

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 13, 1994

REGISTRATION NO. 33-48996

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1  
TO

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

AIG LIQUIDITY CORP.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)  
DELAWARE  
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)  
PENDING  
(I.R.S. EMPLOYER IDENTIFICATION NO.)  
100 NYALA FARM  
WESTPORT, CONNECTICUT 06880  
(203) 222-4700  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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  
(212) 770-7000  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

KATHLEEN E. SHANNON, ESQ.  
AMERICAN INTERNATIONAL GROUP, INC.  
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)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC:  
From time to time on or after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box: /X/

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE(3)
Liquidity Facility Obligations(4)	\$93,750,000	100%	\$93,750,000	\$32,016
Guarantee Obligations(4)	\$93,750,000	100%	\$93,750,000	\$32,016

- (1) Maximum fee receivable by Registrants over the life of the Liquidity Facility Obligations and Guarantee Obligations (collectively, the "Obligations") issued hereunder, estimated as product of (a) \$1,500,000,000 (expected maximum amount of principal of and interest on Bonds subject to the Obligations), (b) .0025 (expected maximum per annum fee per \$1.00 of principal of and interest on Bonds subject to the Obligations and (c) 25 (expected maximum number of years any Obligations will be outstanding).
- (2) Estimated solely for the purpose of calculating the registration fee.
- (3) Calculated as registration fee of \$32,328 less \$312 previously remitted.
- (4) This Registration Statement also covers Obligations issued in connection with any remarketing of Bonds purchased by the Registrants or their affiliates.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED APRIL 13, 1994

LIQUIDITY FACILITY OBLIGATIONS  
OF  
AIG LIQUIDITY CORP.  
AND  
GUARANTEE OBLIGATIONS  
OF  
AMERICAN INTERNATIONAL GROUP, INC.

IN SUPPORT OF PAYMENT OF THE PURCHASE PRICE  
OF TENDERED VARIABLE RATE  
MUNICIPAL SECURITIES

AIG Liquidity Corp. ("AIG-LC") may from time to time enter into standby bond purchase agreements (each, a "Standby Agreement") with issuers of or ultimate obligors (each, an "Issuer") in respect of one or more series of variable rate municipal securities (each such issue, a series of "Bonds") and, in some cases, the tender and paying agent (each, a "Tender Agent") for the Bonds and/or the trustee (each, a "Trustee") under the indenture, resolution or ordinance (each, an "Indenture") pursuant to which the Bonds are being or have been issued. The Bonds of each series will be subject, at the option of the holder of the Bonds, to tender for purchase and, under certain circumstances, will be subject to mandatory tender for purchase, in each case at the times and on the terms and conditions set forth in the Indenture for such Bonds. Pursuant to the Standby Agreement described in the accompanying prospectus supplement (the "Prospectus Supplement"), AIG-LC will be obligated to purchase tendered Bonds which have not been remarketed by a remarketing agent (each, a "Remarketing Agent") as described in, and subject to any conditions described in, the Prospectus Supplement. The payment obligations of AIG-LC under each Standby Agreement will be unconditionally guaranteed pursuant to a guarantee (each, a "Guarantee") by American International Group, Inc. ("AIG").

The Prospectus Supplement with respect to a Standby Agreement and Guarantee will set forth the title of the relevant series of Bonds, the name of the Issuer and any Insurer (as hereinafter defined), a summary of certain terms of the Bonds relevant to the operation of the Standby Agreement or the Guarantee, and specific terms of such Standby Agreement and Guarantee, including whether and under what circumstances the obligations under the Standby Agreement and Guarantee may be suspended or terminated without or prior to a mandatory tender of Bonds.

This Prospectus and the Prospectus Supplement together constitute an offering of the obligations of AIG-LC under the relevant Standby Agreement (the "Liquidity Facility Obligations") and the obligations of AIG under the relevant Guarantee (the "Guarantee Obligations" and, together with the Liquidity Facility Obligations, the "Obligations") but do not constitute an offering of the Bonds related thereto, which have been or will be offered pursuant to a separate offering document (the "Official Statement"). AIG-LC and AIG undertake no responsibility with respect to the accuracy or completeness of any Official Statement or any information set forth therein. The Obligations may not be traded separately from the Bonds to which they relate. This Prospectus and the Prospectus Supplement may be delivered at the time of initial issuance of the Bonds of a series or the remarketing thereof in connection with the replacement by the Obligations of another liquidity facility in effect with respect to such Bonds and, when appropriately supplemented, if required, may also be delivered in connection with a remarketing of any Bonds purchased by AIG-LC or any affiliate thereof.

Payment of principal of and interest on the Bonds of a series to which the Obligations relate is solely the obligation of the Issuer and is not insured or guaranteed by AIG-LC, AIG or any affiliate thereof.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS OR ANY

PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A  
CRIMINAL OFFENSE.

FOR NORTH CAROLINA RESIDENTS ONLY

THE COMMISSIONER OF INSURANCE FOR THE STATE OF NORTH CAROLINA HAS NOT  
APPROVED OR DISAPPROVED OF THE OFFERING, NOR HAS THE COMMISSIONER PASSED UPON  
THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

This Prospectus may not be delivered unless accompanied by the Prospectus  
Supplement.

The date of this Prospectus is April , 1994

## AVAILABLE INFORMATION

AIG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities of the Commission, Room 1024, 450 Fifth Street, N.W., 13th Floor, Washington, D.C. 20549, as well as the following Regional Offices: 7 World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies can be obtained by mail at prescribed rates. Requests should be directed to the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Such reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which AIG's common stock is listed. This Prospectus does not contain all of the information set forth in the Registration Statement, of which this Prospectus is a part, and exhibits thereto which AIG-LC and AIG have filed with the Commission under the Securities Act of 1933 (the "1933 Act"), to which reference is hereby made.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following document has been filed by AIG with the Commission (File No. 0-4652) and is incorporated herein by reference:

- (1) AIG's Annual Report on Form 10-K for the year ended December 31, 1993.

All documents filed pursuant to Section 13(a), 13(c), 14 or 15 of the 1934 Act after the date of this Prospectus and prior to the termination of the Obligations shall be deemed to be incorporated by reference in this Prospectus 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 Prospectus 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 Prospectus.

AIG will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of any such person, a copy of the documents (excluding exhibits thereto, unless such exhibits are specifically incorporated by reference into such documents) referred to above which have been or may be incorporated herein by reference and not furnished herewith. Requests for such documents should be directed to AIG's Director of Investor Relations, 70 Pine Street, New York, New York 10270, telephone (212) 770-6667.

This Prospectus constitutes a prospectus with respect to the Obligations of AIG-LC and AIG specified in the Prospectus Supplement. No Registration Statement has been filed under the 1933 Act with respect to the Bonds specified in the Prospectus Supplement.

## DESCRIPTION OF THE OBLIGATIONS

## GENERAL

Standby Agreements may be entered into from time to time (guaranteed by Guarantees which may be issued from time to time) with respect to one or more series of Bonds specified in the Prospectus Supplement. The Bonds of each series and any municipal bond insurance policy purchased by the Issuer with respect to such Bonds (an "Insurance Policy") have been or will be described in a separate Official Statement of the Issuer. AIG-LC and AIG undertake no responsibility with respect to the accuracy or completeness of any Official Statement or any information set forth therein.

The obligations of AIG-LC under each Standby Agreement and the obligations of AIG under each Guarantee will rank equally with all other general unsecured and unsubordinated obligations of AIG-LC and AIG, respectively. The Obligations are not being issued pursuant to an indenture.

In connection with each Standby Agreement, AIG will agree to provide, or cause to be provided, by means of capital contributions, purchases of assets, loans or otherwise, funds to AIG-LC to the extent necessary to enable AIG-LC to meet its obligations under the Standby Agreement. Any such agreement to provide or cause to be provided funds will be solely for the benefit of and enforceable by AIG-LC and AIG. Accordingly, holders of Bonds should not rely upon any such agreement but instead should rely upon the Standby Agreement and the Guarantee thereof.

The Prospectus Supplement will set forth the specific terms of the Obligations in respect of which this Prospectus is being delivered, including among other things: (1) the timing, terms and method of purchase of Bonds to which such Obligations relate under the Standby Agreement; (2) whether and under what circumstances such Obligations will be terminable without, prior to or after a mandatory tender for purchase of the related Bonds; (3) any limitations on the rights of AIG-LC to resell Bonds purchased by AIG-LC under the Standby Agreement; (4) the commitment fee payable to AIG-LC under the Standby Agreement; and (5) any other relevant terms of the Standby Agreement and the Guarantee.

The Prospectus Supplement will also specify the following terms of the Bonds to which the Obligations relate: (1) the Issuer and title of such Bonds; (2) the aggregate principal amount of such Bonds; and (3) certain other terms of the Bonds or any Insurance Policy relevant to the operation of the Standby Agreement or the Guarantee.

Neither AIG-LC nor AIG will be responsible for the payment of the principal of, premium, if any, or interest on the Bonds of any series. Under certain circumstances, the Obligations with respect to the purchase of Bonds of any series may be terminated or suspended upon an Event of Default (as defined in the Standby Agreement and described in the Prospectus Supplement). See "The Standby Agreements -- Events of Default and Nature of Obligations."

Each holder of Bonds will be responsible for acting individually with respect to, among other things, the giving of notices, responding to any requests for consents, waivers or other amendments pertaining to the Bonds, enforcing covenants and taking action upon a default.

The following descriptions under "Tender of Bonds," "The Standby Agreements" and "The Guarantees" are general in nature and qualified in their entirety by reference to, and may be superseded to the extent described in, the Prospectus Supplement relating to any particular series of Bonds.

## TENDER OF BONDS

## Tender Option

The Bonds of each series will be subject, at the option of the holder of the Bonds, to tender for purchase with funds available to the Tender Agent (the "Tender Option"). The terms of the Bonds of a series may permit such tenders at any time upon notice or at specified times relating to the reset of the interest rate with respect to the Bonds of such series. On the date on which the Bonds of any series are issued and on each interest reset date for such Bonds, in general, the Remarketing Agent will determine the interest rate for the

Bonds which is necessary to remarket tendered Bonds at a price equal to 100% of the principal amount thereof plus any accrued interest. The Bonds will bear interest at such rate for the next succeeding interest rate period. Tenders of the Bonds will be made to the Tender Agent for purchase at a price equal to 100% of the principal amount thereof plus any accrued interest to the date of tender (the "Purchase Price").

#### Mandatory Tender

Bonds with respect to which the interest rate period has been changed or which have been converted to a fixed rate may be subject to mandatory tender to the Tender Agent for purchase. In addition, the Bonds may be subject to mandatory tender for purchase immediately prior to the termination or expiration of the relevant Standby Agreement, unless the Issuer makes provision for the delivery of an alternate liquidity facility meeting the criteria of the Indenture. Unless otherwise provided in the Prospectus Supplement, if such Bonds are not delivered when due for tender, they will nevertheless be deemed to be tendered and purchased at the Purchase Price with funds available to the Tender Agent.

#### THE STANDBY AGREEMENTS

Each Standby Agreement will be entered into concurrently with or subsequent to the original issuance of the Bonds described in the Prospectus Supplement, in either case as set forth in the Prospectus Supplement, and will expire on the stated termination date set forth in the Prospectus Supplement unless earlier terminated upon the conditions set forth in the Prospectus Supplement.

#### Method of Purchase of Bonds by AIG-LC

The Remarketing Agent will be required to give the Trustee and the Tender Agent notice of the aggregate principal amount of tendered Bonds sold by the Remarketing Agent under the terms of each Indenture. On the purchase date for the Bonds of any series, the Tender Agent or the Trustee as set forth in the Prospectus Supplement shall give AIG-LC notice of the aggregate Purchase Price of that portion of the tendered Bonds of such series that remain unsold. After receipt of such notice, AIG-LC shall (unless its obligations have been terminated or suspended and subject to any conditions described in the Prospectus Supplement), by the time set forth in the Prospectus Supplement, make such amount available to the party so designated in the Prospectus Supplement, in immediately available funds or such other funds as shall be permitted as described in the Prospectus Supplement. As soon as practicable thereafter, but in any event not later than the time set forth in the Prospectus Supplement on each purchase date, the Tender Agent will be required under the Indenture to purchase such Bonds, for the account of AIG-LC, at the Purchase Price. The Tender Agent will be required to remit to AIG-LC such funds which are not so used to purchase tendered Bonds.

During the period that the Bonds are owned by AIG-LC or a qualified purchaser from AIG-LC (including AIG), such Bonds will bear interest at a rate based on a reference rate or an index as described in the Prospectus Supplement, or will bear interest as otherwise described in the Prospectus Supplement. Unless otherwise set forth in the Prospectus Supplement, the Remarketing Agent will have a continuing obligation to use its best efforts to find purchasers for any Bonds owned by AIG-LC or such qualified purchaser.

