



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

November 8, 2010

Jeffrey J. Hurd, Esq.
Senior Vice President —
Human Resources and Communications
American International Group, Inc.
70 Pine Street
New York, New York 10270

**Re: *Supplemental Determination Regarding
Proposed Compensation Structure for Chief Risk Officer***

Dear Mr. Hurd:

This letter addresses your request on behalf of American International Group, Inc. (“AIG”), for approval by the Special Master for TARP Executive Compensation of a compensation structure for a potential new hire. Under the Department of the Treasury’s Interim Final Rule on TARP Standards for Compensation and Corporate Governance (the “Rule”), the Special Master must approve the compensation structures of executive officers of “exceptional assistance recipients” such as AIG. 31 C.F.R. § 30.16(a)(3)(ii).

Pursuant to the Rule, on April 16, 2010, the Special Master issued an initial determination (the “Determination”), which concluded that certain compensation structures for AIG executive officers would not result “in payments that are inconsistent with the purposes of Section 111 of EESA or TARP, or are otherwise contrary to the public interest.” *Id.* § 30.16(a)(3)(ii) (the “Public Interest Standard”). Subsequent to the issuance of the Determination, AIG informed the Office of the Special Master that it had identified a potential new hire for an executive officer position, serving as Chief Risk Officer. On October 15, 2010, AIG submitted a proposed compensation structure to the Office of the Special Master—its representatives having previously discussed the substance of the proposal with the Special Master and staff members in the Office of the Special Master—and requested a determination that the proposed structure is consistent with the Public Interest Standard.

AIG proposed a 2010 compensation structure for the new Chief Risk Officer that generally conforms to the compensation structures the Special Master approved in the Determination. Accordingly, the Special Master has determined that AIG’s proposed 2010 compensation structure for the Chief Risk Officer, as set forth in the draft employment agreement attached as Exhibit I, is consistent with the Public Interest Standard.

The conclusions reached herein apply only to the proposal in respect of the Chief Risk Officer. Such conclusions are limited to the authority vested in the Special Master by Section 30.16(a)(3) of the Rule, and shall not constitute, or be construed to constitute, the judgment of the Office of the Special Master or the Department of the Treasury with respect to the compliance of the proposed compensation structure or any other compensation structure for the subject employee with any other provision of the Rule. Moreover, my evaluation and conclusion have relied upon, and are qualified in their entirety by, the accuracy of the materials submitted by AIG to the Office of the Special Master, and the absence of any material misstatement or omission in such materials.

Very truly yours,



Patricia Geoghegan
Office of the Special Master for
TARP Executive Compensation

Attachment

cc: Mitchell D. Schultz
Marc R. Trevino, Esq.

October 15, 2010

Dear [Name]:

I am pleased to confirm the terms of your employment with American International Group, Inc.

1. *Effective Date.* October 1, 2010, or as soon thereafter as possible.
2. *Position.* On the Effective Date, you will begin to serve as Chief Risk Officer of AIG. In this capacity, you will initially report to the Executive Vice President – Finance, Risk and Investments and the Finance and Risk Committee of AIG’s Board of Directors and have all of the customary authorities, duties and responsibilities that accompany your position.
3. *Base Cash Salary.* Your initial base cash salary will be \$500,000 per year (prorated for partial years under this letter).
4. *Stock Salary.* In addition to your cash salary, you will receive semi-monthly awards of Long-Term Performance Units, also known as LTPUs, issued under the American International Group, Inc. Long-Term Performance Units Plan. These awards, which we refer to as stock salary, will be at a rate of \$830,000 per year (prorated for partial years under this letter). Your stock salary awards will be subject to additional terms, including:
 - Of your total annual stock salary, LTPUs earned at a rate of \$165,000 per year (prorated for partial years under this letter) will be settled on the first anniversary of the date of grant, and the remaining LTPUs will be settled on the third anniversary of the date of grant; and
 - Stock salary is immediately vested upon grant.
5. *Annual Incentive Awards.* You will be eligible to receive an annual incentive award based on a target amount of \$1,960,000 (prorated for partial years under this letter). AIG’s Compensation and Management Resources Committee (the “Committee”), in consultation with the Executive Vice President – Finance, Risk and Investments, will determine the amount of your annual incentive award based on its performance assessment against objective performance metrics. Any annual incentive award earned will be

paid in three installments (in each case prorated for partial years under this letter):

