

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 4, 1999

REGISTRATION STATEMENT NO. 33-65441

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST EFFECTIVE  
AMENDMENT NO. 1 TO  
FORM S-4  
ON FORM S-8  
UNDER THE  
SECURITIES ACT OF 1933

AMERICAN INTERNATIONAL GROUP, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

13-2592361  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

70 PINE STREET, NEW YORK, NEW YORK 10270  
(ADDRESS, INCLUDING ZIP CODE, OF PRINCIPAL EXECUTIVE OFFICES)

SunAmerica Inc. 1988 Employee Stock Plan  
SunAmerica 1997 Employee Incentive Stock Plan  
SunAmerica Non-Employee Directors' Stock Option Plan  
SunAmerica 1995 Performance Stock Plan  
SunAmerica Inc. 1998 Long-Term Performance-Based Incentive Plan  
for the Chief Executive Officer  
SunAmerica Inc. Long-Term Performance-Based Incentive Plan  
Amended and Restated 1997  
(FULL TITLE OF THE PLANS)

KATHLEEN E. SHANNON  
VICE PRESIDENT  
70 PINE STREET  
NEW YORK, NEW YORK 10270  
(212) 770-7000  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

This Post-Effective Amendment covers shares of the Registrant's common stock, par value \$2.50 per share, which were originally registered on the Form S-4 (Registration Statement No. 333-65441) to which this Post Effective Amendment relates. The registration fee in respect of such shares of common stock was paid at the time of the original filing of the Registration Statement on Form S-4.

## EXPLANATORY NOTE

This Registration Statement on Form S-8 registers shares of common stock, par value \$2.50 per share (the "Common Stock"), of American International Group, Inc. ("AIG" or the "Company"), which may be issued in connection with options ("SunAmerica Options") or shares or rights to acquire shares ("SunAmerica Awards") outstanding pursuant to the SunAmerica Inc. 1988 Employee Stock Plan (the "1988 Plan"), SunAmerica 1997 Employee Incentive Stock Plan (the "1997 Plan"), SunAmerica Non-Employee Directors' Stock Option Plan (the "Directors Plan"), SunAmerica 1995 Performance Stock Plan (the "1995 Plan"), SunAmerica Inc. 1998 Long-Term Performance-Based Incentive Plan for the Chief Executive Officer (the "1998 CEO Plan") and SunAmerica Inc. Long-Term Performance-Based Incentive Plan Amended and Restated 1997 (the "1997 CEO Plan" and, together with the 1988 Plan, the 1997 Plan, the Directors Plan, the 1995 Plan and the 1998 CEO Plan, the "SunAmerica Option Plans"). The shares of Common Stock registered in respect of SunAmerica Options or SunAmerica Awards under each SunAmerica Option Plan are as follows: 1988 Plan - 5,639,799; 1997 Plan - 2,613,922; Directors Plan - 24,359; 1995 Plan - 582,275; 1998 CEO Plan - 1,732,388 and 1997 CEO Plan - - - 7,507,013. The Agreement and Plan of Merger, dated as of August 19, 1998, between the Company and SunAmerica Inc. provides that each SunAmerica Option and each SunAmerica Award will be deemed to constitute an option or right to acquire, on the same terms and conditions as were applicable under the relevant SunAmerica Option Plan, the same number of shares of Common Stock as a holder of such SunAmerica Option or SunAmerica Award would have been entitled to receive pursuant to the merger had such holder exercised such SunAmerica Option or received such SunAmerica Award in full immediately prior to the effective time of the merger.

## PART I

## INFORMATION REQUIRED IN THE SECTION 10(A) PROSPECTUS

All information required by Part I to be contained in the prospectus is omitted from this Registration Statement in accordance with Rule 428 under the Securities Act.

## PART II

## INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

## ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents have been filed by AIG with the Commission (File No. 1-8787) and are incorporated herein by reference:

- (1) AIG's Annual Report on Form 10-K for the year ended December 31, 1997;
- (2) AIG's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1998, June 30, 1998 and September 30, 1998;
- (3) AIG's Current Reports on Form 8-K, filed February 10, 1998, August 20, 1998, August 24, 1998 and October 22, 1998; and
- (4) The description of Common Stock contained in the Registration Statement on Form 8-A, dated September 20, 1984, filed pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

All documents filed by AIG pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold, or which deregisters all such securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

## ITEM 4. DESCRIPTION OF SECURITIES

The Common Stock is registered under Section 12(b) of the Exchange Act.

## ITEM 5. INTEREST OF NAMED EXPERTS AND COUNSEL

The consolidated financial statements of AIG and its subsidiaries and the related financial statement schedules of AIG included in its most recent Annual Report on Form 10-K, incorporated herein by reference, are so incorporated in reliance upon the reports of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

The validity of the shares of Common Stock covered by this Registration Statement has been previously passed upon. As a result, no opinion with respect to the validity of the shares of Common Stock is included herein.

## ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Restated Certificate of Incorporation of the Company (the "Certificate") provides that the Company shall indemnify to the full extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Company or serves or served any other enterprise at the request of the Company. Section 6.4 of the Company's By-laws contains a similar provision.

The Certificate also provides that a director will not be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent that such an exemption from liability or limitation thereof is not permitted by the Delaware General Corporation Law (the "GCL").

Section 145 of the GCL permits indemnification against expenses, fines, judgments and settlements incurred by any director, officer or employee of the registrant in the event of pending or threatened civil, criminal, administrative or investigative proceedings, if such person was, or was threatened to be made, a party by reason of the fact that he is or was a director, officer or employee of the Company. Section 145 also provides that the indemnification provided for therein shall not be deemed exclusive of any other rights to which those seeking indemnification may otherwise be entitled. In addition, the registrant and its subsidiaries maintain a directors' and officers' liability insurance policy.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED

Not applicable.

ITEM 8. EXHIBITS

The exhibits are listed in the exhibit index.

ITEM 9. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in this Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any

action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Post Effective Amendment to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 4th day of January, 1999.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ M. R. GREENBERG

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(M. R. Greenberg, Chairman)

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post Effective Amendment has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ M. R. GREENBERG ----- (M.R. Greenberg)	Chairman, Chief Executive Officer, and Director (Principal Executive Officer)	January 4, 1999
/s/ HOWARD I. SMITH ----- (Howard I. Smith)	Executive Vice President and Director (Principal Financial and Accounting Officer)	January 4, 1999
M. BERNARD AIDINOFF* ----- (M. Bernard Aidinoff)	Director	January 4, 1999
PEI-YUAN CHIA* ----- (Pei-yuan Chia)	Director	January 4, 1999
MARSHALL A. COHEN* ----- (Marshall A. Cohen)	Director	January 4, 1999
BARBER B. CONABLE, JR.* ----- (Barber B. Conable, Jr.)	Director	January 4, 1999
MARTIN S. FELDSTEIN* ----- (Martin S. Feldstein)	Director	January 4, 1999
LESLIE L. GONDA* ----- (Leslie L. Gonda)	Director	January 4, 1999
EVAN G. GREENBERG* ----- (Evan G. Greenberg)	Director	January 4, 1999
CARLA A. HILLS* ----- (Carla A. Hills)	Director	January 4, 1999
FRANK J. HOENEMEYER* -----	Director	January 4, 1999





SIGNATURE

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TITLE

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DATE

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EDWARD E. MATTHEWS\*

Director

January 4, 1999

-----  
(Edward E. Matthews)

DEAN P. PHYBERS\*

Director

January 4, 1999

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(Dean P. Phypers)

THOMAS R. TIZZIO\*

Director

January 4, 1999

-----  
(Thomas R. Tizzio)

EDMUND S.W. TSE\*

Director

January 4, 1999

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(Edmund S.W. Tse)

FRANK G. WISNER\*

Director

January 4, 1999

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(Frank G. Wisner)

\*By: /s/ HOWARD I. SMITH

-----  
(Howard I. Smith)  
as Attorney-in-Fact

## EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----	LOCATION -----
4	(a) SunAmerica Inc. 1988 Employee Stock Plan.....	Filed herewith.
	(b) SunAmerica 1997 Employee Incentive Stock Plan... ..	Filed herewith.
	(c) SunAmerica Non-Employee Directors' Stock Option Plan.....	Filed herewith.
	(d) SunAmerica 1995 Performance Stock Plan.....	Filed herewith.
	(e) SunAmerica Inc. 1998 Long-Term Performance-Based Incentive Plan for the Chief Executive Officer.....	Filed herewith.
	(f) SunAmerica Inc. Long-Term Performance-Based Incentive Plan Amended and Restated 1997.....	Filed herewith.
5	Opinion re validity.....	Previously filed.
15	Letter re unaudited interim financial information.....	None.
23	Consents of experts and counsel (a) PricewaterhouseCoopers LLP.....	Filed herewith.
24	Power of Attorney.....	Previously filed.

BROAD INC.  
1988 EMPLOYEE STOCK PLAN  
(since renamed SUNAMERICA INC. 1988 EMPLOYEE STOCK OPTION PLAN)

SECTION 1. PURPOSE. The purpose of the 1988 Employee Stock Plan (the "Plan") is to promote the success of Broad Inc. (the "Company") by providing a method whereby key employees of the Company and its subsidiaries and certain other individuals may be encouraged to invest in the Common Stock, \$1.00 par value, of the Company ("Common Stock"), increase their proprietary interest in its business, remain in the employ of the Company or its subsidiaries, and increase their personal interests in the continued success and progress of the Company.

SECTION 2. DEFINITIONS. As used in this Plan, the following terms shall have the indicated meanings:

(a) Award: An award of restricted shares under Section 7 and, except for purposes of Section 7, a Stock Unit Award granted pursuant to Section 8.

(b) Board: The board of directors of Broad Inc.

(c) Code: The Internal Revenue Code of 1986, as amended.

(d) Committee: The Personnel, Compensation and Stock Option Committee of the Board.

(e) Company: Broad Inc. and its Subsidiaries.

(f) Lapsing Formula: With reference to a particular Award under Section 7, a formula or schedule, and such other conditions as may be imposed, determined by the Committee and set forth in a Stock Restriction Agreement, as a basis for establishing the number of shares of Stock which may be released from the restrictions of an Award. A Lapsing Formula may differ from Participant to Participant and from Award to Award.

(g) Limited Stock Appreciation Right: A right granted pursuant to Section 6(b) to receive cash in certain circumstances with respect to a related Option.

(h) Option: A right to buy Common Stock granted pursuant to Section 6(a).

(i) Option Agreement: The agreement reflecting the grant of an Option pursuant to Section 6(a).

(j) Participant: A key employee or other individual selected to participate in this Plan pursuant to its terms.

(k) Performance Objectives: With reference to a particular Award under Section 7, the threshold Performance Objective, target Performance Objective and super Performance Objective pertaining thereto, as determined by the Committee and specified in the applicable Stock Restriction Agreement, which objectives are the criteria established by the Committee which may accelerate the release of shares of Common Stock from the restrictions of such Award and its Lapsing Formula. The Performance Objectives may differ from Participant to Participant and from Award to Award.

(l) Performance Period: With reference to a particular Award under Section 7, the period of time within which the Performance Objectives are to be achieved, as determined by the Committee and specified in the applicable Stock Restriction Agreement. The Performance Period may differ from Participant to Participant and from Award to Award.

(m) Plan: The Broad Inc. 1988 Employee Stock Plan, as it may be amended from time to time.

(n) Stock Restriction Agreement: With reference to a particular Award, the agreement between the Company and the Participant containing the restrictions set forth in Section 7(e), the Lapsing Formula and the Performance Objectives.

(o) Stock Unit Award: An award granted under Section 8.

(p) Subsidiary: A subsidiary of Broad, Inc. within the meaning of Section 425(f) of the Code.

(q) Tax Date: The date on which taxes of any kind are required by law to be withheld with respect to shares of Common Stock subject to an Option or Award.

SECTION 3. ADMINISTRATION. (a) The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be issued or adopted by the Board, to grant to eligible persons Awards, Options and Limited Stock Appreciation Rights with respect to shares of Common Stock pursuant to the provisions of the Plan, to fix the exercise price and other terms of such Options, to fix the terms of any Award in a manner consistent with the terms of Section 7, to prescribe, amend and rescind rules and regulations, if any, relating to the Plan, to interpret the provisions of the Plan, Stock Restriction Agreements and Option Agreements issued under the Plan, to amend such Option Agreements and Stock Restriction Agreements from time to time subject to the provisions of the Plan, and to supervise the administration of the Plan. No individual shall become a member of the Committee if he or she shall have been eligible to receive Awards or Options to acquire shares of capital stock of the Company or any subsidiary at any time during the 12-month period prior to becoming a member and no member of the Committee shall be eligible to receive Awards or Options.

(b) All decisions made by the Committee pursuant to the provisions of the Plan and related orders or resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, stockholders, employees and optionees.

(c) Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with any claim, action, suit or proceeding to which he or she may be a party by reason of any action taken or any failure to act under the Plan. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, or as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. SHARES SUBJECT TO THE PLAN. (a) The shares to be delivered upon exercise of Options granted under the Plan or pursuant to Awards may be made available from the authorized but unissued shares of the Company or from shares reacquired by the Company, including shares purchased in the open market or in private transactions.

(b) Subject to adjustments made pursuant to the provisions of Section 4(c), the aggregate number of shares to be delivered pursuant to Awards and upon exercise of all Options which may be granted under the Plan shall not exceed 3,000,000 shares of Common Stock. If an Option or Award granted under the Plan shall expire or terminate for any reason, other than by reason of the exercise of an associated Limited Stock Appreciation Right, or if an Award is forfeited, the shares subject to but not delivered under such Option or forfeited Award shall be available for other Awards or Options and associated Limited Stock Appreciation Rights granted to the same Participant or other Participants.

(c) In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below fair market value, or other similar corporate event affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available to Participants under this Plan, then the Committee shall, in its sole discretion, subject to approval by the Board, and in such manner as the Committee may deem equitable, adjust any or all of (1) the number and kind of shares which thereafter may be awarded or optioned and sold or made the subject of Limited Stock Appreciation Rights under the Plan, (2) the number and kind of shares subject to outstanding Options and Awards, and Limited Stock Appreciation Rights, and (3) the option price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a Participant, including to reflect such an event occurring prior to an Award, the grant of which was intentionally deferred in anticipation of such event; provided, however, that the number of shares subject to any Option or Award shall always be a whole number.

SECTION 5. ELIGIBILITY AND EXTENT OF PARTICIPATION. (a) The persons eligible to receive Awards, Options and associated Limited Stock Appreciation Rights under the Plan shall consist of key employees of the Company and other individuals who, in the Committee's judgment, can make substantial contributions to the Company's long-term profitability and value.

(b) Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible persons those Participants to be granted Options and Awards and determine the time when each Option and Award shall be granted, the number of shares subject to each Option and Award and whether Limited Stock Appreciation Rights should be granted in connection with such Option, the number of shares for each Award and the restrictions associated with such Award. Subject to the provisions of Section 4, both Options and Awards may be granted to the same Participant.

SECTION 6. GRANTS OF OPTIONS AND LIMITED STOCK APPRECIATION RIGHTS. (a) Grant of Options. Options on shares of Common Stock may be granted to Participants by the Committee from time to time at its sole discretion. Each Option shall be evidenced by an Option Agreement which shall contain such terms and conditions as may be approved by the Committee and shall be signed by an officer of the Company and the optionee. Neither the execution of any Option Agreement nor the granting of any Option evidenced thereby shall constitute or be evidence of any agreement or other understanding, express or implied, on the part of the Company or any Subsidiary to employ an individual for any specific period.

(b) Grant of Limited Stock Appreciation Rights in the Event of Change of Ownership. If deemed by the Committee to be in the best interests of the Company, any Option granted on or after the effective date of the Plan may include a Limited Stock Appreciation Right at the time of grant of the Option; also, the Committee may grant a Limited Stock Appreciation Right with respect to any unexercised Option at any time after granting such Option prior to the end of its term, provided such Option was granted after the effective date of the Plan. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose, provided that:

(1) A Limited Stock Appreciation Right shall be exercisable only during the 91 day period specified in the last sentence of Section 9(a), provided, however, that no Limited Stock Appreciation Right shall be exercisable by an officer of the Company within six months of the date of its grant; and

(2) A Limited Stock Appreciation Right shall, upon its exercise, entitle the optionee to whom such Limited Stock Appreciation Right was granted to receive an amount of cash equal to the amount by which the "Offer Price per Share" (as such term is hereinafter defined) shall exceed the exercise price of the associated Option, multiplied by the number of shares of Common Stock with respect to which such Limited Stock Appreciation Right shall have been exercised. Upon the exercise of a Limited Stock Appreciation Right, any associated Option shall cease to be exercisable to the extent of the shares of Common Stock with respect to which such Limited Stock Appreciation Right was exercised. Upon the exercise or termination of an associated Option, any related Limited Stock Appreciation Right shall terminate to the extent of the shares of Common Stock with respect to which such associated Option was exercised or terminated.