The Indenture will in general provide that if sufficient funds are duly deposited on such date, then such Bond shall be deemed to have been purchased for all purposes under the related Indenture and that thereafter such holder will have no further rights under the related Indenture, except to receive the Purchase Price from the funds so deposited upon surrender thereof. Neither AIG-LC nor AIG will have any liability to a holder for the failure by the Tender Agent to apply funds received by it to the Purchase Price of the related Bonds.

#### Amount of Commitment

Except as otherwise described in the Prospectus Supplement, each Standby Agreement will have an initial stated amount which is equal to the sum of (a) the principal amount of the Bonds (the "Available Principal Commitment") and (b) an amount at least equal to the interest that would accrue on the Bonds during the period specified in the Prospectus Supplement, computed as though the Bonds bore interest at the

maximum rate of interest permitted to be borne by the Bonds for such period as set forth in the related Prospectus Supplement (the "Available Interest Commitment").

Upon the purchase of any Bonds under the Standby Agreement, the Available Principal Commitment and the Available Interest Commitment will be adjusted as described in the Prospectus Supplement.

#### Events of Default and Nature of Obligations

##### Unconditional Obligations

If the Obligations are unconditional, as described in the Prospectus Supplement, the occurrence and continuance of certain Events of Default (as defined in the Standby Agreement and described in the Prospectus Supplement) shall, except as otherwise described in the Prospectus Supplement, give AIG-LC the right to terminate its obligations under the Standby Agreement upon written notice to the Issuer and Tender Agent specifying a date on which the Standby Agreement shall terminate. In such event, a mandatory tender of the Bonds may take place pursuant to the Indenture prior to the date specified for termination and AIG-LC will be obligated, subject to the terms and conditions of the Standby Agreement and except as otherwise described in the Prospectus Supplement, to provide funds for the payment of the Purchase Price of tendered Bonds that are not remarketed.

##### Conditional Obligations

If the Obligations are conditional, as described in the Prospectus Supplement, the occurrence and continuance of certain Events of Default will, except as otherwise described in the Prospectus Supplement, result in either immediate suspension or termination of AIG-LC's obligation to purchase without further action by AIG-LC or give AIG-LC the right to suspend or terminate its obligations under the Standby Agreement. In such event, except as otherwise described in the Prospectus Supplement, either no mandatory tender of Bonds will take place prior to such a suspension or termination or if a mandatory tender does occur the Standby Agreement will have terminated prior to the purchase date. Except as otherwise described in the Prospectus Supplement, neither AIG-LC nor AIG will be obligated to provide funds for the payment of the Purchase Price of tendered Bonds during such a suspension or following such termination.

#### THE GUARANTEES

The Liquidity Facility Obligations will be unconditionally guaranteed by AIG. Each Guarantee will terminate upon the termination of AIG-LC's obligations pursuant to the Standby Agreement.

##### AIG LIQUIDITY CORP.

AIG Liquidity Corp. was incorporated on June 29, 1992 in the State of Delaware. All outstanding capital stock of AIG-LC is owned by AIG. AIG-LC's principal executive offices are located at 100 Nyala Farm, Westport, Connecticut 06880, Telephone No. (203) 222-4700.

The business of AIG-LC consists of providing liquidity for the payment of the tender price of certain variable rate municipal securities through Standby Agreements and certain related activities.

##### AMERICAN INTERNATIONAL GROUP, INC.

American International Group, Inc., a Delaware corporation ("AIG"), is a holding company which through its subsidiaries is primarily engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG's primary activities include both general and life insurance operations. Other significant activities are financial services and agency and service fee operations. The principal executive offices of AIG are located at 70 Pine Street, New York, New York 10270, telephone (212) 770-7000.



The following table sets forth the historical ratios of earnings to fixed charges of AIG and its consolidated subsidiaries for the periods indicated:

YEARS ENDED DECEMBER 31				
1993	1992	1991	1990	1989
3.08	2.67	3.00	3.63	4.31

Earnings represent income from operations before income taxes and cumulative effect of accounting changes plus fixed charges less capitalized interest and the equity in undistributed income of less than fifty percent owned persons. Fixed charges include interest, whether expensed or capitalized, and one-third of rental expense, which is the proportion deemed representative of the interest factor.

The decline in the ratios over the period from 1989 to 1992 is primarily the result of the inclusion of the fixed charges and operating results of AIG Financial Products Corp. and its subsidiaries ("AIG-FP") which structures borrowings through guaranteed investment agreements and engages in other complex financial transactions, including interest rate and currency swaps. In the course of its business, AIG-FP enters into borrowings that are primarily used to purchase assets that yield rates greater than the rates on the borrowings with the intent of earning a profit on the spread and to finance the acquisition of securities utilized to hedge certain transactions. Due to the comparable level of interest costs for 1993 and 1992 and the growth in earnings, the ratio shown has increased in 1993. The pro forma ratios of earnings to fixed charges, excluding the effects of the operating results of AIG-FP, are 5.66, 5.15, 5.40, 7.27 and 10.10 for 1993, 1992, 1991, 1990 and 1989, respectively. As AIG-FP will continue to be a subsidiary, AIG expects that these ratios will continue to be lower than they would be if the fixed charges and operating results of AIG-FP were not included therein.

#### USE OF PROCEEDS

In consideration for issuing the Liquidity Facility Obligations, AIG-LC will receive fees from the Issuer described in the relevant Prospectus Supplement. AIG-LC expects that any such fees so received would be transferred to AIG or an affiliate of AIG by means of dividends, loans or otherwise and used by AIG or such affiliate for general corporate purposes. Except as otherwise described in the Prospectus Supplement relating to a particular series of Bonds, AIG will not receive separate fees from the Issuer of such Bonds in consideration for issuing the Guarantee Obligations.

#### PLAN OF DISTRIBUTION

The Obligations will be offered from time to time in connection with the initial issuance of the Bonds of any series or the remarketing thereof in connection with the replacement by the Obligations of another liquidity facility in effect with respect to such Bonds. The Obligations may not be traded separately from the Bonds specified in the Prospectus Supplement. Such Bonds have been or will be offered pursuant to a separate Official Statement through any underwriters or agents named therein. AIG-LC and AIG undertake no responsibility with respect to the accuracy or completeness of any Official Statement or any information set forth therein.

Payment of principal of and interest on the Bonds of a series to which the Obligations relate is solely the obligation of the Issuer and is not insured or guaranteed by AIG-LC, AIG or any affiliate thereof.

#### VALIDITY OF OBLIGATIONS

Unless otherwise specified in the Prospectus Supplement relating to any Obligations, the validity of the Liquidity Facility Obligations will be passed upon for AIG-LC by Mudge Rose Guthrie Alexander & Ferdon, New York, New York and the validity of the Guarantee Obligations will be passed upon for AIG by Kathleen E. Shannon, Esq., Vice President and Senior Counsel of AIG.

## EXPERTS

The consolidated financial statements of AIG and its subsidiaries and the related financial statement schedules included in its Annual Report on Form 10-K for the year ended December 31, 1993, incorporated herein by reference, are so incorporated in reliance upon the report of Coopers & Lybrand, independent accountants, given on the authority of that firm as experts in accounting and auditing.

## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Registration Fee.....	\$ 32,328
Printing and Engraving.....	[15,000]
Legal Fees and Expenses.....	325,000
Rating Agency Fees.....	N/A
Miscellaneous.....	N/A
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Total.....	[\$372,328]
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## ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Restated Certificate of Incorporation of AIG provides:

"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."

The Certificate of Incorporation of AIG-LC provides:

"The Corporation 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 Corporation or serves or served any other enterprise at the request of the Corporation."

Section 145 of the Delaware General Corporation Law 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 registrant. 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, AIG and its subsidiaries maintain a directors' and officers' liability insurance policy.

## ITEM 16. EXHIBITS

- 4.1 Form of Standby Bond Purchase Agreement to be entered into by AIG-LC
- 4.2 Form of Guarantee of American International Group, Inc.
- 5.1 Opinion of Mudge Rose Guthrie Alexander & Ferdon with respect to the Liquidity Facility Obligations
- 5.2 Opinion of Kathleen E. Shannon, Esq. with respect to the Guarantee Obligations
- 10 Form of Letter Agreement to be entered into by AIG-LC and AIG relating to a Standby Bond Purchase Agreement
- 12 Computation of ratio of earnings to fixed charges (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference)
- 23.1 Consent of Coopers & Lybrand, independent accountants
- 23.2 Consent of Mudge Rose Guthrie Alexander & Ferdon (included in Exhibit 5.1)
- 23.3 Consent of Kathleen E. Shannon, Esq. (included in Exhibit 5.2)
- 24.1 Power of Attorney for American International Group, Inc. (included on the signature page hereof)
- 28 Information from reports furnished to state insurance regulatory authorities (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference)

## ITEM 17. UNDERTAKINGS

The undersigned registrants hereby undertake:

(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 of 1933 unless the information required to be included in such post-effective amendment is contained in a periodic report filed by AIG pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference,

(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 unless the information required to be included in such post-effective amendment is contained in a periodic report filed by AIG pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference, and

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

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment 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;

(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; and

(4) that, for purposes of determining any liability under the Securities Act of 1933, each filing of AIG's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 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 of 1933 may be permitted to directors, officers and controlling persons of AIG or AIG-LC pursuant to the foregoing provisions, or otherwise, AIG and AIG-LC have 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 AIG or AIG-LC of expenses incurred or paid by a director, officer or controlling person of AIG or AIG-LC in the successful defense of any action, suit or proceeding) is asserted against AIG or AIG-LC by such director, officer or controlling person in connection with the securities being registered, AIG or AIG-LC, as the case may be, 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-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE TOWN OF WESTPORT, STATE OF CONNECTICUT, ON APRIL 13, 1994.

AIG LIQUIDITY CORP.

By: /s/ JOSEPH J. CASSANO  
 JOSEPH J. CASSANO,  
 MANAGING DIRECTOR,  
 VICE PRESIDENT, AND TREASURER

-----

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

SIGNATURE	TITLE	DATE
-----	-----	-----
/s/ EDWARD E. MATTHEWS (EDWARD E. MATTHEWS)	Director and Co-Chairman	April 13, 1994
/s/ PETROS K. SABATACAKIS (PETROS K. SABATACAKIS)	Director and Co-Chairman (Principal Executive Officer)	April 13, 1994
/s/ JOSEPH J. CASSANO (JOSEPH J. CASSANO)	Managing Director, Vice President, and Treasurer (Principal Financial Officer and Principal Accounting Officer)	April 13, 1994
/s/ THOMAS R. SAVAGE (THOMAS R. SAVAGE)	Managing Director and Vice President	April 13, 1994

## 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-3 AND HAS DULY CAUSED THIS REGISTRATION STATEMENT 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 13TH DAY OF APRIL, 1994.

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ M.R. GREENBERG\*  
(M.R. GREENBERG, CHAIRMAN)

-----  
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: that each person whose signature appears below constitutes and appoints M.R. Greenberg, Edward E. Matthews and Howard I. Smith, and each of them, as true and lawful attorneys-in-fact and agents with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing required and necessary to be done in and about the foregoing, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

-----  
Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ M.R. GREENBERG* (M.R. GREENBERG)	Chairman and Director (Principal Executive Officer)	April 13, 1994
/s/ EDWARD E. MATTHEWS (EDWARD E. MATTHEWS)	Vice Chairman and Director (Principal Financial Officer)	April 13, 1994
/s/ HOWARD I. SMITH (HOWARD I. SMITH)	Senior Vice President and Comptroller (Principal Accounting Officer)	April 13, 1994
/s/ M. BERNARD AIDINOFF* (M. BERNARD AIDINOFF)	Director	April 13, 1994
/s/ MARSHALL A. COHEN* (MARSHALL A. COHEN)	Director	April 13, 1994

SIGNATURE	TITLE	DATE
/s/ BARBER B. CONABLE, JR.* (BARBER B. CONABLE, JR.)	Director	April 13, 1994
/s/ MARION E. FAJEN* (MARION E. FAJEN)	Director	April 13, 1994
/s/ MARTIN S. FELDSTEIN* (MARTIN S. FELDSTEIN)	Director	April 13, 1994
/s/ HOUGHTON FREEMAN* (HOUGHTON FREEMAN)	Director	April 13, 1994
/s/ LESLIE L. GONDA* (LESLIE L. GONDA)	Director	April 13, 1994
/s/ PIERRE GOUSSELAND* (PIERRE GOUSSELAND)	Director	April 13, 1994
(CARLA HILLS)	Director	April , 1994
/s/ FRANK HOENEMEYER* (FRANK HOENEMEYER)	Director	April 13, 1994
/s/ JOHN I. HOWELL* (JOHN I. HOWELL)	Director	April 13, 1994
/s/ DEAN P. PHYPER* (DEAN P. PHYPER)	Director	April 13, 1994
/s/ JOHN J. ROBERTS* (JOHN J. ROBERTS)	Director	April 13, 1994
/s/ ERNEST E. STEMPEL* (ERNEST E. STEMPEL)	Director	April 13, 1994
/s/ THOMAS R. TIZZIO* (THOMAS R. TIZZIO)	Director	April 13, 1994
*By: /s/ HOWARD I. SMITH (HOWARD I. SMITH) (ATTORNEY-IN-FACT)		



## EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE
4.1	Form of Standby Bond Purchase Agreement to be entered into by AIG-LC	
4.2	Form of Guarantee of American International Group, Inc.	
5.1	Opinion of Mudge Rose Guthrie Alexander & Ferdon with respect to the Liquidity Facility Obligations	
5.2	Opinion of Kathleen E. Shannon, Esq. with respect to the Guarantee Obligations	
10	Form of Letter Agreement to be entered into by AIG-LC and AIG relating to a Standby Bond Purchase Agreement	
12	Computation of ratio of earnings to fixed charges (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference)	
23.1	Consent of Coopers & Lybrand, independent accountants	
23.2	Consent of Mudge Rose Guthrie Alexander & Ferdon (included in Exhibit 5.1)	
23.3	Consent of Kathleen E. Shannon, Esq. (included in Exhibit 5.2)	
24.1	Power of Attorney for American International Group, Inc. (included on the signature page hereof)	
28	Information from reports furnished to state insurance regulatory authorities (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference)	

STANDBY BOND PURCHASE AGREEMENT

DATED AS OF \_\_\_\_\_, 19

BY AND BETWEEN

[NAME OF ISSUER]

AND

AIG LIQUIDITY CORP.

