

**AIG FINANCIAL PRODUCTS CORP.**

**2008 EMPLOYEE RETENTION PLAN**

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**Effective December 1, 2007**

**INTRODUCTION**

This document sets forth the terms of the AIG Financial Products Corp. 2008 Employee Retention Plan, effective December 1, 2007 (the "Plan"). The Plan sets out the 2008 and 2009 Guaranteed Retention Awards to be provided hereunder to certain employees and consultants of AIG-FP (which term includes subsidiaries).

The objectives of the Plan are:

1. To provide incentives for AIG-FP's employees and consultants to continue developing, promoting and executing AIG-FP's business;
2. To recognize the uncertainty that the unrealized market valuation losses in AIG-FP's super senior credit derivative and originally-rated AAA cash CDO portfolios have created for AIG-FP's employees and consultants;
3. To ensure that AIG-FP's and its employees' and consultants' interests continue to be aligned with those of AIG and AIG's shareholders;
4. To continue to build and maintain the formation of capital in AIG-FP; and
5. To show the support by AIG of the on-going business of AIG-FP by implementing a meaningful employee retention plan.

**SECTION 1**

**DEFINITIONS**

For purposes of this AIG Financial Products Corp. 2008 Employee Retention Plan:

1.01. "Additional Return Payment" shall have the meaning ascribed thereto under the Deferred Compensation Plan.

1.02. "AIG" shall mean American International Group, Inc.

1.03. "AIG-FP" shall mean AIG Financial Products Corp., including all subsidiaries thereof.

1.04. "AIG General Guarantee Agreement" shall mean the General Guarantee Agreement of AIG, dated December 4, 1995, in favor of each holder of a monetary obligation or liability of AIG Financial Products Corp.

1.05. "Beneficiary" shall mean such person or trustee as may be designated by a Covered Person in his or her Confirmation and Acknowledgement.

1.06. "Board" shall mean the Board of Directors of AIG Financial Products Corp.

1.07. "Bonus Pool" shall have the meaning ascribed thereto in Section 3.02(a) of the Plan.

1.08. "Buy-Out Amount" shall mean the portion of any Previous Guarantee payable to a Covered Person that was intended to offset compensation from a previous employer that the Covered Person forfeited upon joining AIG-FP.

1.09. "Capped Realized Losses" shall have the meaning ascribed thereto in Section 3.07(a) of the Plan.

1.10. "CDO Portfolio" shall mean the existing multi-sector collateralized debt obligation ("CDO") portfolio of AIG-FP, including both super senior derivatives and originally-rated AAA cash CDO bonds.

1.11. "Committee" shall mean a committee consisting of the Chief Executive Officer of AIG Financial Products Corp., the Chief Administrative Officer of AIG Financial Products Corp., the Chief Financial Officer of AIG Financial Products Corp., and the Secretary of AIG Financial Products Corp.

1.12. "Compensation Year" shall mean the 12-month period beginning on December 1<sup>st</sup> of each calendar year and ending on November 30<sup>th</sup> of the following calendar year. The first Compensation Year under this Plan shall be the Compensation Year beginning on December 1, 2007 and ending on November 30, 2008 (the "2008 Compensation Year"); and the second Compensation Year under this Plan shall be the Compensation Year beginning on December 1, 2008 and ending on November 30, 2009 (the "2009 Compensation Year").

1.13. "Confirmation and Acknowledgement". The written confirmation and acknowledgement described in Section 3.01(e) of the Plan that is executed by each Covered Person.

1.14. "Covered Persons" shall mean all employees and certain designated consultants of AIG-FP as of March 31, 2008 (excluding any employees or consultants who have notified AIG-FP of their intent to resign on or prior to such date) who received

discretionary incentive compensation, or had a Previous Guarantee, in respect of the 2007 Compensation Year or who have a Previous Guarantee in respect of the 2008 Compensation Year. Covered Persons shall receive a Confirmation and Acknowledgement from AIG Financial Products Corp., as described in Section 3.01(e).

