

October 5, 2009

Dear Valued Distribution Partner,

We're committed to keeping you informed with accurate, timely news about our company. Late last week our parent company, American International Group, Inc. (AIG), issued the enclosed media backgrounder, which clearly articulates the amount of money that AIG owes the government compared with the total amount of assistance provided to AIG. I hope the facts contained within this backgrounder help to clarify the confusion surrounding AIG's governmental obligations, and set the record straight on the progress made to date.

We will continue to keep you informed. Thank you for your partnership.

Kind regards,

A handwritten signature in black ink that reads "Mary Jane Fortin". The signature is written in a cursive, flowing style.

Mary Jane Fortin



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## **AIG MEDIA BACKGROUNDER:**

### **HOW MUCH DOES AIG OWE THE GOVERNMENT?**

NEW YORK October 1, 2009 - In response to continuing confusion regarding the amount of assistance AIG has received from the government and the amount it must repay, AIG provides the following facts:

The U.S. government has provided support to AIG in several forms: direct equity investments in AIG, loans to AIG, the extension to AIG of a mostly untapped equity capital facility, access to a commercial paper funding facility<sup>1</sup> and loans to special purpose entities formed by the Federal Reserve Bank of New York (FRBNY). The loans to these special purpose entities are to be repaid by those entities, and not by AIG, from the proceeds of the assets owned by those entities.

The Breakdown:

#### **LOANS TO AIG, INCLUDING INTEREST AND FEES: \$38.8 billion**

**DETAIL:** The FRBNY has provided AIG a revolving credit facility of up to \$60 billion for a five-year period. The US GAO reported on September 21, 2009 that as of September 2, 2009, AIG owed \$38.8 billion under the FRBNY Facility, including accrued compounding interest and fees.

#### **EQUITY CAPITAL: \$44.8 billion**

**DETAIL:** The U.S. Treasury Department invested \$41.6 billion in AIG preferred stock through its TARP program. The U.S. Treasury has also provided a commitment of up to \$29.835 billion in connection with the issuance of additional TARP equity, of which, AIG has drawn \$3.2 billion.

**NOTE:** AIG and the FRBNY have agreed that AIG will issue to the FRBNY preferred interests in special purpose vehicles holding equity in certain AIG subsidiaries in exchange for a reduction in the outstanding debt under the FRBNY facility. When these transactions close, AIG's debt to the FRBNY will be reduced by a total of \$25 billion.

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<sup>1</sup> In October 2008, the Fed created a Commercial Paper Funding Facility (CPFF) to provide a liquidity backstop to U.S. issuers of commercial paper. AIG's participation in the CPFF is on the same terms and conditions as other companies that participate in this program. Under the CPFF, the Fed purchases commercial paper from participating AIG affiliates. Proceeds from the issuance of the commercial paper are being used to refinance AIG's outstanding commercial paper as it matures and meet other working capital needs.

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- **ADDITIONAL GOVERNMENT FUNDS PROVIDED FOR THE BENEFIT OF AIG**

In the last quarter of 2008, the FRBNY created two financing entities (Maiden Lane II and Maiden Lane III) and made loans totaling approximately \$44 billion to these entities which used the funds to purchase value-impaired assets from AIG and its counterparties.

Maiden Lane II received \$19.5 billion and used the funds to purchase residential mortgage-backed securities (RMBS) held in connection with AIG's securities lending program. In addition to principal repayments, the FRBNY receives interest on the loan at LIBOR plus 1% (paid by proceeds from the RMBS assets). The GAO report notes that as of September 2, 2009, this loan has a balance of \$16.9 billion.

Maiden Lane III received \$24.3 billion and used the funds to purchase collateralized debt obligations (CDOs) from counterparties to AIG Financial Products Corp. (AIGFP), an AIG subsidiary related to credit default swap contracts written by AIGFP, in connection with the termination of such CDS. In addition to principal repayments, the FRBNY receives interest on the loan at LIBOR plus 1% (paid by proceeds from the CDOs). The GAO report notes that as of September 2, 2009, this loan has a balance of \$20.2 billion.

### **SUMMARY:**

**TOTAL AUTHORIZED ASSISTANCE: \$182.3 BILLION (AS REPORTED IN THE GAO REPORT)**

**TOTAL OUTSTANDING ASSISTANCE \$120.7 BILLION (AS REPORTED IN THE GAO REPORT)**

**OUTSTANDING DEBT AND EQUITY BALANCE REQUIRING REPAYMENT FROM AIG: \$83.6 BILLION (AS REPORTED IN THE GAO REPORT)<sup>2</sup>**

Further detail is available at [www.AIG.com](http://www.AIG.com)

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<sup>2</sup> The difference between the \$83.6 billion to be repaid by AIG and the \$120.7 billion in outstanding assistance is due from the Maiden Lane entities.