RELATING TO THE \_\_\_\_\_ BONDS,

SERIES

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STANDBY BOND PURCHASE AGREEMENT (this "Agreement") dated as of \_\_\_\_\_, 19\_\_\_\_ between \_\_\_\_\_, a (state) (authority) (political subdivision) (municipal corporation) organized and existing under the laws of the State of \_\_\_\_\_ (the "Issuer") and AIG Liquidity Corp., a Delaware corporation (the "Purchaser").

W I T N E S S E T H:

WHEREAS, the Issuer has issued \$ \_\_\_\_\_,000,000 aggregate principal amount of its \_\_\_\_\_ Bonds, Series \_\_\_\_\_ (the "Bonds"), under the \_\_\_\_\_ (ordinance, resolution, order, trust indenture or similar instrument of the Issuer pursuant to which the Bonds are issued and secured), as amended and supplemented (the "Bond Security Agreement"), including the \_\_\_\_\_ (supplement to the Bond Security Agreement specifying terms of Bonds) (the "Series Bond Security Agreement"); and

WHEREAS, pursuant to the terms of the Bond Security Agreement and the Bonds, the holders of the Bonds have the right to and under certain circumstances are required to tender their Bonds for purchase at a purchase price equal to the principal amount of the tendered Bonds plus interest accrued thereon to the purchase date; and

WHEREAS, the Issuer desires to provide for the purchase by the Purchaser on the terms and conditions specified herein of tendered or deemed tendered Bonds which cannot be remarketed as provided for in the Bond Security Agreement;

NOW, THEREFORE, in consideration of the respective agreements contained herein, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.01. DEFINITIONS. The following terms, as used herein, have the following meanings:

"ACT" shall mean the enabling legislation of the Issuer and other law pursuant to which the Bonds are issued and secured.

"AVAILABLE COMMITMENT" means on any day the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

"AVAILABLE INTEREST COMMITMENT" initially means \$ \_\_\_\_\_ (an amount equal to \_\_\_\_\_ days' interest on the Bonds, assuming the Bonds bore interest at the rate of \_\_\_\_\_ % per annum (computed in accordance with the Bond Security Agreement)) and thereafter means said amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment pursuant to the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment; and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment bears to the initial Available Principal Commitment.

"AVAILABLE PRINCIPAL COMMITMENT" initially means \$ \_\_\_\_\_ (the aggregate principal amount of the Bonds Outstanding on Closing Date) and thereafter means said amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to Section 2.03 hereof; (b) downward by the principal amount of any Bonds purchased with moneys made available to the Tender Agent by the Purchaser pursuant to Section 2.02(b) hereof; (c) upward by the principal amount of any Bonds theretofore purchased with moneys made available to the Tender Agent by the Purchaser pursuant to Section 2.02(b) hereof which are sold by a Purchased Bondholder pursuant to or as contemplated by Section 2.04(c) hereof or which a Purchased Bondholder elects to retain pursuant to Section 2.04(c) hereof; and (d) downward at the times and to the extent provided in Section 7.02 hereof. Any adjustments pursuant to clauses (a), (b), (c) and (d) above shall occur simultaneously with the event requiring such adjustments.

"BASE RATE" shall mean the higher of (i) the Prime Rate and (ii) the Federal Funds Rate plus       % per annum (rate to be determined).

"BOND DOCUMENTS" means the Bond Security Agreement, this Agreement, the Remarketing Agreement, [if applicable] the Tender Agency Agreement and [if applicable] the Policy.

"BUSINESS DAY" shall have the meaning set forth in the Bond Security Agreement.

"CLOSING DATE" means the date on which this Agreement is delivered by the Purchaser to the [Tender Agent/Trustee].

"DEFAULT" shall mean any event which with notice or lapse of time, or both, would become an Event of Default.

"EVENT OF DEFAULT" shall mean any of the events described in Section 7.01 hereof.

"FEDERAL FUNDS RATE" shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided, that if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the immediately preceding Business Day as so published on the next succeeding Business Day.

"INSURER" [applicable only if the Bonds are insured] shall mean  
 , a -domiciled stock insurance company.

"INSURER EVENT OF INSOLVENCY" [if applicable] means the occurrence and continuance of one or more of the following events: (a) the issuance, under the laws of the state of incorporation or organization of the Insurer, of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Insurer; (b) the commencement by the Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Insurer of an assignment for the benefit of creditors; (e) the failure of the Insurer to generally pay its debts or claims as they become due; or (f) the initiation by the Insurer of any actions to authorize any of the foregoing.

"LAW" means the of the State of (Section et seq. of the , as amended), and all laws amendatory thereof or supplemental thereto.

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, deposit arrangement, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

"MAXIMUM RATE" means the maximum rate of interest permitted to be borne by the Bonds under the Bond Security Agreement.

"MERGER WITHOUT ASSUMPTION" means that a party to this Agreement consolidates or amalgamates, or merges into, or transfers all or

substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity, or also in the case of the Issuer, any Person, board, body, commission, agency, or authority succeeds to the principal functions of, and/or the power or duties granted to, the Issuer, and in any such case, at the time of such consolidation, amalgamation, merger, transfer, reorganization, incorporation, reincorporation, reconstitution, or succession the resulting, surviving or transferee entity fails to assume all the obligations of such party under this Agreement by operation of law or pursuant to any agreement reasonably satisfactory to the other party to this Agreement.

"OFFICIAL STATEMENT" shall mean the Preliminary Official Statement and the final Official Statement relating to the sale of the Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented,

or any other preliminary or final official statement of the Issuer or prospectus used with respect to the remarketing of the Bonds.

"PARTICIPANT" shall mean any Person which purchases from the Purchaser, from time to time, a participation in the Purchaser's rights and interests and assumes obligations in and under this Agreement.

"PERSON" means any individual or entity, together with its permitted successors and assigns and, in the case of a governmental Person, the Person succeeding to its functions and capacities.

"PLEGGED REVENUES" means the revenues of the Issuer on which the Issuer has given a Lien pursuant to the Bond Security Agreement to secure the Bonds.

"POLICY" (if applicable) means the municipal bond insurance policy issued by the Insurer to insure the payment of principal of and interest (including interest at the Purchased Bonds Rate) on the Bonds, together with any extensions, modifications and replacements thereof.

"PRIME RATE" means the rate per annum announced by a bank (selected by the Purchaser in good faith) from time to time at such bank's principal office as its prime lending rate for unsecured commercial loans within the United States (which rate is calculated on a 365-day year basis), any change in such rate resulting from a change in the prime lending rate to be effective on the date of each change in the prime lending rate announced by such bank.

"PURCHASE ACCOUNT" means the Purchase Account maintained by the Tender Agent in the Purchase and Remarketing Fund for use in connection with the purchase of Bonds pursuant to Section of the Series Bond Security Agreement.

"PURCHASE DATE" means a Business Day during the Purchase Period on which the Purchaser purchases Bonds pursuant to Section 2.02 hereof.

"PURCHASE PERIOD" means the period from the date this Agreement becomes effective to and including the earlier of (i) or an extended date as may become effective under Section 8.07 hereof, (ii) the receipt by the Purchaser of a certificate purportedly signed by an officer of the (Tender Agent) (Trustee) stating that the Purchase Period has been terminated pursuant to the terms of the Series Bond Security Agreement because (y) an Alternate Standby Agreement has been provided under the Series Bond Security Agreement and as provided in Section 8.06(c) hereof or (z) no Bonds remain Outstanding, (iii) the day after the Purchaser receives notice from an officer of the (Tender Agent) (Trustee) regarding the effective date of the Fixed Interest Rate Period for all the Bonds or the day after the Fixed Interest Rate takes effect, whichever occurs last, (iv) the date specified in a written notice delivered by the Issuer to the Purchaser that the Purchase Period has been terminated pursuant to Section 8.06(b) of this Agreement or (v) the date of termination of the Available Commitment and the Purchaser's obligation to purchase Bonds in accordance with Section 7.02 of this Agreement.

"PURCHASE PRICE" means, with respect to the Bonds or portions thereof to be purchased on any Purchase Date, the aggregate principal amount thereof plus interest accrued and unpaid thereon to such date.

"PURCHASED BOND" means each Bond purchased by the Tender Agent under the Series Bond Security Agreement with funds provided by the Purchaser hereunder until the remarketing of such Bond pursuant to Section 2.04(c) hereof or the effective date of an election by the Purchased Bondholder that owns such Bond or the beneficial interest therein to retain such Bond or beneficial interest in accordance with Section 2.04(c) hereof.

"PURCHASED BONDHOLDER" means the Purchaser (but only in its capacity



as owner of Purchased Bonds or beneficial interests therein pursuant to this Agreement) and any other Person that has purchased Purchased Bonds or beneficial interests therein from the Purchaser or from another Purchased Bondholder pursuant to Section 2.04(a) hereof so long as such Bonds or beneficial interests therein are owned by the Purchaser or by such Person and such Bonds are Purchased Bonds.

"PURCHASED BONDS DAY" means any day on which, at \_\_\_\_\_ p.m., New York time, any Bond is a Purchased Bond.

"PURCHASED BONDS RATE" shall, at any date of determination, have the meaning ascribed thereto in Section 3.01 of this Agreement in effect on such date.

"STANDBY PURCHASER GUARANTEE" means the Guarantee, dated the date hereof, issued by the Standby Purchaser Guarantor guaranteeing the obligations of the Purchaser hereunder.

"STANDBY PURCHASER GUARANTOR" means American International Group, Inc.

"TENDER AGENCY AGREEMENT" [if applicable] means that certain Tender Agency Agreement, dated as of \_\_\_\_\_, by and between the Issuer and the Tender Agent.

"TENDER AGENT" means \_\_\_\_\_ of \_\_\_\_\_ or its successor under the Series Bond Security Agreement.

"TENDERED BOND" means as of any date, any Bond which is subject to purchase pursuant to Section \_\_\_\_\_ of the Series Bond Security Agreement other than any Bond which has been remarketed, provided that in no event shall a Purchased Bond be a Tendered Bond.

"TRUSTEE" means \_\_\_\_\_, which, as of the date hereof, has its principal corporate trust office in \_\_\_\_\_, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in Section \_\_\_\_\_ of the Bond Security Agreement.

SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE. Each capitalized term used herein and not defined herein shall have the meaning provided therefor in the Bond Security Agreement.

## ARTICLE II.

### THE COMMITMENT; FEES

SECTION 2.01. COMMITMENT TO PURCHASE BONDS. The Purchaser agrees, on the terms and conditions contained in this Agreement, to provide immediately available funds to purchase Tendered Bonds in Authorized Denominations from time to time during the Purchase Period at the Purchase Price. Such Tendered Bonds or, while the system of book-entry described in Section \_\_\_\_\_ of the Series Bond Security Agreement is in effect, beneficial interests in such Tendered Bonds shall be purchased for the account of the Purchaser. The aggregate principal amount of Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment of the Purchaser on such date. The aggregate amount of the Purchase Price comprising interest on any Purchase Date shall not exceed the lesser of (1) the Available Interest Commitment of the Purchaser and (2) the actual amount of interest accrued on Bonds so purchased; provided however in no event shall the Available Interest Commitment be available for or used for payment of interest on Purchased Bonds at the Purchased Bonds Rate.