- Twenty-five percent (25%) of your earned incentive award (target \$490,000) will be paid in cash in March of the year following the year for which it was earned;
- Twenty-five percent (25%) of your earned incentive award (target \$490,000) will be paid in cash in March of the second year following the year for which it was earned; and
- Fifty percent (50%) of your earned incentive award (target \$980,000) will be paid in LTPUs and/or AIG stock. About sixty-six percent (66.3%) of this part of your earned incentive award (target: \$650,000) will be in the form of LTPUs that are immediately vested when granted and will be settled on the third anniversary of grant, and the remaining part (target: \$330,000) will be in the form of AIG long-term restricted stock units that will vest on the second anniversary of grant and be subject to transfer/payout restrictions as required by the TARP Standards for Compensation and Corporate Governance, 31 C.F.R. Part 30, (the "TARP Standards") for long-term restricted stock, except that in no event may this portion be transferable/payout before the third anniversary of grant.

6. *Transition Incentive Award.* AIG places great importance on your immediate and successful transition to the role of Chief Risk Officer and integration into the business. Therefore, for 2010 only, you will be eligible to receive a transition incentive award based on a target amount of \$2,250,000, subject to the following terms:

- The Committee will determine the amount of your transition incentive award based on its performance assessment against objective performance metrics related to key transition goals.
- Any transition incentive award earned will be granted in March 2011 and paid in three installments:
 - About twenty-two percent (22.2%) of your earned transition incentive award (target \$500,000) will be paid in cash on the grant date;
 - About twenty-two percent (22.2%) of your earned transition incentive award (target \$500,000) will be immediately vested on the grant date but payment in cash will be deferred until March 2012; and
 - About fifty-six percent (55.6%) of your earned transition incentive award (target \$1,250,000) will be paid in immediately vested LTPUs on the grant date, and such LTPUs will be settled on the third anniversary of the grant date.
- Notwithstanding any contrary provision in the preceding, any transition incentive award earned will be subject to the following forfeiture and repayment requirement:

- If you voluntarily terminate your employment prior to or on the first anniversary of grant, you will forfeit the LTPUs and any unpaid cash and be obligated to repay AIG the full amount of any cash already paid to you.

Please note that receipt of this Transition Incentive Award is predicated upon your providing written documentation to AIG within 30 days of your start date showing forfeiture of your unvested and/or unpaid incentives, commissions, and/or equity awards from your current employer.

7. *Restructuring of Future Payments.* It is possible that you will be among AIG's top 25 most highly compensated employees and subject to the most stringent restrictions imposed by the TARP Standards (the "Restricted Top 25") in the future. If that is reasonably expected to occur, the payment of your earned incentive or other amounts may be restructured in order to comply with the applicable TARP Standards and guidance provided by the Office of the Special Master for TARP Executive Compensation.
8. *Benefits.* Subject to the limits of this letter and the TARP Standards, you will be entitled to benefits consistent with senior executives of AIG and reimbursement of reasonable business expenses, in each case in accordance with applicable AIG policies as in effect from time to time. Beginning as of the date hereof, you will participate in AIG's Executive Severance Plan as an Eligible Employee (without regard to the Partners Plan, for which you are not eligible, or any other eligibility requirement). For purposes of the Executive Severance Plan, your "Severance Period" will be twelve months and, for 2010, your 2010 cash incentive target under Section 5 (not prorated) will be treated as your historic average "Annual Cash Bonuses". Thereafter, your actual 2010 cash incentive award under Section 5 (annualized) will serve as your 2010 Annual Cash Bonus for purposes of the Executive Severance Plan. Your 2010 stock salary will not be treated as "Annual base salary" for purposes of the Executive Severance Plan. In addition, compensation payments and structures approved by the Special Master for TARP Executive Compensation for years after 2010 may not result in an increase in the amounts payable under the Executive Severance Plan.
9. *Executive Compensation Standards.* Any bonus or incentive compensation paid to you is subject to recovery or "clawback" by AIG if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria, or if you are terminated due to misconduct that occurred during the period the bonus or incentive compensation was earned (all within the meaning of, and to the full extent necessary to comply with, the TARP Standards). In addition, you will not be entitled to any golden parachute payment or tax gross-up from AIG or its affiliates to the extent prohibited by the TARP Standards (which AIG does not expect to affect your rights under the Executive Severance Plan unless you enter the Restricted Top 25).

