

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

AMERICAN INTERNATIONAL GROUP, INC.
(Exact name of issuer as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	6331 (Primary Standard Industrial Classification Code Number)	13-2592361 (I.R.S. Employer Identification No.)
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable 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, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. AIG MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS (Subject to Completion)
Issued November 7, 2001

\$1,519,734,000

[AIG Logo]

American International Group, Inc.
Zero Coupon Convertible Senior Debentures Due 2031

Holders may convert the debentures into shares of AIG common stock at a conversion ratio of -- shares per \$1,000 principal amount of debentures at maturity, subject to adjustment, before November --, 2031 under any of the following circumstances: (1) during any fiscal quarter commencing after December 31, 2001 or on any business day commencing after September 30, 2031, if the closing sale price of AIG common stock exceeds 120% of the conversion price as in effect for at least (x) 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter or (y) one trading day after September 30, 2031; (2) if the debentures have been called for redemption; or (3) upon the occurrence of certain corporate events. The conversion ratio will not be adjusted for accrued original issue discount.

AIG will pay upside contingent interest to the holders of debentures during any six-month period from May 1 to October 31 and from November 1 to April 30, with the initial six-month period commencing November --, 2006, if the average closing sale price of AIG common stock for a certain measurement period equals 120% or more of the conversion price. During any period when upside contingent interest is payable, the contingent interest payable per debenture in either the first three months or second three months of such period will equal the greater of (x) the sum of all regular cash dividends paid by AIG per share on AIG common stock during those three months multiplied by the number of shares of AIG common stock issuable upon conversion of a debenture at the applicable conversion rate and (y) .00125 multiplied by the sum of the issue price and accrued original issue discount for a debenture to the last day of the relevant three-month period. AIG will also pay downside contingent interest for these six-month periods commencing November --, 2006 if the closing sale price of AIG common stock for a certain measurement period is less than or equal to 95% of the conversion price of the debentures then in effect. You should read the discussion of selected United States federal income tax consequences relevant to the debentures beginning on page 23.

On or after November --, 2006, AIG may redeem any of the debentures at the redemption prices set forth herein. Holders may require AIG to repurchase the debentures at the repurchase prices set forth herein on November --, 2006, 2011, 2016, 2021 and 2026.

The debentures will constitute unsecured debt of AIG.

AIG common stock is listed on the New York Stock Exchange under the symbol "AIG." On November 6, 2001, the reported last sale price of AIG common stock on the New York Stock Exchange was \$82.85 per share.

INVESTING IN THE DEBENTURES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 5.

PRICE --% AND ACCRUED ORIGINAL ISSUE DISCOUNT, IF ANY

PRICE UNDERWRITING PROCEEDS TO TO PUBLIC DISCOUNT AIG	
-----	----- Per
Debenture.....	----- %
	---% ---%
Total.....	-----
	\$ \$-- \$--

AIG has granted Morgan Stanley & Co. Incorporated the right to purchase up to an additional \$227,960,000 principal amount of debentures to cover over-allotments.

Morgan Stanley & Co. Incorporated expects to deliver the debentures to purchasers on November --, 2001

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

MORGAN STANLEY

November --, 2001

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. AIG HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM THAT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. AIG IS OFFERING TO SELL THE DEBENTURES ONLY WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS OR THE DATES OF THE DOCUMENTS INCORPORATED BY REFERENCE, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF THE DEBENTURES.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking information. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as that information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ, possibly materially, from those in the information. Forward-looking information may be included in this prospectus or may be "incorporated by reference" from other documents filed with the SEC by AIG. You can find many of these statements by looking for words including, for example, "believes," "expects," "anticipates," "estimates" or similar expressions in this prospectus or in documents incorporated by reference in this prospectus.

The forward-looking information is subject to numerous assumptions, risks and uncertainties. Factors that may cause actual results to differ, possibly materially, from those contemplated by the forward-looking information include, among others, the following:

- the continuing impact on the global economy of the September 11, 2001 terrorist attacks;
- the impact of changes in international political conditions, including as a result of the September 11, 2001 terrorist attacks;
- currency fluctuations and changes in the availability, cost and collectibility of reinsurance;
- the entry of new or stronger competitors and the intensification of pricing competition;
- the loss of current customers or the inability to obtain new customers;
- changes in interest rates and the performance of the financial markets;
- catastrophic events, including, for example, earthquakes or hurricanes and other severe weather-related events;
- changes in the coverage terms selected by insurance customers, including higher deductibles and lower limits;
- the adequacy of loss reserves;
- political risk in some of the countries in which AIG operates or insures risks;
- changes in asset valuations;
- consolidation and restructuring in the insurance industry;
- changes in regulations and tax laws affecting the cost, availability or demand for the products of AIG; and
- adverse litigation or arbitration results, including proceedings related to industrial life insurance, satellite dish financing and workers' compensation insurance.

Because forward-looking information is subject to various risks and uncertainties, actual results may differ materially from that expressed or implied by the forward-looking information.

SUMMARY

The following summary is provided solely for your convenience. It is not intended to be complete. You should read the entire prospectus carefully, especially the risks of investing in the debentures discussed under "Risk Factors" beginning on page 5.

Securities Offered.....	\$1,519,734,000 principal amount at maturity of Zero Coupon Convertible Senior Debentures Due 2031 (and up to an additional \$227,960,000 aggregate principal amount if Morgan Stanley & Co. Incorporated exercises its option to purchase additional debentures). AIG will not pay periodic interest on the debentures, unless contingent interest becomes payable as described under "Description of Debentures--Contingent Interest" beginning on page 13.
Maturity Date.....	November --, 2031.
Ranking.....	The debentures will constitute unsecured debt of AIG.
Yield to Maturity of Debentures.....	--% per year compounded semi-annually, calculated from November --, 2001, excluding any contingent interest.
Original Issue Discount.....	AIG is offering the debentures at an issue price substantially below the principal amount at final maturity of the debentures. The difference between the issue price and the principal amount at maturity of a debenture is referred to as original issue discount. This original issue discount will accrue daily at a rate of --% per year beginning on November --, 2001, calculated on a semi-annual bond equivalent basis, using a 360-day year comprised of twelve 30-day months. The accrual of imputed interest income, also referred to as tax original issue discount, as calculated for United States federal income tax purposes, will likely exceed the accrued original issue discount. See "Certain United States Federal Income Tax Consequences."
Contingent Interest.....	AIG will pay upside contingent interest during any six-month period from May 1 to October 31 and from November 1 to April 30, with the initial six-month period commencing November --, 2006, if the average closing sale price of AIG common stock for the five trading days ending on, and including, the third trading day immediately preceding the first day of the applicable six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for a debenture to the day immediately preceding the first day of the applicable six-month period divided by the number of shares of common stock issuable upon a conversion of a debenture. Notwithstanding the above, if AIG declares a dividend for which the record date falls prior to the first day of a six-month period but the payment date falls within that six-month period, then the five trading day period for determining the average closing sale

price of its common stock will be the five trading days ending on, and including, the third trading day immediately preceding such record date. During any period when upside contingent interest is payable, the contingent interest payable per debenture in either the first three months or the second three months of such period will equal the greater of (x) the sum of all regular cash dividends paid by AIG per share on AIG common stock during those three months multiplied by the number of shares of AIG common stock issuable upon conversion of a debenture at the then applicable conversion rate and (y) .00125 multiplied by the sum of the issue price and accrued original issue discount for a debenture to the last day of the relevant three-month period. The original issue discount will continue to accrue at the yield to maturity whether or not upside contingent interest is paid.

Downside contingent interest will be payable on the debentures for any six-month period from May 1 to October 31 or from November 1 to April 30, commencing on November --, 2006, for which the closing sale price of AIG common stock for any 20 out of the last 30 trading days ending on but not including the third business day prior to the commencement of such six-month period is less than or equal to 95% of the conversion price of the debentures in effect for each of those 20 trading days. Downside contingent interest will be payable until but not including the first day of the first subsequent six-month period for which the trading price condition described above is not satisfied, at which time downside contingent interest on the debentures will cease to accrue unless and until the trading price condition is satisfied for any subsequent six-month period. The downside contingent interest rate determined for any six-month period will be equal to the difference between (x) the six-month London interbank offered rate plus the applicable spread (which may be positive or negative) as determined by the contingent interest rate agent and (y) 1.50% (but in no event will be less than zero). The applicable spread will be determined by the contingent interest rate agent on each November -- of 2006, 2011, 2016, 2021 and 2026. The original issue discount will continue to accrue at the yield to maturity whether or not downside contingent interest is paid.

Conversion Rights.....

The holder may convert the debentures into shares of AIG common stock at a conversion ratio of -- shares per \$1,000 principal amount of debentures, subject to adjustment, prior to the final maturity date under any of the following circumstances:

- during any fiscal quarter commencing after December 31, 2001 or on any business day commencing after

September 30, 2031 if the closing sale price of AIG common stock exceeds 120% of the conversion price as in effect for at least (x) 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter or (y) one trading day after September 30, 2031; or

- if the debentures have been called for redemption; or
- upon the occurrence of specified corporate events described under "Description of Debentures--Conversion of Debentures--Conversion Upon Specified Corporate Events" on page 11.

Tax Original Issue Discount... Pursuant to the terms of the indenture, AIG and each holder of the debentures agree, for United States federal income tax purposes, to treat the debentures as indebtedness subject to the regulations governing contingent payment debt instruments. Under these regulations, even if AIG does not pay any contingent cash interest on the debentures, the holder will be required to include interest in gross income for United States federal income tax purposes. This imputed interest is also referred to as tax original issue discount. The rate at which the tax original issue discount accrues for United States federal income tax purposes will likely exceed the stated yield of --% at which original issue discount is stated to accrue on the debentures and, if applicable, any additional yield resulting from contingent interest. Under these regulations, the holder will also recognize gain or loss on the sale, exchange, conversion or redemption of a debenture in an amount equal to the difference between the amount realized on the sale, exchange, conversion or redemption, including the fair market value of any common stock received upon conversion or otherwise, and the adjusted tax basis in the debenture. Any gain recognized by the holder on the sale, exchange, conversion or redemption of a debenture generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See "Certain United States Federal Income Tax Consequences."

Redemption..... AIG may redeem any of the debentures on or after November --, 2006, by giving the holder at least 15 days' notice. AIG may redeem the debentures either in whole or in part at redemption prices equal to the issue price, accrued original issue discount and any accrued contingent interest through the date of redemption.

Repurchase at the Option of the Holder..... The holder may require AIG to repurchase debentures on November --, 2006, 2011, 2016, 2021 or 2026 for a purchase

price equal to the issue price plus accrued original issue discount and any accrued and unpaid contingent interest to but not including the date of repurchase. AIG may choose to pay the repurchase price in cash or in common stock (based on the five-day average of the closing sale price of common stock ending on but not including the third day prior to the repurchase date) or a combination of cash and common stock. See "Description of Debentures--Repurchase of Debentures at Option of the Holder" beginning on page 16.

Sinking Fund..... None.

Use of Proceeds..... The net proceeds from the sale of the debentures will be used as described under "Use of Proceeds."

Trading..... The debentures will not be listed on any securities exchange. The debentures will be a new issue of securities for which there currently is no public market. AIG common stock is traded on the NYSE under the symbol "AIG."

RISK FACTORS

You should carefully consider the risks described below before making a decision to purchase the debentures.

AIG EXPECTS THAT THE TRADING VALUE OF THE DEBENTURES WILL BE SIGNIFICANTLY AFFECTED BY THE PRICE OF ITS COMMON STOCK.

The market price of the debentures is expected to be significantly affected by the market price of AIG common stock. This may result in greater volatility in the trading value of the debentures than would be expected for nonconvertible debt securities AIG issues.

THE CONDITIONS TO THE CONVERSION OF THE DEBENTURES MAY RESULT IN A HOLDER RECEIVING LESS THAN THE VALUE OF THE COMMON STOCK INTO WHICH A DEBENTURE IS CONVERTIBLE.

The debentures are convertible only if certain conditions are met. These conditions are described under "Description of Debentures--Conversion of Debentures" beginning on page 10. If these conditions are not satisfied, a holder may be unable to receive the value of the common stock into which the debenture is convertible. This feature may adversely affect the value and the trading prices for the debentures.

THE YIELD ON THE DEBENTURES MAY BE LOWER THAN THE YIELD ON A STANDARD DEBT SECURITY OF COMPARABLE MATURITY.

The amount AIG pays the holder may be less than the return the holder could earn on other investments. The yield will be less than the yield the holder would earn if on the issue date of the debentures he or she bought a standard senior debt security of AIG with the same stated maturity date. An investment in the debentures may not reflect the full opportunity cost to the holder taking into account factors that affect the time value of money.

THE TRADING MARKET FOR THE DEBENTURES MAY BE LIMITED.

The debentures are a new issue of securities for which there is currently no public market. If the debentures are traded, they may do so at a discount from their initial public offering price, depending on prevailing interest rates, the market for similar securities, the market prices for AIG common stock, AIG's financial performance and other factors. The debentures will not be listed on any securities exchange, and AIG does not know whether an active trading market will develop or be maintained for the debentures. To the extent that an active trading market for the debentures does not develop, their liquidity and trading price may be harmed.

HOLDERS SHOULD CONSIDER THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF HOLDING, PURCHASING AND SELLING DEBENTURES, INCLUDING THE RULES APPLICABLE TO CONTINGENT PAYMENT DEBT INSTRUMENTS.

Pursuant to the terms of the indenture, AIG and each holder of the debentures agrees, for United States federal income tax purposes, to treat the debentures as indebtedness that is subject to the regulations governing contingent payment debt instruments. This treatment is highly uncertain, however, and no assurance can be given that the IRS will not assert that the debentures should be treated differently. Assuming that the debentures are so treated, a holder will likely be required to include amounts in income, as ordinary income, in advance of the receipt of the cash or other property, including shares of AIG common stock, attributable thereto. The amount of interest income required to be included by the holder for each year will likely be in excess of the stated yield to maturity of the debentures. The holder will recognize gain or loss on the sale, purchase by AIG at the holder's option, conversion or redemption of a debenture in an amount equal to the difference between the amount realized on the sale, purchase by AIG at the holder's option, conversion or redemption, including the fair market value of any common stock received upon conversion or otherwise, and the holder's adjusted tax basis in the debenture. Any gain recognized by the holder on the sale, purchase by AIG at the holder's option, conversion or redemption of a debenture generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss.

minority interest

plus

- Fixed charges other than capitalized interest
- Amortization of capitalized interest
- The distributed income of equity investees

less

- The minority interest in pre-tax income of subsidiaries that do not have fixed charges.

Fixed charges include

- Interest, whether expensed or capitalized
- Amortization of debt issuance costs
- One third of rental expense. Management of AIG believes this is representative of the interest factor.

DESCRIPTION OF CAPITAL STOCK

The following description of the material terms of the capital stock of AIG is not complete. You should read AIG's restated certificate of incorporation, as amended, and bylaws for a complete description of AIG's capital stock. See "Where You Can Find More Information."

GENERAL

AIG's authorized capital stock includes 5,000,000,000 shares of common stock, par value \$2.50 per share, and 6,000,000 shares of serial preferred stock, par value \$5.00 per share. As of September 30, 2001, there were 2,612,478,763 shares of common stock outstanding and no shares of preferred stock outstanding.

COMMON STOCK

All of the outstanding shares of common stock are fully paid and nonassessable. Subject to the prior rights of the holders of shares of preferred stock that may be issued and outstanding, the holders of common stock are entitled to receive:

- dividends as and when declared by the AIG board of directors out of funds legally available for the payment of dividends; and
- in the event of the dissolution of AIG, to share ratably in all assets remaining after payment of liabilities and satisfaction of the liquidation preferences, if any, of then outstanding shares of preferred stock, as provided in AIG's amended and restated certificate of incorporation.

Each holder of common stock is entitled to one vote for each share held of record on all matters presented to a vote at a shareholders meeting, including the election of directors. Holders of common stock have no cumulative voting rights or preemptive rights to purchase or subscribe for any stock or other securities and there are no conversion rights or redemption or sinking fund provisions with respect to the common stock. Additional authorized shares of common stock may be issued without shareholder approval.

PREFERRED STOCK

The authorized but unissued shares of preferred stock are available for issuance from time to time at the discretion of the AIG board of directors without shareholder approval. The AIG board of directors has the authority to determine for each series of preferred stock it establishes the number, designation, preferences, limitations and relative rights of the shares of the series, subject to applicable law and the provisions of any outstanding series of preferred stock. The terms of any series of preferred stock, including the dividend rate, redemption price, liquidation rights, sinking fund provisions, conversion rights and voting rights, and any corresponding effect on other shareholders, will be dependent largely on factors existing at the time of issuance. These terms and effects could include:

- restrictions on dividends on the common stock if dividends on the preferred stock are in arrears;
- dilution of the voting power of other shareholders to the extent a series of the preferred stock has voting rights; and
- reduction of amounts available for liquidation as a result of any liquidation preference granted to any series of preferred stock.

MARKET PRICE AND DIVIDEND INFORMATION

The table below sets forth, for the calendar quarters indicated, the high and low closing sales prices per share of common stock as reported on the New York Stock Exchange ("NYSE") composite transactions reporting system, and the dividends per share of common stock declared by AIG during those periods.

COMMON STOCK(a) -----			
-- HIGH LOW DIVIDENDS -----			
-- 1999: First			
Quarter.....	\$ 65.40	\$52.00	\$.030 Second
Quarter.....	70.90	59.47	.030 Third
Quarter.....	66.50	56.33	.033 Fourth
Quarter.....	74.76	54.67	.033 2000: First
Quarter.....	\$ 76.04	\$54.29	\$.033 Second
Quarter.....	82.17	67.75	.033 Third
Quarter.....	95.69	78.79	.037 Fourth
Quarter.....	103.69	90.13	.037 2001: First
Quarter.....	\$ 96.88	\$75.12	\$.037 Second
Quarter.....	86.51	76.18	.037 Third
Quarter.....	87.06	67.05	.042 Fourth Quarter (through
November 6, 2001).....	86.01	76.74	.042

(a) All common stock information has been adjusted to reflect stock splits effected as a 25% common stock dividend paid July 30, 1999 and a 50% common stock dividend paid July 28, 2000.

On November 6, 2001, the last reported sale price for AIG common stock on the NYSE was \$82.85 per share. As of September 30, 2001, there were approximately 41,300 holders of record of AIG common stock.

The declaration of dividends by AIG is subject to the discretion of the AIG board of directors. The AIG board of directors will take into account such matters as general business conditions, AIG's financial results and capital requirements, contractual, legal and regulatory restrictions on the payment of dividends by AIG to shareholders or by AIG's subsidiaries to it, the effect on AIG's debt ratings and such other factors as the board of directors may deem relevant. A number of AIG's subsidiaries are subject to regulatory regimes that limit their ability to pay dividends and make loans and distributions to AIG.

DESCRIPTION OF DEBENTURES

As required by federal law for all bonds and notes of companies that are publicly offered, the debentures are governed by a document called the indenture. The indenture is a contract that will be entered into between AIG and The Bank of New York, which acts as trustee.

The trustee has two main roles:

(1) The trustee can enforce the holders' rights against AIG if AIG defaults on its obligations under the terms of the indenture or the debentures. There are some limitations on the extent to which the trustee acts on the holders' behalf, described later on page 20 under "Default and Related Matters -- Remedies If an Event of Default Occurs."

(2) The trustee performs administrative duties for AIG, such as sending notices to the holders.

