March 31, 2009

<u>VIA OVERNIGHT MAIL AND FACSIMILE (212) 715-1399</u>

Jill M. Considine
Chester B. Feldberg
Douglas L. Foshee
c/o Kevin F. Barnard, Esq.
Arnold & Porter, LLP
399 Park Avenue
New York, NY 10022-4690

Dear Miss Considine and Messrs. Feldberg and Foshee:

The past two weeks of public outrage over American International Group ("AIG") bonuses should increase your focus on your responsibility as trustees of the $85 billion taxpayer stake in the company. We are asking you, as the majority shareowner in AIG, to use your voting power to hold the AIG Board of Directors accountable for its poor decision making on matters of executive compensation. Beyond the issue of whether or not all employees should give back their retention bonuses is the fundamental corporate governance question of the how shareowners should regard the actions of AIG's Compensation and Management Resources Committee ("Committee"). We believe that it is incumbent on you to send a very clear message that the decisions made by the Committee were wrong and an inexcusable misuse of corporate assets.

Barney Frank, Chairman of the House Banking and Financial Services Committee, has made the point that the Government as owner of the company has more power than the Government as regulator. We agree. Fortunately, you have the ability to directly effect change at the company as the voting fiduciaries for the Series C Preferred Stock which controls approximately 77.9 percent of shareowner voting power. This makes your vote the only vote that counts when it comes to the reelection of directors and approval of items on the May annual meeting agenda.

We urge you to WITHHOLD votes from AIG director James Orr III at the 2009 annual meeting. Mr. Orr served on the Committee in the time period when it approved of the structure and the payouts for AIG senior executive compensation and retention plans. We believe that Mr. Orr acted contrary to the interests of shareholders by authorizing the payment of bonuses to the AIG Financial Products executives who were culpable for massive losses incurred by the credit default swaps.

The Committee is responsible for overseeing and administering AIG's executive compensation programs, so bonus payments and other compensation arrangements for the AIG Financial Products unit fell under its purview. According to the Compensation and Management Resources Committee Charter, the Committee "in accordance with AIG's By-laws, **approves the compensation of other senior executives under its purview** [and] **makes recommendations with respect to the compensation programs applicable to senior executives and other employee compensation."**

The Committee is ultimately responsible for approving the lucrative retirement agreement and consulting contract given to former AIG Financial Products leader Joseph Cassano. Mr. Cassano was chiefly responsible for engineering the credit default swap derivative contracts that directly resulted in the massive losses.

As head of the Financial Products unit, Mr. Cassano was paid $280 million since 2000. After the unit lost $11 billion in February 2008, Cassano "resigned," but was given a retirement agreement that allowed him to keep $34 million in bonuses and was given a an AIG consultant contract at a salary of $1 million per month. At the time, former CEO Martin Sullivan announced that Cassano "has decided, with our concurrence, that he would like to pursue opportunities outside of AIG," though he would serve as a consultant through the year.

At the same time Mr. Cassano was retiring, AIG agreed to pay certain employees of AIG Financial Products retention bonuses totaling $450 million, out of which the recent $165 million in payouts derive. Last July, CEO Martin Sullivan was given a $47 million severance package for resigning before the full depth of AIG's exposure to credit default losses was apparent. Following Mr. Sullivan, the next CEO Robert Willumstad was initially given severance of more than $22 million, which he decided to return under the glare of the media spotlight. The Committee and its long serving member James Orr III are responsible for these payments and arrangements.

In addition, we want to emphasize how important it is for you to publicly disclose your vote on all items at the company annual meeting as part of your duty and obligation as agents of U.S. taxpayers. In addition to withholding your vote for culpable directors, we urge you to cast a vote against AIG's 2008 compensation through the advisory vote on CEO compensation, now required of TARP recipients, as well as for the shareholder proposal requiring equity awards for executives to be held for two years past company tenure. That proposal is sponsored by the AFSCME Employees Pension Plan, Connecticut Retirement Plans and Trust Funds and the AFL-CIO Reserve Fund.

Shareowners of AIG, which now include U.S. taxpayers, have a right to know how their ownership interests will be used to reform AIG's highly flawed compensation practices.

If you have any questions, please feel free to contact Richard Ferlauto in the AFSCME Office of Corporate Governance and Investment Policy at (202) 429-1275.

Sincerely,

GERALD W. McENTEE
President
AFSCME

Denise L. Nappier
Treasurer
State of Connecticut

Richard L. Trumka
Secretary Treasurer
AFL-CIO

Cc: Hon. Barney Frank
Hon. Christopher Dodd