The term "Offer Price per Share" as used in this Section 6(b) shall mean with respect to a Limited Stock Appreciation Right the higher of (i) the fair market value per share of Common Stock on the date of exercise of such Limited Stock Appreciation Right or (ii) the highest price per share for Common Stock paid or to be paid in the transaction, if any, giving rise to the event specified in clauses (1) or (2) (as the case may be) of Section 9(a) which triggered the exercisability of such Limited Stock Appreciation Right. For purposes of clause (ii) above, any securities or property which are part of the consideration paid or to be paid in such transactions shall be valued in determining the Offer Price per Share at the highest of (A) the valuation placed on such securities or property by the company, person or other entity engaging in such transaction, or (B) the valuation placed on such securities or property by the Committee.

(c) Option Price. (1) The price at which each share of Common Stock may be purchased upon exercise of a particular Option shall be as specified by the Committee, in its sole discretion, at the time such Option is granted and shall not be less than 50% of the fair market value of a share of Common Stock at the time such Option is granted, provided, however, that in the event that an optionee is required to make a payment pursuant to paragraph (c)(3) below prior to receiving such Option, the exercise price per share of Common Stock of such Option shall not be less than 50% of the fair market value of a share of Common Stock at the time such Option is granted less the purchase price per share of Common Stock of such Option. The Option exercise price shall be set forth in the applicable Option Agreement.

(2) The Committee may, in its discretion, at any time or from time to time, by the adoption of a written resolution to such effect, reduce the stated exercise or option price for any or all Options then outstanding, but in no event shall such price be so reduced to a price which is less than the fair market value of the shares of Common Stock which are subject to such Option or Options on the date such resolution is adopted.

(3) If the Committee, in its discretion, shall deem it desirable, the grant of an Option may be made conditional upon the receipt of a payment therefor by the optionee. Such condition and the terms and conditions as to its satisfaction shall be set forth in the applicable Option Agreement which may also provide for the reimbursement to the optionee of any part or all of such payment under such circumstances as may be specified in such Option Agreement.

(d) Exercise. (1) Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Option Agreement or thereafter, provided, however, that in no event may any Option granted hereunder be exercisable after

the expiration of 15 years from the date of such grant. Subject to the foregoing, each Option Agreement shall specify the effect thereon of the death, retirement or other termination of employment of the optionee. In addition, the Committee may impose such other conditions with respect to the exercise of Options, including without limitation, any relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(2) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by the Company. Such payment may be made in cash, or its equivalent, or by exchanging shares of Common Stock owned by the optionee (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such Common Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such option price. No optionee or the legal representative, legatee or distributee of an optionee shall be deemed to be a holder of any shares subject to any Option prior to the issuance of such shares upon exercise of such Option.

(e) Transferability of Options. An Option granted under the Plan, and any related Limited Stock Appreciation Right, may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the person to whom granted, may be exercised only by such person.

#### SECTION 7. AWARDS. (a) Grant of Restricted Stock Awards.

(1) Selection of Participants. Subject to the terms of this Plan, the Committee shall select those Participants to whom Awards shall be granted for each Performance Period. Awards shall generally be made at the beginning of a Performance Period but may, in the Committee's discretion, be made from time to time during the term of a Performance Period.

(2) Award of Shares. The Committee shall determine the number of shares of Common Stock covered by each Award. After the close of, and, if appropriate, during the term of, each Performance Period, and at appropriate times based on the Lapsing Formula, the Committee shall determine whether the restrictions set forth in Section 7(e) hereof shall lapse with respect to a portion or all of the shares covered by an Award.

(3) Form of Instrument. Each Award shall be made pursuant to a Stock Restriction Agreement in a form prescribed by the Committee. Such instrument shall specify the restrictions set forth in Section 7(e), a Lapsing Formula, a Performance Period and the Performance Objectives which, if achieved during the Performance Period with respect to which they were awarded, shall cause acceleration of the lapsing of restrictions imposed upon all or part of the shares covered by an Award.

(b) Lapsing Formula and Performance Objectives. Each Award shall be subject to a Lapsing Formula pursuant to which the restrictions set forth in Section 7(e) shall lapse, unless such restrictions have earlier lapsed as to all or part of the shares due to achievement of Performance Objectives during the Performance Period. Each Award shall be subject to Performance Objectives which may be achieved by the Company during the Performance Period with respect to which the Award is made. Performance Objectives may relate to separate performance objectives for the Company or any Subsidiary or for any division, department or operation of the Company or any subsidiary. The Committee shall establish a Lapsing Formula and Performance Objectives prior to the beginning of each Performance Period. Once established, Performance Objectives and Lapsing Formulas may be changed, adjusted or amended during the term of a Performance Period or thereafter.

(c) Rights with Respect to Shares. Subject to Section 7(d), each Participant to whom an Award has been made shall have absolute ownership of such shares including the right to vote the same and to receive dividends and other distributions thereon, subject, however, to the terms, conditions and restrictions described in this Plan and in the Stock Restriction Agreement.

(d) Escrow. Shares of Common Stock issued pursuant to an Award shall be held in escrow by the Company until such time as the Committee shall have determined that the restrictions set forth in Section 7(e) shall have lapsed or until the shares subject to such Award are forfeited pursuant to Section 7(e)(2).

(e) Restrictions Applicable to Awards. Each Stock Restriction Agreement under this Plan shall contain the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Committee:

Until the restrictions set forth in this Section 7(e) shall lapse pursuant to Section 7(f), shares of Common Stock awarded to a Participant pursuant to each Award:

(1) shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, and

(2) except as otherwise set forth in the Stock Restriction Agreement, shall be forfeited and returned to the Company, and all rights of the Participant to such shares shall terminate without any payment of consideration by the Company, if the Participant's continuous employment with or other service to the Company upon which an Award is based shall terminate with or without cause or as a result of any event or for any other reason.

(f) Lapse of Restrictions.

(1) Lapse of Restrictions Due to Achievement of Performance Objectives. As soon as practicable after the close of each Performance Period or prior thereto, if the Committee in its discretion deems it appropriate, the Committee shall determine whether the Performance Objectives established for such Performance Period have been achieved. Each Participant who has received an Award shall be notified as to whether the Performance Objectives established for the Performance Period have been achieved and the number of shares, if any, of Common Stock with respect to which the restrictions of Section 7(e) have lapsed.

(2) Lapse of Restrictions Based on Lapsing Schedule. As to any shares covered by an Award as to which the restrictions imposed by Section 7(e) have not lapsed pursuant to paragraph(1) of this Section 7(f), such restrictions shall lapse in accordance with the Lapsing Formula for such Award.

(g) Restrictive Legends. Certificates for shares of Common Stock delivered pursuant to Awards shall bear an appropriate legend referring to the terms, conditions and restrictions described in this Plan and in the applicable Stock Restriction Agreement. Any attempt to dispose of any such shares of Common Stock in contravention of the terms, conditions and restrictions described in this Plan or in the applicable Stock Restriction Agreement shall be ineffective. Any shares of Common Stock of the Company or other property, including cash, received by a Participant as a dividend or as a result of any stock split, combination, exchange of shares, reorganization, merger, consolidation or similar event with respect to shares of Common Stock received pursuant to an Award shall have the same status and bear the same legend and be held in escrow pursuant to Section 7(d) as the shares received pursuant to the Award unless otherwise determined by the Committee at the time of such event.



(h) Designation of Beneficiaries. A Participant may designate a beneficiary or beneficiaries to receive such Participant's Common Stock hereunder in the event of such Participant's death, and may, at any time and from time to time, change any such beneficiary designation. All beneficiary designations and changes therein shall be in writing and shall be effective only if and when delivered to the Committee during the lifetime of the Participant.

(i) The Committee may make adjustments or modifications, and its determination thereof shall be conclusive, in the Lapsing Formula, Performance Objectives or Performance Period to give effect to the intent of this Plan in connection with any event affecting the performance criteria established as the Performance Objectives, including without limitation, any reorganization, recapitalization, merger, consolidation, offering of additional shares of Common Stock or other change in the Company's shareholders' equity by means other than earnings, or any similar event. No such adjustment shall be made if it would reduce the benefits otherwise accruing to existing Participants under the Plan.

SECTION 8. Stock Unit Awards. (a) Grant of Stock Unit Awards. In addition to granting Options, Limited Stock Appreciation Rights and Awards of restricted shares under Section 7, the Committee shall have authority to grant to Participants Stock Unit Awards which can be in the form of Common Stock or units, the value of which is based, in whole or in part, on the value of Common Stock. Subject to the provisions of the Plan, including Section 8(b) below, Stock Unit Awards shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules (all of which are sometimes hereinafter collectively referred to as "rules") as the Committee may determine in its sole discretion, all such rules applicable to a particular Stock Unit Award to be reflected in writing and furnished to the Participant at the time of grant. The rules need not be identical for each Stock Unit Award.

(b) Rules. In the sole discretion of the Committee, a Stock Unit Award may be granted subject to the following rules:

(1) Any shares of Common Stock which are part of a Stock Unit Award may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award.

(2) Stock Unit Awards may provide for the payment of cash consideration by the person to whom such Award is granted or provide that the Award, and Common Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration, provided that for any Common Stock to be purchased in connection with a Stock Unit Award the purchase price shall be at least 50% of the fair market value of such Common Stock on the date such Award is granted.

(3) Stock Unit Awards may relate in whole or in part to certain performance criteria established by the Committee at the time of grant.

(4) Stock Unit Awards may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts, with respect to the number of shares of Common Stock covered by the Award, and elections by the employee to defer the payment of the Award or the lifting of restrictions on the Award, if any.

(5) In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restrictions or limitation to which a Stock Unit Award was made subject at the time of grant.

SECTION 9. Special Rules. (a) Notwithstanding anything to the contrary in this Plan, unless otherwise specifically determined by the Committee at the time of grant, all Options theretofore granted and not fully exercisable shall become exercisable in full and the restrictions on all outstanding Awards shall lapse upon the occurrence of a Change of Ownership. A "Change of Ownership" shall be deemed to have occurred if either (1) individuals who, as of the effective date of this Plan, constitute the Board of Directors of the Company (the "Board of Directors" generally and as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board of Directors, provided that any person becoming a director subsequent to the effective date of this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the then directors who are members of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (A) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Act"), of beneficial ownership, directly or indirectly, of 20% or more of the combined voting securities ordinarily having the right to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Board of Directors who are members of the Incumbent Board), or (B) in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, or (2) the Board of Directors (a majority of which shall consist of directors who are members of the Incumbent Board) has determined that a Change of Ownership triggering the exercisability of Options and the lapse of restrictions on Awards as described in this Section 9 shall have occurred. Options which become fully exercisable by reason of events specified in clauses (1) or (2) shall remain exercisable for 90 days following the date on which they become so exercisable, after which they will revert to being exercisable in accordance with their original terms, provided, however, that no Option which has previously been exercised or has expired or otherwise terminated shall become exercisable by virtue of this Section nor shall this Section permit exercise of any option during the portion, if any, of such 90 day period which follows the termination or expiration of any such Option.

(b) For purposes of this Plan and any Option or Award hereunder, termination of employment shall not be deemed to occur upon the transfer of any optionee from the employ of the Company to the employ of any Subsidiary or affiliate. For purposes of this Plan, "affiliate" means (1) any entity 50% or more of the voting interest in which is owned, directly or indirectly, by an entity which owns, directly or indirectly, 50% or more of the voting interest in the Company and (2) any entity which owns, directly or indirectly, 50% or more of the voting interest in the Company.

SECTION 10. Delivery of Shares. No shares of Common Stock shall be delivered pursuant to an Award or any exercise of an Option until the requirements of such laws and regulations as may be deemed by the Committee to be applicable thereto are satisfied.

SECTION 11. Financing and Withholding. (a) Withholding of Taxes. As a condition to the making of an Award, to the lapse of the restrictions pertaining to an Award, or to the delivery of shares in connection with the exercise of an Option, the Company may require the Participant to pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any taxes of any kind required by law to be withheld with respect to such shares of Common Stock.

(b) Financing. If requested by a Participant who exercises an Option or who has received Common Stock pursuant to an Award, the Committee may in its discretion provide financing to the Participant in a principal amount sufficient for the purchase of shares of Common Stock pursuant to such Option exercise to pay the amount of taxes required by law to be withheld with respect to such Option exercise or such receipt of shares of Common Stock. Any such loan shall be subject to all legal requirements, and restrictions pertinent thereto, including if applicable, Regulation G promulgated by

the Federal Reserve Board. The grant of an Option or Award shall in no way obligate the Company or the Committee to provide any financing whatsoever upon the lapse of restrictions on shares or the exercise of such Option.

(c) Withholding of Shares. (1) If requested by a Participant who acquires shares of Common Stock upon the exercise of an Option or who has received shares of Common Stock pursuant to an Award with respect to which the restrictions shall have lapsed, the Committee may in its discretion permit the Participant to satisfy any tax withholding obligations, in whole or in part, by having the Company withhold a portion of such shares with a value equal to the amount of taxes required by law to be withheld.

(2) Requests by a Participant to have shares of Common Stock withheld shall be (A) made prior to the Tax Date and (B) irrevocable. In addition, in the event the Participant is an officer or director of the Company within the meaning of Section 16 of the Act, such requests (i) may not be made within six months of the date of the grant or the Option or the Award under this Plan (except that this limitation shall not apply in the event of the Participant's death prior to the expiration of the six-month period) and (ii) must be made either six months prior to the Tax Date or in a ten day period beginning on the third day following the release of the Company's quarterly or annual earnings statement.

SECTION 12. AMENDMENTS, SUSPENSION OR DISCONTINUANCE. The Board of Directors may amend, suspend, or discontinue the Plan. Notwithstanding the foregoing, except as permitted by Section 4(c) the Board may not, without the prior approval of the shareholders of the Company, make any amendment which operates (a) to abolish the Committee, change the qualification of its members or withdraw the administration of the Plan from its supervision, (b) to make any material change in the class of eligible persons as defined in the Plan, (c) to increase the total number of shares of Common Stock which may be delivered in respect of Awards or on exercise of Options granted under the Plan, (d) to extend the maximum option period or the period during which Options or Awards, may be granted under the Plan or (e) to reduce the minimum permissible option exercise price.

SECTION 13. TERM OF PLAN. The Plan shall become effective on the date it is approved and adopted by the Board, subject to its subsequent approval by shareholders of the Company. No Option or Award shall be granted under the Plan after the date that is fifteen (15) years after the date on which the Plan is approved by the Company's shareholders or after such earlier date as the Committee may decide, in its sole discretion.

## SUNAMERICA

## 1997 EMPLOYEE INCENTIVE STOCK PLAN

SECTION 1. Purpose. The purpose of the SunAmerica 1997 Employee Incentive Stock Plan (the "Plan") is to promote the success of SunAmerica Inc. (the "Company") by providing a method whereby key employees of the Company and its subsidiaries and certain other individuals may be encouraged to invest in the Common Stock, \$1.00 par value, of the Company, increase their proprietary interest in its business, remain in the employ of the Company or its subsidiaries, and increase their personal interests in the continued success and progress of the Company.

SECTION 2. Definitions. As used in this Plan, the following terms shall have the indicated meanings:

Adjusted Pretax Income: The pretax income of the Company or a selected Subsidiary, increased by any interest expense on subordinated debt payable to the Company, and reduced by the product of (a) and (b), where (a) is a specified hurdle rate and (b) is the shareholders' equity of the Company or the selected Subsidiary at the beginning of the Performance Period, increased by the book value of any subordinated debt payable to the Company, also at beginning of the Performance Period.

Award: An award of Restricted Shares under Section 7 and a Stock Unit Award granted pursuant to Section 8.

Beginning Market Value: The average closing price of a share of the Stock for each of the twenty trading days commencing ten trading days prior to the first trading day of the Performance Period multiplied by the Weighted Average Shares.