1.15. “Deferred Compensation Plan” shall mean, collectively, the AIG Financial Products Corp. Deferred Compensation Plan, as amended and restated effective March 18, 2005, and the AIG Financial Products Corp. Deferred Compensation Plan - Certain Banque AIG, Tokyo Branch Employees/Secondees, dated as of November 25, 2005, as amended, as each may be amended in the future.

1.16. “Distributable Income” shall have the meaning ascribed thereto under the Deferred Compensation Plan.

1.17. “Excess Deferral Amount” shall mean, in respect of any Covered Person for any Compensation Year, the amount of the Total Award deferred pursuant to the terms of the Deferred Compensation Plan that is in excess of \$650,000 (as determined pursuant to Schedule A to the Deferred Compensation Plan).

1.18. “Guaranteed Retention Awards” shall mean the amounts guaranteed to be awarded to Covered Persons pursuant to Section 3.01 of the Plan for the 2008 Compensation Year and the 2009 Compensation Year.

1.19. “Japanese Plan” shall mean any retirement plan in which members of AIG-FP's Tokyo office participate in lieu of participating in the Deferred Compensation Plan.

1.20 “Notional Bonus Amount” shall have the meaning ascribed thereto under the Deferred Compensation Plan.

1.21. “Plan” shall mean the AIG Financial Products Corp. 2008 Employee Retention Plan, as set forth herein and as hereinafter amended from time to time.

1.22. “Previous Guarantee” shall mean, in respect of any Covered Person, any right of the Covered Person to receive guaranteed compensation (which, for the avoidance of doubt, does not include salary paid periodically during the term of employment) pursuant to a written letter or agreement with AIG-FP executed on or prior to March 31, 2008.

1.23. “Realized Losses” shall have the meaning ascribed thereto in the attached Schedule 2.

1.24. “Senior Management Team” shall mean the fourteen (14) Covered Persons whose status as a member of the Senior Management Team is so indicated on each such individual's Confirmation and Acknowledgement.

1.25. “Share Amount” shall mean the number of shares of AIG common stock into which a Stock-Indexed Deferral is translated pursuant to Section 3.05(c)(i) of the Plan, as

adjusted by the Committee to the extent necessary, in its reasonable good faith discretion, to take into account stock splits, stock dividends, spin-offs, reorganizations, recapitalizations, share combinations, mergers, consolidations, or other corporate actions with respect to AIG common stock.

1.26. “SIP” shall mean the AIG Financial Products Corp. 2007 Special Incentive Plan, dated January 20, 2008, as it may be amended in the future.

1.27. “Stock-Indexed Deferrals” shall mean the deferred amounts of 2008 Total Awards or 2009 Total Awards that are indexed to shares of AIG stock, as described in Section 3.05(b) of the Plan.

1.28. “Total Award” shall mean, for any Covered Person for either the 2008 Compensation Year or the 2009 Compensation Year, the Guaranteed Retention Award for such Covered Person for such Compensation Year plus any discretionary incentive compensation award in excess thereof for such Compensation Year.

1.29. “2007 Total Economic Award” shall mean for each Covered Person, the sum of (a) and (b), where (a) is the amount of the discretionary incentive compensation or Previous Guarantee awarded to such Covered Person in respect of the 2007 Compensation Year, before taking into account any deferrals of such compensation under, or contributions of amounts to, the Deferred Compensation Plan or any Japanese Plan, or payments of amounts under the Deferred Compensation Plan or any Japanese Plan in respect of previous Compensation Years, and (b) is the amount, if any, of the SIP Credit credited to such Covered Person under Section 3.01(a) of the SIP, excluding the amount of such SIP Credit, if any, received in lieu of an Additional Return Payment under the Deferred Compensation Plan (or as the equivalent for Covered Persons who participate in a Japanese Plan in lieu of participating in the Deferred Compensation Plan).

## SECTION 2

### PARTICIPATION

#### 2.01. Participation.

(a) Participation by Covered Persons. Each Covered Person shall be entitled to participate under this Plan, subject to (i) AIG Financial Products Corp. determining that the Covered Person meets the requirements to be a Covered Person and delivering to such person the Confirmation and Acknowledgement referenced in Section 3.01(e), and (ii) such person executing such document and returning it to AIG Financial Products Corp.