SECTION 2.02. METHOD OF PURCHASING. (A) PURCHASE OF BONDS. Under Section \_\_\_\_\_ of the Series Bond Security Agreement, the Remarketing Agent is required to give the Purchaser written or telephonic notice (promptly confirmed by telex or telecopier), (a) no later than \_\_\_\_\_ a.m., New York time, on the \_\_\_\_\_ Business Day prior to the Business Day on which Tendered Bonds are to be purchased by the Tender Agent under the Series Bond Security Agreement, of (i) the aggregate principal amount of Tendered Bonds that have been tendered for purchase on such later Business Day and (ii) the aggregate principal amount of such Tendered Bonds sold by the Remarketing Agent under the terms of the Series Bond Security Agreement and (b) no later than \_\_\_\_\_ a.m., New York time, on the Business Day on which Bonds are to be purchased by the Tender Agent under the Series Bond Security Agreement of the aggregate principal amount of Tendered Bonds sold by

the Remarketing Agent under the terms of the Series Bond Security Agreement. No later than \_\_\_\_\_ a.m., New York time, on the Purchase Date, the [Trustee] [Tender Agent] shall give the Purchaser notice of the aggregate Purchase Price of the Tendered Bonds required to be purchased pursuant to Section 2.02(b) below and the amount of such Purchase Price comprising principal and the amount of such

Purchase Price comprising accrued interest. After receipt of the notice specified in the preceding sentence of this paragraph, the Purchaser shall, subject to Sections 2.01 and 2.02(a), [and unless it determines that its obligation to purchase hereunder shall have been suspended or terminated in accordance with Section 7.02 hereof,] by \_\_\_\_\_ p.m., New York time, on the Purchase Date, make available such Purchase Price to the Tender Agent, in immediately available funds, to be held in the Purchase Account as described in Section \_\_\_\_\_ of the Series Bond Security Agreement. All funds provided by the Purchaser hereunder shall be the Purchaser's own funds or funds derived from Participants and not funds of the Issuer.

(B) METHOD OF PURCHASE. As soon as practicable after moneys become available, but in any event not later than \_\_\_\_\_ p.m., New York City time, on each Purchase Date, the Tender Agent is required under Section \_\_\_\_\_ of the Series Bond Security Agreement to purchase, for the account of the Purchaser, at the Purchase Price, with funds previously made available to the Tender Agent pursuant to Section 2.02(a) above, that portion of the Tendered Bonds for the purchase of which immediately available funds are not otherwise then available for such purposes under Section \_\_\_\_\_ of the Series Bond Security Agreement. The Tender Agent is required under Section \_\_\_\_\_ of the Series Bond Security Agreement to remit to the Purchaser such of the Purchaser's funds which are not so used to purchase Tendered Bonds. The Bonds purchased with moneys made available to the Tender Agent as described in Section 2.02(a) above shall constitute Purchased Bonds and (a) while the system of book-entry described in Section \_\_\_\_\_ of the Series Bond Security Agreement is not in effect, shall be registered in the name of the Purchaser, or any nominee of the Purchaser, and such Purchased Bonds shall be held by the Tender Agent, as agent of the Purchaser, on the date of such purchase, and (b) while such book-entry system is in effect, the record ownership in such Purchased Bonds shall be transferred to the Tender Agent and the Purchaser shall be the beneficial owner of such Purchased Bonds.

(C) NO LIABILITY OF PURCHASER FOR [TENDER AGENT'S] [TRUSTEE'S] FAILURE TO ACT. The Purchaser shall not have any responsibility for, or incur any liability in respect of, any act, or any failure to act, by the [Tender Agent] [Trustee] which results in the failure of the [Tender Agent] [Trustee], as the case may be, (y) to credit the appropriate account with funds made available by the Purchaser pursuant to this Section or (z) to effect the purchase of Tendered Bonds with such funds pursuant to this Section.

(D) REIMBURSEMENT OF THE INTEREST COMPONENT. In the event that a Bond or beneficial interest therein is purchased with moneys made available to the Tender Agent by the Purchaser pursuant to this Section 2.02, the Purchaser shall be entitled to reimbursement of the accrued interest component, if any, of the Purchase Price of such Bond or beneficial interest (the "Interest Component"), together with interest accrued thereon to the date of such reimbursement at the Purchased Bonds Rate calculated on the basis of a year of 365 days and the actual number of days elapsed. Unless otherwise provided in the Bond Security Agreement, the Interest Component and such interest accrued thereon shall be paid to the Purchaser on the earlier of the date on which such Bond or beneficial interest is remarketed or the next succeeding Interest Payment Date and shall be included in (and reimbursed as) interest accrued on such Bond or beneficial interest. The Issuer may reimburse the Purchaser for such Interest Component at any time prior to the time required by the preceding sentence.

SECTION 2.03. REDUCTION OF COMMITMENT. Upon any redemption, payment or provision for payment pursuant to the Bond Security Agreement of all or any portion of the principal amount of the Bonds so that such Bonds shall cease to be Outstanding under the Bond Security Agreement, the aggregate Available Principal Commitment of the Purchaser shall automatically be reduced by the principal amount of such Bonds so redeemed, paid or with respect to which provision for the payment thereof has been so made. The Issuer agrees to give the Purchaser notice of any redemption (other than sinking fund redemption) or defeasance of the Bonds pursuant to the Bond Security Agreement.

SECTION 2.04. SALE OF BONDS. (A) RIGHT TO SELL BONDS. The Purchaser expressly reserves the right to sell, at any time, any Purchased Bond or the beneficial interest therein subject, however, to the express terms of this Agreement. The Purchaser agrees that such sales (other than sales made pursuant to Section 2.04(c) hereof) will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations. The Purchaser agrees to notify the Insurer, the [Trustee], the [Tender Agent] and the Remarketing Agent promptly in writing, which may be by telecopy, of any such sale (other than a sale made pursuant to Section 2.04(c)) and



to notify the transferee in writing that (i) such Bond is no longer a Bond that the Purchaser is obligated to purchase hereunder so long as it remains a Purchased Bond, (ii) such Bond or beneficial interest may be transferred only as provided in this Section 2.04 while such Bond is a Purchased Bond and (iii) such Bond is subject to sale, and may cease to be a Purchased Bond, as provided in Section 2.04(c) hereof. The Purchaser shall provide the [Trustee] [Tender Agent] with the written agreement of each Purchased Bondholder purchasing a Purchased Bond or beneficial interest therein from the Purchaser (i) acknowledging the terms of this Agreement relating to Purchased Bonds, (ii) agreeing not to sell such Purchased Bond or beneficial interest except for sales to the Purchaser, sales to a purchaser identified by the Remarketing Agent pursuant to Section 2.04(b) and sales in accordance with the immediately succeeding paragraph and (iii) specifying an address and telephone number and account information for purposes of all notices and payments to such Purchased Bondholder.

Each Purchased Bondholder may sell any Purchased Bond or the beneficial interest therein but only if any such sale is made in accordance with the terms hereof applicable to sales of Purchased Bonds or beneficial interests therein by the Purchaser, including the provisions set forth in the foregoing paragraph of this Section 2.04(a).

(B) PURCHASE NOTICES. Prior to a.m. (New York time) on any Business Day on which a Purchased Bondholder owns Purchased Bonds or beneficial interests therein, the [Trustee] [Tender Agent] may deliver a notice to such Purchased Bondholder and to the Purchaser stating that the Remarketing Agent has located a purchaser for some or all of such Purchased Bonds or beneficial interests and that such purchaser desires to purchase on the Business Day following the date on which such Purchased Bondholder receives such notice (in any such case, a "Sale Date") an Authorized Denomination of such Purchased Bonds or beneficial interests at a price which, together with any moneys to be provided by the [Trustee] [Tender Agent] pursuant to the Bond Security Agreement with respect to payment of interest, will equal the aggregate principal amount thereof plus interest (including any unreimbursed Interest Component and interest thereon under Section 2.02(d)) accrued and unpaid thereon to the Sale Date.

(C) SALE OF PURCHASED BONDS. A Purchased Bondholder shall decide whether or not to sell any Purchased Bond or beneficial interest therein to any such purchaser located by the Remarketing Agent and shall give written notice of such decision to the [Trustee] [Tender Agent] and the Remarketing Agent by p.m. (New York time) on the Business Day preceding the Sale Date. In the event such notice is not timely delivered by a Purchased Bondholder, such Purchased Bondholder shall be deemed to have determined to sell such Purchased Bond or beneficial interest. If a Purchased Bondholder determines or is deemed to have determined to sell such Purchased Bond or beneficial interest, such Purchased Bond or beneficial interest shall be returned to or released by the [Trustee] [Tender Agent] by a.m. (New York time) on the Sale Date against receipt of the purchase price therefor as set forth in this Section 2.04 equal to the principal amount thereof and accrued interest thereon in immediately available funds by the Purchaser in accordance with Section 8.12 hereof or at the Purchased Bondholder's address listed in the Bond Register, as the case may be, whereupon such Bonds shall thereupon no longer be Purchased Bonds and the [Trustee] [Tender Agent] shall notify the [Tender Agent] [Trustee] that such Bonds are no longer Purchased Bonds. Any sale of a Purchased Bond pursuant to this Section 2.04 shall be without recourse to the seller and without representation or warranty of any kind. If a Purchased Bondholder notifies the [Trustee] [Tender Agent] and the Remarketing Agent that it will not sell such Purchased Bond or beneficial interest, such Bonds shall no longer be Purchased Bonds as of the Sale Date, and the [Trustee] [Tender Agent] shall on the Sale Date give notice to such effect to the [Tender Agent] [Trustee], the Remarketing Agent, the Purchaser and such Purchased Bondholder.

SECTION 2.05. FEES. (A) COMMITMENT FEE. The Issuer hereby agrees to pay or cause to be paid to the Purchaser a commitment fee with respect to the commitment of the Purchaser hereunder at the rate of % per annum [rate to be determined] commencing on the Closing Date and continuing for the duration of the Purchase Period on the average daily amount of the Available Commitment of the Purchaser during each period as set forth hereinbelow. Such fee shall be payable in immediately available funds in arrears on [dates of payment to be determined]. Fees payable pursuant to this Section shall be calculated on the basis of a 365-day year and actual days elapsed. It is understood that such fee shall be paid by the Issuer on the date due without the submission of any invoice or demand therefor on the part of the Purchaser. For

purposes of this Section 2.05 only, the Available Commitment shall be deemed not to be reduced during any period the same has been suspended pursuant to Section 7.02 hereof.

(B) PURCHASE DEMAND FEE. The Issuer agrees to pay or cause to be paid to the Purchaser a purchase demand fee with respect to each demand for the Purchaser to purchase Bonds hereunder in the amount of \$ \_\_\_\_\_ per purchase demand (fee to be determined). Such fees shall be payable in immediately available funds on \_\_\_\_\_ (dates of payment to be determined) (each, a "Demand Fee Payment Date"), the fees payable on each Demand Fee Payment Date to include all unpaid purchase demand fees, if any, in respect of demands for the Purchaser to purchase Bonds that occurred prior to such Demand Fee Payment Date. Payment shall be made by the Issuer upon submission of an invoice therefor by the Purchaser prior to the due date of such fees.

SECTION 2.06. RIGHTS OF THE PURCHASER. Upon purchasing Purchased Bonds or beneficial interests therein, a Purchased Bondholder shall be entitled to and, where necessary, deemed assigned, all rights and privileges accorded the Bondholders or owners of beneficial interests in Bonds, as the case may be, under the Bond Security Agreement. Upon purchasing Purchased Bonds or beneficial interests therein, a Purchased Bondholder shall be recognized by the Issuer as the true and lawful owner thereof free from any claims, liens, security interests, equitable interests and other interests of the Issuer and the Insurer (if applicable) except as such interests might be outstanding under the terms of the Purchased Bonds and the Series Bond Security Agreement with respect to all Bondholders.