Board: The board of directors of SunAmerica Inc.

Book Value: The product of (a) divided by (b), where (a) is Adjusted Shareholders' Equity, which is defined as the sum of total shareholders' equity as presented in the financial statements of the Company or any selected subsidiary, less the liquidation preference of preferred stock (except those issues of preferred stock that are convertible to common stock and are treated as common stock equivalents in the Company's computation of earnings per share), plus the book value of any issue of debt convertible to common stock that is treated as a common stock equivalent in the Company's computation of earnings per share, and (b) is the number of common and Class B shares outstanding on the specified measurement date, adjusted to include the number

of shares that would be issued on such measurement date on an assumed conversion of any issue convertible to common stock.

Code: The Internal Revenue Code of 1986, as amended.

Committee: The Personnel, Compensation and Stock Plan Committee of the Board.

Covered Officer: At any date, (i) any individual who, with respect to the previous fiscal year of the Company, is a "covered employee" of the Company within the meaning of Section 162(m); provided, however, that the term "Covered Officer" shall not include any such individual who is designated by the Committee, in its discretion, at the time of grant of any Option or Award or at any subsequent time, as reasonably expected not to be such a "covered employee" with respect to the taxable year of the Company in which the Company's deduction, if any, in respect of such Option or Award arises, and (ii) any individual who is designated by the Committee, in its discretion, at the time of grant of any Option or Award or at any subsequent time, as reasonably expected to be such a "covered employee" with respect to such taxable year of the Company.

Earnings Per Share: The Company's aggregate earnings per share from continuing operations before the cumulative effect of a change in accounting principles and before extraordinary items.

Ending Market Value: The average closing price of a share of the Stock for each of the twenty trading days commencing nine trading days prior to the last trading day of the Performance Period multiplied by the Weighted Average Shares. Ending Market Value shall be adjusted for the payment of cash dividends during the Performance Period, assuming such dividends had been reinvested in Stock on the date paid to Shareholders using the methodology consistent with the determination of the S&P 500 Index Total Return to Shareholders.

Lapsing Formula: With reference to Performance Options, Restricted Shares or Stock Unit Awards, a schedule which is a basis for establishing the extent to which an Option may be exercisable, or the number of shares of Stock or Stock Unit Awards which may be released from the restrictions of an Award or paid pursuant to the satisfaction of payment conditions thereunder, unless such vesting is accelerated, such restrictions are earlier released or such payment conditions are earlier satisfied due to the achievement of Performance Objectives or as otherwise provided in the Plan or in the applicable Option or Award Agreement. The Committee, in its discretion, shall determine whether a Performance Option, Restricted Share or Stock Unit Award shall be subject

to a Lapsing Formula. A Lapsing Formula may differ from Participant to Participant and from Award to Award.

**Limited Stock Appreciation Right:** A right granted pursuant to Section 6(c) to receive cash in certain circumstances with respect to a related Option.

**Net Worth:** Total shareholders' equity of the Company or any selected subsidiary as presented in the consolidating financial statements of the Company.

**Option:** A right to buy Stock granted pursuant to Section 6(a) or (b).

**Option Agreement:** The agreement or other instrument evidencing the grant of an Option pursuant to Section 6(a) or (b), which may, but need not, be executed or acknowledged by a Participant.

**Participant:** A key employee of the Company and its subsidiaries or other individual who, in the Committee's judgment, can make substantial contributions to the Company's long-term profitability and value, who in either case has been selected by the Committee to receive an award hereunder.

**Performance Objectives:** Performance Objectives shall be stated as specified levels of (i) Earnings Per Share, (ii) Total Return to Shareholders as measured against the S&P Index Total Return to Shareholders (or other appropriate index selected by the Committee), (iii) Return on Equity (or return on investment), (iv) growth in Book Value, (v) growth in Net Worth, (vi) Stock price, (vii) Pretax Earnings (or after tax earnings) of the Company or any Subsidiary, division, department or operation thereof, (viii) Adjusted Pretax Income (or after tax income) of the Company or any Subsidiary, (ix) sales of any of the financial products offered by the Company's Subsidiaries, and (x) performance of any of the Company's mutual funds as compared with appropriate benchmarks, or a combination of any of the foregoing as determined by the Committee. In the case of Participants other than Covered Officers, Performance Objectives may include such other criteria as the Committee may determine in its discretion as the appropriate performance measures for the Company or of any Subsidiary or division, department or operation of the Company. With reference to a particular Award of Performance Options, Restricted Shares or Stock Unit Awards, the threshold, target and super Performance Objectives are the criteria established by the Committee which, if achieved, accelerate or cause the vesting of a specified portion of the Performance Options, the release from restrictions of a specific percentage of the Restricted Shares or the payment of a specified percentage of Stock Unit Awards. The Performance Objectives shall be specified in an Option or Award Agreement and may differ from Participant to Participant and from award to award. Performance Objectives may relate to separate performance

objectives for the Company or any Subsidiary or for any division, department or operation of the Company or any Subsidiary.

**Performance Option:** An Option, the exercisability of which is conditioned or accelerated upon the satisfaction of Performance Objectives in accordance with Section 6(b).

**Performance Period:** With reference to a particular Performance Option, Option or Award, the period of time within which the Performance Objectives are to be achieved, as determined by the Committee. The Performance Period may differ from Participant to Participant and from award to award.

**Plan:** The SunAmerica 1997 Employee Incentive Stock Plan, as it may be amended from time to time.

**Pretax Earnings:** The pretax earnings of the Company or any selected subsidiary as presented in the consolidating financial statements of the Company.

**Restricted Shares:** An award granted under Section 7.

**Return on Equity:** The sum of each fiscal year's income before the cumulative effect of any change in accounting principles and extraordinary items for a Performance Period, divided by Adjusted Shareholders' Equity at the beginning of each fiscal year in the Performance Period, further adjusted to exclude net unrealized gains and losses on debt and equity securities available for sale.

**S&P Index Total Return to Shareholders:** The Standard & Poor's 500 Index Total Return to Shareholders as determined by Standard & Poor's Compustat (or its successor), measured from the first day of the Performance Period to and including the last day of the Performance Period.

**Section 162(m):** Section 162(m) of the Code and the rules and other authorities thereunder promulgated by the Internal Revenue Service of the Department of the Treasury.

**Stock:** Common Stock, par value \$1.00 per share, of SunAmerica Inc.

**Stock Restriction Agreement:** With respect to a particular Award under Section 7 or 8, the agreement or other instrument evidencing the grant of such Awards, which may, but need not, be executed or acknowledged by a Participant.

**Stock Unit Award:** An award granted under Section 8.

Subsidiary: A subsidiary of SunAmerica Inc. within the meaning of Section 425(f) of the Code.

Substitute Award: An Option or Award granted in assumption of, or in substitution for, an outstanding award previously granted by a company acquired by the Company or with which the Company combines.

Tax Date: The date on which taxes of any kind are required by law to be withheld with respect to shares of Stock subject to an Option or Award.

Total Return to Shareholders: The quotient, expressed as a percentage of (a) the amount by which the Ending Market Value of Stock exceeds its Beginning Market Value divided by (b) the Beginning Market Value.

Weighted Average Shares: The weighted average number of shares of Stock outstanding during the Performance Period, computed in the manner used to determine primary earnings per common share in the Company's financial statements.

SECTION 3. Administration. (a) The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be issued or adopted by the Board, to grant to eligible persons Restricted Stock Awards, Stock Unit Awards, Options and Limited Stock Appreciation Rights pursuant to the provisions of the Plan, to fix the exercise price and other terms of Options, to fix the terms of any Restricted Stock Award or Stock Unit Award in a manner consistent with the terms of Section 7 or 8, to prescribe, amend and rescind rules and regulations, if any, relating to the Plan, to interpret the provisions of the Plan, Stock Restriction Agreements and Option Agreements issued under the Plan, to amend such Option Agreements and Stock Restriction Agreements from time to time subject to the provisions of the Plan, and to supervise the administration of the Plan. No member of the Committee shall be eligible to receive Awards or Options.

(b) All decisions made by the Committee pursuant to the provisions of the Plan and related orders or resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, its stockholders, employees and optionees.

(c) Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with any claim, action, suit or proceeding to which he or she may be a party by reason of any action taken or any failure to act under the Plan. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or



Bylaws, or as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. Shares Subject to the Plan. (a) The shares of Stock to be delivered upon exercise of Options granted under the Plan or pursuant to Awards may be made available from the authorized but unissued shares of the Company.

(b) Subject to adjustments made pursuant to the provisions of Section 4(c), the aggregate number of shares of Stock to be delivered pursuant to Awards and upon exercise of all Options which may be granted under the Plan shall not exceed 7,500,000 shares of Stock composed of 1,841,950 shares of Stock remaining available for grant under the Company's 1988 Employee Stock Plan (the "1988 Plan") plus 5,658,050 additional shares. If an Option or Award granted under the Plan or the 1988 Plan shall expire or terminate for any reason, or if an Award granted under either Plan is forfeited, the shares subject to but not delivered under such Option or forfeited Award shall be available for other Awards or Options and associated Limited Stock Appreciation Rights granted to the same Participant or other Participants. In the event that any Option or other Award granted hereunder is exercised through the delivery of shares of Stock, or in the event that the holder's tax liability arising out of such Option or Award is satisfied by the withholding of shares of Stock by the Company, the number of shares available for Options and Awards under the Plan shall be increased by the number of shares so surrendered or withheld. Notwithstanding the foregoing and subject to adjustment as provided in paragraph (c) below, the number of shares in respect of which Options, Limited Stock Appreciation Rights and Awards of Restricted Stock and Stock Units may be granted under the Plan to any Participant in any year shall not exceed 450,000.

(c) In the event that the Committee shall determine that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Stock at a price substantially below fair market value, or other similar corporate event affects the Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available to Participants under this Plan, then the Committee shall, in its sole discretion, subject to approval by the Board, and in such manner as the Committee may deem equitable, adjust any or all of (1) the number and kind of shares which thereafter may be awarded or optioned and sold or made the subject of Limited Stock Appreciation Rights under the Plan, (2) the number and kind of shares subject to outstanding Options, Awards and Limited Stock Appreciation Rights, and (3) the option price with respect to any of the foregoing and/or, if deemed appropriate, make provision for a cash payment to a Participant, including to reflect such an event occurring prior to an Award, the grant of which was intentionally deferred in anticipation of such event; provided, however, that the number of shares subject to any Option or Award shall always be a whole number.

SECTION 5. Eligibility and Extent of Participation. (a) The persons eligible to receive Awards, Options and associated Limited Stock Appreciation Rights under the Plan shall consist of key employees of the Company and other individuals who, in the Committee's judgment, can make substantial contributions to the Company's long-term profitability and value.

(b) Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible persons those Participants to be granted Options and Awards and determine the time when each Option and Award shall be granted, the number of shares of Stock subject to each Option and Award and whether Limited Stock Appreciation Rights should be granted in connection with such Option, the number of shares of Stock for each Award and the restrictions associated with such Option or Award. Both Options and Awards may be granted to the same Participant.

SECTION 6. Grants of Options and Limited Stock Appreciation Rights.

(a) Grant of Options. Options to purchase shares of Stock may be granted to Participants by the Committee from time to time at its sole discretion, provided that grants of Performance Options shall generally be made at the beginning of a Performance Period but may, in the Committee's discretion, be made from time to time during the term of a Performance Period. Each Option shall be evidenced by an Option Agreement which shall contain such terms and conditions as may be approved by the Committee. The Committee in its sole discretion may determine the conditions, if any, upon which the Option will become exercisable, including without limitation whether any Performance Option shall be subject to a Lapsing Formula. Neither the execution of any Option Agreement nor the granting of any Option evidenced thereby shall constitute or be evidence of any agreement or other understanding, express or implied, on the part of the Company or any Subsidiary to employ an individual for any specific period.

(b) Performance Options. Each Performance Option shall be subject to Performance Objectives which may be achieved by the Company during the Performance Period with respect to which the grant is made. At the discretion of the Committee, a Performance Option may be subject to a Lapsing Formula. The Committee shall establish the Performance Objectives and the Lapsing Formula, if any, prior to the beginning of each Performance Period. Once established, Performance Objectives and Lapsing Formulas may not be changed, adjusted or amended during the term of a Performance Period or thereafter, except as provided below. The Option Agreement with respect to any Performance Options shall specify the Lapsing Formula, if any, the Performance Period and the Performance Objectives. After the close of, and, if appropriate, during the term of, each Performance Period, and at appropriate times based on the Lapsing Formula, if any, the Committee shall

determine whether the Performance Objectives have been satisfied with respect to a portion or all of the shares of Stock covered by the Performance Option. The Committee may make adjustments or modifications, and its determination thereof shall be conclusive, in the Lapsing Formula, Performance Objectives or Performance Period to give effect to the intent of this Plan in connection with any event affecting the performance criteria established as the Performance Objectives, including without limitation, any reorganization, recapitalization, merger, consolidation, offering of additional shares of Stock or other changes in the Company's shareholders' equity by means other than earnings, or any similar event. No such adjustment shall be made if it would reduce the benefits otherwise accruing to existing Participants under the Plan.

(c) Grant of Limited Stock Appreciation Rights in the Event of Change of Ownership. If deemed by the Committee to be in the best interests of the Company, any Option granted on or after the effective date of the Plan may include a Limited Stock Appreciation Right at the time of grant of the Option; also, the Committee may grant a Limited Stock Appreciation Right with respect to any unexercised Option at any time after granting such Option prior to the end of its term, provided such Option was granted after the effective date of the Plan. Such Limited Stock Appreciation Rights shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose, provided that:

(1) A Limited Stock Appreciation Right shall be exercisable only during the 91 day period specified in the last sentence of Section 9(a); and

(2) A Limited Stock Appreciation Right shall, upon its exercise, entitle the optionee to whom such Limited Stock Appreciation Right was granted to receive an amount of cash equal to the amount by which the "Offer Price per Share" (as such term is hereinafter defined) shall exceed the exercise price of the associated Option, multiplied by the number of shares of Stock with respect to which such Limited Stock Appreciation Right was exercised. Upon the exercise of a Limited Stock Appreciation Right, any associated Option shall cease to be exercisable to the extent of the shares of Stock with respect to which such Limited Stock Appreciation Right was exercised. Upon the exercise or termination of an associated Option, any related Limited Stock Appreciation Right shall terminate to the extent of the shares of Stock with respect to which such associated Option was exercised or terminated.

The term "Offer Price per Share" as used in this Section 6(c) shall mean with respect to a Limited Stock Appreciation Right the higher of (i) the fair market value per share of Stock on the date of exercise of such Limited Stock Appreciation Right or (ii) the highest price per share for Stock paid or to be paid in the transaction, if any, giving rise to the event specified in clauses (1) or (2) (as the case may be) of Section 9(a) which triggered the exercisability of such Limited Stock Appreciation Right. For purposes of clause (ii) above, any securities or property which are part of the consideration paid or to be paid in such transactions shall be valued in determining the

Offer Price per Share at the highest of (A) the valuation placed on such securities or property by the company, person or other entity engaging in such transaction, or (B) the valuation placed on such securities or property by the Committee.

(d) Option Price. The price at which each share of Stock may be purchased upon exercise of a particular Option shall be as specified by the Committee, in its sole discretion, at the time such Option is granted and, except in the case of Substitute Awards and except in connection with an adjustment provided for in Section 4(c), shall not be less than 100% of the fair market value of a share of Stock at the time such Option is granted.

(e) Exercise.

(1) Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Option Agreement or thereafter; provided, however, that in no event may any Option granted hereunder be exercisable after the expiration of 10 years from the date of such grant. Subject to the foregoing, each Option Agreement shall specify the effect thereon of the death, retirement or other termination of employment of the optionee. In addition, the Committee may impose such other conditions with respect to the exercise of Options, including without limitation, any relating to the application of Federal or state securities laws, as it may deem necessary or advisable.

(2) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor, or adequate provision for such payment, is received by the Company. Such payment may be made in cash, or its equivalent, or by exchanging shares of Stock owned by the optionee (which are not the subject of any pledge or other security interest), or by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the fair market value of any such Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such option price. No optionee or the legal representative, legatee or distributee of an optionee shall be deemed to be a holder of any shares subject to any Option prior to the issuance of such shares upon exercise of such Option.