The indenture and its associated documents contain the full legal text of the matters described in this section. The indenture and the debentures are governed by New York law. A copy of the indenture is an

exhibit to AIG's registration statement. See "Where You Can Find More Information" on page 34 for information on how to obtain a copy.

Because this section is a summary, it does not describe every aspect of the debentures. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture, including definitions of certain terms used in the indenture. In this summary, AIG describes the meaning for only some of the more important terms. The holders must look to the indenture for the most complete description of what AIG describes in summary form in this prospectus.

Please note that all references to AIG in this description refer only to American International Group, Inc., a holding company, and not to any of its consolidated subsidiaries or affiliates.

GENERAL

The debentures will be limited to \$1,519,734,000 aggregate principal amount (or \$1,747,694,000 if Morgan Stanley & Co. Incorporated exercises its right to purchase additional debentures in full). The debentures will be issued only in denominations of \$1,000 and multiples of \$1,000. The debentures will mature on November --, 2031 unless earlier converted, redeemed at AIG's option or repurchased at the holder's option upon an optional repurchase date.

The debentures are being offered at a substantial discount from their principal amount at maturity. There will be no periodic cash payments of interest on the debentures unless contingent interest becomes payable as described below under "Contingent Interest." In periods during which a debenture remains outstanding, the accrual of original issue discount (the difference between the issue price of a debenture and its principal amount at maturity) will be calculated on a semi-annual bond equivalent basis at the yield to maturity of the debentures, using a 360-day year composed of twelve 30-day months. The accrual of original issue discount will commence on the date the debentures are issued. Original issue discount will cease to accrue upon conversion, repurchase or redemption of the debentures under the terms of the indenture.

The indenture does not contain any covenant or restriction on AIG's business or operations except for the restriction on mergers and the sale of assets. AIG is not restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing its securities. No provision of the indenture would afford the holders of debentures protection in the event of a highly leveraged transaction involving AIG or a change in control of AIG.

Pursuant to the terms of the indenture, AIG and each holder of a debenture agrees to treat the debentures as debt instruments subject to the contingent payment debt regulations. The debentures will be issued with original issue discount for United States federal income tax purposes. In general, beneficial owners of the debentures will be required to accrue interest income on the debentures for United States federal income tax purposes in the manner described herein, regardless of whether such owner uses the cash or accrual method of tax accounting. Beneficial owners will be required, in general, to accrue interest, which AIG refers to as tax original issue discount, based on the rate at which AIG would issue a fixed rate nonconvertible debt instrument with no contingent payments, but with terms and conditions otherwise comparable to those of the debentures (i.e., --%), rather than at a lower rate based on the stated yield of the debentures for non-tax purposes. Accordingly, owners of debentures will be required to include tax original issue discount as interest in taxable income in each year in excess of the amount of original issue discount that accrues on the debentures for non-tax purposes. Furthermore, upon a sale, exchange, conversion or redemption of a debenture, the holder will recognize gain or loss equal to the difference between the amount realized and the adjusted tax basis in the debenture. The amount realized will include, in the case of a conversion, the fair market value of the common stock the holder receives. Any gain on a sale, exchange, conversion or redemption of a debenture will be treated as ordinary interest income. Holders are expected to consult their own tax advisors as to the United States federal, state, local or other tax consequences of acquiring, owning and disposing of the debentures. See "Certain United States Federal Income Tax Consequences."

CONVERSION OF DEBENTURES

Holders may convert debentures, in whole or in part, into common stock prior to the final maturity date of the debentures, subject to prior redemption or repurchase of the debentures, under the circumstances described below. The number of shares of common stock a holder will receive upon conversion of debentures will be determined by multiplying the number of \$1,000 principal amount at maturity of debentures converted by the conversion rate on the date of conversion. If AIG calls debentures for redemption, a holder may convert the debentures up to, but not including, the third business day prior to the redemption date unless AIG fails to pay the redemption price. A holder may convert debentures in part so long as this part is \$1,000 principal amount or an integral multiple of \$1,000. Similarly, if a holder exercises the option to require AIG to repurchase debentures, those debentures may be converted only if the holder withdraws the repurchase notice as described below under "Repurchase of Debentures at Option of the Holder."

Before the final maturity date of the debentures, a holder may convert debentures into common stock only under the following circumstances:

- during any fiscal quarter commencing after December 31, 2001 or on any business day commencing after September 30, 2031, if the closing sale price of common stock exceeds 120% of the conversion price as in effect for at least (x) 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter or (y) one trading day after September 30, 2031;
- if the debentures have been called for redemption, from the date of the notice of redemption up to, but not including, the third business day prior to the redemption date; or
- upon the occurrence of the corporate events described below on page 11 under "Conversion Upon Specified Corporate Events."

The "closing sale price" of common stock on any date means the closing per share sale price (or, if no closing sale price is reported, the average of the closing bid and ask prices) on such date as reported on the NYSE or, if AIG common stock is not listed on the NYSE, as reported on a national securities exchange, or if not reported on a national securities exchange, as reported by the Nasdaq. The closing sale price is calculated without reference to extended or after-hours trading. In the absence of such a quotation, AIG will determine the closing sale price on the basis of such quotations as AIG considers appropriate. The "conversion price" as of any day will equal the sum of the issue price and the accrued original issue discount divided by the number of shares of common stock issuable upon a conversion of a debenture.

"Trading day" means a day during which trading in AIG common stock occurs regular way on the NYSE or, if AIG common stock is not listed on the NYSE, on the principal other national or regional securities exchange on which AIG common stock is then listed or, if AIG common stock is not listed on a national or regional securities exchange, as reported by the Nasdaq or, if AIG common stock is not so quoted, on the principal other market on which AIG common stock is then traded.

"Business day" means each day of the year other than a Saturday or Sunday on which banking institutions in The City of New York are not authorized or obligated to close.

CONVERSION UPON SATISFACTION OF MARKET PRICE CONDITION

A holder may surrender debentures for conversion into common stock prior to final maturity during any fiscal quarter commencing after December 31, 2001 or on any business day commencing after September 30, 2031, if the closing sale price of common stock exceeds 120% of the conversion price as in effect for at least (x) 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter or (y) one trading day after September 30, 2031. For purposes of clause (x) the conversion price will be determined at the close of business on each of the 30 trading days.

CONVERSION UPON NOTICE OF REDEMPTION

If AIG calls debentures for redemption, a holder may convert the debentures from the date of the notice of redemption up to, but not including, the third business day prior to the redemption date, after which time the right to convert will expire unless AIG defaults in the payment of the redemption price.

CONVERSION UPON SPECIFIED CORPORATE EVENTS

If AIG elects to:

- distribute to all holders of common stock certain rights entitling them to purchase, for a period expiring within 45 days, common stock at less than the current market price (measured by averaging the closing sale prices of AIG common stock for the 10 trading days preceding the date of the first public announcement of such distribution); or
- distribute to all holders of common stock, assets, debt securities or certain rights to purchase AIG securities, which distribution has a per share value exceeding 15% of the closing sale price of AIG common stock on the day preceding the date of the first public announcement of such distribution;

AIG must notify the holders at least 10 days prior to the ex-dividend date for such distribution. Once AIG has given such notice, the holders may surrender debentures for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or any announcement by AIG that such distribution will not take place.

In addition, if

- AIG is a party to a consolidation, merger or sale of all or substantially all of its assets;
- AIG is not the resulting or surviving entity;
- the transaction is not with one of AIG's affiliates; and
- after the transaction, more than 50% of the surviving or resulting entity's
 - shareholders were not shareholders of AIG prior to the transaction, or
 - directors were not directors of AIG or approved by the board of directors of AIG prior to the transaction,

then the holders may surrender debentures for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until and including the date which is 15 days after the actual date of such transaction. If AIG is a party to a consolidation, merger or sale of all or substantially all of its assets, in each case pursuant to which AIG common stock is converted into cash, securities or other property, then at the effective time of the transaction, the holders' right to convert a debenture into AIG common stock will be changed into a right to convert it into the kind and amount of cash, securities and other property which a holder would have received if the holder had converted debentures immediately prior to the transaction. See "Conversion Rate Adjustments" below.

CONVERSION PROCEDURES

The conversion rate for the debentures is -- shares of common stock per \$1,000 principal amount at maturity of the debentures, subject to adjustment as described below. AIG will not issue fractional shares of common stock upon conversion of debentures. Instead, AIG will pay cash based on the market price of the common stock on the business day prior to the conversion date. Holders will not receive any cash payment on conversion of a debenture representing accrued original issue discount, accrued tax original issue discount or any contingent interest. Instead, accrued original issue discount, accrued tax original issue discount or any contingent interest will be deemed paid in full rather than cancelled, extinguished or forfeited. Consequently, AIG's delivery of the fixed number of shares of common stock into which the debenture is convertible, together with the cash payment, if any, in lieu of a fractional share of common stock, will be deemed to satisfy AIG's obligation to pay the principal amount at maturity of the debenture, including accrued original issue

discount, accrued tax original issue discount and any contingent interest attributable to the period from the issue date to the conversion date. AIG will not adjust the conversion rate to account for accrued original issue discount, accrued tax original issue discount or any contingent interest.

To convert debentures into common stock a holder must:

- complete and manually sign the conversion notice on the back of the debenture or a facsimile of the conversion notice and deliver this notice to the conversion agent;
- surrender the debentures to the conversion agent or comply with the procedures of the depository;
- if required, furnish appropriate endorsements and transfer documents; and
- if required, pay all transfer or similar taxes.

If contingent interest is payable to holders of the debentures during any particular six-month period, and such debentures are converted after the applicable accrual or record date therefor and prior to the next succeeding interest payment date, holders of such debentures at the close of business on the accrual or record date will (except if the debentures so converted are to be redeemed or repurchased prior to the payment date, in which case no contingent interest will be paid on any such debentures so converted) receive the contingent interest payable on such debentures on the corresponding interest payment date notwithstanding the conversion. Such debentures, upon surrender for conversion, must be accompanied by funds equal to the amount of contingent interest payable on the principal amount of the debentures so converted (unless such debentures are to be redeemed on a redemption date after the record date and prior to the interest payment date).

The date a holder complies with all of these requirements is the conversion date under the indenture.

CONVERSION RATE ADJUSTMENTS

AIG will adjust the conversion rate if any of the following events occurs:

- AIG issues to all holders common stock as a dividend or distribution on AIG common stock.
- AIG issues to all holders of common stock in-the-money rights or warrants to purchase AIG common stock that are exercisable for not more than 45 days.
- AIG subdivides or combines AIG common stock.
- AIG distributes to all holders of AIG common stock shares of AIG capital stock, evidences of indebtedness or assets, including securities but excluding:
 - rights or warrants specified above;
 - dividends or distributions specified above; and
 - cash distributions specified below.
- AIG distributes cash in any calendar year if the per share amount of such cash distribution, together with all other cash distributions paid in that calendar year up to the record date for such distribution, less the per share amount of all regular quarterly cash dividends declared in such calendar year up to the record date for such distribution exceeds 15% of the average of the last reported sale prices of the common stock during the ten consecutive trading days selected by the board of directors not more than 20 trading days prior to the date such dividend or distribution is first publicly announced (such amount in excess of such 15% excess, the "adjustment amount"). Any adjustment for the conversion rate for a cash distribution meeting these requirements will be based on the adjustment amount.

AIG will not adjust the conversion rate for any other event.

In the event of:

- any reclassification of AIG common stock;
- a consolidation, merger or combination involving AIG; or

-- a sale, lease or conveyance to another person or entity of all or substantially all of AIG's property and assets;

in which holders of common stock would be entitled to receive stock, other securities, other property, assets or cash for their common stock, upon conversion of debentures a holder will be entitled to receive the same type of consideration which he or she would have been entitled to receive if he or she had converted the debentures into common stock immediately prior to any of these events.

Holders may in certain situations be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of any taxable distribution to holders of common stock or in certain other situations requiring a conversion rate adjustment. See "Certain United States Federal Income Tax Consequences."

AIG may, from time to time, increase the conversion rate for a period of at least 20 days. AIG's determination to increase the conversion rate will be conclusive. AIG will give holders at least five business days' notice of any increase in the conversion rate. AIG may also increase the conversion rate if AIG deems it advisable to avoid or diminish any income tax to holders of common stock resulting from any stock or rights distribution. See "Certain United States Federal Income Tax Consequences."

AIG will not be required to make an adjustment in the conversion rate unless the adjustment would require a change of at least 1% in the conversion rate. However, we will carry forward any adjustments that are less than 1% of the conversion rate.

CONTINGENT INTEREST

Cash interest, referred to below as both "upside" and "downside" contingent interest, will accrue on the debentures upon the occurrence of the events described below.

UPSIDE CONTINGENT INTEREST

Subject to the accrual and record date provisions described below, AIG will pay upside contingent interest to the holders of debentures during any six-month period from May 1 to October 31 and from November 1 to April 30, with the initial six-month period commencing November --, 2006, if the average closing sale price of common stock for the five trading days ending on and including the third trading day immediately preceding the first day of the applicable six-month period equals 120% or more of the sum of the issue price and accrued original issue discount for a debenture to the day immediately preceding the first day of the applicable six-month period divided by the number of shares of common stock issuable upon a conversion of that debenture. Notwithstanding the above, if AIG declares a dividend for which the record date falls prior to the first day of a six-month period but the payment date falls within such six-month period, then the five trading day period for determining the average closing sale price of common stock will be the five trading days ending on and including the third trading day immediately preceding such record date.

During any period when upside contingent interest is payable, the contingent interest payable per debenture in either the first three months or the second three months of such period will equal the greater of (x) the sum of the regular cash dividends paid by AIG per share on common stock during those three months multiplied by the number of shares of common stock issuable upon conversion of a debenture at the then applicable conversion rate and (y) .00125 multiplied by the sum of the issue price and accrued original issue discount for a debenture to the last day of the relevant three-month period. Regular cash dividends mean quarterly or other periodic cash dividends on common stock as declared by the AIG board of directors as part of its cash dividend payment practices and that are not considered by the AIG board of directors as extraordinary, special or nonrecurring. The determination of the AIG board of directors as to the nature of the dividend will be conclusive.

Upside contingent interest, if any, will accrue and be payable to holders of debentures as of the record date for the related common stock dividend or, if AIG does not pay a regular cash dividend on common stock during the relevant six-month period, to holders of debentures as of the 15th day preceding the last day of the relevant six-month period. AIG will make upside contingent interest payments on the payment date of the

related common stock dividend or, if AIG does not pay a regular cash dividend on the common stock during the relevant six-month period, on the last day of the relevant six-month period. The original issue discount will continue to accrue at the yield to maturity whether or not upside contingent interest is paid.

In the event upside contingent interest is payable, AIG will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on its Web site or through such other public medium as it may use at that time.

DOWNSIDE CONTINGENT INTEREST

Downside contingent interest will be payable on the debentures for any six-month period from May 1 to October 31 or from November 1 to April 30 commencing on November --, 2006 for which the closing sale price of AIG common stock for any 20 out of the last 30 trading days ending on but not including the third business day prior to the commencement of such six-month period is less than or equal to 95% of the conversion price of the debentures in effect for each of those 20 trading days.

Downside contingent interest will be payable until but not including the first day of the first subsequent six-month period for which the trading price condition described above is not satisfied, at which time downside contingent interest on the debentures will cease to accrue unless and until the trading price condition is satisfied for any subsequent six-month period. Such interest will be calculated on the basis of the issue price plus accrued original issue discount to the day prior to the commencement of the applicable six-month period.

The downside contingent interest rate determined for any six-month period will be equal to the difference between (x) the six-month London interbank offered rate plus the applicable spread (which may be positive or negative) as determined by the contingent interest rate agent and (y) 1.50% (but in no event will be less than zero). Original issue discount will continue to accrue at the yield to maturity whether or not downside contingent interest is paid.

AIG will appoint a contingent interest rate agent, which may be one of AIG's affiliates. For the determination of the downside contingent interest rate, the contingent interest rate agent will ask three nationally recognized investment banks, at 11:00 A.M., London time, on the second London business day prior to the commencement of the applicable five-year period, to provide the spread that would be applicable to the issuance by AIG of an unsecured, unsubordinated debt security with a five-year maturity that accrues interest based on the London interbank offered rate with semi-annual interest rate reset provisions. The downside contingent interest rate spread will be the average of such three indicative reference spreads, provided that if at least three such indicative reference spreads cannot reasonably be obtained by the contingent interest rate agent, but two such indicative reference spreads are obtained, then the average of the two indicative reference spreads shall be used, and if only one such indicative reference spread can reasonably be obtained by the contingent interest rate agent, this one indicative reference spread shall be used. The spread determined by the contingent interest rate agent will be determined for each five-year period commencing November --, 2006, 2011, 2016, 2021 and 2026, and will be applicable for each six-month period falling within such five-year period. The London interbank offered rate will be determined on the second London business day prior to the commencement of the applicable six-month period based on the Telerate LIBOR page 3750 (or a successor thereto) at 11:00 A.M., London time. The determination of any downside contingent interest rate will be conclusive in the absence of manifest error.

Downside contingent interest, if any, will accrue and be payable to holders of debentures as of the 15th day preceding the last day of the relevant six-month period. AIG will make downside contingent interest payments on the last day of the relevant six-month period.

In the event downside contingent interest is payable, AIG will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on its Web site or through such other public medium as it may use at that time.

OPTIONAL REDEMPTION BY AIG

The debentures are not entitled to any sinking fund. At any time on or after November --, 2006, AIG may redeem the debentures in whole, or in part, for an amount in cash equal to 100% of the sum of:

- \$--, the original issue price per \$1,000 principal amount; and
- accrued original issue discount and any accrued and unpaid contingent interest to and including the date of redemption.

The table below shows redemption prices of debentures per \$1,000 principal amount at maturity, at November --, 2006, and at each November -- thereafter until maturity on November --, 2031. These redemption prices reflect accrued original issue discount up to but excluding each redemption date but do not assume the payment of any contingent interest. The redemption price of a debenture redeemed between any two of the dates listed below would reflect original issue discount accrued from the next preceding redemption date up to but excluding the actual date of redemption.

(1)	(2)	(3)
----- ACCRUED		
ORIGINAL REDEMPTION DEBENTURE		
ISSUE DISCOUNT AT PRICE ISSUE		
PRICE	1.5%	(1)+(2)

	November --,	
2006.....	\$-- \$-- \$ -- November --,	
2007.....	-- -- -- November --,	
2008.....	-- -- -- November --,	
2009.....	-- -- -- November --,	
2010.....	-- -- -- November --,	
2011.....	-- -- -- November --,	
2012.....	-- -- -- November --,	
2013.....	-- -- -- November --,	
2014.....	-- -- -- November --,	
2015.....	-- -- -- November --,	
2016.....	-- -- -- November --,	
2017.....	-- -- -- November --,	
2018.....	-- -- -- November --,	
2019.....	-- -- -- November --,	
2020.....	-- -- -- November --,	
2021.....	-- -- -- November --,	
2022.....	-- -- -- November --,	
2023.....	-- -- -- November --,	
2024.....	-- -- -- November --,	
2025.....	-- -- -- November --,	
2026.....	-- -- -- November --,	
2027.....	-- -- -- November --,	
2028.....	-- -- -- November --,	
2029.....	-- -- -- November --,	
2030.....	-- -- -- At Stated Maturity	
(November --, 2031).....	-- -- --	-- --
		- 1,000.00

If less than all of the outstanding debentures are to be redeemed, the trustee will select the debentures to be redeemed in principal amounts of \$1,000 or multiples of \$1,000 by lot, pro rata or by another method the trustee considers fair and appropriate. If a portion of a holder's debentures is selected for partial redemption and a holder converts a portion of the debentures, the converted portion will be deemed to be part of the portion selected for redemption.

