9-5-2008

AIG Board of Directors Minutes 9/5/2008

American International Group, Inc. (AIG)

MINUTES OF A MEETING OF DIRECTORS

AMERICAN INTERNATIONAL GROUP, INC.

Held September 5, 2008

A meeting of the Board of Directors of AMERICAN INTERNATIONAL GROUP, INC., was held by telephone conference call on September 5, 2008 at 4:30 P.M., pursuant to notice duly given to each of the Directors in accordance with the By-Laws.

Present:	Messrs.	Stephen F. Bollenbach Martin S. Feldstein Fred H. Langhammer George L. Miles, Jr. Morris W. Offit James F. Orr III Michael H. Sutton Edmund S.W. Tse Robert B. Willumstad
	Mesdames	Suzanne Nora Johnson Virginia M. Rometty

Also present were Mr. James G. Gamble of Simpson Thacher & Bartlett LLP, Steven J. Bensinger, Vice Chairman-Financial Services and Chief Financial Officer, Anastasia D. Kelly, Executive Vice President and General Counsel, William N. Dooley, Senior Vice President – Financial Services, David L. Herzog, Senior Vice President and Comptroller, Brian T. Schreiber, Senior Vice President – Strategic Planning, Kathleen E. Shannon, Senior Vice President, Secretary and Deputy General Counsel, Robert Gender, Vice President and Treasurer, and Eric N. Litzky, Vice President - Corporate Governance.

All of the Directors being present, the meeting proceeded.

The Chairman, Mr. Robert B. Willumstad, presided and the Secretary, Ms. Kathleen E. Shannon, recorded the minutes of the meeting.

Mr. Willumstad thanked the members for attending the meeting, which was called to update the Board on the issues facing the Corporation. He said that the markets have not been kind and the Corporation's residential mortgage backed securities portfolio and credit default swap portfolio have continued to deteriorate. Mr. Willumstad described the liquidity and capital issues facing the organization and advised the members that an additional capital raise will be required and JPMorgan had been engaged as an advisor. Mr. Bensinger joined the call and described a fairly extensive plan involving both public and private placements of capital and approaches to sovereign wealth funds. Mr. Willumstad advised the Board that the goal was to put credit issues behind the Corporation, and to that end, the strategy would involve exiting certain businesses, some of which are not part of the strategy for the future but some of which in other times the Corporation would not be selling. He also said that a dividend cut would be considered, and noted that a ratings downgrade would put additional pressure on liquidity and might require drawing on the backup lines.

Mr. Bensinger led a discussion of the various alternatives under consideration. In response to questions on whether a good bank/bad bank structure could be used, Mr. Bensinger said such a structure is under review but so far there does not seem to be a way to split off the "bad" business without default issues. Mr. Bensinger said that JPMorgan will be asked to address various funding alternatives, including asset sales, and all proposals and recommendations will be shared with the Board.

Mr. Willumstad reported that there had been initial discussions with the Federal Reserve on whether the discount window could be made available to AIG, but discussions are now focusing on the possibility of AIG establishing a primary dealer, a process that can be completed in about two months. Mr. Offit asked about the possibility of membership in the Federal Home Loan Bank system, and Mr. Bensinger said that such membership would provide liquidity in the life insurance companies, and the approval process is underway in Texas.

A discussion followed on the magnitude of the necessary capital raise, and the Corporation's ability to raise enough capital to reduce its exposure in AIGFP or investments. Mr. Bensinger reported that the investment bankers had told Management that a capital raise of approximately $20 billion should be possible, and asset sales and a dividend cut could increase funds by several billion dollars more. Mr. Willumstad said that the other real issue was timing and in particular whether the capital raise could or should come before the release of third quarter earnings. He added that Management had not yet decided whether the Board would be asked to make any decisions at the Board meeting scheduled for the following week, although it was pointed out by Ms. Shannon that because the Board customarily declares the December dividend at the September meeting, there will be an expectation of dividend action at that meeting.

Mr. Offit advised the Board that the Finance Committee had approved and recommended that the Board approve a transaction with the project name of Metropolis, which is intended to help contain AIG's exposures in the event of a ratings downgrade. Mr. Schreiber provided an overview of the Project Metropolis structure, which addresses liquidity demands related to AIGFP's municipal guaranteed investment agreement portfolio on a downgrade. He explained that the structure effectively gave AIGFP the ability to put its obligations to post collateral under the municipal guaranteed investment agreements to a Berkshire Hathaway subsidiary, and to pay a premium for the service provided in the form of an illiquid asset, life settlement policies. Mr. Schreiber estimated the cost of the transaction at $1.2 to $1.4 billion, and noted that AIG's current CDS spread was 432 basis points. He then answered various questions posed by Directors. Mr. Willumstad advised the members that although the transaction might seem expensive, it was in the nature of purchasing insurance in the event of a downgrade, and $1.2 billion of illiquid collateral would effectively be posted to receive the benefits of $5.5 billion in collateral. Mr. Schreiber commented that the strategy with respect to the remaining $3 billion in municipal guaranteed investment agreements which require collateralization is to approach the counterparties with a proposal to buy back the obligation. It was pointed out that AIG retains the underlying risk on the transactions through a back-to-back structure.

After additional discussion, upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the transaction presented to this Board whereby a subsidiary of Berkshire Hathaway will provide a Guaranteed Investment Contract Contingent Fronting Facility to AIG Matched Funding Corp., an indirect wholly owned subsidiary of the Corporation, including the transfer of life settlement policies with a fair market value of approximately $1.45 billion as a fee for such facility, be, and the same hereby is, approved, ratified and confirmed; and

FURTHER RESOLVED, that the officers of the Corporation be, and hereby are, authorized, in the name and on behalf of the Corporation, to execute and deliver or cause to be made, executed and delivered, all certificates, agreements, undertakings, documents or instruments or to perform such other acts as such officer may deem necessary or appropriate in order to effectuate the purpose and intent of the foregoing resolution, and all actions heretofore taken by such officers to achieve the intent and purpose of the foregoing resolution be, and hereby are, ratified and approved.

There being no further business to come before the meeting, upon motion duly made, seconded and unanimously carried, the meeting was adjourned.

Kathleen E Shannon
Secretary

Chairman of the Board