(f) Transferability of Options. Except as may otherwise be provided in any Option Agreement at the time of grant or at any time thereafter, an Option granted under the Plan, and any related Limited Stock Appreciation Right, may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the person to whom granted, may be exercised only by such person.

SECTION 7. Awards. (a) Grant of Restricted Stock Awards.

(1) Selection of Participants. Subject to the terms of this Plan, the Committee shall select those eligible individuals to whom Awards shall be granted for each Performance Period. Awards shall generally be made at the beginning of a Performance Period but may, in the Committee's discretion, be made from time to time during the term of a Performance Period.

(2) Award of Shares. The Committee shall determine the number of shares of Stock covered by each Award. After the close of, and if appropriate, during the term of, each Performance Period, and at appropriate times based on the Lapsing Formula, if any, the Committee shall determine whether the restrictions set forth in Section 7(e) hereof or any Stock Restriction Agreement shall lapse with respect to a portion or all of the shares covered by an Award.

(3) Form of Instrument. Each Award shall be made pursuant to a Stock Restriction Agreement in a form prescribed by the Committee. Such instrument shall specify the Lapsing formula, if any, the Performance Period and the Performance Objectives.

(b) Lapsing Formula and Performance Objectives. The Committee shall establish the Lapsing Formula, if any, and the Performance Objectives prior to the beginning of each Performance Period.

(c) Rights with Respect to Shares. Subject to Section 7(d), each Participant to whom an Award has been made shall have absolute ownership of such shares including the right to vote the same and to receive dividends and other distributions thereon, subject, however, to the terms, conditions and restrictions described in this Plan and in the Stock Restriction Agreement.

(d) Escrow. Shares of Stock issued pursuant to an Award shall be held in the Company until such time as the Committee shall have determined that the restrictions applicable to such Award shall have lapsed or until the shares subject to such Award are forfeited pursuant to the Plan or the applicable Stock Restriction Agreement.

(e) Restrictions Applicable to Awards. Unless otherwise specified in the applicable Stock Restriction Agreement and subject to such additional terms, conditions and restrictions as may be determined by the Committee and specified in the applicable Stock Restriction Agreement, until the restrictions set forth in this Section 7(e) shall lapse pursuant to Section 7(f), shares of Stock awarded to a Participant pursuant to an Award:

(1) shall not be sold, assigned, transferred, pledged, hypothecated or disposed of, and

(2) shall be forfeited and returned to the Company, and all rights of the Participant to such shares shall terminate without any payment of consideration

by the Company, if the Participant's continuous employment with or other service to the Company upon which an Award is based shall terminate with or without cause or as a result of any event or for any other reason.

(f) Lapse of Restrictions.

(1) Lapse of Restrictions Due to Achievement of Performance Objectives. As soon as practicable after the close of each Performance Period or prior thereto, if the Committee in its discretion deems it appropriate, the Committee shall determine whether the Performance Objectives established for such Performance Period have been achieved.

(2) Lapse of Restrictions Based on Lapsing Formula. As to any shares covered by an Award subject to a Lapsing Formula to which the restrictions imposed on such Award have not lapsed pursuant to paragraph (1) of this Section 7(f), such restrictions shall lapse in accordance with the Lapsing Formula for such Award.

(g) Restrictive Legends. Certificates for shares of Stock delivered pursuant to Awards shall bear an appropriate legend referring to the terms, conditions and restrictions described in this Plan and in the applicable Stock Restriction Agreement. Any attempt to dispose of any such shares of Stock in contravention of the terms, conditions and restrictions described in this Plan or in the applicable Stock Restriction Agreement shall be ineffective. Any shares of Stock of the Company or other property, including cash, received by a Participant as a dividend or as a result of any stock split, combination, exchange of shares, reorganization, merger, consolidation or similar event with respect to shares of Stock received pursuant to an Award shall have the same status and bear the same legend and be held in escrow pursuant to Section 7(d) as the shares received pursuant to the Award unless otherwise determined by the Committee at the time of such event.

(h) Designation of Beneficiaries. A Participant may designate a beneficiary or beneficiaries to receive such Participant's Stock hereunder in the event of such Participant's death, and may, at any time and from time to time, change any such beneficiary designation. All beneficiary designations and changes therein shall be in writing and shall be effective only if and when delivered to the Committee during the lifetime of the Participant.

(i) Adjustments to Lapsing Formula, Performance Period and Performance Objectives. The Committee may make adjustments or modifications, and its determination thereof shall be conclusive, in the Lapsing Formula, Performance Objectives or Performance Period to give effect to the intent of this Plan in connection with any event affecting the performance criteria established as the Performance Objectives, including without limitation, any reorganization, recapitalization, merger,

consolidation, offering of additional shares of Stock or other changes in the company's shareholder's equity by means other than earnings, or any similar event. No such adjustment shall be made if it would reduce the benefits otherwise accruing to existing Participants under the Plan.

SECTION 8. Stock Unit Awards. (a) Grant of Stock Unit Awards. In addition to granting Options, Limited Stock Appreciation Rights and Awards of Restricted Shares under Section 7, the Committee shall have authority to grant to Participants Stock Unit Awards which can be in the form of Stock or units, the value of which is based, in whole or in part, on the value of Stock. Subject to the provisions of the Plan, including Section 8(b) below, Stock Unit Awards shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules (all of which are sometimes hereinafter collectively referred to as "rules") as the Committee may determine in its sole discretion, all such rules applicable to a particular Stock Unit Award to be reflected in writing and furnished to the Participant at the time of grant. The rules need not be identical for each Stock Unit Award.

(b) Rules. Unless otherwise specified in the applicable Stock Restriction Agreement, a Stock Unit Award shall be subject to the following rules:

(1) Any shares of Stock which are part of a Stock Unit Award may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award.

(2) Stock Unit Awards may provide for the payment of cash consideration by the person to whom such Award is granted or provide that the Award, and Stock to be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration.

(3) Stock Unit Awards may relate in whole or in part to certain performance criteria established by the Committee at the time of grant.

(4) Stock Unit Awards may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts, with respect to the number of shares of Stock covered by the Award, and elections by the employee to defer the payment of the Award or the lifting of restrictions on the Award, if any.

(5) In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restrictions or limitation to which a Stock Unit Award was made subject at the time of grant.

SECTION 9. Change of Ownership; Termination of Employment. (a) Notwithstanding anything to the contrary in this Plan, unless otherwise specifically determined by the Committee at the time of grant, all Options theretofore granted and not fully exercisable shall become exercisable in full, the restrictions on all outstanding Awards shall lapse and the Performance Objectives with respect to any Award shall be deemed to have been satisfied upon the occurrence of a Change of Ownership. A "Change of Ownership" shall be deemed to have occurred if either (1) individuals who, as of the effective date of this Plan, constitute the Board of Directors of the Company (the "Board of Directors" generally and as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board of Directors, provided that any person becoming a director subsequent to the effective date on this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the then directors who are members of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (A) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Act"), of beneficial ownership, directly or indirectly, of 20% or more of the combined voting securities ordinarily having the right to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Board of Directors who are members of the Incumbent Board), or (B) in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, or (2) the Board of Directors (a majority of which shall consist of directors who are members of the Incumbent Board) has determined that a Change of Ownership triggering the exercisability of Options and the lapse of restrictions on Awards as described in this Section 9 shall have occurred. Options which become fully exercisable by reason of events specified in clauses (1) or (2) shall remain exercisable for 90 days following the date on which they become so exercisable, after which they will revert to being exercisable in accordance with their original terms; provided, however, that no Option which has previously been exercised or has expired or otherwise terminated shall become exercisable by virtue of this Section nor shall this Section permit exercise of any Option during the portion, if any, of such 90 day period which follows the termination or expiration of any such Option.

(b) For purposes of this Plan and any Option or Award hereunder, termination of employment shall not be deemed to occur upon the transfer of any optionee from the employ of the Company to the employ of any Subsidiary or affiliate. For purposes of this Plan, "affiliate" means (1) any entity 50% or more of the voting interest in which is owned, directly or indirectly, by an entity which owns, directly or indirectly, 50% or more of the voting interest in the Company and (2) any entity which owns, directly or indirectly, 50% or more of the voting interest in the Company.



SECTION 10. Delivery of Shares. No shares of Stock shall be delivered pursuant to an Award or any exercise of an Option until the requirements of such laws and regulations as may be deemed by the Committee to be applicable thereto are satisfied.

SECTION 11. Withholding of Taxes. (a) As a condition to the making of an Award, to the lapse of the restrictions pertaining to an Award, or to the delivery of shares in connection with the exercise of an Option, the Company may require the Participant to pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any taxes of any kind required by law to be withheld with respect to such shares of Stock.

(b) Financing. If requested by a Participant who exercises an Option or who has received Stock pursuant to an Award, the Committee may in its discretion provide financing to the Participant in a principal amount sufficient for the purchase of shares of Stock pursuant to such Option exercise and to pay the amount of taxes required by law to be withheld with respect to such Option exercise or such receipt of shares of Stock. Any such loan shall be subject to all legal requirements, and restrictions pertinent thereto, including if applicable, Regulation G promulgated by the Federal Reserve Board. The grant of an Option or Award shall in no way obligate the Company or the Committee to provide any financing whatsoever upon the lapse of restrictions on shares or the exercise of such Option.

(c) Withholding of Shares.

(1) If requested by a Participant who acquires shares of Stock upon the exercise of an Option or who has received shares of Stock pursuant to an Award with respect to which the restrictions shall have lapsed, the Committee may in its discretion permit the Participant to satisfy any tax withholding obligations, in whole or in part, by having the Company withhold a portion of such shares with a value equal to the amount of taxes required by law to be withheld.

(2) Requests by a Participant to have shares of Stock withheld shall be (a) made prior to the Tax Date and (b) irrevocable.

(d) Dividend Equivalents. In the sole discretion of the Committee, an Option or Award may provide the Participant with dividends or dividend equivalents, payable in cash, shares of Stock, other securities or other property, on a current or deferred basis.

SECTION 12. Amendments, Suspension or Discontinuance. The Board of Directors may amend, suspend, or discontinue the Plan. Notwithstanding the foregoing, provided that no such amendment, suspension or discontinuation shall be made without shareholder approval if the Board determines that such approval is necessary or desirable to comply with any tax or regulatory requirement with which the Board deems it necessary or desirable for the Plan to comply.

SECTION 13. Term of Plan. The Plan shall become effective on the date it is approved and adopted by the Board, subject to its subsequent approval by shareholders of the Company. No Option or Award shall be granted under the Plan after the date that is 15 years after the date on which the Plan is approved by the Company's shareholders or after such earlier date as the Committee may decide, in its sole discretion.

## SUNAMERICA

NON-EMPLOYEE DIRECTORS'  
STOCK OPTION PLAN

SECTION 1. Purpose. The purposes of the SunAmerica Non-Employee Directors' Stock Option Plan (the "Plan") are to attract and retain the services of experienced and knowledgeable non-employee directors, to encourage eligible directors of SunAmerica Inc. (the "Company") to acquire a proprietary and vested interest in the growth and performance of the Company, and to generate an increased incentive for directors to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of its shareholders.

SECTION 2. Definitions. As used in the Plan, the following terms shall have the meaning set forth below:

Annual Retainer: The amount that an Eligible Director would be entitled to receive for serving as a director in the year following an Election Date, but shall not include fees associated with service on any committee of the Board, any meeting fees, or any fees associated with other services to be provided to the Company.

Board: The Board of Directors of the Company.

Code: The Internal Revenue Code of 1986, as amended from time to time.

Common Stock: The common stock, par value \$1.00 per share, of the Company.

Company: SunAmerica Inc.

Effective Date: February 14, 1997, the effective date of the Plan.

Election Date: With respect to an Option hereunder, the date of the election or re-election of the Director which entitles the Director to an Option grant hereunder in accordance with Sections 5 and 6.

Eligible Director: Each director of the Company who is not an employee of the Company or any of the Company's subsidiaries (as defined in Section 424(f) of the Code).

Exchange Act: The Securities Exchange Act of 1934, as amended.

Fair Market Value: With respect to the Common Stock (i) the average of the high and low prices of the Common Stock on the date on which such value is determined, as reported on the consolidated tape of New York Stock Exchange issues or, if there shall be no trades on such date, on the date nearest preceding such date; (ii) if the Common Stock is not then listed for trading on the New York Stock Exchange, the average of the high and low prices of the Common Stock on the date on which such value is determined, as reported on another recognized securities exchange or on the Nasdaq National Market if the Common Stock shall then be listed and traded upon such exchange or system, or if there shall be no trades on such date, on the date nearest preceding such date; or (iii) the mean between the bid and asked quotations for such stock on such date (as reported by a recognized stock quotation service) or, in the event that there shall be no bid or asked quotations on such date, then upon the basis of the mean between the bid and asked quotations on the date nearest preceding such date.

Option: Any right granted to a Participant allowing such Participant to purchase Shares at such price or prices and during such period or periods as set forth under the Plan. All Options shall be non-qualified options not entitled to special tax treatment under Section 422 of the Code.

Option Agreement: A written agreement, contract or other instrument evidencing an Option granted hereunder which may, but need not, be signed by the Participant.

Participant: An Eligible Director who receives an Option under the Plan.

Shares: Shares of the Common Stock.

SECTION 3. Administration. The Plan shall be administered by the Board. Subject to the terms of the Plan, the Board shall have the power to interpret the provisions and supervise the administration of the Plan.

SECTION 4. Shares Subject to the Plan.

(a) Total Number. Subject to adjustment as provided in this Section, the total number of Shares as to which Options may be granted under the Plan shall be 250,000 Shares. Any Shares issued pursuant to Options hereunder may consist, in whole or in part, of authorized unissued shares.

(b) Reduction of Shares Available. (i) The grant of an Option will reduce the Shares as to which Options may be granted by the number of Shares subject to such Option.

(c) Increase of Shares Available. The lapse, cancellation, or other termination of an Option that has not been fully exercised shall increase the available Shares by the number of Shares that have not been issued upon exercise of such Option.

(d) Other Adjustments. The total number and kind of Shares available for Options under the Plan and the number and kind of Shares comprised in an annual award to any Eligible Director under Section 5(a) shall be appropriately adjusted by the Board for any increase or decrease in the number of outstanding Shares resulting from a stock dividend, subdivision, combination of Shares, reclassification, or other change in corporate structure affecting the Shares or for any conversion of the Shares into or exchange of the Shares for other shares as a result of any merger or consolidation (including a sale of assets) or other recapitalization.

SECTION 5. Options. Options shall be granted to Eligible Directors as follows:

(a) Elected Directors. Each Eligible Director who is elected or re-elected to the Board at an annual meeting of the Company's shareholders on or after the date hereof shall be granted an Option to acquire 1,000 Shares on such Election Date and shall be granted an Option to acquire 1,000 Shares on each Election Date as of which he or she is re-elected.

(b) Terms and Conditions. Any Option granted under this Section 5 shall be subject to the following terms and conditions:

(i) Option Price. The purchase price per Share under an Option granted under this Section 5 shall be 100% of the Fair Market Value of a Share on the date of the grant of the Option.

(ii) Exercisability. An Option granted under this Section 5 shall be exercisable (A) with respect to the nearest number of whole Shares not to exceed 33% of the Shares subject to the Option granted hereunder, on the first anniversary of the date of grant of such Option; (B) with respect to the nearest number of whole Shares not to exceed an additional 33% of the Shares subject to the Option granted hereunder, on the second anniversary of date of the grant of such Option; and (C) with respect to the remainder of the Shares covered by the Option on the third anniversary of date of grant of such Option. Notwithstanding the foregoing, Options granted to a director whose service is terminated due to retirement at age 70 shall become exercisable on the date of termination.

SECTION 6. Options in Lieu of Cash Compensation. Options shall be granted to Directors in lieu of cash compensation as follows:

(a) Election to Receive Option. Options shall be granted automatically to (a) any Eligible Director who, prior to February 14, 1997, and (b) any Eligible Director elected thereafter who, prior to the Election Date on which such director is elected or re-elected to the Board by the Company's shareholders, files with the Secretary of the Company an election to receive stock options in lieu of all or a portion of his or her Annual Retainer with respect to the 12 month period beginning on such Election Date. Each Eligible Director making an election under this Section 6(a) as of an Election Date shall be granted an option as of such Election Date for the number of Shares determined under Section 6(b) below.

