MINUTES OF MEETING

OF THE

COMPENSATION AND MANAGEMENT RESOURCES COMMITTEE

OF

THE BOARD OF DIRECTORS

AMERICAN INTERNATIONAL GROUP, INC.

Held March 11, 2008

---

A meeting of the Compensation and Management Resources Committee (the "Committee") of the Board of Directors of AMERICAN INTERNATIONAL GROUP, INC., was held on March 11, 2008 at 2:00 p.m. at 70 Pine Street, New York, New York, pursuant to notice duly given to each of the members in accordance with the By-Laws.

| | | |
|---|---|---|
| Present: | Messrs. | Marshall A. Cohen |
| | | Fred H. Langhammer |
| | | James F. Orr III |
| | | Robert B. Willumstad, ex officio |
| | Ms. | Virginia M. Rometty |

Also present were Directors George L. Miles, Jr. and Michael H. Sutton, Ms. Wendy Hilburn of Frederic W. Cook & Co., Inc., Mr. Marc Trevino of Sullivan & Cromwell LLP, President and Chief Executive Officer Martin J. Sullivan, Executive Vice President and General Counsel, Anastasia D. Kelly, Senior Vice President and Chief Human Resources Officer Andrew J. Kaslow, Senior Director of Compensation Jacqueline Aguanno, Senior Vice President, Secretary and Deputy General Counsel Kathleen E. Shannon and Vice President - Corporate Governance Eric N. Litzky.

All of the members of the Committee being present, the meeting proceeded.

The Chairman of the Committee, Mr. Marshall A. Cohen, presided and the Secretary, Ms. Kathleen E. Shannon, recorded the minutes of the meeting.

The meeting began with an executive session among the Committee members and Directors Miles and Sutton.

Mr. Cohen commented that here had been significant previous discussions on the treatment of the Partners Plan earnout for the 2006-2007 performance period, including the accounting effect of various alternative modifications to the definitions used for determining adjusted net income for the year 2007. Mr. Sullivan noted that there had been continued dialogue over the past several weeks as to the appropriate "haircut" to be applied to be consistent with the Committee's desire that the compensation earned should reflect the extraordinary market conditions which significantly affected AIG's 2007 financial performance. After further discussion, the Committee approved Management's recommendations, effective upon Board approval of the compensation of the Chief Executive Officer, as presented to the Committee in Exhibit A to the minutes of this meeting, as follows: The earnout for the 2006-2007 performance period for the Partners Plan will be determined as if no AIG Financial Products Corp. unrealized market valuation losses had occurred in 2007 (which would have resulted in an earnout level of 149.9 percent), with a 20 percent reduction for members of the Group Executive Committee (119.9 percent earnout) and a 10 percent reduction for all other participants (134.9 percent earnout. In considering the recommendation, the Committee noted that the proposed Partners Plan performance goals and definitions for the 2008-2009 performance period would take into account credit impairment losses realized with respect to the AIGFP super senior credit default swap portfolio during the relevant period and would not take into account any reversals of the 90 percent of the unrealized market valuation losses that had been excluded from the determination of 2007 earnings.

Mr. Sullivan next presented Management's recommendation with respect to the earnout for the Senior Partners Plan for the 2005-07 performance period, suggesting that the AIGFP unrealized market valuation losses be excluded from the calculation of growth in adjusted book value, resulting in a weighted-average Senior Partners Unit value of $2,717. In considering the recommendation, the Committee noted that the definitions for the 2006-2008 performance period for the Senior Partners Plan would also take into account credit impairment losses realized with respect to the AIGFP super senior credit default portfolio during the relevant period and would not take into account any reversals of the unrealized market valuation losses. After further discussion, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that this Committee hereby confirms that the Weighted Average SPU value under the American International Group, Inc. Senior Partners Plan attributable to each Senior Partner Unit related to the 2005-2007 Performance Period is $2,717, credited as set forth in Exhibit B to the minutes of this meeting and the proper officers of the Corporation be, and hereby are, authorized to communicate such amount to the participants in the Plan; and
>
> RESOLVED, that the Senior Partners Plan accounts of the participants in the American International Group, Inc. Senior Partners Plan be, and hereby are, credited with the Weighted Average SPU Value for the 2005-2007 Performance Period of $2,717 per unit for each participation unit held by such participants.