#### SECTION 2.07. CHANGE OF LAW.

(A) INCREASED COSTS. If, after the date of this Agreement, the adoption of any governmental rule, any change in any governmental rule or the application or requirements thereof (whether such change occurs in accordance with the terms of such governmental rule as enacted, as a result of amendment or otherwise), any change in the interpretation or administration of any governmental rule by any governmental authority, or compliance by the Purchaser or any Participant with any request or directive (whether or not having the force of law) of any governmental authority (a "Change of Law"):

(i) Shall subject the Purchaser or any Participant to any tax, duty or other charge with respect to the Purchaser's commitment hereunder, or shall change the basis of taxation of the Purchaser or any Participant on Purchased Bonds (except for changes in the rate of taxation on the overall net income of the Purchaser or any Participant); or

(ii) Shall impose, modify or hold applicable any reserve, special deposit or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances or loans by, or

any other acquisition of funds by the Purchaser or any Participant for the Purchaser's commitment

hereunder; or

(iii) Shall impose on the Purchaser or any Participant any other condition related to the Purchaser's commitment hereunder;

and the effect of any of the foregoing is to increase the cost to the Purchaser or any Participant of making, renewing, or maintaining the Purchaser's commitment or of making, funding or maintaining purchases of the Purchaser hereunder or to reduce any amount receivable by the Purchaser or any Participant hereunder or under any Purchased Bonds; then the Issuer shall from time to time, upon demand by the Purchaser or any Participant, pay to the Purchaser or any Participant additional amounts sufficient to reimburse the Purchaser or any Participant for such increased costs or to compensate the Purchaser or any Participant for such reduced amounts relating to its commitment hereunder. A certificate as to the amount of such increased costs or reduced amounts, submitted by Purchaser or any Participant to the Issuer shall, in the absence of manifest error, be conclusive and binding on the Issuer for all purposes.

(B) CAPITAL REQUIREMENTS. If, after the date of this Agreement, the Purchaser or any Participant determines that (i) any Change of Law affects the amount of capital required or expected to be maintained by the Purchaser or any person controlling the Purchaser or any Participant (a "Capital Adequacy Requirement") and (ii) the amount of capital maintained by the Purchaser or any Participant which is attributable to or based upon the Available Commitment or this Agreement must be increased as a result of such Capital



Adequacy Requirement (taking into account the Purchaser's or such Participant's policies with respect to capital adequacy), the Issuer shall pay to the Purchaser or any Participant, upon demand of the Purchaser or any Participant, such amounts as the Purchaser or any Participant shall determine are necessary to compensate the Purchaser for the increased costs to the Purchaser or any Participant of such increased capital. A certificate of the Purchaser or any Participant setting forth in reasonable detail the computation of any such increased costs, delivered by the Purchaser or any Participant to the Issuer shall, in the absence of manifest error, be conclusive and binding on the Issuer for all purposes.

(C) ISSUER RIGHT TO TERMINATE. In the event that the Purchaser or any Participant delivers a notice to the Issuer of an increased cost payable by the Issuer pursuant to Section 2.07(a) or (b) hereof, the Issuer may, subject to the terms of the Series Bond Security Agreement and to Section 8.06(c), terminate this Agreement upon sixty (60) days prior written notice to the Purchaser.

### ARTICLE III.

#### THE PURCHASED BONDS RATE

##### SECTION 3.01. PURCHASED BONDS TO BEAR INTEREST AT PURCHASED BONDS RATE.

(A) PURCHASED BONDS RATE. Any Purchased Bond shall bear interest at the Purchased Bonds Rate for the period commencing with the date that the Purchaser purchases such Bond and continuing until such Bond is no longer a Purchased Bond. Subject to the provisions of Section 3.01(b) hereof, the Purchased Bonds Rate at any time shall be equal to the Base Rate; provided, however, that upon the first to occur of (i) an Event of Default, (ii) the date on which the aggregate amount of Purchased Bonds Days since the effective date of this Agreement equals (to be determined) and (iii) the end of the Purchase Period if any Bond is then a Purchased Bond, the Purchased Bonds Rate shall be equal to the Base Rate plus two percent (2%) for any period thereafter; and provided further, however, that at no time shall the Purchased Bonds Rate exceed the Maximum Rate or be less than the then applicable rate of interest on the Bonds, if any, that are not Purchased Bonds.

(B) EXCESS BOND INTEREST AMOUNT. The rate set forth in Section 3.01(a), without giving effect to the reference therein to this Section 3.01(b) or to the last proviso therein limiting the Purchased Bonds Rate to the Maximum Rate, is herein referred to as the "Section 3.01(a) Rate". The amount of interest, if any, that would accrue on the Bonds at the Section 3.01(a) Rate on any date but which does not so accrue due to such limitation of the Purchased Bonds Rate to the Maximum Rate shall constitute "Excess Bond Interest." As of any date, the cumulative Excess Bond Interest, if any, on all days since the effective date hereof, reduced as set forth in the next sentence, shall constitute the "Excess Bond Interest Amount". If there is any Excess Bond Interest Amount on any date when the Section 3.01(a) Rate is less than the Maximum Rate, the Purchased Bonds Rate for such date shall be the Maximum Rate rather than the Section 3.01(a) Rate and the Excess Bond Interest Amount shall be reduced on such date by the excess of the amount of interest accrued on such date at the Maximum Rate over the amount of interest that would have accrued on such date at the Section 3.01(a) Rate; provided, however, that if the accrual of interest on Purchased Bonds at the Maximum Rate on any date would result in a reduction of the Excess Bond Interest Amount to a negative number, such Purchased Bonds shall accrue interest on such date at such lesser rate as shall result in the reduction of the Excess Bond Interest Amount on such date to zero.

(C) PAYMENT OF PRINCIPAL OF PURCHASED BONDS. (Provisions with respect to payment of principal of Purchased Bonds to be set forth as agreed upon by the Purchaser, the Issuer and (if applicable) the Insurer).

## ARTICLE IV.

## REPRESENTATIONS AND WARRANTIES OF THE ISSUER

SECTION 4.01. REPRESENTATIONS AND WARRANTIES. The Issuer represents and warrants to the Purchaser as of the Closing Date that

(A) ORGANIZATION; POWER. The Issuer is a \_\_\_\_\_ of the State of \_\_\_\_\_ and has all requisite power and authority (i) to conduct its business, to own its properties and to carry on its activities, (ii) to execute, deliver and perform its obligations under the Bond Documents, (iii) to issue the Bonds in the manner and for the purpose contemplated by the Bond Security Agreement, and (iv) to execute, deliver or adopt, as the case may be, and perform its obligations under all other agreements and instruments executed and delivered by the Issuer pursuant to or in connection with this Agreement.

(B) VALID AND BINDING OBLIGATIONS. This Agreement constitutes, and each of the Bond Documents constitute the legal, valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject to usual equity principles.

(C) FINANCIAL CONDITION. All of the Issuer's most recent Financial Statements and its Annual Report, copies of which have been furnished to the Purchaser, have been prepared in conformity with generally accepted accounting principles (except as noted therein) and fairly present the financial condition of each of the entities listed therein as at the then respective dates, and the results of its operations for the period covered thereby. There has been no change in the condition (financial or otherwise), operations or prospects of the Issuer since the date of such Financial Statements or since the date of preparation of the current and projected fiscal year plan.

(D) OFFICIAL STATEMENT. The information contained in the Official Statement (other than with respect to the information contained therein and furnished in writing by the Purchaser or (if applicable) the Bond Insurer), is as of the date hereof true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and except as otherwise disclosed to the Purchaser by the Issuer in writing, from the date of the Official Statement to the date of execution of this Agreement there has occurred no material adverse change in the condition, financial or otherwise of the Issuer, or in the status of the required permits, licenses or approvals for the (Project) (System).

(E) REGULATORY APPROVALS. Each authorization, consent, approval, license or formal exemption from, or filing, declaration or registration with, any court, governmental agency or regulatory authority (Federal, state or local), required in connection with the execution and delivery or adoption, as the case may be, and performance by the Issuer of the Bond Documents or the issuance by the Issuer of the Bonds in the manner and for the purpose contemplated by this Agreement and the Bond Documents, has been obtained or made and is in full force and effect.

(F) SECURITY. The Bond Security Agreement creates the pledge, lien and assignment which it purports to create to secure the Bonds (and the Issuer's obligations hereunder) as and to the extent provided in the Bond Security Agreement.

(G) COMPLIANCE WITH LAWS AND CONTRACTS. The execution and delivery or adoption, as the case may be, and performance by the Issuer of this Agreement or any Bond Document have been duly authorized by the Issuer and will not (i) conflict with or violate the \_\_\_\_\_ (governing instruments of the Issuer) or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Issuer, (ii) result in a breach of or constitute a default under any indenture, mortgage, deed of trust, ordinance or loan or credit agreement or any other agreement, lease or instrument to which the Issuer is a party or by which it or its properties may be bound or affected, or (iii) result in, or require, the creation or imposition of any Lien (other than the Lien of the Bond Security Agreement) upon or with respect to any of the properties now owned or hereafter

acquired by the Issuer; and the Issuer is not in material default under

any such law, order, rule, regulation, writ, judgment, injunction, decree, determination or award or any such indenture, ordinance, agreement, lease or instrument.

(H) DEFAULTS. No Event of Default or an event which with the lapse of time, the giving of notice, or both, would constitute an Event of Default has occurred and is continuing.

(I) LITIGATION. Except as set forth in the Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, body or official pending or, to the knowledge of the Issuer, threatened against or affecting (i) the transactions contemplated by or the validity of any Bond Documents or this Agreement, or any agreement or instrument to which the Issuer is a party and which is issued or contemplated for use in the consummation of the transactions contemplated by the Bond Documents or this Agreement, (ii) the tax exempt status of the Issuer or of the interest on the Bonds, (iii) the Issuer's ability to perform its obligations under this Agreement or the Bond Documents to which it is a party, or (iv) which in any way contests the existence, organization or powers of the Issuer or the titles of the officers of the Issuer to their respective offices; or which in the aggregate might materially adversely affect the Issuer's property, assets, operations or condition, financial or otherwise, or which in any manner draws into question the validity or enforceability of this Agreement or any Bond Document.

(J) SOVEREIGN IMMUNITY. The defense of sovereign immunity is not available to the Issuer in any proceeding initiated by the Purchaser to enforce any of the obligations of the Issuer under this Agreement or the Bond Documents and, to the extent permitted by law, the Issuer consents to the initiation of any such proceeding in any federal or state court of competent jurisdiction located in the State and agrees not to assert the defense of sovereign immunity in any such proceeding.

(K) BOND DOCUMENTS. The Issuer makes each of the representations and warranties contained in the Bond Documents to which the Issuer is a party to, and for the benefit of, the Purchaser as if the same were set forth in full herein.

## ARTICLE V.

### COVENANTS OF THE ISSUER

SECTION 5.01. AFFIRMATIVE COVENANTS. During the term of this Agreement, and until the obligations of the Issuer to the Purchaser hereunder or under any Purchased Bond are paid in full and the Purchaser has no further commitment hereunder, unless the Purchaser shall otherwise consent in writing, the Issuer hereby covenants to:

(A) MAINTAIN POLICY. (If applicable) Maintain the Policy and shall use its best effort to obtain substitute bond insurance if the Policy becomes invalid or uncollectible as to all or any portion of the principal of and interest on the Bonds (including Bonds bearing interest at the Purchased Bonds Rate).

(B) NOTICE OF DEFAULT. Forthwith after the Issuer shall have obtained knowledge of the occurrence of an Event of Default or Default, provide to the Purchaser the written statement of an authorized officer of the Issuer setting forth the details of each such Event of Default or Default and the action which the Issuer proposes to take with respect thereto.

(C) FINANCIAL STATEMENTS. Within        days after the end of each fiscal year of the Issuer, and within        days after the end of each quarter of the Issuer's fiscal year, or at such earlier time as the same may be available, provide to the Purchaser financial statements consisting of a balance sheet of the (Project) (System) as at the end of such period and a statement of income and retained earnings of the (Project) (System) for such fiscal year, setting forth in comparative form the corresponding figures, if any, for the preceding fiscal period, all in reasonable detail and accompanied by (i) in the case of the financial statements prepared at the end of the Issuer's fiscal year, an audit report of nationally recognized independent public accountants stating that such financial statements have (except as noted therein) been prepared in accordance with

generally accepted accounting principles consistently applied and (ii) in any case a certificate from an authorized financial officer of the Issuer stating that no Event of Default or Default has come to his attention which was continuing at the end of such fiscal period or on

the date of his certificate, or if there has been or currently exists an Event of Default or Default, indicating the nature of such Default or Event of Default and the action which the Issuer proposes to take with respect thereto.

(D) PRESERVATION OF EXISTENCE, ETC. Preserve and maintain its existence, rights and privileges in the State of \_\_\_\_\_, and qualify and remain qualified and authorized to do business in each other jurisdiction in which such qualification is necessary in view of its activities or operations with respect to the (Project)(System).

(E) USE OF PROCEEDS OF BONDS. Use the proceeds from the sale of Bonds as provided in the Series Bond Security Agreement.

(F) USE OF PROCEEDS OF PURCHASE HEREUNDER. Cause the (Trustee) (Tender Agent) to use the proceeds from any purchase of Bonds made hereunder solely to pay for the Purchase Price of Tendered Bonds as more fully described in Sections 2.01 and 2.02 hereof.

(G) CERTAIN OBLIGATIONS. Use its best efforts to cause (if applicable) the Insurer at all times to comply with the Policy and each of the Paying Agent, the Tender Agent and the Remarketing Agent at all times to comply with the terms of the Bond Documents to which it is a party.