AIG is required to give notice of redemption by mail to holders not more than 60 but not less than 15 days prior to the redemption date.

REPURCHASE OF DEBENTURES AT OPTION OF THE HOLDER

Holders have the right to require AIG to repurchase the debentures on November --, 2006, 2011, 2016, 2021 and 2026. AIG will be required to repurchase any outstanding debenture for which the holder properly delivers a written repurchase notice to the paying agent, subject to certain additional conditions. The paying agent will initially be the trustee. This notice must be delivered during the period beginning at any time from the opening of business on the date that is 24 business days prior to the repurchase date until the close of business on the fourth business day prior to the repurchase date. A holder may, without AIG's consent, withdraw his or her repurchase notice at any time up to, but excluding, the third business day prior to the repurchase date. On or after the third business day, a holder needs AIG's consent to withdraw his or her repurchase notice, and AIG may withhold its consent for any reason. If a repurchase notice is properly withdrawn, AIG will not repurchase the debentures listed in the notice. Once a repurchase notice is given, a holder may not convert his or her debenture until it is properly withdrawn.

The repurchase price payable for a debenture will be equal to the issue price plus accrued original issue discount and any accrued and unpaid contingent interest to, but excluding, the repurchase date. AIG may, at its option, elect to pay the repurchase price in cash, shares of common stock or any combination thereof. For a discussion of the tax treatment of a holder receiving cash, shares of common stock or any combination thereof, see "Certain United States Federal Income Tax Consequences." The table below shows the repurchase prices of a debenture as of the specified repurchase dates.

REPURCHASE DATE	REPURCHASE PRICE
2006	----- -- November --, \$-- November --, 2011 -- November --, 2016 -- November --, 2021 -- November --, 2026 --

The repurchase notice must state:

- if certificated debentures have been issued, the debenture certificate numbers (or, if debentures are not certificated, the repurchase notice must comply with appropriate DTC procedures);
- the portion of the principal amount at maturity of debentures to be repurchased, which must be in \$1,000 multiples;
- that the debentures are to be repurchased by AIG pursuant to the applicable provisions of the debentures and the indenture; and
- in the event AIG elects, pursuant to the notice that it is required to give, to pay the repurchase price in common stock, in whole or in part, but the repurchase price is ultimately to be paid to you entirely in cash because any of the conditions to payment of the repurchase price or portion of the repurchase price in common stock is not satisfied prior to the close of business on the repurchase date, as described below, whether you elect:
 - (1) to withdraw the repurchase notice as to some or all of the debentures to which it relates; or
 - (2) to receive cash in such event in respect of the entire repurchase price for all the debentures or portions of the debentures subject to such repurchase notice (in the case of a failure to make an election, this option will be deemed to have been chosen).

You may withdraw any written repurchase notice by delivering a written notice of withdrawal to the paying agent up to but excluding the third day prior to the repurchase date. Any withdrawal notice must state:

- the principal amount at maturity of the withdrawn debentures;
- if certificated debentures have been issued, the certificate numbers of the withdrawn debentures (or, if debentures are not certificated, the withdrawal notice must comply with appropriate DTC procedures); and
- the principal amount at maturity, if any, which remains subject to the repurchase notice.

AIG must give notice of an upcoming repurchase date to all debenture holders not less than 24 business days prior to the repurchase date at their addresses shown in the register of the registrar. This notice will state among other things:

- the repurchase price;
- whether AIG will pay the repurchase price of debentures in cash or common stock or any combination thereof, specifying the percentages of each;
- if AIG elects to pay in common stock, the method of calculating the market price of the common stock; and
- the procedures that debenture holders must follow to require AIG to repurchase their debentures.

If AIG elects to pay the repurchase price, in whole or in part, in shares of common stock, the number of shares of common stock to be delivered by AIG shall be equal to the portion of the repurchase price to be paid in common stock divided by the average of the closing sale prices of the common stock during the five-trading day period ending on, but not including, the third business day prior to the repurchase date.

AIG will pay cash based on the market price for all fractional shares of common stock in the event it elects to deliver common stock in payment, in whole or in part, of the repurchase price.

Because the market price of the common stock is determined prior to the applicable repurchase date, holders of debentures bear the market risk with respect to the value of the common stock to be received from the date the market price is determined to the repurchase date.

Upon determination of the actual number of shares of common stock to be issued upon repurchase of debentures in accordance with the foregoing provisions, AIG will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News or publish the information on AIG's web site or through such other public medium as AIG may use at the time.

In addition to the above conditions, AIG's right to repurchase debentures, in whole or in part, with common stock is subject to AIG satisfying various conditions, including:

- the registration of the common stock under the Securities Act and the Exchange Act, in each case, if required;
- listing the common stock on the NYSE or other national securities exchange or the quotation system on which the common stock is then listed or traded; and
- any necessary qualification or registration under applicable state securities law or the availability of an exemption from such qualification and registration.

If these conditions are not satisfied with respect to a holder prior to the close of business on the repurchase date, AIG will be required to pay the repurchase price of the debentures of the holder entirely in cash.

Payment of the repurchase price for a debenture for which a repurchase notice has been delivered and not withdrawn is conditioned upon book-entry transfer or delivery of the debenture, together with necessary endorsements, to the paying agent at its office in New York City, New York, or any other office of the paying agent, at any time after delivery of the repurchase notice. Payment of the repurchase price for the debenture

will be made promptly following the later of the repurchase date and the time of book-entry transfer or delivery of the debenture. If the paying agent holds money or securities sufficient to pay the repurchase price of the debenture on the business day following the repurchase date, then, on and after the repurchase date:

- the debenture will cease to be outstanding;
- original issue discount and any contingent interest will cease to accrue; and
- all other rights of the holder will terminate.

This will be the case whether or not book-entry transfer of the debenture has been made or the debenture has been delivered to the paying agent, and all other rights of the debenture holder will terminate, other than the right to receive the repurchase price upon delivery of the debenture.

AIG will comply with any tender offer rules under the Securities Exchange Act of 1934 that may be applicable at the time of its offer to repurchase the debentures.

MERGER AND SALE OF ASSETS BY AIG

AIG is generally permitted to consolidate or merge with another company or firm. AIG is also permitted to sell or lease substantially all of its assets to another firm. However, the indenture provides AIG may not take any of these actions unless all of the following conditions are met:

- Where AIG merges out of existence or sells or leases its assets to another entity, the other entity may not be organized under a foreign country's laws, that is, it must be a corporation, partnership, limited liability company or trust organized under the laws of a state of the United States or the District of Columbia or under federal law, and it must agree to be legally responsible for the debentures.
- The merger, sale of assets or other transaction must not cause a default on the debentures, and AIG must not already be in default (unless the merger or other transaction would cure the default). For purposes of this no-default test, a default would include an event of default that has occurred and not been cured. A default for this purpose would also include any event that would be an event of default if the requirements for giving a default notice or AIG's default having to exist for a specific period of time were disregarded.

MODIFICATION AND WAIVER

There are three types of changes AIG can make to the indenture and the debentures.

CHANGES REQUIRING EACH HOLDER'S APPROVAL

The following modifications would require the consent of the holders of each outstanding debenture affected thereby:

- alter the manner or rate of accrual of original issue discount (but not tax original issue discount) or contingent interest on any debenture;
- make any debenture payable in money or securities other than that stated in the debenture;
- reduce the principal amount payable at maturity, accrued original issue discount, redemption price or repurchase price with respect to any debenture;
- make any change that affects the right of a holder to convert any debenture in any adverse manner;
- make any change that adversely affects the right to require AIG to repurchase a debenture;
- impair the right to institute suit for the enforcement of any payment with respect to, or conversion of, the debentures;
- reduce the percentage of principal amount required to waive a default; and

-- reduce the percentage of principal amount required to amend the indenture.

CHANGES REQUIRING A MAJORITY VOTE

The second type of change to the indenture and the debentures is the kind that requires a vote in favor by holders owning a majority of the principal amount of the debentures affected thereby. Most changes fall into this category. AIG may obtain a waiver of a past default from the holders owning a majority of the principal amount of the debentures then outstanding. However, AIG cannot obtain a waiver of a payment default or any other aspect of the indenture or the debentures listed in the first category described above under "Changes Requiring Each Holder's Approval" unless AIG obtains each holder's consent to the waiver.

CHANGES NOT REQUIRING APPROVAL

The third type of change does not require any vote by holders of the debentures. This type is limited to clarifications and certain other changes that would not adversely affect, in any material respect, holders of the debentures.

DEFAULT AND RELATED MATTERS

RANKING

The debentures are not secured by any of AIG's property or assets. Accordingly, ownership of debentures means the holder is one of AIG's unsecured creditors. The debentures are not subordinated to any of AIG's other debt obligations and therefore they rank equally with all of AIG's other unsecured and unsubordinated indebtedness.

As a holding company, AIG's right to participate in any distribution of assets of any of its subsidiaries upon the subsidiary's liquidation or otherwise, and thus the ability of a holder of debentures to benefit indirectly from that distribution, will be subject to the prior claims of creditors of that subsidiary, except to the extent that any of AIG's claims as a creditor of that subsidiary may be recognized. As a result, the debentures will effectively be subordinated to all existing and future liabilities and obligations of AIG's subsidiaries. Moreover, AIG provides credit support to creditors of certain of its subsidiaries, and creditors of the subsidiaries may have claims against AIG.

EVENTS OF DEFAULT

Holdings will have special rights if an event of default occurs and is not cured, as described later in this subsection.

The term "Event of Default" means any of the following:

- AIG does not pay the principal of, or redemption or repurchase price on, a debenture on its due date.
- AIG does not pay contingent interest on a debenture within 30 days of its due date.
- AIG remains in breach of any other term of the indenture for 60 days after it receives a notice of default stating it is in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debentures then outstanding.
- AIG files for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.

LIMITATIONS OF CLAIMS IN BANKRUPTCY

If a bankruptcy proceeding is commenced in respect of AIG, the claim of the holder of a debenture is, under the United States Bankruptcy Code, limited to the issue price of the debenture plus that portion of the original issue discount that has accrued from the date of issue to the commencement of the proceeding, plus any accrued but unpaid contingent interest.

REMEDIES IF AN EVENT OF DEFAULT OCCURS

If an event of default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debentures then outstanding may declare the issue price of the debentures plus original issue discount accrued on the debentures and any accrued and unpaid contingent interest, through the declaration of acceleration to be due and immediately payable. This is called a declaration of acceleration of maturity. However, a declaration of acceleration of maturity may be cancelled, but only before a judgment or decree based on the acceleration has been obtained, by the holders of at least a majority in principal amount of the debentures.

In case of a default in payment of the debentures, whether at the stated maturity or upon acceleration, from and after the maturity date the amount owing on the debentures will bear interest, payable upon demand of their beneficial owners, at the rate of 1.50% per year, to the date payment of that amount has been made or duly provided for.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability called an indemnity. If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debentures may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indenture.

AIG will furnish to the trustee every year a written statement of AIG's officers certifying as to whether, to their knowledge, AIG is in compliance with the indenture and the debentures.

CALCULATIONS IN RESPECT OF DEBENTURES

AIG will be responsible for making all calculations called for under the debentures. These calculations include, but are not limited to, determination of the market price of the debentures and common stock and the closing sale price of common stock and amounts of contingent interest, if any, payable on the debentures. AIG will make all these calculations in good faith and, absent manifest error, its calculations will be final and binding on holders of debentures. AIG will provide a schedule of its calculations to the trustee, and the trustee is entitled to rely upon the accuracy of AIG's calculations without independent verification.

NOTICES

AIG and the trustee will send notices regarding the debt securities only to direct holders, using their addresses as listed in the trustee's records.

UNCLAIMED FUNDS

Regardless of who acts as paying agent, all money paid by AIG to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to AIG. After the two-year period, the holder may look to AIG for payment and not to the trustee or any other paying agent.

GOVERNING LAW

The indenture and the debentures will be governed by, and construed in accordance with, the laws of the State of New York.

FORM, DENOMINATION AND REGISTRATION

The debentures will be issued:

- in fully registered form;
- without interest coupons; and
- in denominations of \$1,000 principal amount and integral multiples of \$1,000.

BOOK-ENTRY SYSTEM

The debentures will be represented by one or more Global Securities (each a "Global Security"). Each Global Security will be deposited with, or on behalf of, The Depository Trust Company ("DTC") and be registered in the name of a nominee of DTC. Except under circumstances described below, the debentures will not be issued in definitive form.

Upon the issuance of a Global Security, DTC will credit on its book-entry registration and transfer system the accounts of persons designated by Morgan Stanley & Co. Incorporated with the respective principal amounts of the debentures represented by the Global Security. Ownership of beneficial interests in a Global Security will be limited to persons that have accounts with DTC or its nominee ("participants") or persons that may hold interests through participants. Ownership of beneficial interests in a Global Security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of persons other than participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a Global Security.

So long as DTC or its nominee is the registered owner of a Global Security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of the debentures represented by that Global Security for all purposes under the indenture. Except as provided below, owners of beneficial interests in a Global Security will not be entitled to have debentures represented by that Global Security registered in their names, will not receive or be entitled to receive physical delivery of debentures in definitive form and will not be considered the owners or holders thereof under the indenture. Principal and interest payments, if any, or payments of the redemption price or the repurchase price on debentures registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the relevant Global Security. Neither AIG, the trustee, any paying agent nor the registrar for the debentures will have any responsibility or liability for any aspect of the records relating to nor payments made on account of beneficial interests in a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial interests.

AIG expects that DTC or its nominee, upon receipt of any payment of principal or interest, if any, or payments of the redemption price or the repurchase price will credit immediately participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Security as shown on the records of DTC or its nominee. AIG also expects that payments by participants to owners of beneficial interests in a Global Security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants.

A Global Security may be terminated and physical certificates issued if:

- DTC is at any time unwilling or unable to continue as a depository and a successor depository is not appointed by AIG within 90 days; or
- AIG determines not to have debentures represented by a Global Security; or
- an event of default has occurred and not been cured.

In any such case, AIG will issue debentures in definitive form in exchange for the entire Global Security relating to such debentures. AIG will issue the certificates to the persons specified by DTC. Debentures so issued in definitive form will be issued as registered debentures in denominations of \$1,000 and integral multiples thereof, unless otherwise specified by AIG.

DTC has advised AIG as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of its participants. This practice eliminates the need for physical movement of

certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Some of the participants, or their representatives, together with other entities, own DTC. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with, a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Security among participants, it is under no obligation to perform or continue to perform these procedures, and these procedures may be discontinued at any time.

Conveyance of notices and other communications by DTC to participants, by participants to indirect participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements that may be in effect from time to time. Redemption notices will be sent to Cede & Co., as nominee of DTC. If less than all of the debentures are being redeemed, DTC will reduce the amount of interest of participants in the debentures in accordance with its procedures.

AIG'S RELATIONSHIP TO THE TRUSTEE

AIG has appointed The Bank of New York, the trustee under the indenture, as paying agent, conversion agent, and debenture registrar for the debentures. The Bank of New York from time to time provides normal banking services to AIG and its subsidiaries.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

This discussion describes the material United States federal income tax consequences of owning the debentures and, to the extent described below, common stock received upon an exchange, conversion or redemption of the debentures. The following discussion of U.S. federal income tax consequences is the opinion of Sullivan & Cromwell, tax counsel to AIG. It applies to holders only if they hold debentures or common stock as a capital asset for tax purposes. This section does not apply to holders if they are members of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns debentures that are a hedge or that are hedged against interest rate risks,
- a person that owns debentures as part of a straddle or conversion transaction for tax purposes, or
- a United States person (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This discussion is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

No statutory, administrative or judicial authority directly addresses the treatment of the debentures or instruments similar to the debentures for United States federal income tax purposes. No rulings have been sought or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. As a result, no assurance can be given that the IRS will agree with the tax characterizations and the tax consequences described below.

AIG urges prospective investors to consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the debentures and the common stock in light of their own particular circumstances, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in United States federal or other tax laws.

CLASSIFICATION OF THE DEBENTURES

Pursuant to the terms of the indenture, AIG and each holder of the debentures agree, for United States federal income tax purposes, to treat the debentures as indebtedness that is subject to the regulations governing contingent payment debt instruments, and the remainder of this discussion assumes that the debentures will be so treated. This treatment of the debentures is highly uncertain, however, and no assurance can be given that the IRS will not assert that the debentures should be treated differently. Such treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the debentures.

UNITED STATES HOLDERS

This discussion applies to U.S. holders. A holder is a U.S. holder if the holder is a beneficial owner of a debenture and the holder is:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

A beneficial owner of debentures that is a non-U.S. holder (as defined in "--Non-U.S. Holders" below) should see "--Non-U.S. Holders" below.

Under the rules governing contingent payment debt obligations, a holder will be required to accrue interest income on the debentures, in the amounts described below, regardless of whether the holder uses the cash or accrual method of tax accounting. Accordingly, a holder would likely be required to include interest in taxable income in each year in excess of the accruals of original issue discount on the debentures for non-tax purposes and in excess of any interest payments actually received in that year.

PAYMENTS MADE WITH RESPECT TO THE DEBENTURES

If a holder purchases a debenture at a price equal to the adjusted issue price (as defined below) of the debenture, the holder must accrue an amount of ordinary income for United States federal income tax purposes for each accrual period prior to and including the maturity date of a debenture that equals:

- the product of (i) the adjusted issue price of the debenture as of the beginning of the accrual period; and (ii) the comparable yield (as defined below) of the debenture, adjusted for the length of the accrual period;
- divided by the number of days in the accrual period; and
- multiplied by the number of days during the accrual period that the holder held the debenture.

The issue price of a debenture is the first price at which a substantial amount of the debentures was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The adjusted issue price of a debenture is its issue price increased by any interest income previously accrued, determined without regard to any adjustments to interest accruals described below and decreased by the projected amounts of any payments previously made with respect to the debenture.

The term "comparable yield" means the annual yield that an issuer of a contingent payment debt obligation would pay, as of the initial issue date, on a fixed rate nonconvertible debt security with no contingent payments, but with terms and conditions otherwise comparable to those of the instrument.

If a holder purchases a debenture at a price other than its adjusted issue price determined for tax purposes, a holder must determine the extent to which the difference between the price the holder paid for the debenture and its adjusted issue price is attributable to a change in expectations as to the projected payment schedule, a change in interest rates, or both, and reasonably allocate the difference accordingly.

AIG is required to provide to holders, solely for United States federal income tax purposes, a schedule of the projected amounts of payments on the debentures. This schedule must produce the comparable yield. The projected payment schedule includes estimates for payments of contingent interest and an estimate for a payment at maturity taking into account the conversion feature. The comparable yield and projected payment schedule are available from AIG by telephoning AIG Investor Relations Department at (212) 770-6293 or submitting a written request for such information to: AIG, 70 Pine Street, New York, New York 10270, Attention: Investor Relations Department.

For United States federal income tax purposes, holders must use the comparable yield and projected payment schedule in determining interest accruals, and the adjustments thereto described below, in respect of the debentures, unless the holder timely discloses and justifies the use of other estimates to the IRS. If the holder determines the holder's own comparable yield or projected payment schedule, the holder must also establish that AIG's comparable yield or projected payment schedule is unreasonable.

