

**Statement by the Federal Reserve Bank of New York  
Regarding AIG Transaction**

On September 16, 2008 the Federal Reserve Board announced that, with the full support of the Treasury Department, it had authorized the Federal Reserve Bank of New York to lend up to \$85 billion to American International Group, Inc. (AIG). That announcement explained that the \$85 billion was advanced in the form of a two-year secured loan to AIG, with many features put in place to protect and compensate the U.S. government and taxpayers. One of these features, a 79.9% equity interest, has the potential to provide a substantial financial return to the American people should the \$85 billion loan, as anticipated, provide AIG with the intended breathing room to execute a value-maximizing strategic plan.

This program is designed to stabilize AIG with sufficient liquidity, and to enable AIG to make appropriate dispositions of certain assets over time. This will maximize value, avoid undue disruption to markets during this challenging period, and reduce the risk of loss to the Federal Reserve and the government.

We understand the importance of keeping AIG's regulated subsidiaries – which include its insurance companies – well-capitalized, and will continue to work with their regulators. Policyholders across the entire AIG family should take comfort from the fact that AIG's regulated subsidiaries may be supported by, but are not obligated under, the Federal Reserve's loan facility.

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