(H) CERTAIN PARTIES. At all times have a Trustee, Paying Agent, Tender Agent and Remarketing Agent performing the duties thereof contemplated by the Bond Security Agreement.

(I) INSPECTION. Upon reasonable notice permit any Person designated by the Purchaser in writing, at the Purchaser's expense, to visit any of the properties of the Issuer relating to the Bonds or this Agreement, to examine the corporate books and financial records of the Issuer and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Issuer with the principal officers of the Issuer and its independent public accountants relating to the Bonds or this Agreement, all at such reasonable times and as often as the Purchaser may reasonably request.

(J) COMPLIANCE WITH AGREEMENTS. Observe and perform all of its obligations under this Agreement, the Bonds and the other Bond Documents.

(K) CERTAIN NOTICES. Furnish to the Purchaser a copy of any notice, certification, demand or other writing or communication given by (if applicable) the Insurer or the Tender Agent to the Issuer or by the Issuer to (if applicable) the Insurer or the Tender Agent under or in connection with the Bonds or any of the Bond Documents, in each case promptly after the receipt or giving of the same.

(L) LITIGATION NOTICE. Give the Purchaser prompt notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality or other agency which, if adversely determined, could materially impair the ability of the Issuer to carry out its obligations under the Law, this Agreement, the Bonds or any other document, instrument or agreement required hereunder or thereunder, or would materially and adversely affect its assets or financial condition.

(M) OTHER NOTICES. Promptly give written notice to the Purchaser of (i) any material dispute which may exist between the Issuer and either the Insurer (if applicable) or Tender Agent or any dispute in connection with any transaction contemplated under this Agreement or (ii) any matter or event which may result in a material adverse change in the Issuer's financial condition or operations.

(N) INCORPORATION OF COVENANTS BY REFERENCE. The Issuer agrees that

it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Bond Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety. To the extent that any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such provision shall be complied with only if it is waived or consented to by the Purchaser and such document, opinion or other instrument shall be satisfactory to the Purchaser. No amendment to such covenants and agreements

or defined terms made pursuant to the Bond Documents shall be effective to amend such covenants and agreements and defined terms as incorporated by reference herein without the consent of the Purchaser.

SECTION 5.02. NEGATIVE COVENANTS. The Issuer covenants, undertakes and agrees with the Purchaser that, from the date of execution hereof and so long as any Bond remains Outstanding or any other amounts are due to the Purchaser under this Agreement, it will not:

(A) COMPLIANCE WITH LAWS, ETC. Violate any laws, rules, regulations, or governmental orders to which it is subject, which violation involves a reasonable possibility of materially and adversely affecting its financial condition, business or results of operations or of materially adversely affecting the Issuer's ability to perform its obligations under this Agreement or the Bond Documents.

(B) LIENS. Except as provided in Section(s) of the Bond Security Agreement, issue or incur any bonds, notes, debentures, obligations or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a Lien on the Pledged Revenues or other moneys, securities or funds held or set aside by the Issuer under the Bond Security Agreement; or create or cause to be created any Lien on the Pledged Revenues or such moneys, securities or funds, except as provided in the Bond Security Agreement.

(C) OTHER INDEBTEDNESS. Except as provided in Section of the Bond Security Agreement, create or incur any indebtedness for borrowed money payable from the Pledged Revenues which is prior to or on a parity with the lien on Pledged Revenues which secures the Bonds.

(D) AMENDMENTS. Amend or modify the Bond Documents in a material manner relating in any way to this Agreement or the Standby Purchaser or having a material adverse effect on the Issuer's ability to pay when due principal of or interest on any Bond, without the prior written consent of the Purchaser.

(E) OFFICIAL STATEMENT. Refer to the Purchaser in any Official Statement or make any changes in reference to the Purchaser in any Official Statement without the Purchaser's prior written consent thereto. Upon specific request of the Issuer therefor in each instance, the Purchaser agrees to provide such information with respect to the Purchaser as may be reasonably requested by the Issuer and required to enable the Issuer to comply with applicable disclosure requirements for the Official Statement.

(F) MERGER WITHOUT ASSUMPTION. Take any action, or permit any action to occur or be taken by any other person, that would cause a Merger Without Assumption.

## ARTICLE VI.

### CONDITIONS PRECEDENT

SECTION 6.01. CONDITIONS TO PURCHASER'S ENTERING INTO AGREEMENT. (A) DOCUMENTATION AND FEES. It shall be a condition precedent to the Purchaser's entering into this Agreement that all corporate and other proceedings taken in connection with the transactions contemplated hereby and all documents incident thereto shall be in form and substance satisfactory to the Purchaser and that the Purchaser shall have received on or prior to the Closing Date:

(i) a true and complete original of this Agreement;

(ii) (if applicable) a photocopy of the Policy;

(iii) resolutions of the Issuer authorizing the Bond Documents and the issuance of the Bonds, certified on the Closing Date by the Secretary of the Issuer;

(iv) a certified copy of the (governing instruments of the Issuer) and evidence of the filing of required notices with respect thereto with the office of the Secretary of the State of ;



(v) a copy certified on the Closing Date by the Secretary or Assistant Secretary of any Bond Documents delivered on or prior to the Closing Date;

(vi) signature and incumbency certificates, dated the Closing Date, of the signatories of the Issuer executing this Agreement;

(vii) copies of the legal opinions rendered in connection with the issuance of the Bonds, and the delivery of the Bond Documents, dated the Closing Date, either addressed to the Purchaser or stating that the Purchaser is entitled to rely thereon as if said opinions were addressed to it;

(viii) an executed opinion of counsel to the Issuer as to the due authorization, execution, delivery and enforceability of this Agreement;

(ix) (if applicable) a copy of the opinion of counsel to the Insurer dated the Closing Date, either addressed to the Purchaser or stating that the Purchaser is entitled to rely thereon as if said opinion were addressed to it as to (i) the due authorization, execution and delivery of the Policy and (ii) the legality, validity, binding effect and enforceability of the Policy;

(x) payment of the fees, expenses and other amounts then due, if any, referred to in Section 8.05; and

(xi) a certificate of the chief executive officer or the chief financial officer of the Issuer, to the effect that all representations and warranties of the Issuer contained or incorporated by reference herein or otherwise made in writing in connection herewith or in the other Bond Documents are true and correct as though such representations and warranties had been made as of the date of this Agreement and that no Event of Default or Default exists under this Agreement.

(B) ADDITIONAL CONDITIONS PRECEDENT TO ENTERING INTO THIS AGREEMENT.

(i) This Agreement and each of the Bond Documents shall have been duly executed and delivered by the parties thereto, shall each be in full force and effect, and shall each be in form and substance satisfactory to the Purchaser; and

(ii) All municipal, corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement and the Bond Documents shall be satisfactory in form and substance to the Purchaser and its counsel and the Purchaser shall have received all documents, including records of corporate proceedings and governmental approvals, which it may reasonably request in connection with the transactions contemplated by this Agreement and the Bond Documents, any such document where appropriate to be certified by proper officers.

ARTICLE VII.

EVENTS OF DEFAULT; REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. Each of the following shall constitute an "Event of Default" of the Issuer hereunder:

(a) Any principal or interest due on the Bonds is not paid by the Issuer when due and (if applicable) such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Policy; or

(b) Nonpayment of any amounts payable under Section 2.05 hereof within five Business Days after the Insurer (if applicable) and the Issuer have received notice from the Purchaser that the same were not paid when due; or

(c) Nonpayment of any other fees, or any other amount, when due hereunder, if such failure to pay when due shall continue for seven Business Days after written notice thereof to the Issuer and the Insurer (if applicable) by the Purchaser; or

(d) Any representation or warranty made by the Issuer under or in

connection with this Agreement or any of the Bond Documents shall prove to be untrue in any material respect on the date as of which it was made; or

(e) The breach by the Issuer of any of the terms or provisions of Section 5.01 or Section 5.02; or

(f) A proceeding is instituted in a court having jurisdiction over the Issuer, any of its activities or any of its properties seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Issuer under applicable law and such proceeding is not terminated for a period of 60 consecutive days or such court enters an order granting the relief sought in such proceeding or the Issuer shall institute or take any corporate action for the purposes of instituting any such proceeding; or the Issuer shall become insolvent or unable to pay its debts as they mature or shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Issuer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(g) (1) The Issuer shall default in any payment of principal of or interest on any obligation for borrowed money (or any obligation under any conditional sale or other title retention agreement or any obligation secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit) payable from the Pledged Revenues beyond any period of grace provided with respect thereto; or (2) the Issuer shall default in the performance or observance of any other agreement, term or condition contained in any agreement under which any such obligation is created (or if any other event or default thereunder or under such agreement shall occur and be continuing) and the effect of such event or default is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to its stated maturity; or

(h) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Bond Documents on its part to be performed or observed and (a) with respect to any such term, covenant or agreement contained in this Agreement (other than in Section 5.01 or 5.02 hereof), any such failure remains unremedied for 30 days; and (b) with respect to any such term, covenant or agreement contained in any of the other Bond Documents, any such failure remains unremedied after any applicable grace period specified in such Bond Document; or

(i) The Bond Security Agreement shall terminate or cease to be of full force and effect, other than as a result of any redemption or defeasance in full of the Bonds; or the Issuer shall in writing to the Trustee claim that its obligations under the Bonds, the Bond Security Agreement, any Bond Document or this Agreement are not valid and binding on the Issuer or repudiate such obligations; or the Issuer shall initiate any legal proceedings to seek an adjudication that any such obligations are not valid and binding on the Issuer; or any court or governmental authority with jurisdiction to rule on the validity of such obligations shall announce, find or rule that any such obligations are not valid and binding on the Issuer; or

(j) The occurrence of any "Event of Default" as defined in the Bond Security Agreement; or

(k) (If applicable) The occurrence of an Insurer Event of Insolvency; or

(l) (If applicable) The President or an Executive Vice President of the Insurer shall in writing to the Trustee claim that the Policy with respect to the payment of principal or interest on the Bonds is not valid and binding on the Insurer, and repudiate the obligations of the Insurer under the Policy with respect to payment of principal of or interest on the Bonds, or the Insurer shall initiate any legal proceedings to seek an adjudication that the Policy, with respect to the payment of principal of or interest on the Bonds, is not valid and binding on the Insurer; or

(m) (If applicable) Any court or governmental authority with jurisdiction to rule on the validity of the Policy shall announce, find or rule that the Policy is not valid and binding on the Insurer; or

(n) (If applicable) Any default by Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other municipal insurance policy or surety bond issued by Insurer; or

(o) Moody's (and) (or) S&P each shall withdraw or suspend its respective long-term rating of the Bonds or shall reduce such rating to less than " " and " " (or the then current equivalent thereof), as the case may be.

(SECTION 7.02. REMEDIES. (IF THE PURCHASER DOES NOT HAVE THE RIGHT TO SUSPEND OR TERMINATE ITS OBLIGATION TO PURCHASE WITHOUT A FINAL MANDATORY TENDER FOR PURCHASE OF THE BONDS, INSERT:)) (a) Upon the occurrence of an Event of Default as specified in clause of Section 7.01 hereof (clauses to be determined), the Purchaser may give a written notice of such Event of Default to the Issuer, the (Tender Agent) (Trustee) and the Remarketing Agent specifying a date on which its obligation to purchase Bonds hereunder shall terminate, which shall not be less than days after the receipt of such notice. The Available Commitment and the obligation of the Purchaser to purchase Bonds hereunder shall terminate on the date so specified in such written notice from the Purchaser. The giving of such notice shall not affect the obligation of the Purchaser to purchase Bonds prior to close of business on the date on which such obligation terminates.

(b) Upon the occurrence of an Event of Default, the Purchaser shall have all remedies provided at law or equity, including, without limitation, specific performance, and remedies may be pursued in any order determined by the Purchaser; provided, however, that the Purchaser shall not have the right to terminate the Available Commitment and its obligation to purchase Bonds except as provided in paragraph (a) of this Section 7.02.)