(b) Option Formula. The number of Option shares granted on an Election Date to any Eligible Director under this Section 6 shall be equal to the nearest number of whole Shares determined in accordance with the following formula:

$$\frac{\text{(Elected Portion) (2.5)}}{\text{(Fair Market Value)}} = \text{Number of Shares}$$

where Elected Portion refers to the portion of Annual Retainer elected under Section 6(a) and Fair Market Value refers to the Fair Market Value of a Share on the date of grant.

(c) Option Price. The purchase price per Share covered by each Option granted under this Section 6 shall be the Fair Market Value of a Share on the date of grant.

(d) Exercisability. An Option granted under this Section 6 shall become exercisable in four substantially equal installments (ignoring any fractional shares that result) on the last day of each of the four fiscal quarters of the Company ending after the date of the grant.

SECTION 7. General Terms. The following provisions shall apply to any Option granted under the Plan:

(a) Option Period. Each Option shall expire ten years from its date of grant. Each Option shall be subject to termination before its date of expiration as hereinafter provided.

(b) Termination of Service as a Director. If a Participant's service as a Director is terminated for any reason other than death or disability, the Participant or his or her beneficiary shall have the right to exercise any Option to the extent it was exercisable at the date of such termination of service and

shall not have been exercised. The right to exercise such Option to the extent set forth herein shall continue for 180 days from the date of termination.

(c) Death or Disability. If the Participant's service as a Director is terminated by death or disability, the participant or his or her beneficiary shall have the right to exercise any Option to the extent it was exercisable at the date of such termination, together with a portion of the Shares subject to any Option granted pursuant to Section 5 that would have become exercisable on the next anniversary of the date of grant of such Option, such portion to be determined by multiplying (i) the total number of Shares subject to such Option which would have vested on the next anniversary of the grant date had such termination not occurred by (ii) a fraction equal to (A) the total number of completed months of service from date of grant of such Option to the date of such termination divided by (B) the number of months from date of grant of such Option to the date such Option would have otherwise become exercisable; provided that an Option may not be exercised with respect to a fraction of a Share. The right to exercise such Option to the extent set forth herein shall continue until the expiration of the Option.

(d) Method of Exercise. Any Option may be exercised by the Participant (or his or her beneficiary, if applicable) in whole or in part at such time or times and by such methods as the Board may specify. The applicable Option Agreement may provide that the Participant may make payment of the Option price in cash, Shares, or such other consideration as the Board may specify, or any combination thereof, having a Fair Market Value on the exercise date equal to the total option price.

#### SECTION 8. Change of Ownership.

(a) Immediate Vesting. Notwithstanding any other provision of the Plan to the contrary, upon a Change of Ownership, as defined below, all outstanding Options shall vest and become immediately exercisable.

(b) Change of Ownership. A "Change of Ownership" shall be deemed to have occurred if either (i) individuals who, as of the initial effective date of this Plan, constitute the Board (as of such initial effective date the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board, provided that any person becoming a director subsequent to the initial effective date of this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (a) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d)(3) of the Act, of beneficial ownership, directly or indirectly, of 20% or more of the combined voting power

of the Company's outstanding voting securities ordinarily having the right to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Incumbent Board), or (b) in connection with an actual or threatened election contest relating to the election of the directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, or (ii) the Board (a majority of which should consist of directors who are members of the Incumbent Board) has determined that a Change of Ownership triggering the lapse of restrictions or satisfaction of conditions as described in this Section 8 shall have occurred.

SECTION 9. Amendments and Termination. The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuance shall be made (i) without the consent of the affected Participant if such action would impair the rights of a Participant under an Option theretofore granted, or (ii) without the approval of the stockholders if such approval is required to comply with or qualify for any tax or regulatory requirement with which or for which the Board deems it necessary or desirable to comply or qualify.

SECTION 10. General Provisions.

(a) No Assignment. No Option shall be assignable or transferable by a Participant otherwise than by will or by the laws of descent and distribution. Each Option shall be exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

(b) Compliance Requirements. All certificates for Shares delivered under the Plan pursuant to any Option shall be subject to such stock-transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. The Company shall not be required to issue or deliver any Shares under the Plan prior to the completion of any registration or qualification of such Shares under any federal or state law, or under any ruling or regulation of any governmental body or national securities exchange that the Board in its sole discretion shall deem to be necessary or appropriate.

(c) Other Plans. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required by applicable law or the rules of any stock exchange on which the Common Stock is then listed; and such



arrangements may be either generally applicable or applicable only in specific cases.

(d) Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Maryland and applicable federal law.

(e) Conformity With Law. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Option under any law deemed applicable by the Board, such provision shall be construed or deemed amended in such jurisdiction to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

SECTION 11. Effective Date and Expiration. The SunAmerica Non-Employee Directors' Stock Option Plan shall be effective upon approval by the Company's shareholders. Options may be granted at any time after the Effective Date and prior to termination of the Plan by the Board. The Plan will expire when no Shares are available for issuance.

SUNAMERICA  
1995 PERFORMANCE STOCK PLAN  
AMENDED AND RESTATED 1996

1. PURPOSE.

The purpose of the SunAmerica 1995 Performance Stock Plan is to promote the success of SunAmerica Inc. by providing a method whereby officers and other key employees of the Company may increase their proprietary interest in its business, be encouraged to remain in the employ of the Company and increase their personal interests in the continued success and progress of the Company.

2. DEFINITIONS.

As used in this Plan or a Stock Agreement under this Plan, the following terms shall have the indicated meanings:

**Award:** An award under this Plan which consists of Restricted Shares or Restricted Share Units and an opportunity to earn Super Shares.

**Award Agreement:** With reference to a particular Award, the agreement between the Company and the Participant containing, among other provisions, (i) the restrictions set forth in or pursuant to Section 7, the Lapsing Formula, if any, and the Performance Objectives which, if achieved during the Performance Period with respect to which they were awarded, shall cause, or accelerate the timing of, the lapsing of restrictions imposed upon all or part of the Restricted Shares covered by an Award or the payment of the Restricted Share Units covered by an Award, and (ii) the Super Performance Objectives which, if achieved during the Performance Period with respect to which they were awarded, shall cause, or accelerate the timing of, the issuance of Super Shares.

**Beginning Market Value:** The average closing price of the Stock for each of the twenty trading days commencing ten trading days prior to the first trading day of the Performance Period multiplied by the Weighted Average Shares.

**Board:** The board of directors of SunAmerica Inc.

**Code:** The Internal Revenue Code of 1986, as amended.

**Committee:** The Personnel, Compensation and Stock Plan Committee of the Board, or such successor committee as the Board may appoint to administer this Plan. The Committee shall consist of two or more directors, each of whom is a "disinterested person" or "non-employee director" as such terms are defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Act").

Company: SunAmerica Inc. and its Subsidiaries.

**Earnings Per Share:** The Company's aggregate earnings per share from continuing operations before the cumulative effect of a change in accounting principles and before extraordinary items, as reported in the Company's consolidated financial statements.

**Ending Market Value:** The average closing price of the Stock for each of the twenty trading days commencing nine trading days prior to the last trading day of the Performance Period multiplied by the Weighted Average Shares. Ending Market Value shall be adjusted for the payment of cash dividends during the Performance Period, assuming such dividends had been reinvested in Stock on the date paid to Shareholders using the methodology consistent with the determination of the S&P 500 Index Total Return to Shareholders.

**Lapsing Formula:** With reference to Restricted Shares or Restricted Share Units, a schedule which is a basis for establishing the number of shares of Stock or Restricted Share Units which may be released from the restrictions of an Award or paid pursuant to the satisfaction of payment conditions thereunder, unless such restrictions are earlier released or such payment conditions are earlier satisfied due to the achievement of Performance Objectives or as otherwise provided in the Plan or in the applicable Award Agreement. Restricted Shares or Restricted Share Units need not be subject to a Lapsing Formula if, in the discretion of the Committee, it furthers the purposes of the Committee in the case of an Award or Awards intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Code.

**Participant:** An officer or other key employee of the Company selected to participate in this Plan pursuant to its terms.

**Performance Objectives:** Performance Objectives shall be stated as specified levels of Earnings Per Share or Total Return to Shareholders as measured against the S&P Index Total Return to Shareholders, or a combination thereof as determined by the Committee, or in the case of Participants who are not considered at the time of an Award to be "executive officers" (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934) of SunAmerica Inc., such other criteria as the Committee may determine in its discretion as the appropriate other performance measure for the Award based on other performance criteria for the Company or for any subsidiary or division, department or operation of the Company. With reference to a particular Award of Restricted Shares or Restricted Share Units, the threshold and target Performance Objectives are the criteria established by the Committee which, if achieved, accelerate or cause the release from restrictions of a specific percentage of the Restricted Shares or the payment of a specified percentage of Restricted Share Units. With reference to a particular Award of Super Shares, the Super Performance

Objective is the criteria established by the Committee which causes, or accelerates the timing of, the issuance of Super Shares. The Performance Objectives shall be specified in an Award Agreement and may differ from Participant to Participant and from Award to Award.

Performance Period: The Performance Period shall be October 1, 1994 through September 30, 1999, or a portion thereof as established by the Committee.

Plan: The SunAmerica 1995 Performance Stock Plan, as it may be amended from time to time.

Restricted Shares: A portion of an Award represented by shares of Stock, which are issued and outstanding, but which remain subject to the risk of forfeiture and restrictions on transfer, until the achievement of specified Performance Objectives or, for certain Awards, the passage of time pursuant to a Lapsing Formula, or the occurrence of other events resulting in the lapse of restrictions applicable to such Award under the Plan or under the applicable Award Agreement.

Restricted Share Units: A portion of an Award represented by units, each of which represents the unfunded and unsecured right to receive one share of Stock upon the specified date or dates set forth in the applicable Award Agreement or, if earlier, upon the achievement of Performance Objectives specified in the applicable Award Agreement.

S&P Index Total Return to Shareholders: The Standard & Poor's 500 Index Total Return to Shareholders as determined by Standard & Poor's Compustat (or its successor), measured from the first day of the Performance Period to the last day of the Performance Period.

Stock: Common Stock, par value \$1.00 per share, of SunAmerica Inc.

Stock Agreement: An Award Agreement pertaining to an award of Restricted Shares under the Plan.

Super Performance Objectives: With reference to a particular Award of Super Shares, the Super Performance Objectives and the criteria established by the Committee which exceed the target Performance Objectives, the achievement of which will cause the issuance of Super Shares. The Super Performance Objectives shall be specified in an Award Agreement and may differ from Participant to Participant and from Award to Award.

Super Shares: A portion of an Award represented by shares of Stock issued free of restrictions at such times or upon the achievement of such Super Performance Objectives as are specified in the applicable Award Agreement.

Subsidiary: A subsidiary of SunAmerica Inc. within the meaning of Section 425(f)

of the Code.

**Tax Date:** The date on which taxes of any kind are required by law to be withheld with respect to shares of Stock subject to an Award.

**Total Return to Shareholders:** The amount (expressed as a percentage) by which the Ending Market Value of the Stock exceeds its Beginning Market Value.

**Weighted Average Shares:** The weighted average number of shares of Stock outstanding during the Performance Period, computed in the manner used to determine primary earnings per common share in the Company's financial statements.

3. EFFECTIVE DATE AND TERM.

This Plan, as amended and restated, shall become effective upon its adoption by the Committee on November 9, 1996, and shall continue in effect until all shares of Stock reserved for issuance hereunder have been issued and all restrictions on transfer of such shares have lapsed or the applicable Awards have otherwise terminated. Notwithstanding the foregoing, no Award shall be granted under the Plan after the date that is five (5) years after January 27, 1995 or after such earlier date as the Committee or the Board may decide, in its sole discretion.

4. SHARES RESERVED UNDER PLAN.

The aggregate number of shares of Stock which may be awarded under this Plan shall not exceed 1,950,000 shares, subject to adjustment as provided in this Plan. The shares of Stock which may be granted pursuant to Awards shall consist of either authorized but unissued shares of Stock or shares of Stock which have been issued and which shall have been heretofore or hereafter reacquired by the Company. The total number of shares authorized under this Plan shall be subject to increase or decrease in order to give effect to the adjustment provisions of Section 16.A and to give effect to any amendment adopted as provided in Section 14. If any Award granted under this Plan shall expire, terminate or be canceled for any reason without the shares subject to such Award having been issued or paid and freed of restrictions in full, the corresponding number of shares shall again be available for purposes of this Plan.

The maximum number of shares of Stock which may be awarded under this Plan to any individual shall not exceed 450,000, subject to adjustment as provided in this Plan.

5. ELIGIBILITY.

Participation in this Plan is limited to officers and other key employees of the Company and other individuals who, in the Committee's judgment, can make substantial contributions to the Company's long-term profitability and value. Nothing in this Plan or in any Award Agreement shall

in any manner be construed (i) to limit in any way the right of the Company to terminate a Participant's employment at any time, without regard to the effect of such termination or any rights such Participant would otherwise have under this Plan, or (ii) to give any right to such Participant to remain employed by the Company in any particular position or at any particular rate of compensation.

#### 6. GRANT OF AWARDS.

A. Selection of Participants. Subject to the terms of this Plan, the Committee shall select those Participants to whom Awards shall be granted. Awards shall generally be made at the beginning of the Performance Period but may, in the Committee's discretion, be made from time to time during the term of the Performance Period.

B. Award of Shares. Each Award shall be composed of Restricted Shares or Restricted Share Units and an opportunity to earn Super Shares. An Award shall not require payment of any consideration by the Participant, other than continued service with the Company as set forth in this Plan or any Award Agreement.

C. Form of Instrument. Each Award shall be made pursuant to an Award Agreement in a form prescribed by the Committee. Such instrument shall specify the restrictions or conditions to payment set forth in or pursuant Section 7.C, a Lapsing Formula, if applicable, and the applicable Performance Objectives and any other circumstances or events not otherwise set forth in the Plan resulting in the lapsing of restrictions, vesting or payment of benefits under an Award.

#### 7. RESTRICTED SHARES AND RESTRICTED SHARE UNITS.

A. Lapsing Formula. Generally, Restricted Shares and Restricted Share Units shall be subject to a Lapsing Formula pursuant to which the restrictions or conditions to payment set forth in or pursuant to Section 7.C shall lapse or be satisfied, unless such restrictions have earlier lapsed or such payment conditions have earlier been satisfied as to all or part of the shares due to achievement of Performance Objectives during the Performance Period or pursuant to this Plan or the applicable Award Agreement. The Committee may grant Restricted Shares or Restricted Share Units which are not subject to a Lapsing Formula.

B. Performance Objectives. Each Award of Restricted Shares or Restricted Share Units (whether or not subject to a Lapsing Formula) shall be subject to the achievement by the Company of Performance Objectives during the Performance Period.

C. Rights with Respect to Restricted Shares and Restricted Share Units. Each Participant to whom an Award of Restricted Shares has been made shall have beneficial ownership of such shares including the right to vote the same and to receive dividends thereon. Restricted Shares and Restricted Share Units shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Committee and included

in the Stock Agreement or Award Agreement.

Until the restrictions set forth in or pursuant to this Section 7.C shall lapse pursuant to Sections 9, 10, 11 or the terms of a particular Stock Agreement, Restricted Shares shall be held in escrow by the Company and until the conditions to payment set forth in this Section 7.C shall be satisfied pursuant to Sections 9, 10, 11 or the terms of a particular Award Agreement, Restricted Share Units shall represent the unfunded and unsecured right to receive payment of the Restricted Share Units in accordance with the terms of the applicable Award Agreement. Prior to such lapse or satisfaction, Restricted Shares and Restricted Share Units (i) shall not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, and (ii) except as set forth in Sections 9, 10, 11 or the terms of a particular Stock Agreement or Award Agreement, shall be returned to the Company or canceled, and all rights of the Participant to such shares or in respect of such units shall terminate without any payment of consideration by the Company, if the Participant's continuous employment with the Company shall terminate with or without cause or as a result of any event or otherwise for any reason.

8. SUPER SHARES.

A. Performance Objectives. Super Shares shall be issued upon the Committee's certification of the achievement of the Super Performance Objectives or otherwise in accordance with the applicable Award Agreement. Super Performance Objectives shall be measured over the Performance Period unless otherwise provided in an Award Agreement.