Because any Form 1099-OID that the holder receives will not reflect the effects of positive or negative adjustments resulting from the holder's purchase of a debenture at a price other than the adjusted issue price determined for tax purposes, a holder is urged to consult with the holder's tax advisor as to whether and how adjustments should be made to the amounts reported on any Form 1099-OID.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE ARE NOT DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF THE DEBENTURES FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND DO NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO HOLDERS OF THE DEBENTURES.

ADJUSTMENTS TO INTEREST ACCRUALS ON THE DEBENTURES

If a holder receives actual payments with respect to a debenture in a taxable year that in the aggregate exceed the total amount of projected payments for that taxable year, the holder would incur a "net positive adjustment" equal to the amount of such excess. The holder would treat the "net positive adjustment" as additional interest income for the taxable year. For this purpose, the payments in a taxable year include the fair market value of property received in that year.

If a holder receives actual payments with respect to a debenture in a taxable year that in the aggregate were less than the amount of the projected payments for that taxable year, the holder would incur a "net negative adjustment" equal to the amount of such deficit. This adjustment will (a) reduce interest income on the debentures for that taxable year, and (b) to the extent of any excess after the application of (a), give rise to an ordinary loss to the extent of interest income on the debenture during prior taxable years, reduced to the extent such interest was offset by prior net negative adjustments. Any excess would be carried forward as a net negative adjustment to the next taxable year or would reduce the amount realized upon sale, exchange, conversion or redemption of the debenture.

If the adjusted issue price of a debenture is greater than the price paid for the debenture, a holder must make positive adjustments increasing the amount of interest that the holder would otherwise accrue and include in income each year, and increasing the amount of ordinary income (or decreasing the amount of ordinary loss) recognized upon redemption or maturity by the amounts allocated to each of the interest and projected payment schedule; if the adjusted issue price of the debenture is less than the price paid for the debenture, a holder must make negative adjustments, decreasing the amount of interest that the holder must include in income each year, and decreasing the amount of ordinary income (or increasing the amount of ordinary loss) recognized upon redemption or maturity by the amounts allocated to each of interest and projected payment schedule. Adjustments allocated to the interest amount are not made until the date the daily portion of interest accrues.

SALE, EXCHANGE, CONVERSION OR REDEMPTION OF THE DEBENTURES

Generally, the sale, exchange or conversion of a debenture, or the redemption of a debenture for cash, will result in taxable gain or loss. As described above, AIG's calculation of the comparable yield and the projected payment schedule for the debentures includes the receipt of stock upon exchange as a contingent payment with respect to the debentures. Accordingly, AIG intends to treat the receipt of common stock by a holder upon the exchange or conversion of a debenture, or upon the redemption of a debenture where AIG elects to pay in common stock, as a contingent payment. As described above, a holder is generally bound by AIG's determination of the comparable yield and projected payment schedule. Under this treatment, an exchange, conversion or such a redemption will also result in taxable gain or loss to a holder. The amount of gain or loss on a taxable sale, exchange, conversion or redemption will be equal to the difference between (a) the amount of cash plus the fair market value of any other property received by a holder, including the fair market value of any common stock received, and (b) the adjusted tax basis in the debenture. The adjusted tax basis in a debenture will generally be equal to the original purchase price for the debenture, increased by any interest income previously accrued (determined without regard to any adjustments to interest accruals described above), decreased by the amount of any projected payments previously made on the debenture, and increased or decreased by the amount of any positive or negative adjustment, respectively, that a holder is required to make if the holder purchases the debenture at a price other than the adjusted issue price determined for tax purposes. Gain recognized upon a sale, exchange, conversion or redemption of a debenture will generally be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in

income and reduced to the extent such interest was offset by prior net negative adjustments, and thereafter, capital loss (which will be long-term if the debenture is held for more than one year). The deductibility of net capital losses by individuals and corporations is subject to limitations.

The tax basis in common stock received upon an exchange or conversion of a debenture or upon exercise of a put right that AIG elects to pay in common stock will equal the then current fair market value of such common stock. The holding period for the common stock received will commence on the day immediately following the date of exchange or redemption.

CONSTRUCTIVE DIVIDENDS

In accordance with the anti-dilution provisions of the debentures, certain corporate adjustments and distributions may result in an increase in the exchange rate of the debentures. In certain circumstances, such an increase may be deemed to be the payment of a taxable dividend to holders.

For example, an increase in the exchange rate in the event of distribution of AIG's evidence of indebtedness or assets generally would result in deemed dividend treatment to holders, but an increase in the event of stock dividends or the distribution of rights to subscribe for common stock generally would not.

NON-U.S. HOLDERS

This discussion describes the tax consequences to a non-U.S. holder. A holder is a non-U.S. holder if the holder is the beneficial owner of a debenture and is, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation,
- a foreign partnership, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a debenture.

If a holder is a U.S. holder, this section does not apply to the holder.

PAYMENTS MADE WITH RESPECT TO THE DEBENTURES

Under United States federal income and estate tax law, and subject to the discussions of backup withholding and dividends below, if a holder is a non-U.S. holder:

- payments of contingent cash interest in respect of any regular cash dividends paid by AIG on its common stock during a quarterly period made to a holder will not be exempt from United States federal income or withholding tax and, therefore, a holder will be subject to withholding on such payments of contingent cash interest at a rate of 30%, unless reduced by a treaty or by receipt of a Form W-8ECI from a holder claiming that the payments are effectively connected with the holder's United States trade or business;
- AIG and other U.S. payors generally will not be required to deduct United States withholding tax at a 30% rate (or at a lower rate if the holder is eligible for the benefits of an applicable income tax treaty that provides for a lower rate) from other payments of interest and principal (other than the portion of principal attributable to accrued but unpaid contingent cash interest in respect of regular cash dividends) to a holder if, in the case of other payments of interest:

- (1) a holder does not actually or constructively own 10% or more of the total combined voting power of all classes of AIG stock entitled to vote,
- (2) a holder is not a controlled foreign corporation that is related to AIG through stock ownership, and

- (3) the U.S. payor does not have actual knowledge or reason to know that a holder is a United States person and:
- (a) a holder has furnished to the U.S. payor an IRS Form W-8BEN or an acceptable substitute form upon which the holder certifies, under penalties of perjury, that the holder is a non-United States person,
 - (b) in the case of payments made outside the United States to a holder at an offshore account (generally, an account maintained by the holder at a bank or other financial institution at any location outside the United States), the holder has furnished to the U.S. payor documentation that establishes the holder's identity and status as a non-United States person,
 - (c) the U.S. payor has received a withholding certificate (furnished on an appropriate IRS Form W-8 or an acceptable substitute form) from a person claiming to be:
 - i. a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the IRS to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),
 - ii. a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the IRS), or
 - iii. a U.S. branch of a non-United States bank or of a non-United States insurance company,

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary or withholding foreign partnership, in accordance with its agreement with the IRS),

- (d) the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business,
 - i. certifying to the U.S. payor under penalties of perjury that an IRS Form W-8BEN or an acceptable substitute form has been received from the holder by it or by a similar financial institution between it and the holder, and
 - ii. to which is attached a copy of the IRS Form W-8BEN or acceptable substitute form, or
- (e) the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations;

- no deduction for any United States federal withholding tax will be made from any gain that a holder realizes on the sale or exchange of a debenture; and
- if interest paid to a holder is "effectively connected" with the holder's conduct of a trade or business within the United States, and, if required by an applicable tax treaty, the interest is attributable to a permanent establishment that the holder maintains in the United States, AIG and other payors generally are not required to withhold tax from the interest, provided that the holder has furnished to

AIG or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which the holder represents, under penalties of perjury, that:

- (1) the holder is a non-United States person, and
- (2) the interest is effectively connected with the holder's conduct of a trade or business within the United States and is includible in the holder's gross income.

"Effectively connected" interest is taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations.

If the holder is a corporate non-U.S. holder, "effectively connected" interest that a holder receives may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if the holder is eligible for the benefits of an applicable income tax treaty that provides for a lower rate.

DIVIDENDS ON COMMON STOCK AND CONSTRUCTIVE DIVIDENDS

Except as described below, if a holder is a non-U.S. holder of common stock, dividends paid to the holder are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if the holder is eligible for the benefits of an applicable income tax treaty that provides for a lower rate. Moreover, if a holder is a non-U.S. holder of a debenture and receives a constructive dividend as a result of a change in the exchange ratio of the debenture, AIG and other payors may withhold on other payments made on the debenture in between the date of the constructive dividend and the due date for filing of Form 1042-S (including extensions) for the tax year in which the constructive dividend is made if the relevant payor has control over, or custody of money or property owned by the holder and knowledge of the facts that give rise to the withholding. Even if the holder is eligible for a lower treaty rate, AIG and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend or such other payments to the holder, unless the holder has furnished to AIG or another payor:

- a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which the holder certifies, under penalties of perjury, the holder's status as a non-United States person and entitlement to the lower treaty rate with respect to such payments, or
- in the case of payments made outside the United States to an offshore account (generally, an account maintained by the holder at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If the holder is eligible for a reduced rate of United States withholding tax under a tax treaty, the holder may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

If dividends paid to a holder are "effectively connected" with the conduct of a trade or business within the United States, and, if required by an applicable tax treaty, the dividends or constructive dividends are attributable to a permanent establishment that the holder maintains in the United States, AIG and other payors generally are not required to withhold tax from the dividends or any other payments, provided that the holder has furnished to AIG or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which the holder represents, under penalties of perjury, that:

- the holder is a non-United States person, and
- the dividends or constructive dividends are effectively connected with the conduct of a trade or business within the United States and are includible in the holder's gross income.

"Effectively connected" dividends are taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations.

If the holder is a corporate non-U.S. holder, "effectively connected" dividends or constructive dividends that the holder receives may, under certain circumstances, be subject to an additional "branch profits tax" at a

30% rate or at a lower rate if the holder is eligible for the benefits of an applicable income tax treaty that provides for a lower rate.

GAIN ON DISPOSITION OF COMMON STOCK

If the holder is a non-U.S. holder, the holder generally will not be subject to United States federal income tax on gain recognized on a disposition of common stock unless:

- the gain is "effectively connected" with conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment maintained in the United States, if that is required by an applicable income tax treaty as a condition for subjecting the holder to United States taxation on a net income basis,
- the holder is an individual, he or she holds the common stock as a capital asset, he or she is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist, or
- AIG is or has been a United States real property holding corporation for federal income tax purposes and the holder held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of the common stock and the holder is not eligible for any treaty exemption.

If the holder is a corporate non-U.S. holder, "effectively connected" gains that it recognizes may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if the holder is eligible for the benefits of an income tax treaty that provides a lower rate.

AIG has not been, is not and does not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

UNITED STATES FEDERAL ESTATE TAX

A debenture held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual's gross estate for United States federal estate tax purposes if:

- the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of AIG stock entitled to vote at the time of death, and
- the income on the debenture would not have been effectively connected with a United States trade or business of the decedent at the same time.

However, shares of common stock held by the decedent at the time of death will be included in the decedent's gross estate for United States federal estate tax purposes unless an applicable estate tax treaty provides otherwise.

BACKUP WITHHOLDING AND INFORMATION REPORTING

U.S. HOLDERS

In general, if the holder is a noncorporate U.S. holder, AIG and other payors are required to report to the IRS all payments of principal and interest on and any constructive distribution with respect to a debenture, including amounts accruing under the rules for contingent payment debt instruments, and dividends on common stock. In addition, certain payors are required to report to the IRS any payment of proceeds of the sale of debentures before maturity or common stock within the United States. Additionally, backup withholding will apply to any payments, if the holder fails to provide an accurate taxpayer identification number, or the holder is notified by the IRS that the holder has failed to report all interest and dividends required to be shown on the holder's federal income tax returns.

NON-U.S. HOLDERS

In general, payments of principal, dividends and interest made by AIG and other payors will not be subject to backup withholding and information reporting, provided that the certification requirements described above under "Non-U.S. Holders--Payments Made with Respect to the Debentures" are satisfied or the holder otherwise establishes an exemption.

In general, payment of the proceeds from the sale of debentures or common stock effected at a United States office of a broker is subject to both United States backup withholding and information reporting. The holder will not be subject to backup withholding and information reporting on such a sale provided that:

- the broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished to the broker:
 - (1) an appropriate IRS Form W-8 or an acceptable substitute form upon which the holder certifies, under penalties of perjury, that the holder is a non-United States person, or
 - (2) other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or
- the holder otherwise establishes an exemption.

If the holder fails to establish an exemption and the broker does not possess adequate documentation of the holder's status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made outside the United States to an offshore account maintained by the holder unless the payor has actual knowledge that the holder is a United States person. AIG and other payors are required to report payments of interest and constructive distributions on debentures and dividends on common stock on IRS Form 1042-S even if the payments are not otherwise subject to information reporting requirements.

In general, payment of the proceeds from the sale of debentures or common stock effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by the holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to the holder at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above (relating to a sale of debentures or common stock effected at a United States office of a broker) are met or the holder otherwise establishes an exemption.

In addition, payment of the proceeds from the sale of debentures or common stock effected at a foreign office of a broker will be subject to information reporting if the sale is effected at a foreign office of a broker that is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
 - (1) one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
 - (2) such foreign partnership is engaged in the conduct of a United

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above (relating to a sale of debentures or common stock effected at a United States office of a broker) are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the holder is a United States person.

The holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the holder's income tax liability by filing a refund claim with the Internal Revenue Service.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, Morgan Stanley & Co. Incorporated has agreed to purchase, and AIG has agreed to sell to it, the entire principal amount of the debentures.

The underwriting agreement provides that the obligation of the underwriter to pay for and accept delivery of the debentures offered by this prospectus is subject to the approval of certain legal matters by its counsel and to certain other conditions. Morgan Stanley & Co. Incorporated is obligated to take and pay for all of the debentures offered by this prospectus if any such debentures are taken.

If Morgan Stanley & Co. Incorporated sells more than \$1,519,734,000 principal amount of debentures, Morgan Stanley & Co. Incorporated has an option to buy up to an additional \$227,960,000 principal amount of debentures from AIG to cover such sales. Morgan Stanley & Co. Incorporated may exercise that option for 30 days.

The following table shows the per debenture and total underwriting discounts to be paid to Morgan Stanley & Co. Incorporated by AIG. Such amounts are shown assuming both no exercise and full exercise of Morgan Stanley & Co. Incorporated's option to purchase \$227,960,000 additional principal amount of debentures.

NO EXERCISE	FULL EXERCISE	-----
		----- Per
Debenture.....		
\$ \$ Total.....		\$ \$

Morgan Stanley & Co. Incorporated initially proposes to offer part of the debentures directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ -- per debenture. After the debentures are released to the public, the offering price and other selling terms may from time to time be varied by Morgan Stanley & Co. Incorporated.

The debentures are a new issue of securities with no established trading market. Morgan Stanley & Co. Incorporated has advised AIG that it presently intends to make a market in the debentures as permitted by applicable laws and regulations. Morgan Stanley & Co. Incorporated is not obligated, however, to make a market in the debentures and any such market-making activity may be discontinued at any time at the sole discretion of Morgan Stanley & Co. Incorporated. Accordingly, AIG cannot assure the holders as to the liquidity of, or trading markets for, the debentures.

In connection with the offering, Morgan Stanley & Co. Incorporated may purchase and sell debentures and shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by Morgan Stanley & Co. Incorporated of a greater principal amount of debentures than it is required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than Morgan Stanley & Co. Incorporated's option to purchase additional debentures from AIG in the offering. Morgan Stanley & Co. Incorporated may close out any covered short position by either exercising its option to purchase additional debentures or purchasing debentures in the open market. In determining the source of debentures to close out the covered short position, Morgan Stanley & Co. Incorporated will consider, among other things, the price of debentures available for purchase in the open market as compared to the price at which it may purchase shares through the overallotment option. "Naked" short sales are any sales in excess of such option. Morgan Stanley & Co. Incorporated must close out any naked short position by purchasing debentures in the open market. A naked short position is more likely to be created if Morgan Stanley & Co. Incorporated is concerned that there may be downward pressure on the price of the debentures in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of debentures made by Morgan Stanley & Co. Incorporated in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of the debentures and may stabilize, maintain or otherwise affect the market price of the debentures. As a result, the price of the debentures may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected in the over-the-counter market or otherwise.

From time to time, Morgan Stanley & Co. Incorporated or its affiliates have in the past provided and in the future may provide investment banking and other services to AIG, for which they have received and will receive customary compensation.

AIG has agreed to indemnify Morgan Stanley & Co. Incorporated against certain liabilities, including liabilities under the Securities Act of 1933.

The expenses of the offering, not including the underwriting discount, are estimated to be \$788,000.

WHERE YOU CAN FIND MORE INFORMATION

AIG is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities of the SEC, Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the following Regional Office: Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained at the SEC's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The SEC also maintains a Web Site at <http://www.sec.gov> which contains reports and other information regarding registrants that file electronically with the SEC.

AIG common stock is listed on the NYSE and AIG's reports, proxy statements and other information can be inspected at such Exchange at 20 Broad Street, New York, New York 10005.

This prospectus constitutes part of a registration statement on Form S-3 (together with all amendments and exhibits, the "Registration Statement") filed by AIG with the SEC under the Securities Act of 1933. This prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with applicable rules and regulations of the SEC. For further information pertaining to AIG and the debentures offered hereby, reference is made to the Registration Statement and the exhibits thereto.

INCORPORATION BY REFERENCE

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

- (1) AIG's Annual Report on Form 10-K for the year ended December 31, 2000;
- (2) AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001;
- (3) AIG's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001; and
- (4) AIG's Current Reports on Form 8-K, dated August 29, 2001, September 18, 2001, October 9, 2001 and November 6, 2001.

All documents filed pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and prior to the termination of this offering 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 herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained or incorporated by reference herein or in any subsequently filed document which also is or is deemed to be incorporated by reference herein is modified or superseded such statement. Any 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 any or all documents (excluding exhibits unless 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) 770-6293.

VALIDITY OF THE DEBENTURES AND COMMON STOCK

The validity of the debentures and shares of common stock initially issuable upon conversion of the debentures offered hereby will be passed upon for us by Kathleen E. Shannon, Vice President, Secretary and Associate General Counsel, and for Morgan Stanley & Co. Incorporated by Davis Polk & Wardwell, New York, New York. Ms. Shannon is regularly employed by AIG, participates in various AIG employee benefit plans under which she may receive shares of common stock and currently beneficially owns less than 1% of the outstanding shares of common stock.

EXPERTS

The consolidated financial statements and financial statement schedules of American International Group, Inc. at December 31, 2000 and 1999 and for the three-year period ended December 31, 2000 included in AIG's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated by reference in this prospectus have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report, which is incorporated herein by reference. Those consolidated financial statements and financial statement schedules are incorporated herein by reference in reliance upon their report given upon the authority of that firm as experts in accounting and auditing.

The supplemental consolidated financial statements and financial statement schedules of American International Group, Inc. at December 31, 2000 and 1999 and for the three-year period ended December 31, 2000 included in AIG's Current Report on Form 8-K, dated October 9, 2001, and incorporated by reference in this prospectus have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report, which is incorporated herein by reference in reliance upon their report given upon the authority of that firm as experts in accounting and auditing.