(SECTION 7.02. REMEDIES. (IF THE BONDS ARE INSURED AND THE PURCHASER DOES HAVE THE RIGHT UPON THE OCCURRENCE OF CERTAIN EVENTS OF DEFAULT TO SUSPEND OR TERMINATE ITS OBLIGATION TO PURCHASE WITHOUT A FINAL MANDATORY TENDER FOR PURCHASE OF THE BONDS, INSERT:)) (a) Upon the occurrence of an Event of Default as specified in clause (l) or (m) of Section 7.01 hereof, the Purchaser's obligations under Section 2.01 hereof shall be immediately suspended without notice or demand and thereafter the Purchaser shall be under no obligation to purchase hereunder until the Available Commitment is reinstated as described below. Promptly upon the Purchaser's obtaining knowledge of any such Event of Default, the Purchaser shall notify the Issuer, the (Tender Agent), the (Trustee) and the Remarketing Agent of such suspension in writing; provided, that the Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Purchaser's obligations hereunder. If a court with jurisdiction to rule on the validity of the Policy shall thereafter enter a final, nonappealable judgment that the Policy is not valid and binding on the Insurer then the Available Commitment and the Purchaser's obligation to purchase under Section 2.01 hereof shall immediately terminate without notice or demand. If a court with jurisdiction to rule on the validity of the Policy shall find or rule that the Policy is valid and binding on the Insurer, then the Purchaser's obligation to purchase under Section 2.01 hereof shall thereupon be reinstated (unless the Purchase Period shall otherwise have been terminated or suspended as provided in this Agreement). Notwithstanding the foregoing, if three years after the effective date of suspension of the Purchaser's obligation to purchase Bonds pursuant to this paragraph (a) litigation is still pending and a final, nonappealable judgment regarding the validity of the Policy has not been entered by a court with jurisdiction to rule on the validity of the Policy, then the Available Commitment and the Purchaser's obligation to purchase shall, unless previously terminated pursuant to any other provision of this Agreement, at such time terminate without notice or demand.

(b) Upon the occurrence of an Event of Default as specified in clause (a), (k) or (additional clauses, if any, to be determined) of Section 7.01 hereof, the Available Commitment and the obligation of the Purchaser to purchase Bonds shall immediately terminate and expire without notice or demand. Promptly upon the Purchaser's obtaining knowledge of any such Event of Default, the Purchaser shall give written notice of the same to the Issuer, the (Tender Agent), the (Trustee) and the Remarketing Agent; provided that the Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such

notice and such failure shall in no way affect the termination of the Available Commitment and the obligation of the Purchaser to purchase Bonds.

(c) Upon the occurrence of an Event of Default as specified in clause of Section 7.01 hereof (clauses to be determined), the Purchaser may give written notice of such Event of Default to the Issuer, the (Tender Agent), the (Trustee) and the Remarketing Agent specifying a date on which its obligation to purchase Bonds hereunder shall terminate, which shall not be less than days after the receipt of such notice. The Available Commitment and the obligation of the Purchaser to purchase Bonds hereunder shall terminate on the date so specified in such written notice from the Purchaser. The giving of such notice shall not affect the obligation of the Purchaser to purchase Bonds prior to close of business on the date on which such obligation terminates.

(d) Upon the occurrence of an Event of Default, the Purchaser shall have all remedies provided at law or equity, including, without limitation, specific performance, and remedies may be pursued in any order determined by the Purchaser; provided, however, that the Purchaser shall not have the right to terminate the Available Commitment and its obligation to purchase Bonds except as provided in paragraph (a), (b) or (c) of this Section 7.02).

(SECTION 7.02. REMEDIES. (IF THE BONDS ARE NOT INSURED AND THE PURCHASER DOES HAVE THE RIGHT UPON THE OCCURRENCE OF CERTAIN EVENTS OF DEFAULT TO SUSPEND OR TERMINATE ITS OBLIGATION TO PURCHASE WITHOUT A FINAL MANDATORY TENDER FOR PURCHASE OF THE BONDS, INSERT): (a) Upon the occurrence of an Event of Default as specified in clause of Section 7.01 hereof (clauses to be determined), the Available Commitment and the obligation of the Purchaser to purchase Bonds shall immediately terminate and expire without notice or demand. Promptly upon the Purchaser's obtaining knowledge of any such Event of Default, the Purchaser shall give written notice of the same to the Issuer, the (Tender Agent), the (Trustee) and the Remarketing Agent; provided that the Purchaser shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and the obligation of the Purchaser to purchase Bonds.

(b) Upon the occurrence of an Event of Default as specified in clause of Section 7.01 hereof (clauses to be determined), the Purchaser may give written notice of such Event of Default to the Issuer, the (Tender Agent), the (Trustee) and the Remarketing Agent specifying a date on which its obligation to purchase Bonds hereunder shall terminate, which shall not be less than days after the receipt of such notice. The Available Commitment and the obligation of the Purchaser to purchase Bonds hereunder shall terminate on the date so specified in such written notice from the Purchaser. The giving of such notice shall not affect the obligation of the Purchaser to purchase Bonds prior to close of business on the date on which such obligation terminates.

(c) Upon the occurrence of an Event of Default, the Purchaser shall have all remedies provided at law or equity, including, without limitation, specific performance, and remedies may be pursued in any order determined by the Purchaser; provided, however, that the Purchaser shall not have the right to terminate its obligation to purchase Bonds except as provided in paragraph (a) or (b) of this Section 7.02).

#### ARTICLE VIII.

#### MISCELLANEOUS

SECTION 8.01. WAIVER; PARTIES IN INTEREST; CAPTION HEADINGS. No failure or delay on the part of the Purchaser in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Purchaser would otherwise have. No notice to or demand on the Issuer or any other party hereto in any case shall entitle the Issuer or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Purchaser to any other or further action in any circumstances without notice or demand. No provision of this Agreement may be changed, waived, discharged

or terminated orally, but only by an instrument in writing signed by the parties hereto. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Issuer may not assign or transfer any of its interest hereunder without the prior written consent of the Purchaser and (if applicable) the Insurer if the Insurer will be affected thereby. It is understood that this Agreement is also for the benefit of the Trustee and the Standby Purchaser Guarantor, and that the Standby Purchaser Guarantor is entitled to exercise all rights and remedies herein provided to the Purchaser upon payment under the Standby Purchase Guarantee.

The captions in this Agreement are for convenience of reference only and shall not affect the meaning or construction of or define or limit any of the provisions hereof.

SECTION 8.02. GOVERNING LAW. THE OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT ARE TO BE CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH, AND SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE IT BEING UNDERSTOOD HOWEVER THAT THE CORPORATE POWERS AND LEGAL CAPACITY OF THE ISSUER SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF

SECTION 8.03. SEVERABILITY. If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 8.04. COUNTERPARTS. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

SECTION 8.05. FEES; EXPENSES; DOCUMENTARY TAXES; INDEMNIFICATION. (a) The Issuer agrees, whether or not the transactions hereby contemplated shall be consummated, to pay, and save the Purchaser harmless against liability for the payment of, all reasonable out-of-pocket costs and expenses arising in connection with this transaction including, without limitation, the preparation, execution and delivery of this Agreement and related documents, the enforcement of, or the preservation of, any rights under this Agreement, the other Bond Documents, the Bonds, and related documents, any modification or consent under such documents and instruments, the reasonable fees and expenses of counsel for the Purchaser, and all stamp and documentary taxes (including interest and penalties, if any) which may be payable in respect of such documents.

(b) To the maximum extent permitted by law, the Issuer hereby agrees to indemnify, defend and hold the Purchaser and each Participant harmless from and against all liability (including, without limitation, interest, penalties and all reasonable attorneys' fees) to which the Purchaser or any Participant may become subject insofar as such liability arises out of or is based upon a suit, proceeding, investigation or governmental action brought or taken in connection with the (Project)(System), this Agreement, the other Bond Documents or related documents or the use (or the proposed or potential use) of the proceeds of any purchase under this Agreement.

(c) Any action taken or omitted by the Purchaser, under or in connection with this Agreement or drafts or documents relating thereto, if taken or omitted without gross negligence, shall be binding upon the Issuer and shall not result in the Purchaser incurring any liability to the Issuer.

(d) To the maximum extent permitted by law, the Issuer hereby agrees at all times to protect, indemnify and save harmless the Purchaser and each Participant from and against any and all claims, actions, investigations, suits and other legal proceedings, and from and against any and all losses, claims, demands, liabilities, damages, costs, charges, counsel fees and other expenses which the Purchaser or any Participant may, at any time, sustain or incur by reason of or in consequence of or arising out of a misstatement of a material fact in, or omission of a material fact from, the Official Statement or other offering document (other than information furnished by the Purchaser in writing to the Issuer for use in the Official Statement and used in strict conformity with the information so provided, which information is held by a court of competent





jurisdiction to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading), the execution and delivery of this Agreement, the issuance of the Bonds or any failure of the Tender Agent to pay the Purchase Price of tendered Bonds following performance by the Purchaser hereunder. The Purchaser shall not, in any way, be liable for any failure by the Purchaser to purchase Tendered Bonds under this Agreement as a result of any act of a governmental authority or any other cause beyond the control of the Purchaser. The obligations of the Issuer under this Section 8.05 shall survive the payment of the Bonds and the termination of this Agreement.

**SECTION 8.06. TERM OF THE AGREEMENT; TERMINATION OF PURCHASE PERIOD UPON ELECTIONS OF THE ISSUER.**

(a) The term of this Agreement shall be until the later of (i) the payment of all amounts due to the Purchaser by the Issuer under this Agreement and any Purchased Bonds, including, without limitation, interest on the Purchased Bonds at the Purchased Bonds Rate, and (ii) the end of the Purchase Period as determined in accordance with the definition thereof set forth in Section 1.01 hereof.

(b) By written direction provided to the (Trustee) (Tender Agent) and a copy thereof to the Purchaser, the Issuer may elect to terminate the Purchase Period at any time if the short-term ratings of the Bonds are withdrawn, suspended or reduced below " " in the case of Standard & Poor's or " " in the case of Moody's; provided, however, that the effective date of any such termination shall be at least days after such direction is received by the (Trustee) (Tender Agent) and a copy thereof is received by the Purchaser unless an Alternate Standby Agreement is provided in accordance with Section 8.06(c) of this Agreement in which event the effective date of such termination shall be at least days after such Alternate Standby Agreement is so provided.

(c) In addition, subject to the terms of the Series Bond Security Agreement and this paragraph, the Issuer may elect to cause the termination of the Purchase Period at any time by providing to the (Tender Agent) (Trustee) an Alternate Standby Agreement in substitution for this Agreement; provided, however, that the Issuer shall give the Purchaser at least days' prior written notice of any such substitution. The provision of an Alternate Standby Agreement shall be subject to the condition that the Standby Purchaser thereunder shall purchase any Purchased Bonds at a purchase price equal to the principal amount thereof and interest thereon (including any Interest Component and interest thereon under Section 2.02(d) of this Agreement) accrued and unpaid to the date of such termination.

**SECTION 8.07. EXTENSION OF PURCHASE PERIOD; NOTICE OF NON-EXTENSION.**

(a) If the short-term ratings of the Bonds are at least "A-1" in the case of Standard & Poor's and "VMIG-1" in the case of Moody's, the Purchaser may, by written notice given to the Issuer and the (Trustee) (Tender Agent) on or before the day prior to the expiration date of the then current Purchase Period (giving effect to any prior extensions of the Purchase Period), elect to extend the Purchase Period for an additional 364-day period or if the final maturity of the Bonds shall occur within such period, for an additional period ending on the date of such final maturity of the Bonds (such additional period to commence on the expiration date of the then current Purchase Period). In such event, effective upon the Issuer's receipt of such notice of the Purchaser, the Purchase Period shall be deemed extended for such additional 364-day period.

(b) If the Purchaser does not give the written notice referred to in paragraph (a) of this Section 8.07, the Issuer may, on or before the day prior to the expiration of the Purchase Period (and if by the day prior to the expiration of the Purchase Period as extended pursuant to this Section), but no earlier than the day prior to the expiration of the Purchase Period, request that the Purchaser agree to an extension of the Purchase Period for an additional day period or if the final maturity of the Bonds shall occur within such period, for an additional period ending on the date of such final maturity of the Bonds (such additional period to commence on the expiration date of the then current Purchase Period). Within days following its receipt of a request for an extension of the Purchase Period, the Purchaser shall give written notification to the Issuer, the Insurer (if applicable) and the (Tender Agent) (Trustee) as to whether it elects to extend such Purchase Period;

provided, that if the Purchaser fails to give any such notice, this Agreement shall expire at the end of the Purchase Period then in effect.

SECTION 8.08. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties of the Issuer and the Purchaser contained in this Agreement shall survive delivery of this Agreement and the transactions contemplated hereby. All covenants of the Issuer to make payments to the Purchaser under any provision hereof, including Sections 2.05, 2.07 and 8.05, shall survive the payment of the Bonds, including the Purchased Bonds, and termination of this Agreement. All other covenants of the Issuer contained in this Agreement shall survive termination of this Agreement if and so long as Purchased Bonds are owned by Purchased Bondholders.

SECTION 8.09. PARTICIPATION. The Purchaser shall have the right at any time to sell, assign, grant or transfer participation in all or part of its obligations hereunder and the obligations of the Issuer hereunder to any other Participant without the consent of or notice to the Issuer; provided, that any participation shall not relieve the Purchaser from any of its obligations, hereunder. The Purchaser may disclose to any Participants or prospective Participants any information or other data or material in the Purchaser's possession relating to this Agreement, any Bond Document, the Insurer (if applicable) and the Issuer, without the consent of or notice to the Issuer or the Insurer (if applicable).