B. Rights with Respect to Super Shares. No Participant shall have any right, title or interest in Super Shares until such shares have been issued. All Awards of Super Shares shall, prior to issuance of such Shares, be nontransferable except by will or laws of descent and distribution or other permissible exception expressly authorized by the Committee in the Award Agreement or any written amendment thereto.

9. DETERMINATION OF AWARDS.

A. Determination at End of Performance Period. As soon as practicable after the close of Performance Period, or prior thereto if the Committee in its discretion deems it appropriate, the Committee shall determine whether the Performance Objectives and the Super Performance Objectives have been achieved. Each Participant who has received an Award shall be notified as to whether the Performance Objectives and Super Performance Objectives established for the Performance Period have been achieved and the number of Restricted Shares or Restricted Share Units, if any, with respect to which the restrictions or payment conditions of Section 7.C have lapsed or been satisfied and the number of Super Shares, if any, to be issued.

B. Treatment of Restricted Shares, Restricted Share Units and Super Shares After Performance Period. As to any Restricted Shares or Restricted Share Units covered by an Award which have not had the restrictions or payment conditions imposed by Section 7.C removed or

satisfied, and as to Super Shares which have not been earned, as of the last day of the Performance Period, if such shares, Restricted Share Units or Super Shares are subject to a Lapsing Formula, such restrictions shall lapse or such payment conditions shall be satisfied in accordance with such Lapsing Formula and, if such shares, Restricted Share Units or Super Shares are not subject to a Lapsing Formula, all right, title and interest of the Participant in such shares, Restricted Share Units and Super Shares shall thereupon terminate.

10. CHANGE OF OWNERSHIP.

Notwithstanding any provision of Section 7 or any other provision of this Plan or any provision in any grant or award hereunder to the contrary, all of the restrictions on the Restricted Shares granted under this Plan shall lapse, and all conditions to payment of Restricted Share Units shall be satisfied, upon the occurrence of a Change of Ownership. A "Change of Ownership" shall be deemed to have occurred if either (A) individuals who, as of the initial effective date of this Plan, constitute the Board (as of such initial effective date the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board, provided that any person becoming a director subsequent to the initial effective date of this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (1) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d)(3) of the Act, of beneficial ownership, directly or indirectly, of 20% or more of the combined voting power of the Company's outstanding voting securities ordinarily having the right to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Incumbent Board), or (2) in connection with an actual or threatened election contest relating to the election of the directors of the Company as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, or (B) the Board (a majority of which should consist of directors who are members of the Incumbent Board) has determined that a Change of Ownership triggering the lapse of restrictions or satisfaction of conditions as described in this Section 10 shall have occurred.

11. EFFECT OF CERTAIN TERMINATION OF EMPLOYMENT OR OTHER SERVICES.

A. Termination Due to Death or Retirement. Unless the Committee otherwise provides in the applicable Award Agreement, where a Participant's employment with the Company upon which an Award is based terminates at any time because of death, or retirement on or after such Participant's normal retirement date (as defined in accordance with the Company's retirement policies), a proportionate number of the Restricted Shares as to which the restrictions shall not have lapsed or Restricted Share Units as to which the conditions to payment have not been satisfied shall be held subject to the terms and conditions of this Plan and the applicable Award Agreement and the remaining shares or Restricted Share Units shall be returned to the Company and all rights of the



Participant to such shares or Restricted Share Units shall terminate without any payment of consideration by the Company on the date of such event. The number of shares or Restricted Share Units which shall remain subject to this Plan and the applicable Stock or Award Agreement shall be a number determined by multiplying the total number of shares (including Restricted Shares as to which restrictions shall not have lapsed, Restricted Share Units as to which the conditions to payment shall not have been satisfied and Super Shares) originally granted pursuant to any applicable Award by a fraction the numerator of which is the number of days elapsed in the Performance Period as of the date of such event and the denominator of which is the total number of days in the Performance Period; provided, however, that the Committee may, in its sole discretion, continue a greater number, or all, of the shares or Restricted Share Units of any particular Award. Unless otherwise provided in the applicable Award Agreement, the continuing shares or Restricted Share Units shall continue to vest only upon satisfaction of the applicable Performance Objectives.

B. Termination for Reasons Other Than Death or Retirement. Unless the Committee otherwise provides in the applicable Award Agreement, where a Participant's employment with the Company upon which an Award is based terminates for any reason other than one set forth in Section 11.A above, and whether or not the termination is initiated by the Participant or the Company, any Restricted Shares and Restricted Share Units at the date of such termination shall be returned to the Company and all rights of the Participant to such shares and to any Super Shares shall terminate without any payment of consideration by the Company. Notwithstanding the foregoing, the Committee may, in its sole discretion, waive automatic termination as to some or all shares then subject to restrictions or conditions and to any Super Shares and, to that extent, continue the restrictions or other vesting or payment conditions in the same manner as set forth in Section 11.A above.

## 12. DELIVERY OF SHARES.

A. Delivery. No shares of Common Stock shall be delivered pursuant to an Award until the requirements of all laws and regulations as may be deemed by the Committee to be applicable thereto are satisfied.

B. Restrictions Upon Grant of Awards. If the Board in its discretion determines that the listing upon the New York Stock Exchange, the Pacific Stock Exchange or any other exchange, or participation in NASDAQ or the registration or qualification under any Federal or state laws of any shares of Stock to be granted or delivered pursuant to this Plan (whether to permit the grant of Awards or the resale or other disposition of any such shares of Stock by or on behalf of Participants receiving such shares) is necessary or desirable prior to delivery of the certificates for such shares of Stock, then delivery shall not be made until such listing, participation, registration or qualification shall have been completed. In such connection, the Company agrees that it will use its best efforts to effect any such listing, participation, registration or qualification; provided, however, that the Company shall not be required to use its best efforts to effect such registration under the Securities Act of 1933, as amended, other than on Form S-8, as presently in effect, or such other forms as may

be in effect from time to time calling for information comparable to that presently required to be furnished under Form S-8.

C. Restrictions Under Resale of Unregistered Stock. If the shares of Stock that have been granted or delivered to a Participant pursuant to the terms of this Plan are not registered under the Securities Act of 1933, as amended, pursuant to an effective registration statement, such Participant, if the Committee shall deem it advisable, may be required to represent and agree in writing (i) that any shares of Stock acquired by such Participant pursuant to this Plan will not be sold except pursuant to an effective registration statement under the Securities Act of 1933, as amended, or pursuant to an exemption from registration under said Act and (ii) that such Participant is acquiring such shares of Stock for his or her own account and not with a view to the distribution thereof.

D. Restrictive Legends. Certificates for Restricted Shares delivered pursuant to Awards shall bear an appropriate legend referring to the terms, conditions and restrictions described in this Plan and in the Stock Agreement. Any attempt to dispose of any such shares of Stock in contravention to the terms, conditions and restrictions described in this Plan or in the Stock Agreement shall be ineffective. Any shares of Stock of the Company or other property or rights received by a Participant as a stock dividend or as a result of any stock split, combination, exchange of shares, reorganization, merger, consolidation or similar event with respect to Restricted Shares shall have the same status and bear the same legend and be held in escrow pursuant to Section 7.C as the Restricted Shares received pursuant to the Award.

### 13. FINANCING AND WITHHOLDING.

A. Withholding of Taxes. As a condition to the making of an Award, the lapse of the restrictions pertaining to Restricted Shares, the payment of Restricted Share Units or to the issuance of Super Shares, the Company may require the Participant to pay to the Company, or make arrangements satisfactory to the Committee regarding payment of, any taxes of any kind required by law to be withheld or paid with respect to such shares of Stock.

B. Financing. If requested by a Participant who has received Stock pursuant to an Award, the Committee may in its discretion provide financing to the Participant in a principal amount sufficient to pay the amount of taxes required by law to be withheld with respect to such receipt of shares of Stock. Any such loan shall be subject to all legal requirements, and restrictions pertinent thereto, including if applicable, Regulation G promulgated by the Federal Reserve Board. The grant of an Award shall in no way obligate the Company or the Committee to provide any financing whatsoever upon the lapse of restrictions on Restricted Shares, the payment of Restricted Share Units or upon the issuance of Super Shares.

#### C. Withholding of Shares.

(i) If requested by Participant who has received shares of Stock pursuant to an Award or Super Shares, the Committee may in its discretion permit the Participant to satisfy any tax

withholding obligations, in whole or in part, by having the Company acquire, in the case of Restricted Shares, or withhold in the case of Restricted Share Units and Super Shares, a portion of such shares with a value equal to the amount of taxes required by law to be withheld.

(ii) Requests by a Participant to have shares of Stock so acquired or withheld shall be (a) made prior to the Tax Date, and (b) irrevocable. In addition, in the event the Participant is an officer or director of the Company within the meaning of Section 16 of the Act, the Committee may impose such other limitations as it deems appropriate for Section 16 compliance.

#### 14. AMENDMENTS, SUSPENSION OR DISCONTINUANCE.

The Board may amend, suspend, or discontinue the Plan. Notwithstanding the foregoing, the Board may not, without the prior approval of the shareholders of the Company, make any amendment that under applicable law requires shareholder approval.

#### 15. ADMINISTRATION OF PLAN.

A. Powers of the Committee. This Plan shall be administered by the Committee. Subject to the express provisions of this Plan, the Committee, in its sole and absolute discretion, shall be authorized and empowered to do all things necessary or desirable in connection with the administration of this Plan, including, without limitation, the following:

(i) adopt, amend and rescind rules, regulations and procedures relating to this Plan and its administration of the Awards granted under this Plan;

(ii) determine which persons meet the eligibility requirements of Section 5 under this Plan and to which of such person, if any, Awards will be granted under this Plan;

(iii) grant Awards to persons determined to be eligible and determine the terms and conditions of such Awards, including but not limited to the number of Restricted Shares, Restricted Share Units or Super Shares, and the times at which and conditions upon which Awards vest, are paid, expire or terminate, or restrictions thereon will lapse, or acceleration of the receipt of benefits, or the lapse of restrictions pursuant to such Award upon the occurrence of specified events deemed appropriate by the Committee (including, without limitation, a change of control of the Company) or in other circumstances or upon the occurrence of other events including those of a personal nature, as deemed appropriate by the Committee;

(iv) establish criteria for the vesting of Awards, including the applicable Performance Objectives and Super Performance Objectives and determine the achievement thereof;

(v) determine whether, and the extent to which, adjustments are required pursuant to Section 16 hereof or an amendment to an Award is appropriate;

(vi) interpret and construe this Plan and the terms and conditions of any Award granted hereunder, whether before or after the termination of this Plan; and

(vii) determine the circumstances under which, consistent with the provisions of this Plan, any outstanding Award and the applicable Award Agreement will be amended; which authority (except as to clause (ii) and, insofar as an initial grant is made, (iii) above) shall remain in effect so long as any Award remains outstanding under this Plan.

B. Determinations. Any action taken by, or inaction of, the Company, the Board or the Committee relating or pursuant to this Plan shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. No member of the Board or officer of the Company shall be liable for any such action or inaction of the entity or body, of another person, or except in circumstances involving bad faith, of himself or herself. In making any determination or in taking or not taking any action under this Plan, the Board and the Committee may obtain and may rely upon the advice of experts, including professional advisors to the Company. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith. The Committee may delegate ministerial, nondiscretionary functions to individuals who are officers or employees of the Company.

#### 16. MISCELLANEOUS PROVISIONS.

##### A. Adjustments.

(i) Changes From Material Acquisitions, Dispositions, Recapitalization, and Other Events. In the event of a change in capitalization, a material acquisition or disposition of business or assets, a material reorganization or restructuring, or any extraordinary gain or loss that affects the Company (on a consolidated basis) or the applicable business entity and that was not anticipated by the Committee in setting the specific Performance Objectives and threshold and target Super Performance Objectives for the Performance Period, the Committee, subject to Section 16.C, may make adjustments to the Performance Objectives or the number of shares subject to the Award, applied as of the date of such event, based solely on objective criteria, so as to neutralize, in the Committee's best judgment, the effect of the change on the applicable Performance Objectives and total amount of the Award for the Performance Period.

(ii) If (A) the outstanding shares of Stock (the "outstanding shares") (1) are increased, decreased, exchanged or converted as a result of a stock split (including a split in the form of a stock dividend), reverse stock split, or the like or (2) are exchanged for or converted into cash, property or a different number or kind of securities (or if cash, property or securities are distributed in respect of the outstanding shares), as a result of a reorganization, merger,

consolidation, recapitalization, restructuring, or reclassification, or (B) substantially all of the property and assets of the Company are sold, then, unless the terms of such transaction shall otherwise provide, the Committee shall make equitable, appropriate and proportionate adjustments in (w) the number of Restricted Share Units subject to any outstanding Award, (x) the number and type of shares or other securities or cash or other property that may be acquired pursuant to an Award of Super Shares previously granted under this Plan, and (y) the maximum number and type of shares or other securities that may be issued pursuant to Awards thereafter granted under this Plan, and (z) such other terms as necessarily are affected by such event.

(iii) Accounting Matters. Similar changes with respect to the Performance Objectives shall be made in the case of material changes in accounting policies or practices affecting the Company, to the extent any thereof was not anticipated at the time the specific performance levels were set, based on objective criteria so as to neutralize, in the Committee's best judgment, the effect of the change or event on the applicable Performance Objectives for the Performance Period.

B. Designation of Beneficiaries. A Participant may designate a beneficiary or beneficiaries to receive such Participant's Stock hereunder in the event of such Participant's death, and Participant may, from time to time, change any such beneficiary designation. All beneficiary designations and changes therein shall be in writing and shall be effective only if and when delivered by the Committee during the lifetime of the Participant.

C. Limitation on Changes Materially Adverse to a Participant. No amendment or termination of the Plan or change in or affecting any outstanding Award shall deprive in any material respect the Participant, without the consent of such Participant, of any of his or her rights or benefits under or with respect to the Award. Adjustments contemplated by Section 16.D shall not be deemed to constitute a change requiring such consent.

D. Plan Construction. It is the intent of the Company that this Plan and Awards hereunder satisfy and be interpreted in a manner that in the case of recipients who are or may be subject to Section 16 of the Act satisfies the applicable requirements of Rule 16b-3 so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Act and will not be subjected to avoidable liability thereunder. It is further the intent of the Company that Awards under this Plan that are granted to or held by individuals in respect of whose compensation the Company may be subject to Section 162(m) of the Code be designed and construed in a manner that satisfies the requirements thereof in the manner and to the maximum extent deemed desirable by the Committee. If any provision of this Plan or of any Award would otherwise frustrate or conflict with the intent expressed above, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict.

C. Non-Exclusivity of Plan. Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with

or without reference to stock, under any other plan, agreement or authority.

## SUNAMERICA INC.

1998 LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN  
FOR THE CHIEF EXECUTIVE OFFICER

SECTION 1. Purpose. The purpose of this 1998 Long-Term Performance-Based Incentive Plan (the "Plan") is to advance the interests of SunAmerica Inc. (the "Company") by providing Mr. Eli Broad, Chairman, President and Chief Executive Officer of the Company with a compensation arrangement that rewards him for significant gains in shareholder wealth as measured by the performance of the Company's Common Stock ("Stock") against the S&P 500 Index Total Return to Shareholders, as defined in Section 5.2(d).

The Plan is intended to accomplish these goals by enabling the Company to grant Awards in the form of Options, all as more fully described below.

SECTION 2. Administration. Unless otherwise determined by the Board of Directors of the Company (the "Board"), the Plan will be administered by a Committee of the Board designated for such purpose (the "Committee"). The Committee shall consist of at least two directors. A majority of the members of the Committee shall constitute a quorum, and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Plan may be made without notice or meeting of the Committee by a writing signed by a majority of the Committee members. So long as the Stock is registered under the Securities Exchange Act of 1934 (the "1934 Act"), all members of the Committee shall be disinterested persons within the meaning of Rule 16b-3 under the 1934 Act and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee will have authority, not inconsistent with the express provisions of the Plan and in addition to other authority granted under the Plan, to (a) grant Awards at such time or times as they are earned in accordance with the Plan, (b) prescribe the form or forms of instruments that are required or deemed appropriate under the Plan, including any required written notices and elections, and change such forms from time to time; (c) adopt, amend and rescind rules and regulations for the administration of the Plan; and (d) interpret the Plan and decide any questions and settle all controversies and disputes that may arise in connection with the Plan. Such determinations and actions of the Board, and all other determinations and actions of the Board made or taken under authority granted by any provision of the Plan, will be conclusive and will bind all parties. Nothing in this paragraph shall be construed as limiting the power of the Committee to make adjustments under Section 8.6.

Transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent that no such determination has been made by the Board or the Committee and any provision of the Plan or action by the Committee or Board fails to so comply, such actions shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

SECTION 3. Effective Date and Term of Plan. The Plan will become effective on the date on which it is approved by the Shareholders of the Company. The Plan will cover the five fiscal years beginning October 1, 1998.

SECTION 4. Shares Subject to the Plan. Subject to the adjustment as provided in Section 8.6 below, the aggregate number of options to be awarded during any year of the Plan shall not exceed 2,025,000, plus the Carryover Amount. The "Carryover Amount" is options with respect to 2,025,000 shares for each Plan commencing on or after October 1, 1998 and ending prior to the year for which the Award is being made, reduced by the number of options awarded during any fiscal year of the Plan.

No fractional shares of Stock will be delivered under the Plan.

#### SECTION 5. Participation and Awards

5.1 Participation. Mr. Eli Broad, Chairman, President and Chief Executive Officer of the Company, is the sole participant in the Plan. Mr. Broad will receive an Award under the Plan following the end of each fiscal year, beginning with the year ending September 30, 1999, when and only if the Ending Market Value of the Stock exceeds its Beginning Market Value by an amount greater than the S&P 500 Index Total Return to Shareholders over the comparable period. Awards will be based on the Beginning Market Value and the Ending Market Value for each fiscal year the Plan is in effect.

#### 5.2 Determination of Awards

(a) Award. Promptly following the end of each fiscal year of the Plan, the Committee shall determine whether Ending Market Value exceeds Beginning Market Value for such period. If Ending Market Value is less than or equal to Beginning Market Value, no Award will be made. If Ending Market Value exceeds Beginning Market Value, the Committee shall then determine the "S&P Return Value" for such period in the manner described below. If the Ending Market Value exceeds the S&P Return Value, Mr. Broad will be entitled to receive an Award, as specified below, valued at one and eight-tenths percent (1.8%) of such excess (the "Award Amount"). To the extent required under the Code, the Committee shall certify the achievement of the performance goals.

(b) Beginning Market Value. For purposes of this Plan, "Beginning Market Value" means the average closing price of the Stock for each of the 20 trading days commencing 10 trading days prior to the first trading day of the relevant period (the "Beginning Stock Price") multiplied by the weighted average number of shares of Stock outstanding during such period, computed in the manner used to determine net income per common share in the Company's financial statements (the "Weighted Average Shares") except that the Beginning Stock Price for a particular period shall never be less than the Ending Stock Price for any previously elapsed period with respect to which an Award was made under in the Plan; provided, however, that the Beginning Market Value for the 1999 fiscal year award shall not be less than the Ending Market Value as determined for the award under the Long-Term Performance-Based Incentive Plan, Amended and Restated in 1996, for fiscal year 1998.

(c) Ending Market Value. For purposes of this Plan, "Ending Market Value" means the average closing price of the Stock for each of the 20 trading days commencing 9 trading days prior to the last trading day of the relevant period (the "Ending Stock Price") multiplied by the Weighted Average Shares outstanding during such period. Ending Market Value shall be adjusted for the payment of cash dividends during the period, assuming such dividends had been reinvested in Stock on the date paid to stockholders using the methodology consistent with the determination of the S&P 500 Index Total Return to Shareholders.

(d) S&P 500 Index Total Return to Shareholders. For purposes of this Plan, "S&P 500 Index Total Return to Shareholders" for a particular period shall mean the Standard & Poor's 500 Index



Total Return to Shareholders as determined by Standard & Poor's Compustat (or its successor), measured from the first day of the period in question to the last day.

(e) S&P Return Value. For purposes of this Plan, "S&P Return Value" means Beginning Market Value multiplied by the sum of one (1) plus the S&P 500 Index Total Return To Shareholders, provided that the S&P Return Value for a period under the Plan may never be less than the Beginning Market Value for such period.

5.3 Payment of Awards. The Award to be made following any fiscal year shall consist of Options covering a number of shares of Stock equal to two and one-half times the number obtained by dividing the Award Amount by the Ending Stock Price for the period. The Options shall be granted upon the terms and conditions set forth below.

#### 5.4 Awards for Partial Years

(a) If Mr. Broad's employment is terminated during any fiscal year of the Plan other than by the Company for Cause or by Mr. Broad with Good Reason, Mr. Broad will be entitled to receive an Award based on the performance of the Stock versus the S&P 500 Index through the date of termination. In addition, on the day prior to the consummation of any "covered transaction" (as defined in Section 7.3), Mr. Broad will be entitled to receive an Award based on the performance of the Stock versus the S&P 500 Index through such date.

(b) Cause. For purposes of this Plan, "Cause" means (i) conviction of a felony or other crime involving fraud dishonesty or moral turpitude, (ii) fraud with respect to the business of the Company, or (iii) gross neglect of duties of the office specified in writing by the Board. For purposes of this Plan, Mr. Broad shall not be deemed to have been terminated for Cause until the later to occur of (i) the 30th day after notice of termination is given and (ii) the delivery to him of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Company's directors at a meeting called and held for that purpose, and at which Mr. Broad together with his counsel was given an opportunity to be heard, finding that Mr. Broad was guilty of conduct described in the definition of "Cause" above, and specifying the particulars thereof in detail.

(c) Good Reason. For purposes of this Plan, "Good Reason" means (1) to enter public service; or (2) by reason of death, Disability or normal retirement in accordance with the policies set by the Board of Directors; or (3) within 120 days after the occurrence without his express written consent of any of the following events, provided that Mr. Broad gives notice to the Company at least 30 days in advance requesting that the situation be remedied, and the situation remains unremedied upon expiration of such 30-day period:

(i) Mr. Broad's removal from, or any failure to reelect him to, the positions of Chairman of the Board, President or Chief Executive Officer, except in connection with his termination for Cause or termination by him other than for Good Reason; or

(ii) reduction in Mr. Broad's rate of base salary for any fiscal year to less than 100 percent of the rate of base salary paid to him in fiscal 1998; or

(iii) failure of the Company to continue in effect any retirement, life insurance, medical insurance or disability plan in which Mr. Broad was participating on the date of Board adoption of this Plan unless the Company provides Mr. Broad with a plan or plans that provide substantially similar benefits; or

(iv) a Change of Ownership, which shall be deemed to have occurred (1) if individuals who, as of the effective date of this Plan, constitute the Board of Directors of the Company (the

"Board of Directors" generally and as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board of Directors, provided that any person becoming a director subsequent to the effective date of this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the then directors who are members of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (A) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d)(3) of the 1934 Act, of beneficial ownership, directly or indirectly, of 20% or more of the combined voting securities ordinarily having the rights to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Board of Directors who are members of the Incumbent Board), or (B) in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, or (2) on the day prior to the consummation of any "covered transaction" (as defined in Section 7.3); or

(v) any purported termination by the Company of Mr. Broad's employment for Cause that is not effected in compliance with paragraph (b) of this Section 5.4.

(d) Disability. For purposes of this Plan, "Disability" means an illness, injury, accident or condition of either a physical or psychological nature as a result of which Mr. Broad is unable to perform substantially the duties and responsibilities of his position for 180 days during a period of 365 consecutive calendar days.

#### SECTION 6. Options

6.1 Nature of Options; Grant Date. An Option will entitle Mr. Broad to purchase Stock at a specified exercise price. The grant date for each Option shall be the last trading day used to determine the Ending Stock Price used in calculating the Award.

6.2 Exercise Price. The exercise price of an Option will be the fair market value of the Stock subject to the Option, determined as of the grant date. In no case may the exercise price paid for Stock which is part of an original issue of authorized Stock be less than the par value per share of the Stock.

6.3 Duration of Options. The latest date on which an Option may be exercised will be the tenth anniversary of the day immediately preceding the date the Option was granted.

6.4 Exercise of Options. Options granted under any Award will be exercisable immediately upon such grant. Any exercise of an Option must be in writing, delivered or mailed to the Company, accompanied by (1) any documents required by the Committee and (2) payment in full in accordance with paragraph (e) below for the number of shares for which the Option is exercised.

6.5 Payment for Stock. Stock purchased on exercise of an Option must be paid for as follows: (1) in cash or by check (acceptable to the Company in accordance with guidelines established for this purpose), bank draft or money order payable to the order of the Company; or (2)(i) through the delivery of shares of Stock which have been outstanding for at least six months and which have a fair market value on the last business day preceding the date of exercise equal to the exercise price, or (ii) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price, or (iii) by any combination of the permissible forms of payment.

## SECTION 7. Events Affecting Outstanding Options

7.1 Qualifying Termination. If Mr. Broad's employment with the Company terminates either (a) by the Company other than for Cause; or (b) by Mr. Broad for Good Reason (each a "Qualifying Termination") he (or his executor or administrator or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution) may exercise all or any Options he then holds at any time prior to the expiration of their respective terms.

7.2 Termination of Employment (Other than a Qualifying Termination). If Mr. Broad's employment with the Company terminates other than in connection with a Qualifying Termination, all Options will continue to be exercisable for a period of ninety days following the termination and shall thereupon terminate, unless the termination was by the Company for Cause, in which case all such Options shall immediately terminate. In no event, however, shall an Option remain exercisable beyond the latest date on which it could have been exercised without regard to this Section 7.

7.3 Certain Corporate Transactions. In the event of a consolidation or merger in which the Company is not the surviving corporation or which results in the acquisition of substantially all the Company's outstanding Stock by a single person or entity or by a group of person and/or entities acting in concert, or in the event of the sale or transfer of substantially all the Company's assets or a dissolution or liquidation of the Company (a "covered transaction"), all outstanding Options will terminate as of the effective date of the covered transaction.

## SECTION 8. General Provisions

8.1 Documentation of Awards. Awards will be evidenced by such written instruments, if any, as may be prescribed by the Committee from time to time.

8.2 Rights as a Stockholder. Except as specifically provided by the Plan, the receipt of an Award will not give Mr. Broad rights as a stockholder; he will obtain such rights, subject to any limitations imposed by the Plan or the instrument evidencing the Award, upon actual receipt of Stock.

8.3 Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Stock pursuant to the Plan (a) until all conditions of the Award have been satisfied or removed, (b) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with, (c) if the outstanding Stock is at the time listed on any stock exchange, until those shares to be delivered have been listed or authorized to be listed on such exchange and official notice of issuance is provided, and (d) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act and may require that the certificates evidencing such Stock bear an appropriate legend restricting transfer.

8.4 Tax Withholding. Upon the exercise of any Options, the Committee will have the right to require that Mr. Broad or his representative remit to the Company an amount sufficient to satisfy the withholding requirements, or make other arrangements satisfactory to the Committee with regard to such requirements, prior to the delivery of any Stock. If and to the extent that such withholding is required, the Committee may permit Mr. Broad or such other person to elect at such time and in such manner as the Committee provides to have the Company hold back from the shares to be

delivered, or to deliver to the Company, Stock having a value calculated to satisfy the withholding requirement.

8.5 Nontransferability of Awards. Any derivative security issued under this Plan shall not be transferable by Mr. Broad other than by will or the laws of descent and distribution, to the extent such restriction on transferability is among the conditions necessary to secure the benefits of Rule 16b-3 or to exempt the grant of the derivative security from the operation of Section 168(b) under the 1934 Act. To the extent that such restriction on transferability is not among such conditions, Options granted hereunder shall be transferable to the extent determined by the Committee. The designation of a beneficiary shall not constitute a transfer in violation of these provisions.

#### 8.6 Adjustments.

(a) In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capitalization, or other distribution to common stockholders other than normal cash dividends, after the effective date of the Plan, the Committee will make any appropriate adjustments to the maximum number of shares that may be delivered under the Plan under Section 4 above.

(b) In any event referred to in paragraph (a), the Committee will also make any appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision included in or relating to the calculation of Awards (including the Beginning Stock Price determined in accordance with Section 5.2(b)) affected by such change. The Committee may also make appropriate adjustments to take into account material changes in law or in accounting practices or principles, mergers, consolidation, acquisition, dispositions or similar corporate transactions, or any other event, if it is determined by the Committee that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve (but not enhance) the benefits under the Plan.

8.7 Employment Rights, Etc. Neither the adoption of the Plan nor the grant of Awards will confer upon Mr. Broad any right to continued retention by the Company as an employee or otherwise, or affect in any way the right of the Company to terminate an employment relationship at any time.

8.8 Deferral of Payments. The Committee may agree at any time, upon Mr. Broad's request but subject to its discretion, to defer the date on which any payment under an Award will be made.

SECTION 9. Effect, Discontinuance, Cancellation, Amendment and Termination. The Committee may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, provided that (except to the extent expressly required or permitted by the Plan) no such amendment will, without Mr. Broad's consent, amend the Plan or any outstanding Award so as to adversely affect his rights under the Plan or any outstanding Awards. Any amendment to the Plan shall be approved by the Company's shareholders if, in the discretion of the Committee, such approval is necessary or desirable to insure continued compliance with Section 162(m) of the Internal Revenue Code.

## SUNAMERICA INC.

## LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN

## AMENDED AND RESTATED 1997

SECTION 1. Purpose. The purpose of this Long-Term Performance-Based Incentive Plan (the "Plan") is to advance the interests of SunAmerica Inc. (the "Company") by providing Mr. Eli Broad, Chairman, President and Chief Executive Officer of the Company with a compensation arrangement that rewards him for significant gains in shareholder wealth as measured by the performance of the Company's Common Stock ("Stock") against the S&P 500 Index Total Return to Shareholders, as defined in Section 5.2(d).

The Plan is intended to accomplish these goals by enabling the Company to grant Awards in the form of Options and Restricted Stock, all as more fully described below.

SECTION 2. Administration. Unless otherwise determined by the Board of Directors of the Company (the "Board"), the Plan will be administered by a Committee of the Board designated for such purpose (the "Committee"). The Committee shall consist of at least two directors. A majority of the members of the Committee shall constitute a quorum, and all determinations of the Committee shall be made by a majority of its members. Any determination of the Committee under the Plan may be made without notice or meeting of the Committee by a writing signed by a majority of the Committee members. So long as the Stock is registered under the Securities Exchange Act of 1934 (the "1934 Act"), all members of the Committee shall be disinterested persons within the meaning of Rule 16b-3 under the 1934 Act and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Committee will have authority, not inconsistent with the express provisions of the Plan and in addition to other authority granted under the Plan, to (a) grant Awards at such time or times as they are earned in accordance with the Plan, (b) prescribe the form or forms of instruments that are required or deemed appropriate under the Plan, including any required written notices and elections, and change such forms from time to time; (c) adopt, amend and rescind rules and regulations for the administration of the Plan; and (d) interpret the Plan and decide any questions and settle all controversies and disputes that may arise in connection with the Plan. Such determinations and actions of the Board, and all other determinations and actions of the Board made or taken under authority granted by any provision of the Plan, will be conclusive and will bind all parties. Nothing in this paragraph shall be construed as limiting the power of the Committee to make adjustments under Section 8.6.

Transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the 1934 Act. To the extent that no such determination has been made by the Board or the Committee and any provision of the Plan or action by the Committee or Board fails to so comply, such actions shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

SECTION 3. Effective Date and Term of Plan. The Plan as amended and restated will become effective on the date on which such amended and restated Plan is approved by the Shareholders of the Company. Awards under the Plan as amended and restated will be made for fiscal years 1997 and 1998.

SECTION 4. Shares Subject to the Plan. Subject to the adjustment as provided in Section 8.6 below, the aggregate number of shares of Stock subject to Award during any year of the Plan shall not exceed 900,000 for fiscal years prior to 1997 and 1,350,000 for fiscal years 1997 and 1998, plus the Carryover Amount. The "Carryover Amount" is 1,350,000 shares (as adjusted for stock splits through the effective date of this amended and restated Plan) for each fiscal year of the Plan commencing on or after October 1, 1996 and ending prior to the year for which the Award is being made, reduced by the number of shares of Stock for which Awards have been made during any fiscal year.

No fractional shares of Stock will be delivered under the Plan.