The consolidated financial statements of American General Corporation incorporated by reference in American General's Annual Report on Form 10-K for the year ended December 31, 2000 and the related financial statement schedules included therein, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon incorporated by reference therein and included in AIG's Current Report on Form 8-K, dated October 9, 2001 and incorporated herein by reference. Such consolidated financial statements and financial statement schedules are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

[AIG Logo]

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following is a statement of the expenses (all of which are estimated other than the SEC registration fee) to be incurred by the Registrant in connection with the distribution of the securities registered under this registration statement:

AMOUNT TO BE PAID -----	SEC registration
fee.....	\$287,501
fees and expenses.....	Legal
275,000	Fees and expenses of qualification under state
	securities laws (including legal
fees).....	10,000
and expenses.....	50,000
	Accounting fees
	and expenses.....
	Printing
fees.....	125,000
	Trustee's fees and
expenses.....	10,000
Miscellaneous.....	
	30,000 -----
Total.....	\$787,501
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The amended and restated certificate of incorporation of AIG provides that AIG 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 or she, his or her testator or intestate is or was a director, officer or employee of AIG or serves or served any other enterprise at the request of AIG. Section 6.4 of AIG's by-laws contains a similar provision.

The amended and restated certificate of incorporation also provides that a director will not be personally liable to AIG or its shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent that the exemption from liability or limitation thereof is not permitted by the Delaware General Corporation Law.

Section 145 of the Delaware General Corporation Law permits indemnification against expenses, fines, judgments and settlements incurred by any director, officer or employee of a company 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 or she is or was a director, officer or employee of the company. Section 145 also provides that the indemnification provided for therein shall not be deemed exclusive of any other rights to which those seeking indemnification may otherwise be entitled. In addition, AIG and its subsidiaries maintain a directors' and officers' liability insurance policy.

ITEM 16. EXHIBITS

See Exhibits Index which is incorporated herein by reference.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(a)(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;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the 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 the registration statement; notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if the change in volume represents no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

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

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

(4) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 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.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted against the Registrant by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(c)(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus 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.

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, State of New York, on the 7th day of November, 2001.

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/ HOWARD I. SMITH

Howard I. Smith
Executive Vice President and
Chief Financial Officer

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 on Form S-3, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorneys-in-law 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 for 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, this Registration Statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE
TITLE DATE

----- /s/
M. R.
GREENBERG
Chairman,
Chief
Executive
Officer
November
7, 2001 --

and
Director
(Principal
Executive
Officer)

M. R.
Greenberg
/s/ HOWARD
I. SMITH
Executive
Vice
President,
Chief
November
7, 2001 --

Financial

Officer
and
Director
Howard I.
Smith
(Principal
Financial
Officer)
/s/

MICHAEL J.
CASTELLI
Vice
President
and
Comptroller
November
7, 2001 --

(Principal
Accounting
Officer)
Michael J.
Castelli
/s/ M.
BERNARD
AIDINOFF
Director
November
7, 2001 --

M. Bernard
Aidinoff
/s/ ELI
BROAD
Director
November
7, 2001 --

Eli Broad
/s/ PEI-
YUAN CHIA
Director
November
7, 2001 --

Pei-Yuan
Chia /s/
MARSHALL
A. COHEN
Director
November
7, 2001 --

Marshall
A. Cohen

SIGNATURE
TITLE DATE

----- /s/
BARBER B.
CONABLE,
JR.
Director
November
7, 2001 --

Barber B.
Conable,
Jr. /s/
MARTIN S.
FELDSTEIN
Director
November
7, 2001 --

Martin S.
Feldstein
/s/ ELLEN
V. FUTTER
Director
November
7, 2001 --

Ellen V.
Futter /s/
CARLA A.
HILLS
Director
November
7, 2001 --

Carla A.
Hills /s/
FRANK J.
HOENEMEYER
Director
November
7, 2001 --

Frank J.
Hoenemeyer
Director -

- Richard
C.
Holbrooke
/s/ EDWARD
E.
MATTHEWS

Director
November
7, 2001 --

Edward E.
Matthews
/s/ THOMAS
R. TIZZIO
Director
November
7, 2001 --

Thomas R.
Tizzio /s/
EDWARD
S.W. TSE
Director
November
7, 2001 --

Edward
S.W. Tse
/s/ JAY S.
WINTROB
Director
November
7, 2001 --

Jay S.
Wintrob
/s/ FRANK
G. WISNER
Director
November
7, 2001 --

Frank G.
Wisner /s/
FRANK G.
ZARB
Director
November
7, 2001 --

Frank G.
Zarb

EXHIBITS INDEX

EXHIBIT NUMBER	DESCRIPTION LOCATION
----- 1.1	-- Form of Underwriting Agreement. Filed herewith. 3(i)(a) -- Restated Certificate of Incorporation Incorporated by reference to Exhibit of AIG. 3(i) to AIG's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-8787). 3(i)(b) -- Certificate of Amendment of Certificate Incorporated by reference to Exhibit of Incorporation of AIG, filed June 3, 3(i) to AIG's Quarterly Report on Form 1998. 10-Q for the quarter ended June 30, 1998 (File No. 1-8787). 3(i)(c) -- Certificate of Amendment of Certificate Incorporated by reference to Exhibit of Incorporation of AIG, filed June 5, 3(i)(c) to AIG's Registration Statement 2000. on Form S-4 as filed with the Securities and Exchange Commission on September 29, 2000 (File No. 333-45828). 3(ii) -- By-laws of AIG. Incorporated by reference to Exhibit 3(ii) to AIG's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-8787).
4.1	-- Form of Indenture between AIG and The Filed herewith. Bank of New York, as trustee. 5.1 -- Validity opinion of Kathleen E. Filed herewith. Shannon, Vice President, Secretary and Associate General Counsel. 8.1 -- Tax opinion of Sullivan & Cromwell. Filed herewith. 12.1 -- Statement re computation of ratios of Incorporated by reference to Exhibit 12 earnings to fixed charges. to AIG's Current Report on Form 8-K (File No. 1-8787), dated October

9, 2001, and to Exhibit 12 to AIG's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001 (File No. 1-8787). 23.1 -- Consent of PricewaterhouseCoopers LLP, Filed herewith. independent accountants for AIG. 23.2 -- Consent of Ernst & Young LLP, Filed herewith. independent auditors for American General. 23.3 -- Consent of Kathleen E. Shannon, Vice President, Secretary and Associate General Counsel. 23.4 -- Consent of Sullivan & Cromwell, tax counsel for AIG. 24.1 -- Powers of Attorney. Included in the signature page of this Registration Statement. 25.1 -- Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of The Bank of New York, as trustee.

AMERICAN INTERNATIONAL GROUP, INC.

ZERO COUPON CONVERTIBLE SENIOR DEBENTURES DUE 2031

UNDERWRITING AGREEMENT

MORGAN STANLEY & CO. INCORPORATED,
1585 BROADWAY,
NEW YORK, NEW YORK 10036.

NOVEMBER 7, 2001

Ladies and Gentlemen:

1. American International Group, Inc., a Delaware corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to you (the "Underwriter"), an aggregate of \$1,519,734,000 principal amount of Zero Coupon Convertible Senior Debentures Due 2031 (the "Firm Securities"), convertible into shares of common stock, par value \$2.50 per share (the "Stock"), of the Company and, at the election of the Underwriter, up to an aggregate of \$227,960,000 additional principal amount of Zero Coupon Convertible Senior Debentures Due 2031 (the "Optional Securities"). The Firm Securities and the Optional Securities which the Underwriter elects to purchase pursuant to Section 3 hereof are herein collectively called the "Securities".

The Company has prepared and filed on the date hereof with the Securities and Exchange Commission (the "Commission") in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form S-3 relating to the Securities and shares of the Stock issuable upon conversion of the Securities (the "Initial Registration Statement"). The various parts of the Initial Registration Statement, any post-effective amendment thereto and a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement") filed pursuant to Rule 462(b) under the Securities Act, including all exhibits thereto, the documents incorporated by reference in the prospectus contained in the Initial Registration Statement and any information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act and deemed by virtue of Rule 430A under the Securities Act to be part of the registration statement at the time it was declared effective but excluding Form T-1 (as defined below), each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective are hereinafter collectively referred to as the "Registration Statement". The related prospectus covering the Securities and the shares of the Stock initially issuable upon conversion of the Securities in the form first used to confirm sales of the Securities is hereinafter referred to as the "Prospectus". Any reference in this Agreement to the Prospectus or any preliminary form of Prospectus (a "preliminary prospectus") previously filed with the Commission pursuant to Rule 424 shall be deemed to refer to

and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act which were filed under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Exchange Act") on or before the date of this Agreement or the date of the Prospectus or any preliminary prospectus, as the case may be; any reference to "amend", "amendment" or "supplement" with respect to the Initial Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Initial Registration Statement that is incorporated by reference in the Registration Statement; and any reference to "amend", "amendment" or "supplement" with respect to the Prospectus or any preliminary prospectus shall be deemed to refer to and include any documents filed under the Exchange Act after the date of this Agreement, or the date of the Prospectus or any preliminary prospectus, as the case may be, which are deemed to be incorporated by reference therein.

2. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, the Underwriter that:

(a) The Initial Registration Statement has become effective; no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) The Registration Statement and the Prospectus (as amended or supplemented) conform in all material respects to the requirements of the Securities Act and the Trust Indenture Act of 1939, as amended ("Trust Indenture Act") and did not and will not, as of the applicable effective date as to the Registration Statement and any amendment thereto and as of its date as to the Prospectus and any amendment or supplement thereto, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; except that the foregoing representations and warranties shall not apply to (i) that part of the Registration Statement which constitutes the Statement of Eligibility ("Form T-1") under the Trust Indenture Act of the Trustee, (ii) statements or omissions in the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished in writing by the Underwriter expressly for use therein and (iii) any statement which does not constitute part of the Registration Statement or Prospectus pursuant to Rule 412 under the Securities Act.

(c) The documents incorporated by reference in the Prospectus, when they were filed with the Commission, conformed in all material respects to the requirements of the Exchange Act, and none of such documents contained an

untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; and any further documents so filed and incorporated by reference, when they are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriter expressly for use therein or to any statement in any such document which does not constitute part of the Registration Statement or Prospectus pursuant to Rule 412 under the Securities Act.

(d) The Company has been duly incorporated and is an existing corporation in good standing under the laws of Delaware, and has full power and authority to own its properties and to conduct its business as disclosed in the Prospectus.

(e) The Securities have been duly authorized and when issued and delivered pursuant to this Agreement, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by the indenture to be dated as of November , 2001 (the "Indenture"), between the Company and The Bank of New York, as Trustee (the "Trustee"), under which they are to be issued, and enforceable in accordance with their terms, 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.

(f) The Indenture has been duly qualified under the Trust Indenture Act and, when executed and delivered by the Company and the Trustee, will have been duly authorized, executed and delivered by the Company and will constitute a valid and legally binding instrument of the Company enforceable in accordance with its terms, 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; and the Securities and the Indenture will conform in all material respects to the descriptions thereof in the Prospectus.

(g) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of Stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable. The shares of Stock initially issuable upon conversion of the Securities have been duly and validly authorized and reserved for issuance and, when issued and delivered

in accordance with the provisions of the Securities and the Indenture, will be duly and validly issued, fully paid and non-assessable and will conform to the description of the Stock contained in the Prospectus.

(h) The issue and sale of the Securities and the shares of the Stock initially issuable upon conversion of the Securities and the compliance by the Company with all of the terms thereof and of the Indenture and this Agreement, and the consummation of the transactions contemplated herein and therein will not result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of the Restated Certificate of Incorporation, as amended, or the By-Laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its properties, except, in each case, for such breaches, defaults and violations that would not have a material adverse effect on the business, financial position, shareholders' equity or results of operations of the Company and its subsidiaries considered as an entirety (a "Material Adverse Effect") or affect the validity of the Securities or the shares of Stock initially issuable upon conversion of the Securities; and no consent, approval, authorization, order, registration or qualification of or with any court or any such regulatory authority or other governmental agency or body is required for the issue and sale of the Securities and the shares of Stock initially issuable upon conversion of the Securities or the consummation of the other transactions contemplated by this Agreement or the Indenture, except such consents, approvals, authorizations, registrations or qualifications the failure to obtain or make would not have a Material Adverse Effect or affect the validity of the Securities or the shares of Stock initially issuable upon conversion of the Securities and except as may be required under state securities or Blue Sky or insurance securities laws in connection with the purchase and distribution by the Underwriter of the Securities and the shares of Stock initially issuable upon conversion of the Securities.

(i) There is no action, suit or proceeding pending, or to the knowledge of the executive officers of the Company, threatened against the Company or any of its subsidiaries, which has, or may reasonably be expected in the future to have, a Material Adverse Effect on the current or prospective consolidated business or condition (financial or other) of the Company and its subsidiaries taken as a whole, except as set forth or contemplated in the Prospectus as supplemented on the date hereof.

(j) Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, as amended or supplemented on the date of this Agreement, there has not been (i) any material change in the capital

stock or (ii) any material increase in the consolidated long-term debt of the Company or (iii) any material adverse change in or affecting the financial position, shareholders' equity or results of operations of the Company and its consolidated subsidiaries considered as an entirety otherwise than as set forth or contemplated in the Prospectus as amended or supplemented on the date of this Agreement (any such change described in clause (iii) is referred to as a "Material Adverse Change").

3. Purchase, Offering and Delivery. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to the Underwriter, and the Underwriter, on the basis of the representations and warranties contained herein, agrees to purchase from the Company \$1,519,734,000 principal amount of Securities, at a purchase price of ...% of the principal amount thereof, plus any accrued original issue discount from November , 2001 to the date of payment and delivery, and (b) in the event and to the extent that the Underwriter shall exercise the election to purchase Optional Securities as provided below, the Company agrees to issue and sell to the Underwriter, and the Underwriter agrees to purchase from the Company, at the same purchase price set forth in clause (a) of this Section plus any accrued original issue discount from November , 2001 to the date of payment and delivery, that portion of the aggregate principal amount of the Optional Securities as to which such election shall have been exercised.

The Securities to be purchased by the underwriter will be represented by one or more definitive global Securities in book-entry form which will be deposited by or on behalf of the Company with the Depository Trust Company ("DTC") or its designated custodian. The Company will deliver the Securities to the Underwriter, against payment by the Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Underwriter at least twenty-four hours in advance, by causing DTC to credit the Securities to the account of the Underwriter at DTC. The Company will cause the certificates representing the Securities to be made available to the Underwriter for checking at least twenty-four hours prior to the Closing Date (as defined below) at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Securities, 9:30 a.m., New York City time, on November , 2001 or such other time and date as the Underwriter and the Company may agree upon in writing and, with respect to the Optional Securities, 9:30 a.m., New York City time, on the date specified by the Underwriter in the written notice given by the Underwriter of the Underwriter's election to purchase such Optional Securities, or such other time and date as the Underwriter and the Company may agree upon in writing. Such time and date for delivery of the Firm Securities is herein called the "First Closing Date", such time and date for delivery of the Optional Securities, if not the First Closing Date, is herein called the "Second Closing Date" and each time and date for delivery is herein called a "Closing Date".

The Company hereby grants to the Underwriter the right to purchase at its election up to \$227,960,000 aggregate principal amount of Optional Securities, at the purchase price set forth in clause (a) of the first paragraph of this Section 3 plus any accrued original issue discount from November , 2001 to the date of payment and delivery, for the sole purpose of covering sales of Securities in excess of the aggregate principal amount of the Firm Securities. Any such election to purchase Optional Securities may be exercised by written notice from the Underwriter to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate principal amount of Optional Securities to be purchased and the date on which such Optional Securities are to be delivered, as determined by the Underwriter but in no event earlier than the First Closing Date or, unless the Underwriter and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

4. Offering by Underwriter. The Underwriter will offer the Securities for sale to the public as set forth in the Prospectus. The Underwriter represents and warrants to, and agrees with, the Company that any offer or sale of the Securities through an electronic medium has been and will be made in compliance with the Securities Act.

5. Covenants of the Company. The Company covenants and agrees with the Underwriter that:

(a) The Company will advise the Underwriter promptly of any proposal to amend or supplement the Registration Statement or the Prospectus and prior to the completion of the distribution of the Securities provide the Underwriter with a reasonable opportunity to review such proposed amendment or supplement prior to any filing thereof (other than any filing required to be made pursuant to the Exchange Act); prior to the completion of the distribution of the Securities, the Company will also advise the Underwriter promptly of any amendment or supplementation of the Registration Statement or the Prospectus, and of the institution by the Commission or any state securities regulatory authority of any stop order proceedings or similar proceedings in respect of the Registration Statement, and will use its best efforts to prevent the issuance of any such stop order and to obtain as soon as possible its lifting, if issued.

(b) If at any time when a prospectus relating to the Securities is required to be delivered under the Securities Act any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend or supplement the Registration Statement or Prospectus to comply with the Securities Act, the Company promptly will prepare and file with the Commission an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. The expense of complying with the

requirements of this Section 5(b) shall be borne (i) during the period of six months after the first date of the public offering of the Securities, by the Company, and (ii) after the expiration of such six-month period, by the Underwriter.

(c) The Company will make generally available to its security holders as soon as practicable, but not later than 90 days after the close of the period covered thereby, an earning statement or statements (which need not be audited, and may be furnished in accordance with Rule 158) covering a period of at least 12 months beginning not later than the first day of the Company's fiscal quarter next following the date of any sale of the Securities hereunder.

(d) The Company will furnish to the Underwriter copies of the Registration Statement (one of which will include all exhibits), each related preliminary prospectus, the Prospectus, and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Underwriter reasonably requests.

(e) The Company will arrange for the qualification of the Securities for sale and the determination of their eligibility for investment under the laws of such United States jurisdictions as the Underwriter reasonably designates and will continue such qualifications in effect so long as required for the distribution.

(f) The Company will pay or cause to be paid the following:

(i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Securities and the shares of Stock issuable upon conversion of the Securities under the Securities Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any preliminary prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriter and dealers; (ii) the cost of printing this Agreement, the Indenture and any other documents in connection with the offering, purchase, sale and delivery of the Securities; (iii) all expenses in connection with the qualification of the Securities and the shares of Stock initially issuable upon conversion of the Securities for offering and sale under state securities laws as provided in Section 5(e) hereof; (iv) the cost of preparing the Securities; (v) the fees and expenses of any Trustee and any agent of any Trustee and the fees and disbursements of counsel for any Trustee in connection with the Indenture and the Securities; and (vi) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section, Section 7 and Section 11 hereof, the Underwriter will pay all of

its own costs and expenses, including the fees of its counsel, transfer taxes on resale of any of the Securities and the shares of Stock initially issuable upon conversion of the Securities by them, and any advertising expenses connected with any offers they may make.

(g) During the period beginning on the date hereof and continuing to and including the Closing Date the Company will not, without the prior consent of the Underwriter, offer or sell any of its United States dollar-denominated unsecured and unsubordinated convertible debt securities that are substantially similar to the Securities. The restriction imposed by this Section 5(g) shall not apply to securities offered outside the United States.

(h) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Securities Act.

6. Conditions of the Obligations of the Underwriter. The obligations of the Underwriter to purchase and pay for the Securities will be subject to the accuracy, at and as of such Closing Date, in all material respects, of the representations and warranties on the part of the Company herein, to the accuracy, in all material respects, of the statements of Company officers made pursuant to the provisions hereof, to the performance, in all material respects, by the Company of its obligations hereunder and to the following additional conditions:

(a) Prior to such Closing Date, no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the executive officers of the Company, shall be contemplated by the Commission.

(b) Since the respective dates as of which information is given in the Prospectus there shall not have occurred any material change in or affecting particularly the business or properties of the Company or its material subsidiaries which, in the judgment of the Underwriter, materially impairs the investment quality of the Securities.

