

ENGAGEMENT AGREEMENT

This Engagement Agreement (“Agreement”) is made between Davis Polk & Wardwell (“Law Firm”), 450 Lexington Avenue, New York, NY and the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY (the “Bank” or “Client”), in order to set out the terms and conditions under which the Law Firm will represent the Client.

SECTION 1

EFFECTIVE DATE

This Agreement shall be deemed to have taken effect as of September 16, 2008.

SECTION 2

SCOPE OF SERVICES

The Law Firm shall provide legal services to the Bank, rendering advice (and potentially defending the Bank in litigation) with respect to matters related to its transactions and relationship with American International Group, Inc. (the “Company”) and related to other financial market initiatives (the “Matters”), the specific contours of that assignment and of the Matters to be determined from time to time through discussion between the Client and the Law Firm.

The Client shall cooperate with the Law Firm, and upon request, provide to it any information in the Client’s possession or control that is relevant to the Matters.

SECTION 3

REPRESENTATIVES

A. CLIENT’S REPRESENTATIVE

The Client’s Representative is

B. LAW FIRM REPRESENTATIVE

is the partner for the Law Firm who is responsible for managing the work of attorneys and support staff handling the Matters. The rate at which

the Law Firm charges for the services of _____ on the Matters is currently \$950 per hour.

SECTION 4

MANAGEMENT PRACTICES

The Client expects the Law Firm to observe the following management practices to maximize the efficiency of outside counsel and minimize costs to the Client.

a) Where practicable, and taking into account the size and scope of the Matters, reasonable efforts will be made to have the same lawyer or team of lawyers handle the Matters from beginning to end.

b) The attorney handling the Matters for the Law Firm (Mr. Huebner) is responsible for managing the work of attorneys and support staff, and especially for monitoring the hours being charged to the Matters. Prompt recording and review of billable hours can prevent the Client incurring charges that the Matters do not warrant.

c) Generally, a legal task should be handled by the knowledgeable, involved and competent person having the lowest hourly rate, taking into account the importance of the Matters. In determining whether a task should be assigned to a junior member of the Law Firm, however, consideration should be given to overall cost-effectiveness. In some situations, the work can be done more efficiently and at a lower total cost by a more senior member of the Law Firm. The use of paralegals and law clerks is encouraged when appropriate.

d) Limit the use of multiple lawyers at a government agency hearing or other conference to those situations where the need for or benefit from having several lawyers present outweighs the cost to do so.

SECTION 5

COMMUNICATION WITH CLIENT'S REPRESENTATIVE

The Law Firm shall promptly send to the Client's Representative a copy of any filing, significant correspondence or legal memorandum relating to the Matters. Further, the Law Firm shall promptly advise the Client's Representative of any significant development concerning the Matters. Copies of any of the foregoing that are provided to the Client's Representative shall also be provided to the person authorized to act for the Client in the absence of the Client's Representative.

SECTION 6

UP-THE-LADDER REPORTING

The Law Firm acknowledges receipt of the attached Bank Legal Department's "Up-the-Ladder" procedures (the "Up-the-Ladder Procedures") for reporting suspected material violations of any state or Federal law, or fiduciary duty. Law Firm agrees to direct any attorney responsible for handling any matter pursuant to this Agreement to report any such suspected violation in conformity with the Up-the-Ladder Procedures. The Client Representative shall serve as the "supervising attorney" for purposes of the Up-the-Ladder Procedures.

SECTION 7

COMPENSATION OF LAW FIRM/EXPENSES

A. FEES

As is customary in financing transactions, the Law Firm's fees relating to Company Matters are the responsibility of the Company under the documentation that has been entered into. Any other fees are the responsibility of the Client. The Law Firm shall bill the Company and the Client, as appropriate, for legal services rendered on a "time and charges" basis. The Law Firm's applicable partner hourly rates for this engagement for 2008 will range from \$875 to \$1055, for counsel from \$780 to \$870, for associates (a category that may include law graduates who have not yet been admitted to the Bar) from \$305 to \$675, and for legal assistants from \$180 to \$355.