(b) Deferrals. Each Covered Person who participates in the Deferred Compensation Plan and whose 2008 Total Award or 2009 Total Award is in excess of the level referred to in Schedule A of the Deferred Compensation Plan shall be required to defer, under the Deferred Compensation Plan, the portions of such Total Award that are required to be deferred pursuant to such Schedule A, subject, for the avoidance of doubt, to the provisions of Section 3.05 below in respect of Stock-Indexed Deferrals; provided, for the avoidance of doubt, that any payment of a Guaranteed Retention Award to a Covered Person or a Beneficiary shall not be subject to deferral under the Deferred Compensation Plan if such Covered Person or Beneficiary has received a distribution under Section 3.05(a) of the Deferred Compensation Plan. Additional voluntary deferral of any portion of such Total Award shall be permitted only in respect of the portion of such Total Award, if any, that exceeds the respective Guaranteed Retention Award, and shall be subject to the terms and conditions related thereto under the Deferred Compensation Plan, subject, for the avoidance of doubt, to the provisions of Section 3.05 below in respect of Stock-Indexed Deferrals.

(c) Beneficiary. Each Covered Person may designate on his or her Confirmation and Acknowledgement a Beneficiary or Beneficiaries under the Plan in the event he or she should die prior to receipt of all Guaranteed Retention Awards to which he or she is entitled under the Plan; provided that if none is designated, such Beneficiary shall be the Covered Person's estate or as otherwise provided under applicable law. Any payment to a Beneficiary or Beneficiaries shall be made when the respective Covered Person would have received such payment.

### SECTION 3

#### 2008 AND 2009 GUARANTEED RETENTION AWARDS

##### DETERMINATION OF AIG-FP BONUS POOL

###### 3.01. 2008 and 2009 Guaranteed Retention Awards.

(a) Covered Persons Who Are Not Members of the Senior Management Team. Subject to Sections 3.01(c) and 3.01(d), for the 2008 Compensation Year and the 2009 Compensation Year, each Covered Person (other than members of the Senior Management Team) shall be awarded a Guaranteed Retention Award for each of those Compensation Years equal to one hundred percent (100%) of such Covered Person's 2007 Total Economic Award.

(b) Covered Persons Who Are Members of the Senior Management Team. Subject to Sections 3.01(c) and 3.01(d), for the 2008 Compensation Year and the 2009 Compensation Year, each Covered Person who is a member of the Senior Management Team shall be awarded a Guaranteed Retention Award for each of those Compensation Years equal to seventy-five percent (75%) of such Covered Person's 2007 Total Economic Award.

(c) Impact of Previous Guarantees on Amount of Guaranteed Retention Awards. The Guaranteed Retention Award for a Compensation Year for any Covered Person who has a Previous Guarantee for such Compensation Year will be reduced by the amount of such Previous Guarantee for such Compensation Year. Previous Guarantees will not be affected by this Plan. If (i) a Covered Person has a Previous Guarantee with respect to the 2008 Compensation Year, and (ii) such 2008 Previous Guarantee exceeds such Covered Person's 2007 Total Economic Award, then the Guaranteed Retention Award for such Covered Person for the 2008 Compensation Year shall be zero (by reason of the second preceding sentence), and for the 2009 Compensation Year shall equal the amount of such 2008 Previous Guarantee (reduced by the amount of the Covered Person's Previous Guarantee for the 2009 Compensation Year, if any).

(d) Impact of Buy-Out Amounts on Amount of Guaranteed Retention Awards. If (i) the Guaranteed Retention Award for a Covered Person is based in whole or in part on a Previous Guarantee for the 2007 Compensation Year or the 2008 Compensation Year, and (ii) a portion of such Previous Guarantee represents a Buy-Out Amount, then the Buy-Out Amount shall be excluded for purposes of calculating the Covered Person's Guaranteed Retention Awards and 2007 Total Economic Award.