(c) Subsequent to the execution and delivery of this Agreement and prior to such Closing Date, there shall not have occurred any of the following:

(i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange;

(ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities;

(iii) any downgrading in the rating accorded the Company's senior debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities Act;

(iv) the suspension in trading the Stock on the New York Stock Exchange, if the effect of such event in the reasonable judgment of the Underwriter makes it impracticable or inadvisable to market the Securities on the terms and in the manner contemplated in the Prospectus as amended or supplemented; or

(v) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, other than any such outbreak, escalation or declaration arising out of or relating to the terrorist attacks of September 11, 2001 that does not represent a significant departure from the conditions that exist on the date hereof, if the effect of any such event in the judgment of the Underwriter makes it impracticable or inadvisable to market the Securities on the terms and in the manner contemplated in the Prospectus as amended or supplemented.

(d) The Underwriter shall have received an opinion or opinions of Sullivan & Cromwell, counsel for the Company, dated such Closing Date, to the effect that:

(i) The Company has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware;

(ii) The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument enforceable in accordance with its terms, 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; and the Indenture has been duly qualified under the Trust Indenture Act;

(iii) The Securities are convertible into shares of Stock in accordance with the terms of the Indenture, and the shares of Stock, initially issuable upon conversion of the Securities have been duly authorized and reserved for issuance upon such conversion and, when issued upon such conversion, will be validly issued, fully paid and nonassessable;

(iv) Each part of the Registration Statement, when such part became effective, and the Prospectus as of its date, appeared on their face to be appropriately responsive in all material respects relevant to the Securities to the requirements of the Securities Act (except that no opinion need be expressed as to financial statements and financial and statistical data);

(v) Nothing has come to the attention of such counsel in their review (as described in such opinion) that has caused them to believe that, insofar as relevant to the Securities, any part of the Registration Statement, when such part became effective, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of its date contained, or on such Closing Date contains, any untrue statement of a material fact or on its date omitted, or on such Closing Date omits, to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that (A) no opinion need be expressed as to financial statements and financial and statistical data or as to the statement of the eligibility of the Trustee and (B) such counsel may state that they assume no responsibility for the accuracy or fairness of the statements contained in the Registration Statement and the Prospectus as amended or supplemented except for those made under the captions "Description of Capital Stock", "Description of Debentures" and "Certain United States Federal Income Tax Consequences" in the Prospectus as amended or supplemented, insofar as they relate to provisions of documents or of United States federal tax law therein described);

(vi) The Securities have been duly authorized, executed, authenticated, issued and delivered and constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, 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; and

(vii) This Agreement has been duly authorized, executed and delivered by the Company.

(e) The Underwriter shall have received an opinion of Kathleen E. Shannon, Vice President, Secretary and Associate General Counsel of the Company, dated such Closing Date, to the effect that:

(i) To the best knowledge and information of such counsel, there are no contracts or other documents required to be summarized or disclosed or filed as exhibits to the Registration Statement other than those summarized or described in the Registration Statement or filed

as exhibits thereto, and there are no legal or governmental proceedings pending or threatened of a character required to be disclosed in the Registration Statement and the Prospectus which are not disclosed and properly described therein;

(ii) The Company has an authorized capitalization as set forth in the Prospectus as amended or supplemented;

(iii) The issue and sale of the Securities, and the compliance by the Company with all of the provisions of the Securities, the Indenture and this Agreement, will not result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust, loan agreement, or other agreement or instrument known to such counsel, to which the Company is a party or by which the Company may be bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the provisions of the Restated Certificate of Incorporation, as amended, or the By-Laws of the Company except for such breaches, defaults and violations that would not have a Material Adverse Effect or affect the validity of the Securities or the shares of Stock initially issuable upon conversion of the Securities; and no consent, approval, authorization, order, registration or qualification of or with any court or any regulatory authority or other governmental body is required for the issue and sale of the Securities except the registration under the Securities Act of the Securities and the shares of Stock initially issuable upon conversion of the Securities, the qualification of the Indenture under the Trust Indenture Act, the listing of the shares of Stock issuable upon conversion of the Securities and such consents, approvals, authorizations, registrations or qualifications the failure to obtain or make would not have a Material Adverse Effect or affect the validity of the Securities or the shares of Stock initially issuable upon conversion of the Securities and as may be required under state securities or Blue Sky or insurance securities laws in connection with the public offering by the Underwriter of the Securities and the shares of Stock initially issuable upon conversion of the Securities;

(iv) Nothing which came to the attention of such counsel has caused her to believe that insofar as relevant to the Securities, any part of the Registration Statement, when such part became effective, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus contained, or on such Closing Date contains, or any document incorporated by reference in the Prospectus on the date of its filing with the Commission, contained, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that

(A) no opinion need be expressed as to financial statements and financial and statistical data or as to the statement of the eligibility of the Trustee and (B) such counsel may state that she assumes no responsibility for the accuracy or fairness of the statements contained in the Registration Statement or the Prospectus as amended or supplemented or any document incorporated by reference in the Prospectus except for those made under the captions "Description of Capital Stock" and "Description of Debentures" in the Prospectus as amended or supplemented, insofar as they relate to provisions of documents therein described).

(f) The Underwriter shall have received from Davis Polk & Wardwell, counsel for the Underwriter, such opinion, dated such Closing Date, with respect to the incorporation of the Company, the validity of the Securities and the shares of Stock initially issuable upon conversion of the Securities, the Registration Statement, the Prospectus, and other related matters as the Underwriter may require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(g) The Underwriter shall have received a certificate of the Chairman, the President, Vice-Chairman, or any Executive or Senior Vice President and a principal financial or accounting officer of the Company, dated such Closing Date, in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of the Company in this Agreement are true and correct, in all material respects, that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied, in all material respects, at or prior to such Closing Date, that no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or threatened by the Commission, and that, since the respective dates as of which information is given in the Prospectus there has not been any Material Adverse Change, otherwise than as set forth or contemplated in the Prospectus as amended or supplemented.

(h) The Underwriter shall have received a letter of PricewaterhouseCoopers LLP, dated such Closing Date, to the effect set forth in Schedule I attached hereto.

The Company will furnish the Underwriter with such conformed copies of such opinions, certificates, letters and documents as the Underwriter reasonably requests.

7. Indemnification. (a) The Company will indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of the Securities Act against any losses, claims, damages or liabilities, joint or several, to which the Underwriter or such controlling person may become subject, under the

Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Prospectus, or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse the Underwriter and each such controlling person for any legal or other expenses reasonably incurred by the Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any of such documents in reliance upon and in conformity with written information furnished to the Company by the Underwriter specifically for use therein; and provided, further, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, the indemnity agreement contained in this Section 7(a) shall not inure to the benefit of the Underwriter from whom the person asserting any such losses, claims, damages or liabilities purchased the Securities (or to the benefit of any person controlling such Underwriter), to the extent that any such loss, claim, damage or liability of the Underwriter or controlling person results from the fact that a copy of the Prospectus was not sent or given to such person at or prior to the written confirmation of the sale of such Securities to such person. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) The Underwriter will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Prospectus or any amendment or supplement thereto, or any related preliminary prospectus, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by the Underwriter specifically for use therein; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section, notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation.

(d) If the indemnification provided for in this Section 7 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriter on the other from the offering of the Securities to which such loss, claim, damage or liability (or action in respect thereof) relates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriter on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriter on the other shall be deemed to be in the same proportion as the total net proceeds from the sale of Securities (before deducting expenses) received by the Company bear to the total commissions or discounts received by the Underwriter in respect thereof. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading relates to information supplied by the Company on the one hand or by the Underwriter on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriter agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other

method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Securities purchased by the Underwriter were sold exceeds the amount of any damages which the Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

8. Survival of Certain Representations and Obligations. The respective indemnities, agreements, representations, warranties, and other statements of the Company or its officers and of the Underwriter set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of the Underwriter or the Company or any of its officers or directors or any controlling person, and will survive delivery of and payment for the Securities.

9. Notices. All communications hereunder will be in writing, and, if sent to the Underwriter will be mailed, delivered or telegraphed and confirmed to the Underwriter, at the address set forth above or, if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at 70 Pine Street, New York, New York 10270, Attention: Secretary; provided, however, that any notice to the Underwriter pursuant to Section 7 will be mailed or delivered to such Underwriter at its address furnished to the Company by such Underwriter.

10. Successors. This Underwriting Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 7 hereof, and no other person will have any right or obligation hereunder. No purchaser of the Securities from the Underwriter shall be deemed a successor or assign merely by reason of such purchase.

11. Termination. If for any reason, other than the occurrence of an event described in Section 6(c), the Securities are not delivered by or on behalf of the Company as provided herein, the Company will reimburse the Underwriter for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) approved in writing by the Underwriter reasonably incurred by the Underwriter in making preparations for the purchase, sale and delivery of such Securities, but the Company shall then be under no further liability to the Underwriter with respect to the Securities except as provided in Section 5(f) and Section 7 hereof.

12. Governing Law. This Agreement shall be construed in accordance with the laws of the State of New York.

13. Counterparts. This Agreement may be executed by any one or more of the parties hereto and thereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us four counterparts hereof, whereupon it will become a binding agreement between the Company and the Underwriter in accordance with its terms.

Very truly yours,

AMERICAN INTERNATIONAL GROUP, INC.

By

Name:

Title

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

MORGAN STANLEY & CO. INCORPORATED

By

Name:
Title:

Pursuant to Section 6(h) of the Underwriting Agreement, the accountants shall provide a comfort letter to the effect that:

(i) They are independent public accountants with respect to the Company and its subsidiaries within the meaning of the Securities Act and the applicable rules and regulations thereunder adopted by the Commission;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules audited by them and included or incorporated by reference in the Registration Statement and Prospectus comply as to form in all material respects with the applicable accounting requirements of the Securities Act or the Exchange Act, as applicable, and the related rules and regulations thereunder;

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus and/or included in the Company's Quarterly Report on Form 10-Q incorporated by reference into the Prospectus; and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (iv)(A)(i) below comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the related rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Exchange Act and the related rules and regulations adopted by the Commission;

(iv) On the basis of limited procedures not constituting an examination in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included and/or incorporated by reference in the Prospectus and included in the Company's Quarterly Reports on Form 10-Q incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act and the rules and regulations adopted by the Commission, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus or included in the Company's Quarterly Reports on Form 10-Q incorporated by reference in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included or incorporated by reference in the Company's Annual Report on Form 10-K for the most recent fiscal year;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived the unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were not determined on a basis substantially consistent with the basis for the audited financial statements included or incorporated by reference in the Company's Annual Report on Form 10-K for the most recent fiscal year;

(D) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest balance sheet included or incorporated by reference in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or as of the end of the latest period for which financial statements are available, any decreases in consolidated net assets, in each case as compared with amounts shown in the latest balance sheet included or incorporated by reference in the Prospectus, except in each case for changes, increases or decreases which the Prospectus as amended and supplemented discloses have occurred or may occur or which are described in such letter; and

(E) for the period from the date of the latest financial statements included or incorporated by reference in the Prospectus to the end of the last period for which financial statements are available there were any decreases in net revenues or the total or per share amount of income before extraordinary items or net income in each case as compared with the comparable period of the preceding year, except in each case for increases or decreases which the Prospectus as amended and supplemented discloses have occurred or may occur or which are described in such letter; and

(v) Other than those set forth above, they will not perform any other procedures on any other amounts, percentages or financial information included in or incorporated by reference in the Registration Statement or the Prospectus.

AMERICAN INTERNATIONAL GROUP, INC.

Zero Coupon Convertible Senior Debentures Due 2031

INDENTURE

Dated as of November , 2001

THE BANK OF NEW YORK,

AS TRUSTEE

.....

Certain Sections of this Indenture relating to
Sections 310 through 318 of the
Trust Indenture Act of 1939:

Trust Indenture Act Section -----	.....	Indenture Section -----
Section 310 (a) (1)	.....	7.9
(a) (2)	.....	7.9
(a) (3)	.....	Not Applicable
(a) (4)	.....	Not Applicable
(b)	.....	7.9
Section 311(a)	.....	7.10
(b)	.....	7.10
Section 312(a)	.....	2.5
(b)	.....	12.3
(c)	.....	12.3
Section 313(a)	.....	7.5
(b)	.....	7.5
(c)	.....	7.5
(d)	.....	7.5
Section 314(a)	.....	4.2
(a) (4)	.....	4.3
(b)	.....	Not Applicable
(c) (1)	.....	12.4(1)
(c) (2)	.....	12.4(2)
(c) (3)	.....	Not Applicable
(d)	.....	Not Applicable
(e)	.....	12.5
Section 315(a)	.....	7.1(b)
(b)	.....	6.1
(c)	.....	7.1(a)
(d)	.....	7.1(c)
(e)	.....	6.11

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

Trust Indenture Act Section -----	Indenture Section -----
Section 316(a)	2.8
(a)(1)(A)	6.5
(a)(1)(B)	6.4
(a)(2)	Not Applicable
(b)	6.7
(c)	1.5(e)
Section 317(a)(1)	6.8
(a)(2)	6.9
(b)	2.4
Section 318(a)	12.1

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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EXHIBIT A
EXHIBIT B

Form of Global Security
Form of Certificated Security

INDENTURE, dated as of November , 2001, between AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation ("Company"), and THE BANK OF NEW YORK, a New York banking corporation, as Trustee.

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's Zero Coupon Convertible Senior Debentures Due 2031:

ARTICLE ONE

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions.

"accrued" when used with respect to Original Issue Discount shall mean the amount of Original Issue Discount that has accrued on a Security from its Issue Price based on a % per annum interest rate compounded semi-annually using a 360-day year composed of twelve 30-day months. The determination of the amount of accrued Original Issue Discount shall be made without reference to the payment of any contingent interest payable pursuant to Article Eleven.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of such board.

"Board Resolution" means a resolution of the Board of Directors.

"Business Day" means each day of the year, other than a Saturday or Sunday, on which banking institutions in The City of New York are not authorized or obligated by law or regulation to close.

"Capital Stock" for any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that corporation.

"Certificated Securities" means Securities that are in the form of the Securities attached hereto as Exhibit B.

"Common Stock" includes any stock of any class of the Company that has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and that is not subject to redemption by the Company. However, subject to the provisions of Section 10.4, shares issuable on conversion of Securities shall include only shares of the class designated as Common Stock of the Company at the date of this instrument or shares of any class or classes resulting from any reclassification or reclassifications thereof and that have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company and that are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable shall be substantially in the proportion that the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company" means the party named as the "Company" in the preamble to this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by any two Officers.

"contingent interest" means interest that accrues and is payable as provided in Article Eleven.

"Conversion Price" means, as of any day, the sum of the Issue Price and the accrued Original Issue Discount divided by the number of shares of Common Stock then issuable upon conversion of a Security. Each \$1,000 Principal Amount of Security is initially convertible into - shares of Common Stock.

"Corporate Trust Office" means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 101 Barclay Street, New York, NY 10286, Attention: Corporate Trust Department, or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the principal corporate trust office of any successor Trustee (or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company).

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Global Securities" means Securities that are in the form of the Securities attached hereto as Exhibit A, and that are registered in the register of Securities in the name of a Depositary or a nominee thereof.

"Holder" or "Securityholder" means a Person in whose name a Security is registered on the Registrar's books.

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof, including the provisions of the TIA that are deemed to be a part hereof.

"Issue Date" of any Security means the date on which the Security was originally issued or deemed issued as set forth on the face of the Security.

"Issue Price" of any Security means, in connection with the original issuance of such Security, the initial issue price at which the Security is sold as set forth on the face of the Security.

"London Business Day" means each day on which dealings in United States dollars are transacted in the London interbank market.

"NYSE" means The New York Stock Exchange, Inc.

"Officer" means the Chairman of the Board, any Vice Chairman, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, the Treasurer, the Controller, or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

"Officers' Certificate" means a written certificate containing the information specified in Sections 12.4 and 12.5, signed in the name of the Company by any two Officers, and delivered to the Trustee. An Officers' Certificate given pursuant to Section 4.3 shall be signed by the principal executive, financial or accounting Officer of the Company but need not contain the information specified in Sections 12.4 and 12.5.

"Opinion of Counsel" means a written opinion containing the information specified in Sections 12.4 and 12.5, from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of, or counsel to, the Company or the Trustee.

"Original Issue Discount" of any Security means the difference between the Issue Price and the Principal Amount of the Security as set forth on the face of the Security.

"Person" means any individual, corporation, company, limited liability company, association, partnership, joint venture, association, joint-stock company, trust, business trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 2.7 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal," "Principal Amount" or "principal amount" of a Security means the principal amount due at the final Stated Maturity of the Security as set forth on the face of the Security.

"Redemption Date" or "redemption date" shall mean the date specified in a notice of redemption on which the Securities may be redeemed in accordance with the terms of the Securities and this Indenture.

"Redemption Price" or "redemption price" shall have the meaning set forth in Section 6 of the Securities.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"SEC" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at such time.

"Securities" means any of the Company's Zero Coupon Convertible Senior Debentures Due 2031 issued under this Indenture.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Securityholder" or "Holder" means a person in whose name a Security is registered on the Registrar's books.

"Stated Maturity", when used with respect to any Security or any installment of contingent interest thereon, means the date specified in such Security as the fixed date on which the Principal Amount, Redemption Price or Purchase Price of such Security or such installment of interest is due and payable.

"Subsidiary" means any corporation, partnership, limited liability company or business trust of which at least a majority of the Outstanding Voting Stock shall at the time directly or indirectly be owned or controlled by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries.

"Tax Original Issue Discount" means the amount of ordinary interest income on a Security that must be accrued as original issue discount for United States federal income tax purposes pursuant to Treasury Regulation Section 1.1275-4.

"TIA" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, provided, however, that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

"Trading Day" means a day during which trading in the shares of Common Stock occurs regular way on the NYSE or, if the shares of Common Stock are not listed on the NYSE, on the principal other national or regional securities exchange on which the shares of Common Stock are then listed or, if the shares of Common Stock are not listed on a national or regional securities exchange, as reported on the Nasdaq or, if the shares of Common Stock are not so quoted, on the principal other market on which the shares of Common Stock are then traded.

"Trustee" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"Voting Stock" of a Person means Capital Stock of such Person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such Person (irrespective of whether or not at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

Section 1.2 Other Definitions.

Term Section:	Defined in:
"Act".....	1.5
"Agent".....	11.1(2)
"Agent Members".....	2.12(b)
"cash".....	3.8(a)
"Common Stock Record Date".....	11.1
"Company Notice".....	3.8(d)
"Company Notice Date".....	3.8(b)
"Contingent Interest Payment Date".....	11.2
"Contingent Interest Record Date".....	11.2
"Conversion Agent".....	2.3
"Current Market Price".....	10.3(f)
"Defaulted Interest".....	11.4
"Depositary".....	2.1(a)
"distributed assets".....	10.3(d)
"Downside Contingent Interest".....	11.1
"DTC".....	2.1(a)
"Event of Default".....	6.1
"Ex-Dividend Time".....	10.1
"Fair Market Value".....	10.3(f)
"Legal Holiday".....	12.7
"LIBOR".....	11.1
"Market Price".....	3.8(c)
"Non-Electing Share".....	10.4
"Notice of Default".....	6.1

"Outstanding".....	2.8
"Paying Agent".....	2.3
"Per Share Distribution Amount".....	10.3(e)
"Protected Purchaser".....	3.7
"Purchase Date".....	3.7
"Purchase Notice".....	3.7
"Purchase Price".....	3.7
"Reference Banks".....	11.1(2)
"Reference Debt Security".....	11.1
"Registrar".....	2.3
"Regular Cash Dividend".....	11.1
"Relevant Value".....	11.1
"Representative Amount".....	11.1
"Sale Price".....	3.8(c)
"Spread Determination Date".....	11.1
"Special Record Date".....	11.4(a)
"Spread".....	11.1(2)
"Telerate LIBOR Page".....	11.1
"Telerate Page".....	11.1
"Trigger Event".....	10.3(d)

Section 1.3 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Securities.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the

Trustee.