These rates are subject to adjustment from time to time, generally annually. Please note that whether or not there is any adjustment to the Law Firm's rates generally, the rate applicable to any individual will change automatically when such individual moves to the next higher level of seniority. The Law Firm's invoices to Client shall provide the hourly rates charged by those who work on a matter.

B. EXPENSES

1. In addition, the Law Firm shall bill the Company for reasonable costs and expenses incurred by it in performing services under this Agreement, such as photocopying, messenger and delivery service, postage and freight, computerized research, travel (including mileage, parking, airfare, lodging, meals, and transportation), long-distance telephone, telecopying, and filing fees.

2. Significant expense items may not be incurred without the prior approval of the Client's Representative. These include, but are not limited to, the use of investigative services and retention of a consultant or associate counsel.

3. Lexis/Nexis charges should be billed at the Law Firm's cost.

4. Unless there is urgency to the communication and other methods are not practicable, the Law Firm should not send documents by Federal Express or similar companies or send facsimiles. Messenger services should be used only when necessary.

5. Charges for copy work will not exceed 15 cents per page.

6. The Client often can obtain substantial discounts for certain travel expenses, so the Law Firm should initially consult with the Client's Representative about travel arrangements. First class airfare, luxury accommodations and lavish meals are considered unreasonable expenses and will not be paid unless otherwise agreed to in advance.

C. BILLING

1. The Law Firm will submit invoices directly to the Company or the Client, as appropriate, for payment periodically depending on the volume of activity. Where an invoice is sent directly to the Company, the Law Firm will also provide a detailed invoice to the Client. Each invoice sent to the Client (for Company and non-Company Matters) must reflect the date services were rendered, the name or initials of the person performing the service, the hours charged (to the tenth of an hour), and a brief description of the services performed. Description such as fee for "services rendered," "research," or "analysis" without explanation of the specific topic or subject matter involved is inadequate.

2. Time should be recorded in tenths of an hour, and the amount charged per hour and the total charged by each person working on the Matter should be shown on each invoice. There should also be a detailed list of any expenses for which the Company or the Client is being charged. The invoice should show total professional fees (and hours) plus total disbursements for expenses and a grand total.

3. Unless otherwise agreed in advance, the Company and the Client will not pay for the following:

- a. administrative or clerical services including secretarial, word processing, accounting or other clerical staff time overtime or otherwise);
- b. time charges for the preparation of a bill; and
- c. any expense labeled "miscellaneous".

SECTION 8

CONFIDENTIALITY/RETURN OF DOCUMENTS

A. The Law Firm shall hold in strictest confidence all information relating to this Agreement and any information that may be acquired in connection with or as a result of performing services under this Agreement. During the term of this Agreement

and at any time thereafter, the Law Firm, its employees and agents shall not publish, communicate, divulge, disclose or use any information that has been designated by the Client as proprietary or confidential or that is not contained in the Client's published literature or not generally known outside the Client without the Client's prior written consent. If confidential information is disclosed, the parties shall take all reasonable measures, agreed to by the Client and the Law Firm, to recover the information and prevent further disclosure.

B. Absent the consent of the Client's Representative, the Law Firm shall not refer to the Client in any publication or advertisement and shall not publicize its role with respect to this Agreement, provided that the Client has authorized the Law Firm to (x) disclose and/or confirm the fact that it is representing the Client in Matters concerning the Company and (y) revise the biographies of the attorneys working on the Matters to so indicate (including their function with respect to the Matters).

C. Upon termination or expiration of this Agreement, the Law Firm shall deliver to the Client's Representative any records, data, and documents obtained from the Client, including any copies of the foregoing except such copies as the Law Firm believes it must retain in order to accurately document the nature, scope and quality of the services rendered by it to the Client.

SECTION 9

TERMINATION

A. BY CLIENT

Client may at any time terminate the Law Firm's representation of the Client upon written notice to the Law Firm. Such termination shall not relieve the Client of the obligation to pay (or cause to have paid) for services rendered and costs and expenses paid or incurred to the effective day of termination.