(e) Notification of Guaranteed Retention Award Amounts and of Status as a Member of Senior Management Team. Each Covered Person individually will receive a written confirmation ("Confirmation and Acknowledgement"), in the form of Schedule 1, from AIG Financial Products Corp. of his or her Guaranteed Retention Awards for the 2008 Compensation Year and the 2009 Compensation Year under this Plan. Each Covered Person who has been designated as a member of the Senior Management Team for purposes of determining the Covered Person's Guaranteed Retention Awards has already been informed of such designation, which designation shall also be indicated on the Confirmation and Acknowledgement for such Covered Person.

(f) Currency. All 2008 and 2009 Guaranteed Retention Awards shall be denominated in US dollars.

### 3.02. Effect of Guaranteed Retention Awards on the Bonus Pool.

(a) General Rule for Bonus Pool Determination. Under the existing arrangement between AIG, AIG-FP, and its employees, Distributable Income of AIG-FP is payable each year on the basis of 70% to AIG and 30% to AIG-FP employees (and consultants) as bonuses (such 30% referred to hereunder as the "Bonus Pool"). The Bonus Pool will continue to equal 30% of Distributable Income of AIG-FP subject to calculation consistent with past practices and the provisions of Sections 3.02(b) and 3.02(c).

(b) Aggregate Amount of Guaranteed Retention Awards for a Compensation Year Equals or Is Less than the Bonus Pool for Such Compensation Year. If the aggregate amount of the Guaranteed Retention Awards for the 2008 Compensation Year or the 2009 Compensation Year is equal to or less than the calculated Bonus Pool for such Compensation

Year, the total amount of the Guaranteed Retention Awards for such Compensation Year will, in the first instance, be paid from the calculated Bonus Pool for such Compensation Year, with any excess remaining in the calculated Bonus Pool for such Compensation Year paid out to AIG-FP employees (and, in the discretion of AIG-FP, consultants) as discretionary incentive compensation with respect to such Compensation Year.

(c) Aggregate Amount of Guaranteed Retention Awards for a Compensation Year Exceeds the Bonus Pool for a Compensation Year. If the aggregate amount of the Guaranteed Retention Awards for the 2008 Compensation Year or the 2009 Compensation Year exceeds the calculated Bonus Pool for such Compensation Year, AIG will cover the shortfall so that Covered Persons are paid their full Guaranteed Retention Awards (subject, for the avoidance of doubt, to deferral pursuant to Section 3.05(a)). Any such Bonus Pool shortfall shall, for purposes of Section 3.07 related to the carry-forward of Capped Realized Losses, be deemed to give rise to a Capped Realized Loss equal to the amount of such shortfall.

3.03. Guarantee by AIG of 2008 and 2009 Guaranteed Retention Awards Under AIG General Guarantee Agreement. The obligation to pay the Guaranteed Retention Awards described under Section 3.01 is guaranteed by AIG pursuant to the AIG General Guarantee Agreement; provided that amounts deferred under the Deferred Compensation Plan (including Stock-Indexed Deferrals) will not, in accordance with the terms of the Deferred Compensation Plan, benefit from the AIG General Guarantee Agreement.

3.04. Forfeiture of 2008 and 2009 Guaranteed Retention Awards as a Result of Termination of Employment of Covered Person. If the employment (or, as applicable, consultancy) of a Covered Person terminates prior to payment of a Guaranteed Retention Award, the Covered Person will forfeit the right to such Guaranteed Retention Award in the following circumstances:

- (a) the Covered Person resigns without good reason (“good reason” means a material reduction in base salary, a material reduction in title, duties or responsibilities, or transfer to a geographic location that is more than 50 miles from the Covered Person's current location); or
- (b) the Covered Person’s employment (or, as applicable, consultancy) is terminated by AIG-FP for cause (“cause” means conduct involving intentional wrongdoing, fraud, dishonesty, gross negligence, material breach of the AIG Code of Conduct or other policies of AIG-FP or AIG, or conviction of or entry of a plea of guilty or no contest to a criminal offense); or
- (c) the Covered Person’s employment (or, as applicable, consultancy) is terminated by AIG-FP during calendar year 2008 due to the Covered Person’s failure to meet performance standards; provided, however, that in the case of a termination of employment (or, as applicable, consultancy) described in this Section 3.04(c), only the Guaranteed Retention Award attributable to the

Covered Person's 2009 Compensation Year will be forfeited, and the Guaranteed Retention Award for the Covered Person's 2008 Compensation Year will remain payable at the same time that Guaranteed Retention Awards are paid to Covered Persons whose employment (or, as applicable, consultancy) is not terminated (subject to deferral pursuant to Section 3.05(a)).