Messrs. Sullivan and Kaslow next presented Management's proposal that the vesting periods for certain current grants as well as all future grants under the long term compensation programs be shortened. In response to Mr. Langhammer's request for the rationale for changing the vesting on already outstanding awards, Mr. Sullivan explained the retention and recruitment issues that have resulted from the lack of value in outstanding option awards, and the expectation that earlier vesting of the Deferred Compensation Profit Participation Plan would provide cash flow in 2009. After further discussion, the Committee agreed to the vesting schedule recommended by Management as set forth in Exhibit C to the minutes of this meeting.

The participants other than Committee members, outside directors and Ms. Hilburn and Mr. Trevino left the meeting and the Committee met in executive session to consider the compensation of the Chief Executive Officer and the status of his employment agreement, which was due to expire on March 13, 2008.

The Committee determined that Mr. Sullivan's performance bonus should reflect the market valuation losses related to AIGFP's portfolio of super senior credit default swap transactions and the related material weakness and significant deficiency. The Committee discussed that, to the extent those losses are reversed into income in the future, the Committee would take such reversals into account with respect to Mr. Sullivan's performance bonus for the relevant year, which could result in a bonus above any maximum that would otherwise be applicable.

The Committee discussed the proposed extension of Mr. Sullivan's employment agreement by one year. In connection with the discussion, the Committee reviewed a final draft of the extension agreement and discussed proposed changes to bring aspects of Mr. Sullivan's benefits into conformity with the new Executive Severance Plan. The Committee also discussed materials prepared by Ms. Hilburn that quantified potential benefits under the extension agreement in a variety of circumstances.

The Committee discussed the status of the AIG shares set aside for Mr. Sullivan under the SICO Plans through 2004 and the fact that the Committee would not be granting at this time the special RSU award it had been previously considering because of the decision to extend Mr. Sullivan's employment agreement for one year The Committee noted that it was its present intention to grant Mr. Sullivan an award of $10 million in RSUs at the time his extended employment agreement expires in 2009 to reflect the termination of the benefits of that contract.

Thereafter, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that this Committee approves and recommends to the Board the 2007 performance bonus for the Chief Executive Officer and the 2008 salary, 2008 quarterly cash program annual payment, 2008-2009 Partners Plan participation and 2006-2008 Senior Partners Plan participation as set forth in Exhibit E to the minutes of this meeting.
>
> RESOLVED, that the letter agreement extending the term of the Employment Agreement with the Chief Executive Officer in the form attached hereto as Exhibit F be, and the same hereby is, approved, ratified and confirmed.

Mr. Dooley then joined the executive session for a discussion of Management's recommendations concerning 2008 compensation arrangements for AIGFP employees to address issues involving the ongoing management of the AIGFP business and retention concerns. Mr. Dooley left the meeting and the other participants rejoined the meeting.

Mr. Kaslow presented proposed Partners Plan performance goals and definitions for the 2008-09 performance period for approval. After discussion, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the 2008-09 Partners Plan Performance Goals and the definitions to be used in connection therewith as set forth in Exhibit I to the minutes of this meeting be, and the same hereby are, approved, ratified and confirmed.

Mr. Kaslow next requested that the Committee ratify the funding percentage of 0.85 percent for the 2006-08 performance period for the Senior Partners Plan and confirm the definitions to be used in the calculations for such plan. After discussion, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the 2006-2008 Senior Partners Plan Funding Percentage be, and hereby is, established as 0.85 percent and the definitions of terms to be used in the calculation of Adjusted Book Value as set forth in Exhibit J to the minutes of this meeting be, and the same hereby are, approved, ratified and confirmed.

Mr. Kaslow then requested that the Committee approve the target Executive Bonus Pool for 2008, explaining in response to inquiries that the increase in pool size is due to significantly more employees being included in the pool this year. He said that, except for that difference, the pool is basically flat year to year, with limited increases in target award sizes. After discussion, the Committee approved an Executive bonus Pool of $57.8 million covering 281 executives.

Mr. Sullivan then presented both AIG's and his performance objectives for 2008. Committee members suggested that the Chief Executive Officer goals should be somewhat broader with respect to remediation and succession planning, and requested a call with Mr. Sullivan to discuss further and approve his goals.

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

Secretary