
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 18, 2008

AMERICAN INTERNATIONAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction
of incorporation)

1-8787
(Commission File Number)

13-2592361
(IRS Employer
Identification No.)

70 Pine Street
New York, New York 10270
(Address of principal executive offices)

Registrant's telephone number, including area code: **(212) 770-7000**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 1 — Registrant’s Business and Operations

Item 1.01. Entry Into a Material Definitive Agreement.

AIG Financial Products Corp. (“AIGFP”), the Federal Reserve Bank of New York (“NY Fed”) and Maiden Lane III LLC (“ML III”) have previously entered into agreements with AIGFP counterparties to terminate credit default swaps and other similar instruments (“CDS”) written by AIGFP and to have ML III acquire the related multi-sector collateralized debt obligations (“Multi-Sector CDOs”). On December 18, 2008 and December 22, 2008, ML III purchased \$16 billion in par amount of additional Multi-Sector CDOs, including approximately \$8.5 billion of Multi-Sector CDOs underlying 2a-7 Puts written by AIGFP.

The purchase of these Multi-Sector CDOs was funded with a net payment to counterparties of approximately \$6.7 billion and the surrender by AIGFP of approximately \$9.2 billion in collateral previously posted by AIGFP to CDS counterparties in respect of the terminated CDS.

The Shortfall Agreement between ML III and AIGFP, dated as of November 25, 2008 (the “Shortfall Agreement”), has been amended as of December 18, 2008 to include approximately \$9.4 billion of additional Multi-Sector CDO exposure, which includes a portion of the previously announced approximately \$11.2 billion of exposure to Multi-Sector CDOs as to which AIGFP, ML III and the NY Fed had not executed agreements as of November 25, 2008 and for which AIG and the NY Fed had been working to structure the termination of the related CDS and/or the purchase by ML III of the related Multi-Sector CDOs. In accordance with the terms of the Shortfall Agreement, AIGFP received payments aggregating approximately \$2.5 billion from ML III in connection with the November and December ML III purchases of Multi-Sector CDOs.

For a further discussion of AIGFP’s relationship with ML III, see AIG’s Current Report on Form 8-K, dated December 2, 2008.

AIGFP remains exposed to approximately \$2.6 billion in physically-settled CDS and approximately \$9.7 billion notional amount of “cash-settled” or “pay-as-you-go” CDS in respect of protected baskets of reference credits (which may also include single name CDS in addition to securities and loans). AIGFP continues to analyze possible means of eliminating its exposure to these CDS. Until these exposures are eliminated, AIGFP will continue to bear market risk and the risk of adverse changes in collateral posting requirements relating to these CDS and could incur additional unrealized valuation losses related to these CDS.

The summary of the terms of Amendment No. 1 to the Shortfall Agreement is qualified in its entirety by reference to the terms of Amendment No. 1, which is filed as Exhibit 10.1 to this Form 8-K and incorporated by reference into this Item 1.01.

Section 9 — Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
10.1	Amendment No. 1 to Shortfall Agreement, dated as of December 18, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMERICAN INTERNATIONAL GROUP, INC.
(Registrant)

Date: December 24, 2008

By: /s/ Kathleen E. Shannon
Name: Kathleen E. Shannon
Title: Senior Vice President and Secretary

AMENDMENT NO. 1 TO SHORTFALL AGREEMENT

AMENDMENT No. 1 (this "**Amendment**") dated as of December 18, 2008 to the Shortfall Agreement dated as of November 25, 2008 by and between Maiden Lane III LLC, a Delaware limited liability company ("**ML III**"), and AIG Financial Products Corp., a Delaware corporation ("**AIG-FP**") (the "**Shortfall Agreement**").

RECITALS

WHEREAS, the parties hereto desire to amend the Shortfall Agreement as set forth herein to provide for the addition of certain derivative transactions to such agreement and to provide for additional payments between ML III and AIG-FP;

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

Section 1. *Definitions*. Unless otherwise specifically defined herein, each term used herein that is defined in the Shortfall Agreement has the meaning assigned to such term therein. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Shortfall Agreement shall, after this Amendment becomes effective, refer to the Shortfall Agreement as amended hereby.

Section 2. *Adjustment Date*. The parties agree that December 18, 2008 shall be the Adjustment Date under the Shortfall Agreement.

Section 3. *Amendment of Shortfall Agreement*. Effective as of the date hereof, the Shortfall Agreement is hereby amended as follows:

(a) The first recital shall be replaced by the following text:

"WHEREAS as of October 31, 2008, AIG-FP was party to the derivative transactions listed on Schedule A (the "**Derivative Transactions**"), with an aggregate notional value of \$62,129,719,487;"

(b) Schedule A to the Shortfall Agreement shall be replaced in full with Schedule A hereto.

(c) The following text shall be inserted immediately after Section 2(c):

(d) On the Adjustment Date (i) if the aggregate of deemed increases in Posted Collateral exceeds the aggregate of deemed reductions in Posted Collateral pursuant to Section 2(c) of the applicable Termination Agreements, ML III shall pay or cause to be paid, in immediately available funds, to AIG-FP the amount of such excess and (ii) if the aggregate of deemed reductions in Posted Collateral exceeds the aggregate of deemed increases in Posted Collateral pursuant to Section 2(c) of the applicable Termination Agreements, AIG-FP shall pay, in immediately available funds, to ML III the amount of such excess for credit to the Collateral Account.

Section 4. *Counterparts*. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed signature page of this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

Section 5. *Governing Law*. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

Section 6. *Effectiveness*. This Amendment shall become effective on the date when each party hereto shall have received from each of the other parties hereto a counterpart hereof signed by such party or facsimile or other written confirmation that such party has signed a counterpart hereof.

Section 7. *Captions*. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Amendment.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to be executed on its behalf by its officers thereunto duly authorized on the day and year first above written.

MAIDEN LANE III LLC

By: FEDERAL RESERVE BANK OF NEW YORK, as its sole Managing Member

By: /s/ Helen Mucciolo
Name: Helen Mucciolo
Title: Senior Vice President

AIG FINANCIAL PRODUCTS CORP.

By: /s/ William N. Dooley
Name: William N. Dooley
Title: Chief Executive Officer

List of Derivative Transactions