#### SECTION 5. Participation and Awards

##### 5.1 Participation

Mr. Eli Broad, Chairman, President and Chief Executive Officer of the Company, is the sole participant in the Plan. Mr. Broad will receive an Award under the Plan following the end of each fiscal year, beginning with the year ending September 30, 1994, when and only if the Ending Market Value of the Stock exceeds its Beginning Market Value by an amount greater than the S&P 500 Index Total Return to Shareholders over the comparable period. The first Award under the Plan will be based on a Beginning Market Value as of October 1, 1992 and an Ending Market Value as of September 30, 1994. Thereafter, Awards will be based on the Beginning Market Value and the Ending Market Value for each fiscal year.

##### 5.2 Determination of Awards

(a) Award. Promptly following the end of each fiscal year of the Plan, the Committee shall determine whether Ending Market Value exceeds Beginning Market Value for such period. If Ending Market Value is less than or equal to Beginning Market Value, no Award will be made. If Ending Market Value exceeds Beginning Market Value, the Committee shall then determine the "S&P Return Value" for such

period in the manner described below. If the Ending Market Value exceeds the S&P Return Value, Mr. Broad will be entitled to receive an Award, as specified below, valued at two percent (2%) of such excess (the "Award Amount"). To the extent required under the Code, the Committee shall certify the achievement of the performance goals.

(b) Beginning Market Value. For purposes of this Plan, "Beginning Market Value" means the average closing price of the Stock for each of the 20 trading days commencing 10 trading days prior to the first trading day of the relevant period (the "Beginning Stock Price") multiplied by the weighted average number of shares of Stock outstanding during such period, computed in the manner used to determine net income per common share in the Company's financial statements (the "Weighted Average Shares") except that the Beginning Stock Price for a particular period shall never be less than the Ending Stock Price for any previously elapsed period with respect to which an Award was made under in the Plan.

(c) Ending Market Value. For purposes of this Plan, "Ending Market Value" means the average closing price of the Stock for each of the 20 trading days commencing 9 trading days prior to the last trading day of the relevant period (the "Ending Stock Price") multiplied by the Weighted Average Shares outstanding during such period. Ending Market Value shall be adjusted for the payment of cash dividends during the period, assuming such dividends had been reinvested in Stock on the date paid to stockholders using the methodology consistent with the determination of the S&P 500 Index Total Return to Shareholders.

(d) S&P 500 Index Total Return to Shareholders. For purposes of this Plan, "S&P 500 Index Total Return to Shareholders" for a particular period shall mean the Standard & Poor's 500 Index Total Return to Shareholders as determined by Standard & Poor's Compustat (or its successor), measured from the first day of the period in question to the last day.

(e) S&P Return Value. For purposes of this Plan, "S&P Return Value" means Beginning Market Value multiplied by the sum of one (1) plus the S&P 500 Index Total Return To Shareholders, provided that the S&P Return Value for a period under the Plan may never be less than the Beginning Market Value for such period.

### 5.3 Payment of Awards

The Award to be made following any fiscal year prior to fiscal year 1997 shall consist of:

(a) that number of shares of Restricted Stock as are determined by dividing fifty percent (50%) of the Award Amount by the Ending Stock Price for the period; and

(b) Options covering a number of shares of Stock equal to three times the number of shares of Restricted Stock determined above.

The Award to be made following any fiscal year beginning with fiscal year 1997 shall consist of Options covering a number of shares of Stock equal to three times the number obtained by dividing the Award Amount by the Ending Stock Price for the period.

The Restricted Stock and Options shall be granted upon the terms and conditions set forth below.

#### 5.4 Deferred Shares

(a) Awards in Lieu of Restricted Stock. If the Committee determines that the payment of an Award, in whole or in part, in shares of Restricted Stock would result in the Company not being able to take a tax deduction under Section 162(m) of the Code upon the vesting of such Restricted Stock or otherwise would not be in the best interests of the Company, it may elect instead to pay the Restricted Stock portion of the Award in an equivalent number of Deferred Shares. Deferred Shares represent the right to receive the stated number of shares of Stock on the date that is 18 months following the date that Mr. Broad ceases to be an executive officer of the Company or earlier upon the same events described in this Plan for the vesting of Restricted Stock. In the event that any Deferred Shares are awarded pursuant to this Section 5.4(a), all references to Restricted Stock in this Plan shall be deemed to apply, insofar as they are applicable, to the Deferred Shares.

(b) Dividend Equivalents. In the event that a dividend is paid or property is distributed (including, without limitation, shares of Stock) with respect to a share of Stock while a Deferred Share is outstanding, Mr. Broad shall receive with respect to each Deferred Share then outstanding:

(i) in the case of a cash dividend, or a distribution of property other than Stock, dividend equivalents in cash or such property which shall be paid concurrently with the payment of the dividend on the Stock, and

(ii) in the case of Stock dividends, a number of additional Deferred Shares equal to the number of whole or fractional shares of Stock that would have been paid if the Deferred Shares had been Stock outstanding on the date of distribution.

Any additional Deferred Shares issued under this Section 5.4(b) shall be subject to the same terms and conditions, including with respect to vesting, forfeiture and distribution, as apply to the Deferred Shares in respect of which they are issued.



## 5.5 Awards for Partial Years

If Mr. Broad's employment is terminated during any fiscal year of the Plan other than by the Company for Cause or by Mr. Broad without Good Reason, Mr. Broad will be entitled to receive an Award based on the performance of the Stock versus the S&P 500 Index through the date of termination. In addition, on the day prior to the consummation of any "covered transaction" (as defined in Section 7.3), Mr. Broad will be entitled to receive an Award based on the performance of the Stock versus the S&P 500 Index through such date. All such Awards shall be treated as Awards paid with respect to fiscal years beginning with fiscal year 1997.

## SECTION 6. Types of Awards

### 6.1 Options

(a) Nature of Options; Grant Date. An Option will entitle Mr. Broad to purchase Stock at a specified exercise price. The grant date for each Option shall be the last trading day used to determine the Ending Stock Price used in calculating the Award.

(b) Exercise Price. The exercise price of an Option will be the fair market value of the Stock subject to the Option, determined as of the grant date. In no case may the exercise price paid for Stock which is part of an original issue of authorized Stock be less than the par value per share of the Stock.

(c) Duration of Options. The latest date on which an Option may be exercised will be the tenth anniversary of the day immediately preceding the date the Option was granted.

(d) Exercise of Options. Options granted under any Award will be exercisable immediately upon such grant. Any exercise of an Option must be in writing, delivered or mailed to the Company, accompanied by (1) any documents required by the Committee and (2) payment in full in accordance with paragraph (e) below for the number of shares for which the Option is exercised.

(e) Payment for Stock. Stock purchased on exercise of an Option must be paid for as follows: (1) in cash or by check (acceptable to the Company in accordance with guidelines established for this purpose), bank draft or money order payable to the order of the Company; or (2)(i) through the delivery of shares of Stock which have been outstanding for at least six months and which have a fair market value on the last business day preceding the date of exercise equal to the exercise price, or (ii) by delivery of an unconditional and irrevocable undertaking by a broker to deliver promptly to the Company sufficient funds to pay the exercise price, or (iii) by any combination of the permissible forms of payment.

### 6.2 Restricted Stock

(a) Nature of Restricted Stock Award. The portion of the Award paid in Restricted Stock entitles Mr. Broad to receive shares of Stock subject to the restrictions described in paragraph (c) below ("Restricted Stock").

(b) Rights as a Stockholder. Mr. Broad will have all the rights of a stockholder with respect to the Stock granted in connection with an Award, including voting and dividend rights, subject to the restrictions described in paragraph (c) below. Certificates evidencing shares of Restricted Stock will remain in the possession of the Company until such shares are free of such restrictions, at which time such certificates will be delivered to Mr. Broad.

(c) Restrictions. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of until the earliest of (i) Mr. Broad's termination of employment (A) by reason of death, Disability or normal retirement in accordance with the policies set by the Board of Directors, (B) by the Company other than for Cause or (C) by Mr. Broad for Good Reason (each a "Qualifying Termination") and (ii) a Change of Ownership of the Company. If the Company terminates Mr. Broad's employment for Cause or if Mr. Broad terminates his employment other than for Good Reason or in connection with an event described in clause (A) above, any shares of Restricted Stock that he then holds subject to restrictions will be forfeited to the Company.

(d) Cause. For purposes of this Plan, "Cause" means (i) conviction of a felony or other crime involving fraud, dishonesty or moral turpitude, (ii) fraud with respect to the business of the Company, or (iii) gross neglect of duties of the office specified in writing by the Board. For purposes of this Plan, Mr. Broad shall not be deemed to have been terminated for Cause until the later to occur of (i) the 30th day after notice of termination is given and (ii) the delivery to him of a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Company's directors at a meeting called and held for that purpose, and at which Mr. Broad together with his counsel was given an opportunity to be heard, finding that Mr. Broad was guilty of conduct described in the definition of "Cause" above, and specifying the particulars thereof in detail.

(e) Good Reason. For purposes of this Plan, "Good Reason" means the voluntary termination by Mr. Broad of his employment (1) to enter public service or (2) within 120 days after the occurrence without his express written consent of any of the following events, provided that Mr. Broad gives notice to the Company at least 30 days in advance requesting that the situation be remedied, and the situation remains unremedied upon expiration of such 30-day period:

(i) Mr. Broad's removal from, or any failure to reelect him to, the positions of Chairman of the Board, President or Chief Executive Officer,

except in connection with his termination for Cause or Disability or termination by him other than for Good Reason; or

(ii) reduction in Mr. Broad's rate of Base Salary for any fiscal year to less than 100 percent of the rate of Base Salary paid to him in fiscal 1993; or

(iii) failure of the Company to continue in effect any retirement, life insurance, medical insurance or disability plan in which Mr. Broad was participating on the date of Board adoption of this Plan unless the Company provides Mr. Broad with a plan or plans that provide substantially similar benefits; or

(iv) a Change of Ownership; or

(v) any purported termination by the Company of Mr. Broad's employment for Cause that is not effected in compliance with paragraph (d) of this Section 6.2.

(f) Change of Ownership. For purposes of this Plan, a "Change of Ownership" shall be deemed to have occurred (1) if individuals who, as of the effective date of this Plan, constitute the Board of Directors of the Company (the "Board of Directors" generally and as of the date hereof the "Incumbent Board") cease for any reason to constitute at least a majority of the directors constituting the Board of Directors, provided that any person becoming a director subsequent to the effective date of this Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters (3/4) of the then directors who are members of the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is (A) in connection with the acquisition by a third person, including a "group" as such term is used in Section 13(d)(3) of the 1934 Act, of beneficial ownership, directly or indirectly, of 20% or more of the combined voting securities ordinarily having the rights to vote for the election of directors of the Company (unless such acquisition of beneficial ownership was approved by a majority of the Board of Directors who are members of the Incumbent Board), or (B) in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the 1934 Act) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board, or (2) on the day prior to the consummation of any "covered transaction" (as defined in Section 7.3).

(g) Disability. For purposes of this Plan, "Disability" means an illness, injury, accident or condition of either a physical or psychological nature as a result of which Mr. Broad is unable to perform substantially the duties and responsibilities of his position for 180 days during a period of 365 consecutive calendar days.

(h) Notice of Election. If Mr. Broad makes an election under Section 83(b) of the Code with respect to Restricted Stock, he must provide a copy thereof to the Company within 10 days of the filing of such election with the Internal Revenue Code.

## SECTION 7. Events Affecting Outstanding Options

### 7.1 Qualifying Termination.

If Mr. Broad's employment with the Company terminates in connection with a Qualifying Termination, he (or his executor or administrator or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution) may exercise all or any Options he then holds at any time prior to the expiration of their respective terms.

### 7.2 Termination of Employment (Other than a Qualifying Termination).

If Mr. Broad's employment with the Company terminates other than in connection with a Qualifying Termination, all Options will continue to be exercisable for a period of ninety days following the termination and shall thereupon terminate, unless the termination was by the Company for Cause, in which case all such Options shall immediately terminate. In no event, however, shall an Option remain exercisable beyond the latest date on which it could have been exercised without regard to this Section 7.

### 7.3 Certain Corporate Transactions.

In the event of a consolidation or merger in which the Company is not the surviving corporation or which results in the acquisition of substantially all the Company's outstanding Stock by a single person or entity or by a group of person and/or entities acting in concert, or in the event of the sale or transfer of substantially all the Company's assets or a dissolution or liquidation of the Company (a "covered transaction"), all outstanding Options will terminate as of the effective date of the covered transaction.

## SECTION 8. General Provisions

### 8.1 Documentation of Awards.

Awards will be evidenced by such written instruments, if any, as may be prescribed by the Committee from time to time.

### 8.2 Rights as a Stockholder.

Except as specifically provided by the Plan, the receipt of an Award will not give Mr. Broad rights as a stockholder; he will obtain such rights, subject to any limitations imposed by the Plan or the instrument evidencing the Award, upon actual receipt of Stock.

### 8.3 Conditions on Delivery of Stock.

The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan (a) until all conditions of the Award have been satisfied or removed, (b) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with, (c) if the outstanding Stock is at the time listed on any stock exchange, until those shares to be delivered have been listed or authorized to be listed on such exchange upon official notice of issuance, and (d) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel. If the sale of Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to exercise of the Award, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act and may require that the certificates evidencing such Stock bear an appropriate legend restricting transfer.

### 8.4 Tax Withholding.

Upon the lapse of restrictions on the Restricted Stock and the exercise of any Options, the Committee will have the right to require that Mr. Broad or his representative remit to the Company an amount sufficient to satisfy the withholding requirements, or make other arrangements satisfactory to the Committee with regard to such requirements, prior to the delivery of any Stock. If and to the extent that such withholding is required, the Committee may permit Mr. Broad or such other person to elect at such time and in such manner as the Committee provides to have the Company hold back from the shares to be delivered, or to deliver to the Company, Stock having a value calculated to satisfy the withholding requirement.

### 8.5 Nontransferability of Awards.

Any derivative security issued under this Plan shall not be transferable by Mr. Broad other than by will or the laws of descent and distribution, to the extent such restriction on transferability is among the conditions necessary to secure the benefits of Rule 16b-3 or to exempt the grant of the derivative security from the operation of Section 16(b) under the 1934 Act. To the extent that such restriction on transferability is not among such conditions, Options granted hereunder shall be transferable to the extent determined by the Committee. The designation of a beneficiary shall not constitute a transfer in violation of these provisions.

#### 8.6 Adjustments.

(a) In the event of a stock dividend, stock split or combination of shares, recapitalization or other change in the Company's capitalization, or other distribution to common stockholders other than normal cash dividends, after the effective date of the Plan, the Committee will make any appropriate adjustments to the maximum number of shares that may be delivered under the Plan under Section 4 above.

(b) In any event referred to in paragraph (a), the Committee will also make any appropriate adjustments to the number and kind of shares of stock or securities subject to Awards then outstanding or subsequently granted, any exercise prices relating to Awards and any other provision included in or relating to the calculation of Awards (including the Beginning Stock Price determined in accordance with Section 5.2(b)) affected by such change. The Committee may also make appropriate adjustments to take into account material changes in law or in accounting practices or principles, mergers, consolidation, acquisition, dispositions or similar corporate transactions, or any other event, if it is determined by the Committee that adjustments are appropriate to avoid distortion in the operation of the Plan and to preserve (but not enhance) the benefits under the Plan.

#### 8.7 Employment Rights, Etc.

Neither the adoption of the Plan nor the grant of Awards will confer upon Mr. Broad any right to continued retention by the Company as an employee or otherwise, or affect in any way the right of the Company to terminate an employment relationship at any time.

#### 8.8 Deferral of Payments.

The Committee may agree at any time, upon Mr. Broad's request but subject to its discretion, to defer the date on which any payment under an Award will be made.

SECTION 9. Effect, Discontinuance, Cancellation, Amendment and Termination. The Committee may at any time or times amend the Plan or any outstanding Award for any purpose which may at the time be permitted by law, provided that (except to the extent expressly required or permitted by the Plan) no such amendment will, without Mr. Broad's consent, amend the Plan or any outstanding Award so as to adversely affect his rights under the Plan or any outstanding Awards.

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this Post-Effective Amendment to Form S-4 Registration Statement on Form S-8 of our report dated February 10, 1998, on our audits of the consolidated financial statements and financial statement schedules of American International Group, Inc. and subsidiaries as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, which report is included in the American International Group, Inc. Annual Report on Form 10-K. We also consent to the reference to our firm in Item 5 of the Registration Statement.

PRICEWATERHOUSECOOPERS LLP

New York, New York

January 4, 1999