"obligor" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

Section 1.4 Rules of Construction. Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles;
- (3) "or" is not exclusive;
- (4) "including" means including, without limitation; and
- (5) words in the singular include the plural, and words in the plural include the singular.

Section 1.5 Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken

by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company, as described in Section 12.2. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to such officer the execution thereof. Where such execution is by a signer acting in a capacity other than such signer's individual capacity, such certificate or affidavit shall also constitute sufficient proof of such signer's authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The principal amount and serial number of any Security and the ownership of Securities shall be proved by the register for the Securities.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

ARTICLE TWO

THE SECURITIES

Section 2.1 Form and Dating. The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibits A and B, which are a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage (provided that any such notation, legend or endorsement required by usage is in a form acceptable to the Company). The Company shall provide any such notations, legends or endorsements to the Trustee in writing. Each Security shall be dated the date of its authentication.

(a) Global Securities. The Securities shall be issued, initially in the form of one or more Global Securities, which shall be deposited with the Trustee at its Corporate Trust Office, as custodian for the Depository (as defined below) and registered in the name of The Depository Trust Company ("DTC") or the nominee thereof (DTC, or any successor thereto, and any such nominee being hereinafter referred to as the "Depository"), duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository as hereinafter provided but in no event more than the aggregate principal amount permitted by Section 2.2.

Each Global Security shall represent such of the Outstanding Securities as shall be specified therein and each shall provide that it shall represent the aggregate amount of Outstanding Securities from time to time endorsed thereon and that the aggregate amount of Outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions, repurchases and conversions.

(b) Book-Entry Provisions. This Section 2.1(b) shall apply only to Global Securities deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(b), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depository, (b) shall be held by the Trustee as custodian for the Depository and (c) shall be substantially in the form of Exhibit A attached hereto.

(c) Certificated Securities. Securities not issued as interests in the Global Securities will be issued in certificated form substantially in the form of Exhibit B attached hereto.

Section 2.2 Execution and Authentication. The Securities shall be executed on behalf of the Company by any Officer. The signature of the Officer on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of the execution of the Securities Officers shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and

delivery of such Securities or did not hold such offices at the date of authentication of such Securities.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

The Trustee shall authenticate and deliver the Securities for original issue in an aggregate principal amount of \$1,519,734,000 (or up to \$1,747,694,000 aggregate principal amount to the extent Morgan Stanley & Co. Incorporated exercises its option to purchase additional Securities pursuant to the Underwriting Agreement, dated November 7, 2001, between the Company and Morgan Stanley & Co. Incorporated) upon one or more Company Orders without any further action by the Company. The aggregate principal amount of the Securities due at the final Stated Maturity thereof Outstanding at any time may not exceed the amount set forth in the foregoing sentence.

The Securities shall be issued only in registered form without coupons and only in denominations of \$1,000 of principal amount and any whole multiple of \$1,000.

Section 2.3 Registrar, Paying Agent and Conversion Agent. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for purchase or payment ("Paying Agent") and an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term Paying Agent includes any additional paying agent, including any named pursuant to Section 4.4. The term Conversion Agent includes any additional conversion agent, including any named pursuant to Section 4.4.

If the Company appoints a Registrar, Paying Agent or Conversion Agent other than the Trustee, the Company shall notify the Trustee of the name and address of any such Agent. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.6. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar, Conversion Agent or co-registrar.

The Company initially appoints the Trustee as Registrar, Conversion Agent, Calculation Agent and Paying Agent in connection with the Securities.

Section 2.4 Paying Agent to Hold Money and Securities in Trust. Except as otherwise provided herein, on or prior to each due date of payments in respect of any Security, the Company shall deposit with the Paying Agent a sum of money (in immediately available funds if deposited on the due date) or shares of Common Stock sufficient to make such payments when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or

the Trustee all money and shares of Common Stock held by the Paying Agent for the making of payments in respect of the Securities and shall notify the Trustee of any default by the Company in making any such payment. At any time during the continuance of any such default, the Paying Agent shall, upon the written request of the Trustee, forthwith pay to the Trustee all money and shares of Common Stock so held in trust. If the Company, a Subsidiary or an Affiliate of either acts as Paying Agent, it shall segregate the money and shares of Common Stock held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money and shares of Common Stock held by it to the Trustee and to account for any funds and Common Stock disbursed by it. Upon doing so, the Paying Agent shall have no further liability for the money or shares of Common Stock.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the Principal Amount, Redemption Price, Purchase Price or contingent interest on any Security and remaining unclaimed for two years after such amount has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication. Any unclaimed balance of such money then remaining will be repaid to the Company.

Section 2.5 Securityholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall cause to be furnished to the Trustee at least semiannually on March 31 and September 30 a listing of Securityholders dated within 15 days of the date on which the list is furnished and at such other times as the Trustee may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders. The Company may exclude from such list any names and addresses received by the Trustee in its capacity as Registrar.

Section 2.6 Transfer and Exchange. (a) Subject to Section 2.12 hereof, upon surrender for registration of transfer of any Security, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at the office or agency of the Company designated as Registrar or co-registrar pursuant to Section 2.3, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations, of a like aggregate Principal Amount. The Company shall not charge a service charge for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate Principal Amount upon surrender of the Securities to be exchanged, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of Securities selected for redemption (except, in the case of Securities to be redeemed in part, the portion thereof not to be redeemed) or any Securities in respect of which a Purchase Notice has been given and not withdrawn by the Holder thereof in accordance with the terms of this Indenture (except, in the case of Securities to be purchased in part, the portion thereof not to be purchased) or any Securities for a period of 15 days before the mailing of a notice of redemption of Securities to be redeemed.

(b) Notwithstanding any provision to the contrary herein, so long as a Global Security remains Outstanding and is held by or on behalf of the Depositary, transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.12 and this Section 2.6(b). Transfers of a Global Security shall be limited to transfers of such Global Security, in whole or in part, to the Depositary, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(c) Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the register for the Securities.

(d) Any Registrar appointed pursuant to Section 2.3 hereof shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Registrar of Securities upon transfer or exchange of Securities.

(e) All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Section 2.7 Replacement Securities. If (a) any mutilated Security is surrendered to the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a protected purchaser within the meaning of Article 8 of the Uniform Commercial Code as in effect from time to time in the State of New York (a "Protected Purchaser"), the Company shall execute and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount, bearing a certificate number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be purchased by the Company pursuant to Article Three hereof, or such Security has been surrendered for conversion pursuant to Article Ten, the Company in its discretion may, instead of issuing a new Security, pay, purchase or convert such Security, as the case may be.

Upon the issuance of any new Securities under this Section 2.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section 2.7 in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 2.7 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.8 Outstanding Securities; Determinations of Holders' Action. Securities Outstanding at any time are all the Securities authenticated by the Trustee except for those cancelled by it, those paid pursuant to Section 2.7, those delivered to it for cancellation and those described in this Section 2.8 as not Outstanding. The Securities shall cease to be Outstanding upon the satisfaction and discharge of the Indenture pursuant to Article Eight. A Security does not cease to be Outstanding because the Company or an Affiliate thereof holds the Security; provided, however, that in determining whether the Holders of the requisite principal amount of Securities have given or concurred in any request, demand, authorization, direction, notice, consent, waiver, or other Act hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other Act, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Subject to the foregoing, only Securities Outstanding at the time of such determination shall be considered in any such determination (including, without limitation, determinations pursuant to Articles Six and Nine).

If a Security is replaced pursuant to Section 2.7, it ceases to be Outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a Protected Purchaser.

If the Paying Agent holds, in accordance with this Indenture, on a Redemption Date, or on the Business Day following a Purchase Date, or on Stated Maturity, money or securities, if permitted hereunder, sufficient to pay Securities payable on that date, then immediately after such Redemption Date, Purchase Date or Stated Maturity, as the case may be,

such Securities shall cease to be Outstanding and Original Issue Discount and contingent interest, if any, shall cease to accrue.

Securities for whose payment or redemption money, Common Stock or other securities in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities shall be deemed to be no longer Outstanding; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefore satisfactory to the Trustee has been made or, if the Securities are to be purchased, a Purchase Notice shall have been duly given and not be subject to withdrawal.

If a Security is converted in accordance with Article Ten, then from and after the time of conversion on the date of conversion, such Security shall cease to be Outstanding and Original Issue Discount and contingent interest, if any, shall cease to accrue on such Security.

Section 2.9 Temporary Securities. Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 2.3, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 2.10 Cancellation. All Securities surrendered for payment, purchase by the Company pursuant to Article Three, conversion, redemption or registration of transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder, which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. The Company may not issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article Ten. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with the Trustee's customary procedure.

Section 2.11 Persons Deemed Owners. Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of the Security or the payment of any Redemption Price or Purchase Price in respect thereof, and (subject to Section 11.4) contingent interest thereon, for the purpose of conversion and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 2.12 Global Securities. (a) Notwithstanding any other provisions of this Indenture or the Securities, (A) transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.6 and Section 2.12(a)(i), (B) transfers of a beneficial interest in a Global Security for a Certificated Security shall comply with Section 2.6, Section 2.12(a)(ii) below and Section 2.12(b)(1) below, and (C) transfers of a Certificated Security shall comply with Section 2.6 and Sections 2.12(a)(iii) and (iv) below.

(i) Transfer of Global Security. A Global Security may not be transferred, in whole or in part, to any Person other than the Depository or a nominee of the Depository or any successor to either of them, and no such transfer to any such other Person may be registered. No transfer of a Security to any person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such Person. Nothing in this Section 2.12(a)(i) shall prohibit or render ineffective any transfer of a beneficial interest in a Global Security effected in accordance with the other provisions of this Section 2.12(a).

(ii) Restrictions on Transfer of a Beneficial Interest in a Global Security for a Certificated Security. A beneficial interest in a Global Security may not be exchanged for a Certificated Security except upon satisfaction of the requirements set forth below and in Section 2.12(b)(1) below. Upon receipt by the Trustee of a transfer of a beneficial interest in a Global Security in accordance with Applicable Procedures for a Certificated Security, together with written instructions to the Trustee to make, or direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect a decrease in the aggregate principal amount of the Securities represented by the Global Security, then the Trustee shall cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the Depository and the Registrar, the aggregate principal amount of the Securities represented by the Global Security to be decreased by the aggregate principal amount of the Certificated Security to be issued, shall issue such Certificated Security and shall debit or cause to be debited to the account of the Person specified in such instructions a beneficial interest in the Global Security equal to the principal amount of the Certificated Security so issued.

(iii) Transfer and Exchange of Certificated Securities. When Certificated Securities are presented to the Registrar with a request:

(y) to register the transfer of such Certificated Securities; or

(z) to exchange such Certificated Securities for an equal principal amount of Certificated Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as provided in Section 2.6; provided, however, that the Certificated Securities surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company, duly executed by the Holder thereof or his attorney duly authorized in writing.

(iv) Restrictions on Transfer of a Certificated Security for a Beneficial Interest in a Global Security. A Certificated Security may not be exchanged for a beneficial interest in a Global Security.

(b) The provisions of clauses (1), (2), (3), (4) and (5) below shall apply only to Global Securities:

- (1) Notwithstanding any other provisions of this Indenture or the Securities, a Global Security shall not be exchanged, in whole or in part, for a Security registered in the name of any Person other than the Depositary or one or more nominees of the Depositary or the successor to either of them, provided that a Global Security may be exchanged for Securities registered in the names of any person designated by the Depositary in the event that (i) the Depositary has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or such Depositary has ceased to be a "clearing agency" registered under the Exchange Act, and a successor Depositary is not appointed by the Company within 90 days, (ii) an Event of Default has occurred and is continuing with respect to the Securities or (iii) the Company delivers to the Trustee a Company Order to that effect. Any Global Security exchanged pursuant to clause (i) or (iii) above shall be so exchanged in whole and not in part, and any Global Security exchanged pursuant to clause (ii) above may be exchanged in whole or from time to time in part as directed by the Depositary.
- (2) Certificated Securities issued in exchange for a Global Security or any portion thereof shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate principal amount equal to that of such Global Security or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate. Any Global Security to be exchanged in whole shall be surrendered by the Depositary to the Trustee, as Registrar. With regard to any Global Security to be exchanged in part, either such Global Security shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depositary or its nominee with respect to such Global Security, the principal amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee.

- (3) Subject to the provisions of clause (5) below, the registered Holder may grant proxies and otherwise authorize any person, including Agent Members (as defined below) and persons that may hold interests through Agent Members, to take any Act of a Holder that a Holder is entitled to take under this Indenture or the Securities.
- (4) In the event of the occurrence of any of the events specified in clause (1) above, the Company will promptly make available to the Trustee a reasonable supply of Certificated Securities in definitive, fully registered form, without interest coupons.
- (5) Neither any members of, or participants in, the Depositary (collectively, the "Agent Members") nor any other persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security registered in the name of the Depositary or any nominee thereof, or under any such Global Security, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Security for all purposes whatsoever.

Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of any Person having a beneficial interest in a Security.

Section 2.13 Calculations in Respect of Securities. The Company or its agents will be responsible for making all calculations and determinations called for under the Securities including, but not limited to, the determination of the market prices for the Securities and of the Common Stock, the Sale Price and the amounts of contingent interest payments, if any, on the Securities. Any calculations made in good faith and without manifest error will be final and binding on Holders of the Securities.

Section 2.14 CUSIP Numbers. The Company may issue the Securities with one or more "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use CUSIP numbers in notices of redemption and Purchase Notices as a convenience to Holders; provided that any such redemption notice or Purchase Notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption or Purchase Notice and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption or repurchase shall not be affected by any defect in or omission of such numbers.

ARTICLE THREE

REDEMPTION AND PURCHASES

Section 3.1 Company's Right to Redeem; Notices to Trustee.

Prior to November , 2006, the Securities will not be redeemable at the Company's option. Beginning on and including November , 2006, the Company, at its option, may redeem the Securities in accordance with the provisions of Sections 6 and 8 of the Securities for cash at any time as a whole, or from time to time in part, at the Redemption Price. If the Company elects to redeem Securities pursuant to Section 6 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the principal amount of Securities to be redeemed and the Redemption Price.

The Company shall give the notice to the Trustee provided for in this Section 3.1 by a Company Order, at least 25 days (unless a shorter notice shall be satisfactory to the Trustee) but not more than 70 days before the Redemption Date.

Section 3.2 Selection of Securities to Be Redeemed. If less than all the Outstanding Securities are to be redeemed, unless the procedures of the Depositary provide otherwise, the Trustee shall select the Securities to be redeemed by lot, on a pro rata basis or by another method the Trustee considers fair and appropriate (so long as such method is not prohibited by the rules of any stock exchange on which the Securities are then listed). The Trustee shall, within five Business Days after it receives the notice provided for in Section 3.1, make the selection from Outstanding Securities not previously called for redemption.

Securities and portions of Securities that the Trustee selects shall be in principal amounts of \$1,000 or whole multiples of \$1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of the Securities to be redeemed.

Securities and portions of Securities that are to be redeemed are convertible by the Holder up to, but not including, the third Business Day prior to the Redemption Date. If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities that have been converted during a selection of Securities to be redeemed may be treated by the Trustee as Outstanding for the purpose of such selection.

Section 3.3 Notice of Redemption. At least 15 days but not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail, postage prepaid, to each Holder of Securities to be redeemed.

The notice shall identify the Securities to be redeemed and shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;

- (3) the Conversion Price;
- (4) the name and address of the Paying Agent and Conversion Agent;
- (5) that Securities called for redemption may be converted at any time up to, but not including, the third Business Day prior to the Redemption Date;
- (6) that Holders who want to convert their Securities must satisfy the requirements set forth in Section 9 of the Securities;
- (7) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
- (8) if fewer than all of the Outstanding Securities are to be redeemed, the certificate numbers, if any, and principal amounts of the particular Securities to be redeemed;
- (9) that, unless the Company defaults in making payment of such Redemption Price, Original Issue Discount and contingent interest, if any, on Securities called for redemption, Original Issue Discount and contingent interest will cease to accrue on and after the Redemption Date; and
- (10) the CUSIP number(s) of the Securities.

Notices of redemption may be given by the Company or, at the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

Section 3.4 Effect of Notice of Redemption. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice except for Securities that are converted in accordance with the terms of this Indenture. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price stated in the notice; provided, however, that any contingent interest that is due and payable on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, as provided in Article Eleven.

Section 3.5 Deposit of Redemption Price. Prior to 10:00 a.m. (New York City time) on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption that on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall as promptly as practicable return to the Company any money not required for payment of the Redemption Price because of conversion of Securities pursuant to Article Ten. If such money is then held by the Company in trust and is not required for payment of the Redemption Price it shall be discharged from such trust.

Section 3.6 Securities Redeemed in Part. Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Security in an authorized denomination equal in principal amount to the unredeemed portion of the Security surrendered.

Section 3.7 Purchase of Securities by the Company at Option of the Holder. Securities shall be purchased by the Company pursuant to Section 7 of the Securities at the option of the Holder on November , 2006, November , 2011, November , 2016, November , 2021 and November , 2026 (each, a "Purchase Date"), at a purchase price equal to the Issue Price of those Securities plus any accrued Original Issue Discount and any accrued and unpaid contingent interest, in each case, up to but excluding such Purchase Date (the "Purchase Price"), subject to the provisions of Section 3.8; provided, however, that any contingent interest that is due and payable on or prior to the Purchase Date shall be paid to the Holders of the Securities, or one or more Predecessor Securities, as provided in Article Eleven. Purchases of Securities hereunder shall be made, at the option of the Holder thereof, upon:

- (1) delivery to the Paying Agent by the Holder of a written notice of purchase (a "Purchase Notice") during the period beginning at any time from the opening of business on the date that is 24 Business Days prior to the relevant Purchase Date until the close of business on the fourth Business Day prior to such Purchase Date stating:
 - (A) the certificate number of the Security which the Holder will deliver to be purchased or the appropriate Depository procedures if Certificated Securities have not been issued,
 - (B) the portion of the principal amount of the Security that the Holder will deliver to be purchased, which portion must be in principal amounts of \$1,000 or a whole multiple of \$1,000,
 - (C) that such Security shall be purchased by the Company as of the Purchase Date pursuant to the terms and conditions specified in Section 7 of the Securities and in this Indenture, and
 - (D) in the event the Company elects, pursuant to Section 3.8, to pay the Purchase Price, in whole or in part, in shares of Common Stock but such portion of the Purchase Price shall ultimately be paid to such Holder entirely in cash because any of the conditions to payment of the Purchase Price in shares of Common Stock is not satisfied prior to the close of business on the relevant Purchase Date, as set forth in Section 3.8, whether such Holder elects (i) to withdraw such Purchase Notice as to some or all of the Securities to which such Purchase Notice relates (stating the principal amount and certificate numbers, if any, of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the entire Purchase Price for all Securities (or portions thereof) to which such Purchase Notice relates; and

- (2) book-entry transfer or delivery of such Security to the Paying Agent at any time after delivery of the Purchase Notice (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Purchase Price therefor; provided, however, that such Purchase Price shall be so paid pursuant to this Section 3.7 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Purchase Notice.