Your compensation is subject to applicable regulations issued by the U.S. Department of the Treasury and applicable requirements of agreements between AIG and the U.S. government, as the same are in effect from time to time. You may receive compensation from AIG only to the extent that it is consistent with those regulations and requirements.

If, after your start date, AIG determines it necessary under any compensation requirements or regulations, you shall (a) promptly execute a waiver of claims against AIG and its affiliates and the United States relating to the compensation requirements or regulations and (b) execute such other agreements, acknowledgments or other documents necessary to implement such compensation requirements or regulations (in each case in such form as AIG determines is appropriate).

10. *Indemnification and Cooperation.* During and after your employment, AIG will indemnify you in your capacity as a director, officer, employee or agent of AIG to the fullest extent permitted by applicable law and AIG's charter and by-laws, and will provide you with director and officer liability insurance coverage (including post-termination/post-director service tail coverage) on the same basis as AIG's other executive officers. AIG agrees to cause any successor to all or substantially all of the business or assets (or both) of AIG to assume expressly in writing and to agree to perform all of the obligations of AIG in this paragraph.

You agree (whether during or after your employment with AIG) to reasonably cooperate with AIG in connection with any litigation or regulatory matter or with any government authority on any matter, in each case, pertaining to AIG and with respect to which you may have relevant knowledge, provided that, in connection with such cooperation, AIG will reimburse your reasonable expenses and you shall not be required to act against your own legal interests.

11. *Tax Matters.* To the extent any taxable expense reimbursement or in-kind benefits under Section 8 or 10 is subject to Section 409A of the Internal Revenue Code of 1986, the amount thereof eligible in one taxable year shall not affect the amount eligible for any other taxable year, in no event shall any expenses be reimbursed after the last day of the taxable year following the taxable year in which you incurred such expenses and in no event shall any right to reimbursement or receipt of in-kind benefits be subject to liquidation or exchange for another benefit. Each payment under this letter will be treated as a separate payment for purposes of Section 409A of the Code.
12. *Withholding.* Tax will be withheld by AIG as appropriate under applicable Federal or other governmental tax requirements for any payments or deliveries under this letter, including by withholding in-kind from awards of shares or LTPUs.
13. *Non-competition and non-solicitation.* In connection with your joining AIG, you agree to sign the attached Non-competition, Non-solicitation and Non-disclosure Agreement.
14. *No Guarantee of Employment.* This offer letter is not a guarantee of employment for a fixed term. Your employment with AIG (as set forth in the employment application) will be on an "at-will" basis, meaning that you and AIG may terminate your employment with AIG at any time and for any reason, with or without prior notice.

15. *Entire Agreement.* Together with the employment application, this offer letter constitutes AIG's only statement relating to its offer of employment to you and supersedes any previous communications or representations, oral or written, from or on behalf of AIG or any of its affiliates. Notwithstanding the foregoing, your signed Fair Credit Reporting Act Consumer Disclosure and General Authorization is expressly incorporated by reference into this offer letter.
16. *Miscellaneous Representations.* You confirm and represent to AIG, by signing this letter, that: (a) you are under no obligation or arrangement (including any restrictive covenants with any prior employer or any other entity) that would prevent you from becoming an employee of AIG or that would adversely impact your ability to perform the expected services on behalf of AIG; (b) you have not taken (or failed to return) any confidential information belonging to your prior employer or any other entity, and, to the extent you remain in possession of any such information, you will never use or disclose such information to AIG or any of its employees, agents or affiliates; and (c) you understand and accept all of the terms and conditions of this offer.
17. *Dispute resolution.* Any contest or dispute between AIG and you arising out of or relating to or concerning this letter or your other employment arrangements with AIG (including termination of your employment) shall be submitted to arbitration in New York City before, and in accordance with the commercial arbitration rules then obtaining of, the American Arbitration Association. Each party will bear his or its own expenses of the arbitration including legal fees. Any dispute will be subject to the jurisdiction of a State or Federal court located in the City of New York to the extent necessary to obtain injunctive relief.

[Signature page follows]

October 15, 2010

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We look forward to having you as a member of AIG's leadership team.

Sincerely,

AMERICAN INTERNATIONAL GROUP, INC.

By: _____
Jeffrey J. Hurd
Senior Vice President –
Human Resources and Communications

I agree with and accept the foregoing terms.