Any Covered Person whose employment (or, as applicable, consultancy) terminates for a reason other than those described in Sections 3.04(a), 3.04(b), and 3.04(c) will receive any subsequent Guaranteed Retention Award at the same time that Guaranteed Retention Awards are paid to continuing Covered Persons (subject to deferral pursuant to Section 3.05(a)); provided that any such Guaranteed Retention Award in respect of the 2009 Compensation Year will be reduced by the amount of any compensation paid to the terminated employee or consultant by another employer in respect of work performed by the terminated employee or consultant during calendar year 2009; and further provided that prior to payment of any Guaranteed Retention Awards to such terminated employees or consultants, the former employee or consultant will be required to confirm in writing whether any such compensation has been received and, if so, the amount thereof.

3.05. Payment of 2008 and 2009 Guaranteed Retention Awards. Subject to the terms of this Plan, Guaranteed Retention Awards will be paid to Covered Persons in respect of each Compensation Year on or prior to the date on which discretionary incentive compensation for such Compensation Year is paid to employees of AIG-FP (subject to deferral as described below); provided, however, that such payment will not be later than March 15<sup>th</sup> of the calendar year next following the end of such Compensation Year (whether or not any discretionary incentive compensation is paid with respect to such Compensation Year). All payments to a Covered Person hereunder shall be paid to such Covered Person from the company or companies from which such payment represents compensation for services provided by such Covered Person; provided that, where any such company is not AIG Financial Products Corp., AIG Financial Products Corp. shall remain liable for any such payment not paid by such company.

(a) Deferral under Deferred Compensation Plan. The payment of 2008 and 2009 Total Awards to Covered Persons who participate in the Deferred Compensation Plan will be subject to partial mandatory deferral and subsequent payment under the Deferred Compensation Plan in accordance with its terms (in the same manner as discretionary incentive compensation is subject to partial mandatory deferral and subsequent payment under such plan); provided that subsequent payment of any Stock-Indexed Deferrals shall be indexed as described in Section 3.05(c) below for purposes of making payment of such deferrals under Section 3.05 of the Deferred Compensation Plan.

(b) Determination of Amount of Stock-Indexed Deferrals. If the Total Award for a Covered Person who participates in the Deferred Compensation Plan exceeds \$2 million for the 2008 or 2009 Compensation Year, then, notwithstanding any term of the Deferred Compensation Plan to the contrary, fifty percent (50%) of the Excess Deferral Amount for

such Compensation Year will be deemed a Stock-Indexed Deferral under this Plan and, as such, will be indexed to AIG stock and paid as provided in Section 3.05(c) of the Plan.

(c) Indexing of Stock-Indexed Deferrals.

(i) The Stock-Indexed Deferrals will be translated into a number of shares of AIG common stock (“Share Amount”), based on the average daily closing price of a share of AIG common stock during the month of November in the respective Compensation Year.

(ii) Notwithstanding such indexing, the original US dollar value of the unpaid portion of any Stock-Indexed Deferral (without regard to any change in the market price of a share of AIG common stock) will accrue interest pursuant to Section 3.03 of the Deferred Compensation Plan, and shall be included when determining the aggregate amount credited to a Deferred Compensation Plan Participant’s Deferred Compensation Account under the Deferred Compensation Plan for purposes of calculating any Additional Return Payments payable to such Participant pursuant to Section 3.04 of the Deferred Compensation Plan. No amount shall be payable to any Covered Person in respect of dividends paid on AIG common stock.

(iii) When a distribution of a Stock-Indexed Deferral (including any installment thereof) would otherwise be payable under Section 3.05 of the Deferred Compensation Plan, Covered Persons will receive, in lieu of receiving such distribution, at AIG’s election, either:

(A) a number of shares of AIG common stock equal to the Share Amount for such distribution of the Stock-Indexed Deferral, or

(B) a cash amount equal to the value of such number of shares based on:

(1) in the case of a distribution under Sections 3.05(a) and 3.05(c) of the Deferred Compensation Plan, the closing price of a share of AIG common stock on the date that is five NYSE trading days before the payment date; and

(2) in the case of a distribution under Section 3.05(b) of the Deferred Compensation Plan, the average daily closing price of a share of AIG common stock during the month of November immediately preceding the applicable payment date.