B. BY LAW FIRM

The Law Firm may withdraw from its representation of the Client if, among other things, the Client fails to cooperate or follow the Law Firm's advice on a material matter, or any fact or circumstance would, in the Law Firm's view, render its continuing representation unlawful or unethical. If the Law Firm elects to withdraw, the Client will take all steps necessary to free the Law Firm of any obligation to perform further, including the execution of any documents necessary to complete the Law Firm's withdrawal, and the Law Firm will be entitled to be paid for services rendered and costs and expenses paid or incurred on behalf of the Client to the date of withdrawal.

SECTION 10

CONFLICT OF INTERESTS

The Law Firm on occasion represents other clients in matters involving the Client, the Federal Reserve Board and the Reserve Banks, including contacting officials and employees of the Board and the Reserve Banks. The Law Firm's representation of the Client with respect to the Matters does not preclude such continuing representation of other clients on any such matters by the Law Firm provided that, without the Client's express consent, Mr. Huebner and any other attorney (each, a "Covered Attorney") assigned to work on the Client's Matter that has or has performed non-de minimis work on aspects of the Matters, such as the trust, the credit agreement and the SPV transactions, that directly or primarily involve the client (it being understood that many Law Firm personnel are working primarily or exclusively with Company employees or agents and not with the the Client (for example, with respect to AIG's asset dispositions)) will not personally become involved in any new representation that involves meaningful contact on behalf of other clients with any official or employee of the Board or the Client during the time the Law Firm is representing the Client, other than (x) representations involving compliance with the Bank Holding Company Act of 1956, the International Banking Act of 1978, the Edge Act, the Federal Reserve Act or any other similar bank regulatory law administered by the Federal Reserve Board, or any regulation, order, interpretive letter, guideline, opinion, supervisory action, agreement or other official document or pronouncement of the Federal Reserve Board or any Federal Reserve Bank promulgated thereunder or issued or entered into in connection therewith and (y) any representation of the United States Treasury in connection with the Company (each, a "Permitted Representation").

Occasionally, the Law Firm is involved, on behalf of other clients, in representations that would be, or might be, viewed as adverse to the Client or to the Board. This could include litigation in which the Board or the Client was an adverse party, or counseling representations where the position being pursued on behalf of the Law Firm's other client is adverse to a position of the Board or the Client. The Law Firm's representation of the Client with respect to the Matters does not preclude the Law Firm from undertaking adverse representations against the Client or the Board, provided that in no circumstance will the Law Firm undertake any representation directly adverse to the Client or the Board that is substantially related to the Matters; and (b) that Covered Attorneys will not, without the express consent of the Client, personally become involved in any new representation directly adverse to the Board or the Client, whether substantially related to the Matter or not, during the period in which the Law Firm continues to represent the Client, other than a Permitted Representation. Subject to the above limitations, the Law Firm can represent actual or potential counterparties to the Company, including with respect to financing or disposition transactions.

SECTION 11

ARBITRATION RIGHTS

If a dispute arises with respect to Law Firm's fees, the Client may have a right to have such a dispute arbitrated pursuant to Part 137 of the Rules of the Chief Administrator of the Courts of the State of New York, provided that, among other things, the amount in dispute is not greater than \$50,000.

SECTION 12

MISCELLANEOUS PROVISIONS

A. NOTICES

Any notice or invoice required or permitted to be given under this Agreement shall be deemed to have been given either when served personally or three days after being sent by U.S. Mail, first-class postage pre-paid, addressed to the party at the applicable address set forth on page one (1) of this Agreement.

B. SUPERSEDING EFFECT

This Agreement supersedes all oral and written Agreements, if any, between the Law Firm and the Client to the extent such Agreements address the services to be provided under this Agreement. This Agreement constitutes the entire agreement between the parties with respect to its subject matter, and may not be modified except by a writing signed by the parties.

C. APPLICABLE LAW

This Agreement shall be deemed to be made under and shall be construed and interpreted in accordance with the law of the State of New York.

D. ASSIGNMENT

This Agreement is for the personal services of the Law Firm and this Agreement may not be transferred or assigned by the Law Firm without the prior written consent of the Client.

Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

OFFICE MEMORANDUM

DATE April 9, 2003

TO All Attorneys SUBJECT "Up-the-Ladder" Procedure
FROM Thomas C. Baxter, Jr.

