than U.S. generally accepted accounting principles because of the continued listing of the Series A-7 Junior Subordinated Debentures on either the current or future market of the Irish Stock Exchange on which they are traded or any other stock exchange, or in the event that the listing becomes otherwise unduly burdensome, AIG may elect to apply for a delisting of the Series A-7 Junior Subordinated Debentures from the Irish Stock Exchange (or the section thereof) or any other stock exchange on which they are traded.

In such event, AIG will use all reasonable endeavours to seek a replacement listing on another section of the Irish Stock Exchange or another stock exchange (including any section thereof) which does not amount to a “regulated market” for the purposes of the EU Transparency Directive (and which may be outside the European Union, provided that it is a member of the International Federation of Stock Exchanges and that it is located in a state that is a member of the Organisation for Economic Co-operation and Development), provided that obtaining or maintaining a listing on such market of such stock exchange (whether or not outside the European Union) would not be unduly burdensome, including, without limitation, because it would require AIG to provide financial statements prepared in accordance with, or reconcile financial statements to, accounting principles or standards other than U.S. generally accepted accounting principles.

In the event that no listing is obtained or maintained which satisfies the foregoing requirements, AIG will use all reasonable endeavours to obtain a replacement listing elsewhere.

Although no assurance is made as to the liquidity of the Series A-7 Junior Subordinated Debentures as a result of listing on the Irish Stock Exchange, delisting the Series A-7 Junior Subordinated Debentures from the current market of the Irish Stock Exchange on which they are traded or any other stock exchange may have a material effect on the ability of holders to resell Series A-7 Junior Subordinated Debentures in the secondary market.

Trustee and Paying Agent

The Bank of New York
101 Barclay Street
New York, New York 10286
United States of America

Irish Paying Agent

BNY Financial Services PLC
30 Herbert Street
Dublin 2
Ireland

Auditors

PricewaterhouseCoopers LLP

Independent Registered Public Accounting Firm
PricewaterhouseCoopers Center
300 Madison Avenue
New York NY 10017

Legal Advisers

To the Issuer

in respect of U.S. law

Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004
United States of America

in respect of Irish law and as Listing Agent

Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
Ireland

To the Initial Purchasers

Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017
United States of America

€750,000,000

American International Group, Inc.

8.000% Series A-7 Junior Subordinated Debentures



OFFERING MEMORANDUM

May 19, 2008

Citi
JPMorgan
BNP PARIBAS
Deutsche Bank Securities
SOCIETE GENERALE Corporate & Investment Banking