SECTION 8.10. RIGHT OF SET-OFF. In addition to any rights now or hereafter granted under applicable law (including, but not limited to, Section 151 of the New York Debtor and Creditor Law) and not by way of limitation of any such rights, during the continuance of any Event of Default, the Purchaser and any Participant is hereby authorized at any time and from time to time, without notice to the Issuer or to any other person or entity, any such notice being hereby expressly waived, to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by the Purchaser or any Participant to or for the credit or the account of the Issuer against and on account of the obligations and liabilities of the Issuer to the Purchaser under this Agreement, including (without limitation) all claims of any nature or description arising out of or connected with this Agreement irrespective of whether or not the Purchaser shall have made any demand hereunder.

SECTION 8.11. NOTICES. Except as otherwise expressly specified in this Agreement, all notices, requests and other communications hereunder shall be in written form (including bank wire, telegram, telecopier or similar writing) and shall be given to the party to whom addressed, at its address or telecopier number as such party may hereafter specify for the purpose by notice to the other parties below. Each such notice, request or communication shall be effective (i) if given by telecopy, upon receipt thereof, (ii) if given by mail, three (3) days after such communication is deposited in the United States Mail with first-class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified below.

If to the Issuer, to:

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If to the Insurer, to:  
(If applicable)

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If to the Remarketing Agent, to:

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If to AIG Liquidity Corp., to:  
AIG Liquidity Corp.  
100 Nyala Farm  
Westport, Connecticut 06880  
Attention: Chief Financial Officer  
Telecopier Number: (203) 222-4700

SECTION 8.12. PAYMENTS. (a) Payments made by the Purchaser to the Tender Agent pursuant to Section 2.02(a) hereof shall be made to the Tender Agent at for credit to account number , Ref: , ABA Number , Att: Corporate Trust Department, or to such other account as may be specified by the Tender Agent to the Purchaser in writing.

(b) All payments of fees and other amounts to the Purchaser hereunder shall be made by wire transfer of immediately available funds to , FEDWIRE: , Attention: , Reference: .

(c) For purposes of any calculations referred to in this Agreement, all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up).

SECTION 8.13. CONSENT TO JURISDICTION; WAIVER OF DEFENSE OF SOVEREIGN IMMUNITY. To the extent permitted by law, the Issuer consents to the initiation of any proceeding for the enforcement of this Agreement in any federal or state court of competent jurisdiction located in the State of New York and agrees not to assert the defense of sovereign immunity in any such proceeding.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by their duly authorized officers, all as of the date first above written.

Attest:

[ISSUER]  
By Title:  
AIG LIQUIDITY CORP.  
By Title:

FORM OF  
GUARANTEE OF AMERICAN  
INTERNATIONAL GROUP, INC.

Guarantee, dated as of \_\_\_\_\_, by American International Group, Inc., a Delaware corporation (the "Guarantor"), in favor of \_\_\_\_\_, a \_\_\_\_\_ (the "Guaranteed Party").

(1) GUARANTEE. To induce the Guaranteed Party to enter into a Standby Bond Purchase Agreement, dated the date hereof (the "Agreement"), with AIG Liquidity Corp., a Delaware corporation (the "Company"), the Guarantor absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party and its successors, endorsees and assigns the prompt payment when due, subject to any applicable grace period, of all present and future payment obligations of the Company to the Guaranteed Party under the Agreement (the "Obligations").

(2) NATURE OF GUARANTEE. The Guarantor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection or extent of any collateral therefor or by any other circumstance relating to the Obligations that might otherwise constitute a legal or equitable discharge of or defense to the Guarantor not available to the Company. The Guarantor agrees that the Guaranteed Party may resort to the Guarantor for payment of any of the Obligations whether or not the Guaranteed Party shall have resorted to any collateral therefor or shall have proceeded against the Company or any other obligor principally or secondarily obligated with respect to any of the Obligations. The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that the Company becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor's obligations hereunder. This Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until all of the Obligations have been satisfied in full. In the event that any payment to the Guaranteed Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations as if such payment had not been made. The Guarantor reserves the right to (a) set-off against any payment owing hereunder any amounts owing by the Guaranteed Party [add related parties, if any, that the underlying agreements allow to be included in set-off calculations] to the Company and (b) assert defenses which the Company may have to payment of any Obligations other than defenses arising from the bankruptcy or insolvency of the Company and other defenses expressly waived hereby.

(3) CHANGES IN OBLIGATIONS, COLLATERAL THEREFOR AND AGREEMENTS RELATING THERETO; WAIVER OF CERTAIN NOTICES. The Guarantor agrees that the Guaranteed Party may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of the Guarantor, extend the time of payment of, exchange or surrender any collateral for, or renew any of the Obligations, and may also make any agreement with the Company or with any other party to or person liable on any of the Obligations or interested therein, for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Guaranteed Party and the Company or any such other party or person, without in any way impairing or affecting this Guarantee. The Guarantor waives notice of the acceptance of this Guarantee and of the Obligations, presentment, demand for payment, notice of dishonor and protest.

(4) EXPENSES. The Guarantor agrees to pay on demand all fees and out of pocket expenses (including the reasonable fees and expenses of the Guaranteed Party's counsel) in any way relating to the enforcement or protection of the rights of the Guaranteed Party hereunder; provided, that the Guarantor shall not be liable for any expenses of the Guaranteed Party if no payment under this Guarantee is due.

(5) SUBROGATION. Upon payment of any of the Obligations, the Guarantor shall be subrogated to the rights of the Guaranteed Party against the Company with respect to such Obligations, and the Guaranteed Party agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

(6) NO WAIVER; CUMULATIVE RIGHTS. No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single



or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

(7) REPRESENTATIONS AND WARRANTIES. The Guarantor hereby represents and warrants that:

(a) the Guarantor is duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power to execute, deliver and perform this Guarantee;

(b) the execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary corporate action and do not contravene any provision of the Guarantor's certificate of incorporation or by-laws, as amended to date, or any law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets;

(c) all consents, licenses, clearances, authorizations and approvals of, and registrations and declarations with, any governmental authority or regulatory body necessary for the due execution, delivery and performance of this Guarantee have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required in connection with the execution, delivery or performance of this Guarantee; and

(d) this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(8) ASSIGNMENT. Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other person (except by operation of law) without the prior written consent of the Guarantor or the Guaranteed Party, as the case may be, provided, however, that the Guaranteed Party may assign its rights, interests and obligations hereunder to an assignee or transferee to which it has transferred its interests and obligations under the Agreement pursuant to Section thereof.

(9) NOTICES. All notices or demands on the Guarantor shall be deemed effective when received, shall be in writing and shall be delivered by hand or by registered mail, or by facsimile transmission promptly confirmed by registered mail, addressed to the Guarantor at:

American International Group, Inc.  
70 Pine Street  
New York, NY 10270  
Attention: Secretary  
Fax: (212) 514-6894

or to such other address or fax number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Agreement.

(10) GOVERNING LAW. THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

IN WITNESS WHEREOF, this Guarantee has been duly executed and delivered by the Guarantor to the Guaranteed Party as of the date first above written.

AMERICAN INTERNATIONAL GROUP, INC.



By

By

[LETTERHEAD OF MUDGE ROSE GUTHRIE ALEXANDER & FERDON]

April 13, 1994

AIG Liquidity Corp.  
100 Nyala Farm,  
Westport, Connecticut 06880

Dear Sirs:

In connection with the registration under the Securities Act of 1933 (the "Act") of \$93,750,000 of liquidity facility obligations (the "Liquidity Facility Obligations") to be issued by AIG Liquidity Corp. (the "Company") under Standby Bond Purchase Agreements (each, a "Standby Bond Purchase Agreement") and guarantee obligations (the "Guarantee Obligations") to be issued by American International Group, Inc. (the "Guarantor") under Guarantees (each, a "Guarantee"), we, as counsel to the Company, have examined such corporate records, certificates and other documents, and such questions of law, as we have considered necessary or appropriate for the purposes of this opinion.

Upon the basis of such examination, we advise you that, in our opinion, when (a) the Registration Statement has become effective under the Act, (b) the terms of a Standby Bond Purchase Agreement and related Guarantee (and the terms of issuance of the corresponding Liquidity Facility Obligations and Guarantee Obligations) have been duly established in conformity with the Registration Statement so as not to violate any applicable law or result in a default under or breach of any agreement or instrument binding upon the Company or the Guarantor and so as to comply with any requirement or restriction imposed by any court or governmental body having jurisdiction over the Company or the Guarantor, (c) such Standby Bond Purchase Agreement and Guarantee have been duly authorized, executed and delivered and (d) such Liquidity Facility Obligations and Guarantee Obligations have been duly issued in accordance with the Registration Statement, such Liquidity Facility Obligations will constitute valid and legally binding obligations of the Company, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

The foregoing opinion is limited to the Federal laws of the United States, the laws of the State of New York and the General Corporation Law of the State of Delaware, and we are expressing no opinion as to the effect of the laws of any other jurisdiction.

We have relied as to certain matters on information obtained from public officials, officers of the Company and other sources believed by us to be responsible.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us under the heading "Validity of Obligations" in the Prospectus. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act.

Very truly yours,

MUDGE ROSE GUTHRIE ALEXANDER & FERDON

[American International Group, Inc.]

April 13, 1994

AIG Liquidity Corp.,  
100 Nyala Farm,  
Westport, Connecticut 06880.

Dear Sirs:

In connection with the registration under the Securities Act of 1933 (the "Act") of \$93,750,000 of liquidity facility obligations (the "Liquidity Facility Obligations") to be issued by AIG Liquidity Corp. (the "Company") under Standby Bond Purchase Agreements (each, a "Standby Bond Purchase Agreement") and guarantee obligations (the "Guarantee Obligations") to be issued by American International Group, Inc. (the "Guarantor") under Guarantees (each, a "Guarantee"), I, as Vice President and Senior Counsel to the Guarantor, have examined such corporate records, certificates and other documents, and such questions of law, as I have considered necessary or appropriate for the purposes of this opinion.

Upon the basis of such examination, I advise you that, in my opinion, when (a) the Registration Statement has become effective under the Act, (b) the terms of a Standby Bond Purchase Agreement and related Guarantee (and the terms of issuance of the corresponding Liquidity Facility Obligations and Guarantee Obligations) have been duly established in conformity with the Registration Statement so as not to violate any applicable law or result in a default under or breach of any agreement or instrument binding upon the Company or the Guarantor and so as to comply with any requirement or restriction imposed by any court or governmental body having jurisdiction over the Company or the Guarantor, (c) such Standby Bond Purchase Agreement and Guarantee have been duly authorized, executed and delivered and (d) such Liquidity Facility Obligations and Guarantee Obligations have been duly issued in accordance with the Registration Statement, such Guarantee Obligations will constitute valid and legally binding obligations of the Guarantor, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

The foregoing opinion is limited to the Federal laws of the United States, the laws of the State of New York and the General Corporation Law of the State of Delaware, and I am expressing no opinion as to the effect of the laws of any other jurisdiction.

I have relied as to certain matters on information obtained from public officials, officers of the Guarantor and other sources believed by me to be responsible.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to me under the heading "Validity of Obligations" in the Prospectus. In giving such consent, I do not thereby admit that I am in the category of persons whose consent is required under Section 7 of the Act.

Very truly yours,

Kathleen E. Shannon, Esq.

AIG Liquidity Corp.  
100 Nyala Farm  
Westport, Connecticut 06880

Dear Sirs:

We refer to the Standby Bond Purchase Agreement, dated \_\_\_\_\_, 19\_\_\_\_ (the "Agreement"), between you and \_\_\_\_\_ (the "Issuer") relating to \$ \_\_\_\_\_ aggregate principal amount of the Issuer's securities (the "Bonds"). In connection with your obligations under the Agreement to purchase tendered Bonds, American International Group, Inc. ("AIG") hereby agrees to provide or cause to be provided, by means of capital contributions, purchases of assets, loans or otherwise, funds to the extent necessary to enable you to meet your obligations under the Agreement (other than obligations to us or obligations satisfied by payments by us pursuant to our guarantee of your obligations under the Agreement).

This letter is solely for the benefit of and enforceable by you and AIG.

AMERICAN INTERNATIONAL GROUP, INC.

By:

By:

## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement on Form S-3 (Registration No. 33-48996) of our report dated February 24, 1994, on our audits of the consolidated financial statements and financial statement schedules of American International Group, Inc. and subsidiaries ("AIG") included in AIG's Annual Report on Form 10-K for the year ended December 31, 1993. We also consent to the reference to our firm under the caption "Experts".

Coopers & Lybrand

New York, New York

April 13, 1994