(C) The election made by AIG in this Section 3.05(c)(iii) shall be made as follows:

(1) in the case of a distribution under Section 3.05(a) of the

Deferred Compensation Plan, not later than 15 calendar days prior to the applicable payment date;

(2) in the case of a distribution under Section 3.05(b) of the Deferred Compensation Plan, not later than November 1<sup>st</sup> immediately preceding the applicable payment date; and

(3) in the case of an early distribution under Section 3.05(c) of the Deferred Compensation Plan, not later than 15 calendar days following the determination to make an early distribution.

The original US dollar value of the applicable unpaid portion of any Stock-Indexed Deferral (without regard to any change in the market price of a share of AIG common stock) shall be paid by AIG-FP to AIG in exchange either for AIG's delivery of stock to AIG-FP pursuant to Section 3.05(c)(iii)(A) or for AIG's payment to AIG-FP of the cash amount provided for pursuant to Section 3.05(c)(iii)(B), as applicable.

(iv) Stock-Indexed Deferrals are not subject to the "Foreign Currency Alternative" provided in Section 3.05(d) of the Deferred Compensation Plan.

(d) Deferred Amounts Represent Subordinated Claims against AIG-FP. To the extent that Guaranteed Retention Awards are deferred under the Deferred Compensation Plan (including any Stock-Indexed Deferrals), such deferred amounts shall represent, in accordance with the terms of the Deferred Compensation Plan, subordinated claims against AIG-FP and shall not be guaranteed by AIG.

3.06. Effect on Bonus Pool of Mark-to-Market and Realized Losses. AIG-FP will continue to monitor and manage the existing CDO Portfolio.

(a) Effect of Mark-to-Market Losses on the Bonus Pool. The Bonus Pool for any Compensation Year beginning with the 2008 Compensation Year will not be affected by the incurrence of any mark-to-market losses (or gains) or impairment charges (or reversals thereof) arising from (i) the CDO Portfolio or (ii) super senior credit derivative transactions that are not part of the CDO Portfolio.

(b) Effect of Realized Losses on Bonus Pool. The Bonus Pool for any Compensation Year beginning with the 2008 Compensation Year will be affected by the incurrence of any Realized Losses (or gains) arising from any source, subject to the limitations set forth in Section 3.07.

3.07. Limitations Related to Realized Losses.

(a) Compensation Year Limit on Reduction to Bonus Pool Attributable to Capped Realized Losses. Notwithstanding any other provision of the Plan, for any Compensation Year beginning with the 2008 Compensation Year, there shall be a \$67.5 million limit per Compensation Year on the extent to which the Bonus Pool can be reduced in the aggregate as

a result of Realized Losses arising from the CDO Portfolio and/or deemed Realized Losses arising as provided in Section 3.02(c) (collectively, “Capped Realized Losses”). Given the 70%/30% split of Distributable Income between AIG and the Bonus Pool described in Section 3.02(a), the Compensation Year limit will be applicable if Capped Realized Losses in respect of any Compensation Year (beginning with the 2008 Compensation Year) exceed \$225 million. Capped Realized Losses for any Compensation Year that are in excess of \$225 million will be carried forward to subsequent Compensation Years for Bonus Pool calculation purposes, subject each year to a per Compensation Year limit on Capped Realized Losses for Bonus Pool calculation purposes of \$225 million (corresponding to the \$67.5 million limit per Compensation Year on reductions to the Bonus Pool due to Capped Realized Losses). Carry-forwards of Capped Realized Losses to subsequent Compensation Years will continue until the aggregate Capped Realized Losses (Capped Realized Losses that reduce Distributable Income for Bonus Pool calculation purposes in the Compensation Year in which realized, plus Capped Realized Losses carried forward to reduce Distributable Income for Bonus Pool calculation purposes in future Compensation Years) are fully absorbed through reductions to Distributable Income for Bonus Pool calculation purposes of up to \$225 million per Compensation Year (corresponding to reductions to the Bonus Pool of up to \$67.5 million per Compensation Year).

