and December 22, 2008 Maiden Lane III LLC ("ML III") purchased

in connection with the termination by certain AIG Financial Products Corp. ("AIGFP") counterparties of credit default swaps and similar derivative instruments ("CDS").

Section 1 — Registrant's Business and Operations

Item 1.01. Entry Into a Material Definitive Agreement.

On December ~~17~~, 2008~~, AIG Financial Products Corp. ("AIGFP") entered into Amendment No. 1 to the Shortfall Agreement, dated November 25 2008, with Maiden Lane III LLC ("ML III") in connection with ML III's purchase, on December 18, 2008, of~~ $[____] billion in par amount of additional multi-sector collateralized debt obligations ("Multi-Sector CDOs")~~, including $[____] billion of Multi-Sector CDOs previously held by AIGFP as a result of exercise of 2a-7 Puts. The Federal Reserve Bank of New York ("NY Fed"), ML III and AIGFP had previously entered into agreements with AIGFP counterparties to terminate credit default swaps and other similar instruments ("CDS") written by AIGFP and to have ML III acquire $[____] billion in par amount of these Multi-Sector CDOs.~~

with a net payment to counterparties of

The purchase of these Multi-Sector CDOs was funded ~~by~~ approximately $[____] billion ~~of borrowings under ML III's term loan facility with the NY Fed~~ and the surrender by AIGFP of approximately $[____] billion in collateral previously posted by AIGFP to CDS counterparties in respect of the terminated CDS. ~~As a result of this transaction, the AIGFP counterparties received 100 percent of the par value of the Multi-Sector CDOs sold and the related CDS have been terminated. ML III has now acquired approximately $[62.1] billion in par amount of Multi-Sector CDOs and has aggregate liabilities resulting from its borrowings from the NY Fed of approximately $____ billion.~~

~~AIG and the NY Fed continue to work to structure the termination of approximately $____ billion notional amount of physically-settled CDS and/or the purchase by ML III of the related Multi-Sector CDOs, including $750 million notional amount subject to agreements with the counterparties for ML III to acquire the related Multi-Sector CDOs and terminate the CDS. Unless this exposure is terminated, AIG will continue to bear market risk and the risk of adverse changes in collateral posting requirements relating to these CDS and could incur additional unrealized market valuation losses with respect to these CDS.~~

In addition to ~~its exposure to~~ the remaining $2.6 billion in physically-settled CDS, AIGFP has remaining exposure under approximately $[9.8] billion notional amount (as of September 30, 2008) of "cash-settled" or "pay-as-you-go" CDS in respect of protected baskets of reference credits, including single name CDS securities and loans. AIGFP continues to analyze possible means of eliminating its exposure to these CDS. Until ~~this exposure is~~ these exposures are eliminated, AIGFP will continue to bear market risk and the risk of adverse changes in collateral posting requirements relating to these CDS and could incur additional unrealized valuation losses related to these CDS.

For a further discussion of AIGFP's relationship with ML III, see AIG's Current Report on Form 8-K dated December 2, 2008. ~~The summary of the terms of Amendment No. 1 to the Shortfall Agreement are qualified in their entirety by reference to the terms of Amendment No. 1, which is filed as exhibit 10.1 to this Form 8-K and incorporated by reference into this Item 1.01.~~

Note that there should be no discussion or suggestion that AIG and the NY Fed are working to structure anything else at this point

Section 9 — Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
10.1	Amendment No. 1 to Shortfall Agreement, dated as of December 17, 2008.

Given that the disclosure describes the key amendment (i.e., updating the schedule to reflect the additional $[ ] exposure, is filing the amendment necessary or helpful?

The Shortfall Agreement has been amended as of November 17, 2008 to include approximately $[ ] billion of additional Multi-Sector CDO exposure, which relates to a portion of the previously announced approximately $11.2 billion of exposure to Multi-Sector CDOs as to which AIGFP, ML III, and the Federal Reserve Bank of New York ("NY Fed") had not executed agreements as of November 25, 2008 and for which AIG and the NY Fed had been working to structure the termination of the related CDS and/or the purchase by ML III of the related Multi-Sector CDOs