This memorandum will institute a new procedure in our Legal Department regarding what has come to be known as "up-the-ladder" reporting. As you know, up-the-ladder reporting is, as a result of the Sarbanes-Oxley legislation and the SEC's regulations implementing it, now Federal law for any issuer of publicly traded securities. While the Federal Reserve Bank of New York is not an issuer covered by this new Federal law, I have decided, with the approval of the President and the concurrence of our board of directors, to follow it voluntarily. Accordingly, as of today, this procedure is a formal policy of the Federal Reserve Bank of New York.

The procedure will apply whenever you believe that the Bank, or one of its officers or employees, has committed a material violation of any state or Federal law, or of fiduciary duty (hereafter referred to as a "material violation"). In such a situation, you should bring that belief to my attention, or if I am somehow involved in the material violation, to the attention of the Bank's President. Alternatively, you may simply bring that belief to the attention of the attorney, if any, under whose supervision or direction you are working. A supervising attorney who receives such a report should bring it to my or the President's attention and follow the procedure explained below. If you believe the

supervising attorney to whom you reported the material violation has not followed this policy, you may, but are not required to, report the material violation to me or, if I am somehow involved in the material violation, to the President and otherwise follow the procedure explained below.

Within two weeks from the time your report is received by me or the Bank's President, you will be informed as to the action, if any, that will be taken. If an investigation is needed, you will be informed of the commencement of an investigation within the two-week period. When the investigation is completed, you will be informed of its principal findings and the action, if any, that will be taken.

If, after making your initial report to me or the Bank's President, you do not receive a response you believe to be appropriate within the two-week period, or if, after you receive information about the action to be taken, if any, you believe it is not sufficient to remedy the material violation, then you are required to inform the Auditing Committee of the Board of Directors of your opinion. Further, if you believe that any investigation is taking too much time, you should ask for a periodic update and, if you are not satisfied as to the timeliness of the action, you should inform the Auditing Committee of your concern. Ordinarily, communication with the Auditing Committee should be by memorandum, addressed to the Chairman of the Auditing Committee. You should state that you are making an "Up-the-Ladder" report, and the reasons underlying your opinion. Of course, in unusual situations or in situations of exigency, you should feel free to communicate orally with the Chairman of the Auditing Committee.

No action will be taken against you for complying with this procedure. As you know, it is violation of Bank policy to harass or retaliate against someone who is reporting

a perceived wrong. In fact, as of today, a failure to make such a report is a violation of policy.

Please understand that, in initiating this policy, it is not my intention to change the collegial way in which the Department operates. Nor do I wish to substitute a procedure that might be regarded as formal and impersonal for the spirited discussion that often animates the deliberations among us. To the contrary, I consider the collegial environment and our spirited discussion to be a healthy part of our Legal culture. But experience has shown that a fully informed Auditing Committee is one key aspect of a well-governed corporation. A protective procedure to foster that objective is in the interest of our client, the Federal Reserve Bank of New York. In closing, let me thank you for your extraordinary service and dedication to the law and to our client, and be assured that the President, the Board of Directors, and I have complete confidence in you.

TCB/ha



k.com>

07/16/2009 06:48 PM

@davispol

To

l@ny.frb.org"

cc

@ny.frb.org"

@ny.frb.org"

bcc

Subject

As requested, I write to confirm the fee arrangement previously agreed to with
with respect to our work for the Federal Reserve Bank of New York.

We are billing all FRBNY work based off our 2008 - not 2009 - base
transactional rates. Moreover, we are further discounting all partner time by
approximately 10% off of these 2008 rates. While assignments of this nature
would often be charged at rates meaningfully in excess of our base
transactional rates, we have agreed not to charge or request any of those
higher rate structures or premiums.

Finally, as provided for in our engagement letter, there are certain
categories of expenses and fees that we have agreed to write off.

Please call with any questions.

Marshall

| Davis Polk & Wardwell LLP | 450 Lexington Ave., New York, NY 10017 |



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To ensure compliance with requirements imposed by the IRS, we inform you that, unless explicitly provided otherwise, any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

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