(b) Effect of Realized Losses on Current and Future Balances under the Deferred Compensation Plan, Japanese Plans and SIP. Current and future balances under the Deferred Compensation Plan, Japanese Plans and SIP (including the deferred component of 2008 and 2009 Total Awards, including Stock-Indexed Deferrals) will remain subject to reduction as a result of Realized Losses from the CDO Portfolio or otherwise in accordance with the terms of the Deferred Compensation Plan, Japanese Plans and SIP (without reference to any annual limits, which will relate solely to the determination of the Distributable Income for Bonus Pool calculation purposes in the 2008 and subsequent Compensation Years).

## SECTION 4

### MISCELLANEOUS

4.01. Nonassignability. Subject to Section 2.01(c) of the Plan, no Covered Person or Beneficiary shall have the power to subject any right to receive payments under this Plan to assignment, pledge, sale, attachment, garnishment or any other transfer, alienation or encumbrance, nor shall such rights be subject to the Covered Person's or Beneficiary's debts or to seizure for satisfaction of judgments, alimony or separate maintenance obligations.

4.02. Continuation as Employee or Consultant. Neither this Plan nor the payment of any benefits hereunder shall be construed as giving the Covered Person any right to be retained as an employee or consultant of AIG-FP.

4.03 Amendment and Termination. The Committee may from time to time, with

the approval of the Board, amend these Plan terms in whole or in part; provided, however, that any such amendment may not reduce or delay payment of any Covered Person's benefits and entitlements under the Plan in respect of the Covered Person's 2008 and 2009 Guaranteed Retention Awards or increase the Compensation Year limit or the extent to which Distributable Income for Bonus Pool calculation purposes can be reduced as a result of Capped Realized Losses. Any such amendment shall be effective immediately or as otherwise specified therein and shall be communicated in writing (including e-mail) to all Covered Persons and to AIG.

4.04. Governing Law. The law of the State of Connecticut shall govern the interpretation, application and operation of this Plan document.

4.05. Claims Procedure. Claims for benefits under the Plan shall be filed with the Committee, on forms supplied by the Committee. Written notice of the Committee's disposition of a claim shall be furnished to the claimant within 30 days after the application therefor is filed. In the event the claim is denied the reasons for the denial shall be specifically set forth in writing, pertinent provisions of the Plan shall be cited, and, where appropriate, an explanation as to how the claimant can perfect the claims will be provided. If a Covered Person or Beneficiary has been denied a benefit, each shall be entitled, upon request to the Board, to appeal the denial of the claimed benefit within 90 days following the Committee's determination described in the preceding sentence. Upon such appeal, the Board (or a special committee designated by the Board) shall, as soon as practicable, meet with and hear the position of the claimant. Its decision following such meeting shall be made within 30 days and shall be communicated in writing to the claimant.

4.06. Effect of this Plan on the Deferred Compensation Plan. The terms and operation of the Deferred Compensation Plan are not affected by this Plan; provided that to the extent there is any inconsistency between the terms of this Plan and the terms of the Deferred Compensation Plan with respect to the treatment of Guaranteed Retention Awards, the determination of Distributable Income or the Bonus Pool, or the application of the terms of that plan to Stock-Indexed Deferrals, the terms of this Plan shall govern.

4.07. Compliance with Internal Revenue Code Section 409A. It is intended that amounts awarded under this Plan and/or deferred under the Deferred Compensation Plan will not be taxable under Internal Revenue Code Section 409A. This Plan shall be interpreted and administered, to the extent possible, in a manner that does not result in a "plan failure" (within the meaning of Internal Revenue Code section 409A(a)(1)) of this Plan or any other plan or arrangement maintained by AIG-FP.

**SCHEDULE 1**

**Confirmation and Acknowledgement**

Name of Covered Person: \_\_\_\_\_

Member of Senior Management Team: \_\_\_\_\_ Yes or No

<b>Compensation Year</b>	<b>Previous Guarantee</b>	<b>Buy-Out Amount</b>	<b>Guaranteed Retention Award</b>
2008			
2009			

I acknowledge that I have received, read and understood the AIG Financial Products Corp. 2008 Employee Retention Plan (the "Employee Retention Plan") and that my participation in the Employee Retention Plan, including any payment of a Guaranteed Retention Award to me under the Employee Retention Plan, will be subject to the terms of the Employee Retention Plan, which provide in part that payment of Guaranteed Retention Awards (i) is subject to continued employment to the extent provided pursuant to Section 3.04, and (ii) is subject, if I participate in the Deferred Compensation Plan (as defined in the Employee Retention Plan), to deferral and, to the extent deferred, shall become an unsecured subordinated liability of AIG Financial Products Corp. to me and my Beneficiaries.

I further acknowledge that my right to receive any Guaranteed Retention Award under the Employee Retention Plan is separate from and independent of any Notional Bonus Amount I might receive for 2008 or 2009, as that term is defined in the Deferred Compensation Plan, and that, to the extent the portion of any Guaranteed Retention Award or any additional Notional Bonus Amount is subject to deferral as a Stock-Indexed Deferral, I waive any claim that such deferred amount would be subject to, or payable to me pursuant to, the Deferred Compensation Plan without reference to the terms of the Employee Retention Plan.

In the event that I should die prior to receipt of all Guaranteed Retention Awards to which I am entitled under the Employee Retention Plan, I hereby direct that, pursuant to Section 2.01(c) of the Employee Retention Plan, all amounts due to me under the Employee Retention Plan be distributed as follows:

<u>Proportion</u>	<u>Name of Beneficiary(ies)</u>
_____	_____
_____	_____
_____	_____

\_\_\_\_\_  
Signature of Covered Person

\_\_\_\_\_  
Date

**Realized Losses**

Realized Losses:

- Losses resulting from the termination or other unwind of a derivative transaction or from the sale of a cash bond position.
  - Realized Loss will be the termination/unwind payment for the derivative transaction, or the difference between par (plus accrued interest) and the sale proceeds for the cash bond position.
- Losses resulting from a payment default on a cash bond position.
  - Realized Loss will be determined based on an evaluation by AIG-FP and AIG of the facts and circumstances of the underlying portfolio and the likelihood of payment of the defaulted amount, including the quality of the underlying portfolio and rights to control its liquidation. For example:

Where there has been a complete liquidation of the underlying portfolio, Realized Losses will equal the amount by which payments received are less than par (plus accrued interest).

Where there has been no liquidation of the underlying portfolio (e.g., because of stand-still provisions in the trust indenture), and it is reasonably likely that all amounts on the cash bond position will be paid (e.g., where the bond is still rated investment grade), there would be no Realized Loss.

- Such a conclusion may apply even where the cash bond has been accelerated and the principal amount declared due and payable (but has not been paid).
- Losses resulting from a payment default on a reference obligation (or equivalent) underlying a credit default swap (“CDS”) transaction.
  - For CDS that have physical settlement provisions:

If the CDS is physically settled, Realized Losses will be determined as described above for the cash bond position that results from the physical settlement.

Pending physical settlement of such a CDS, there is no Realized Loss.

- For pay-as-you-go CDS:

Any payment under a pay-as-you-go CDS will be a Realized Loss unless (i) AIG-FP has a right to be reimbursed by the protection buyer if the buyer receives payment of the unpaid amount that gave rise to the CDS payment, and (ii) an evaluation by AIG-FP and AIG of the facts and circumstances of the underlying portfolio, including the quality of the underlying portfolio and rights to control its liquidation, indicates such payment is reasonably likely.

- For total return swaps (TRS):

To the extent that settlement of the TRS results in AIG-FP acquiring the reference obligation (the most likely circumstance), Realized Losses will be determined as described above for the cash bond position that results.

To the extent that settlement of the TRS results in AIG-FP making payment to the protection buyer without acquiring the reference obligation (unlikely), the Realized Loss equals the amount of such payment.

Pending settlement of the TRS, there will be no Realized Loss.