If a Holder, in such Holder's Purchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 3.8, fails to indicate such Holder's choice with respect to the election set forth in clause (D) of Section 3.7 (1), such Holder shall be deemed to have elected to receive cash in respect of the entire Purchase Price for all Securities subject to such Purchase Notice in the circumstances set forth in such clause (D).

The Company shall purchase from the Holder thereof, pursuant to this Section 3.7, a portion of a Security, if the principal amount of such portion is \$1,000 or a whole multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 3.7 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Purchase Date and the time of the book-entry transfer or delivery of the Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Purchase Notice contemplated by this Section 3.7 shall have the right to withdraw such Purchase Notice at any time up to, but excluding, the third Business Day prior to the Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 3.9.

The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

Section 3.8 Company's Right to Elect Manner of Payment of Purchase Price for Payment. (a) The Securities to be purchased on any Purchase Date pursuant to Section 3.7(a) may be paid for, in whole or in part, at the election of the Company, in U.S. legal tender ("cash") or shares of Common Stock, or in any combination of cash and shares of Common Stock, subject to the conditions set forth in Sections 3.8(c) and (d). The Company shall designate, in the Company Notice delivered pursuant to Section 3.8(d), whether the Company will purchase the Securities for cash or shares of Common Stock, or, if a combination thereof, the percentages of the Purchase Price of Securities in respect of which it will pay in cash or shares of Common Stock; provided that the Company will pay cash for fractional interests in shares of Common Stock. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose Securities are purchased pursuant to Section 3.7 shall receive the same percentage of cash or

shares of Common Stock in payment of the Purchase Price for such Securities, except with regard to the payment of cash in lieu of fractional shares of Common Stock. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given its Company Notice to Holders except pursuant to Section 3.8(c) in the event of a failure to satisfy, prior to the close of business on the Business Day immediately preceding the Purchase Date, any condition to the payment of the Purchase Price, in whole or in part, in shares of Common Stock.

At least three Business Days before each Company Notice Date, the Company shall deliver an Officers' Certificate to the Trustee specifying:

- (i) the manner of payment selected by the Company,
- (ii) the information required by Section 3.8(d) in the Company Notice,
- (iii) if the Company elects to pay the Purchase Price, or a specified percentage thereof, in shares of Common Stock, that the conditions to such manner of payment set forth in Section 3.8(c) have been or will be complied with, and
- (iv) whether the Company desires the Trustee to give the Company Notice required by Section 3.8(d).

(b) At the option of the Company, the Purchase Price of Securities in respect of which a Purchase Notice pursuant to Section 3.7 has been given, or a specified percentage thereof, may be paid by the Company with cash equal to the aggregate Purchase Price of such Securities. The Company Notice, as provided in Section 3.8(d), shall be sent to Holders not less than 24 Business Days prior to such Purchase Date (the "Company Notice Date").

(c) At the option of the Company, the Purchase Price of Securities in respect of which a Purchase Notice pursuant to Section 3.7 has been given, or a specified percentage thereof, may be paid by the Company by the issuance of a number of shares of Common Stock equal to the quotient obtained by dividing (i) the portion of the Purchase Price to be paid in shares of Common Stock by (ii) 100% of the Market Price determined by the Company in the Company Notice, subject to the next succeeding paragraph.

The Company will not issue fractional shares of Common Stock in payment of the Purchase Price. Instead, the Company will pay cash based on the current market price for all fractional shares. It is understood that if a Holder elects to have more than one Security purchased, the number of shares of Common Stock shall be based on the aggregate amount of Securities to be purchased.

If the Company elects to purchase the Securities by the issuance of shares of Common Stock or in any combination of cash and Common Stock, the Company Notice, as provided in Section 3.8(d), shall be sent to the Holders not later than the Company Notice Date.

The Company's right to exercise its election to purchase Securities through the issuance of shares of Common Stock shall be conditioned upon:

(i) the Company's not having given its Company Notice of an election to pay entirely in cash and its giving of timely Company Notice of an election to purchase all or a specified percentage of the Securities with shares of Common Stock as provided herein;

(ii) the registration of such shares of Common Stock under the Securities Act and the Exchange Act, in each case, if required;

(iii) the listing of such shares of Common Stock on a United States national securities exchange or the quotation of such shares of Common Stock in an inter-dealer quotation system of any registered United States national securities association, in each case, if the Common Stock is then listed on a national securities exchange or quoted in an inter-dealer quotation system;

(iv) any necessary qualification or registration of such shares of Common Stock under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(v) the receipt by the Trustee of (A) an Officers' Certificate stating that the terms of the issuance of the shares of Common Stock are in conformity with this Indenture, (B) an Opinion of Counsel to the effect that the shares of Common Stock to be issued by the Company in payment of the Purchase Price in respect of the Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Purchase Price in respect of the Securities, will be validly issued, fully paid and non-assessable and (c) an Officers' Certificate, stating that the conditions to the issuance of the shares of Common Stock have been satisfied.

Such Officers' Certificate shall also set forth the number of shares of Common Stock to be issued for each \$1,000 principal amount at Stated Maturity of Securities and the Sale Price of a share of Common Stock on each Trading Day during the period commencing on the first Trading Day of the period during which the Market Price is calculated and ending on but excluding the third Business Day prior to the applicable Purchase Date. If the foregoing conditions are not satisfied prior to the close of business on the last day prior to the Purchase Date and the Company has elected to purchase the Securities through the issuance of shares of Common Stock, the Company shall pay the entire Purchase Price of the Securities in cash.

The "Market Price" means the average of the Sale Prices of the shares of Common Stock for the five-Trading Day period immediately preceding but excluding the third Business Day prior to the applicable Purchase Date (if the fourth Business Day prior to the applicable Purchase Date is a Trading Day, or if not, then on the last Trading Day prior to the fourth Business Day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the Trading Days during the five-Trading Day period and ending on the Purchase Date, of any event described in Sections 10.3 or 10.4.

The "Sale Price" of the shares of Common Stock on any date means the closing per share sale price (or, if no closing sale price is reported, the average of the closing bid and ask prices

or, if more than one in either case, the average of the average closing bid and the average ask prices) on such date as reported on the NYSE or, if the shares of Common Stock are not listed on the NYSE, as reported on a national securities exchange, or if not reported on a national securities exchange, as reported by the Nasdaq. In the absence of such quotations, the Company shall be entitled to determine the closing sales price on the basis of such quotations as it considers appropriate. Sale Prices shall be determined without reference to extended or after hours trading.

Upon determination of the actual number of shares of Common Stock to be issued upon redemption or repurchase of Securities, the Company shall be required to disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on the Company's web site or through such other public medium as the Company may use at that time.

(d) In connection with any purchase of Securities pursuant to Section 7 of the Securities, the Company shall, no less than 24 Business Days prior to each Purchase Date, give notice to Holders setting forth information specified in this Section 3.8(d) (the "Company Notice").

In the event the Company has elected to pay the Purchase Price (or a specified percentage thereof), with shares of Common Stock, the Company Notice shall:

- (1) state that each Holder will receive a number of shares of Common Stock with a value equal to 100% of the Market Price equal to such specified percentage of the Purchase Price of the Securities to be paid in Common Stock (except any cash amount to be paid in lieu of fractional shares);
- (2) set forth the method of calculating the Market Price of the shares of Common Stock; and
- (3) state that because the Market Price of shares of Common Stock will be determined prior to the Purchase Date Holders of the Securities will bear the market risk with respect to the value of the shares of Common Stock to be received from the date such Market Price is determined to the Purchase Date.

In any case, each Company Notice shall include a form of Purchase Notice to be completed by a Holder and shall state:

- (i) the Purchase Price;
- (ii) the name and address of the Paying Agent and the Conversion Agent;
- (iii) if the Securities are then convertible, that Securities as to which a Purchase Notice has been given may be converted only if the Purchase Notice is withdrawn in accordance with the terms of this Indenture;
- (iv) that Securities must be surrendered to the Paying Agent to collect the Purchase Price;

(v) that the Purchase Price for any security as to which a Purchase Notice has been given and not withdrawn will be paid promptly following the later of the Purchase Date and the time of surrender of such Security;

(vi) that, unless the Company defaults in making payment on Securities for which a Purchase Notice has been submitted, Original Issue Discount and any contingent interest on such Securities will cease to accrue on and after the Purchase Date; provided, however, that any contingent interest that is due and payable prior to the Purchase Date will be payable to the Holders of Securities, or one or more Predecessor Securities, as provided in Article Eleven; and

(vii) the CUSIP number of the Securities.

Company Notices may be given by the Company or, at the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense.

(e) All shares of Common Stock delivered upon purchase of the Securities shall be duly authorized, validly issued, fully paid and nonassessable.

(f) If a Holder of a purchased Security is paid in shares of Common Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of Common Stock. However, the Holder shall pay any such tax which is due because the Holder requests the Common Stock to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the shares of Common Stock are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

Section 3.9 Effect of Purchase Notice. Upon receipt by the Paying Agent of the Purchase Notice specified in Section 3.7, the Holder of the Security in respect of which such Purchase Notice was given shall (unless such Purchase Notice is validly withdrawn) thereafter be entitled to receive solely the Purchase Price with respect to such Security. Such Purchase Price shall be paid to such Holder, subject to receipt of funds and/or securities by the Paying Agent, promptly following the later of (x) the Purchase Date with respect to such Security (provided the Holder has satisfied the conditions in Section 3.7) and (y) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 3.7. Securities in respect of which a Purchase Notice has been given by the Holder thereof may not be converted pursuant to Article Ten hereof on or after the date of the delivery of such Purchase Notice unless such Purchase Notice has first been validly withdrawn.

A Purchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Purchase Notice at any time prior to but excluding the third Business Day before the Purchase Date, specifying:

(1) the certificate number, if any, of the Security in respect of which such notice of withdrawal is being submitted, or the appropriate Depositary procedures if Certified Securities have not been issued,

- (2) the principal amount of the Security with respect to which such notice of withdrawal is being submitted, and
- (3) the principal amount, if any, of such Security which remains subject to the original Purchase Notice and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Purchase Notice may be in the form set forth in the preceding paragraph or may be in the form of a conditional withdrawal contained in a Purchase Notice pursuant to the terms of Section 3.7 (1)(D).

The Company may, in its sole and complete discretion, accept a written notice of withdrawal on or after the third Business Day prior to a Purchase Date. The decision of the Company to accept or reject such a withdrawal notice shall be conclusive and binding on the Holder proposing to make the withdrawal.

There shall be no purchase of any Securities pursuant to Section 3.7 if there has occurred and is continuing an Event of Default on the Purchase Date (other than a default in the payment of the Purchase Price with respect to such Securities or a default that is cured by the repurchase). The Paying Agent will promptly return to the respective Holders thereof any Securities (x) with respect to which a Purchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Purchase Price with respect to such Securities or a default that is cured by the repurchase) in which case, upon such return, the Purchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 3.10 Deposit of Purchase Price. Prior to 10:00 a.m. (New York City Time) on the Business Day following the Purchase Date, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of either of them is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 2.4) an amount of cash (in immediately available funds if deposited on such Business Day) or Common Stock, if permitted hereunder, sufficient to pay the aggregate Purchase Price of all the Securities or portions thereof that are to be purchased as of the Purchase Date.

As soon as practicable after the Purchase Date the Company shall deliver to each Holder entitled to receive shares of Common Stock through the Paying Agent, a certificate for the number of full shares of Common Stock issuable in payment of the Purchase Price and cash in lieu of any fractional interests. The person in whose name the certificate for the shares of Common Stock is registered shall be treated as a holder of record of Common Stock on the Business Day following the Purchase Date. No payment or adjustment will be made for dividends on the shares of Common Stock the record date for which occurred on or prior to the Purchase Date.

Section 3.11 Securities Purchased in Part. Any Certificated Security that is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such

Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Security so surrendered which is not purchased.

Section 3.12 Repayment to the Company. The Trustee and the Paying Agent shall return to the Company any cash or shares of Common Stock that remain unclaimed as provided in Section 12 of the Securities, together with interest or dividends, if any, thereon, held by them for the payment of the Purchase Price; provided, however, that to the extent that the aggregate amount of cash or shares of Common Stock deposited by the Company pursuant to Section 3.10 exceeds the aggregate Purchase Price of the Securities or portions thereof which the Company is obligated to purchase as of the Purchase Date then, unless otherwise agreed in writing with the Company, promptly after the Business Day following the Purchase Date, the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon.

ARTICLE FOUR

COVENANTS

Section 4.1 Payment of Securities. The Company shall promptly make all payments in respect of the Securities on the dates and in the manner provided in the Securities or pursuant to this Indenture. The Principal Amount of the Securities payable at final Stated Maturity shall be deposited with the Trustee or Paying Agent by 10:00 a.m., New York City time, by the Company. Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price and contingent interest, if any, shall be considered paid on the applicable date due if on such date the Trustee or the Paying Agent holds, in accordance with this Indenture, cash or securities, if permitted hereunder, sufficient to pay all such amounts then due.

The Company shall, to the extent permitted by law, pay interest on overdue Principal Amount, contingent interest, if any, or the cash portion of the Repurchase Price at the per annum rate of interest of 1.50%, compounded semi-annually, which interest (to the extent payment of such interest shall be legally enforceable) shall accrue from the date such overdue amounts were originally due and payable until such amount is paid or payment is duly provided for. Any such interest shall be payable on demand.

Section 4.2 SEC and Other Reports. The Company shall file with the Trustee and the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the TIA at the times and in the manner provided pursuant to the TIA; provided that any such information, documents or reports required to be filed with the SEC pursuant to section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the SEC.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein,

including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.3 Compliance Certificate. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2001) an Officers' Certificate, stating whether or not to the knowledge of the signers thereof, the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

Section 4.4 Maintenance of Office or Agency. The Trustee will maintain (and the Company, to the extent the Trustee is not also the Registrar, Paying Agent or Conversion Agent, will ensure that the Registrar, Paying Agent and Conversion Agent maintain), in the Borough of Manhattan, the City of New York, an office or agency of the Trustee, Registrar, Paying Agent and Conversion Agent where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange, purchase, redemption or conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The office of The Bank of New York, 5 Penn Plaza, New York, NY 10001 (Attention: Corporate Trust Administration), shall initially be such office or agency for all of the aforesaid purposes.

Section 4.5 Tax Treatment of Securities. The Company agrees, and by acceptance of a beneficial ownership interest in the Securities, each beneficial holder of Securities will be deemed to have agreed, for United States federal income tax purposes, to treat the Securities as indebtedness that is subject to Section 1.1275-4 of the United States Treasury Regulations (the "Contingent Debt Regulations"). A holder of Securities may obtain the comparable yield and projected payment schedule by submitting a written request for it to the Company at the following address: American International Group, Inc., 70 Pine Street, New York, New York 10270, Attention: Vice President and Director of Taxes or telephoning (212) 770-7000.

Section 4.6 Calculation of Accrued Original Issue Discount and Tax Original Issue Discount. The Company shall file with the Trustee, within 30 days following the end of each calendar year, a written notice specifying (i) the amount of accrued Original Issue Discount and Tax Original Issue Discount (including the daily rates and accrual periods) accrued on Outstanding Securities as of the end of such year and (ii) such other specific information relating to such accrued Original Issue Discount and Tax Original Issue Discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

ARTICLE FIVE

SUCCESSOR CORPORATION

Section 5.1 When Company May Merge or Transfer Assets. The Company shall not consolidate with or merge with or into any other Person or convey, transfer, sell, lease or otherwise dispose of all or substantially all of its properties and assets to any Person, unless:

(a) either (1) the Company shall be the continuing corporation or (2) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease all or substantially all of the properties and assets of the Company substantially as an entirety (i) shall be organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (ii) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, all of the obligations of the Company under the Securities and this Indenture;

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article Five and that all conditions precedent herein provided for relating to such transaction have been satisfied.

The successor Person formed by such consolidation or into which the Company is merged or the successor Person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter, except in the case of a lease and obligations the Company may have under a supplemental indenture, the Company shall be discharged from all obligations and covenants under this Indenture and the Securities. Subject to Section 9.6, the Company, the Trustee and the successor Person shall enter into a supplemental indenture to evidence the succession and substitution of such successor Person and such discharge and release of the Company.

ARTICLE SIX

DEFAULTS AND REMEDIES

Section 6.1 Events of Default. So long as any Securities are Outstanding, each of the following shall be an "Event of Default":

(1) the Company defaults in the payment of the Principal Amount, Redemption Price or Purchase Price on any Security when the same becomes due and payable;

(2) the Company defaults in the payment of contingent interest when due and payable, and continuance of such default for a period of 30 days;

(3) the Company fails to comply with any other term, agreement or covenant in the Securities or this Indenture (other than those referred to in clause (1) and (2) above) and such failure continues for 60 days after receipt by the Company of a Notice of Default;

(4) the entry by a court having jurisdiction in the premises of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(5) the commencement by the Company of a voluntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under any applicable law, or the consent by the Company to the filing of such petition or to the appointment of or the taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by the Company of an assignment for the benefit of creditors, or the admission in writing by the Company of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company expressly in furtherance of any such action.

A Default under clause (3) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the time Outstanding notify the Company and the Trustee, of the Default and the Company does not cure such Default (and such Default is not waived) within the time specified in clause (3) above after actual receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

The Trustee shall, within 90 days of the occurrence of a Default, give to the Holders of the Securities notice of all uncured Defaults known to it, the status of each such Default and what action the Company is taking or proposes to take with respect thereto; provided, however, the Trustee shall be protected in withholding such notice if it, in good faith, determines that the withholding of such notice is in the best interest of such Holders, except in the case of a Default in the payment of the Principal Amount, Redemption Price, Purchase Price or any contingent interest on any of the Securities when due.

Section 6.2 Acceleration. If an Event of Default occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the time Outstanding by notice to the Company and the Trustee, may declare the Issue Price plus accrued Original Issue Discount, and any accrued and unpaid contingent interest on all the Securities to be immediately due and payable. Upon such a declaration, such

accelerated amount shall be due and payable immediately. The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding, by notice to the Trustee (and without notice to any other Securityholder) may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of the amounts that have become due solely as a result of acceleration and if all amounts due to the Trustee under Section 7.6 have been paid. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Section 6.3 Other Remedies. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of the Issue Price plus accrued Original Issue Discount, and any accrued and unpaid contingent interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.4 Waiver of Past Defaults. The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding, by notice to the Trustee (and without notice to any other Holder), may waive an existing Default and its consequences except:

- (1) an Event of Default described in Section 6.1(1) or (2);
- (2) a Default in respect of a provision that under Section 9.2 cannot be amended without the consent of each Holder affected; or
- (3) a Default that constitutes a failure to convert any Securities in accordance with the terms of Article Ten.

When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

This Section 6.4 shall be in lieu of Section 316(a)1(B) of the TIA and such Section 316(a)1(B) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 6.5 Control by Majority. The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Holders or would involve the Trustee in personal liability unless the Trustee is offered indemnity satisfactory to it. This Section 6.5 shall be in lieu of Section 316(a)1(A) of the TIA and such Section 316(a)1(A) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 6.6 Limitation on Suits. A Holder may not pursue any remedy with respect to this Indenture or the Securities unless:

- (1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;
- (2) the Holders of at least 25% in aggregate principal amount of the Securities at the time Outstanding make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer to the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee does not comply with the request within 60 days after receipt of such notice, request and offer of security or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding do not give the Trustee a direction inconsistent with the request during such 60-day period.

A Holder may not use this Indenture to prejudice the rights of any other Holder or to obtain a preference or priority over any other Holder.

Section 6.7 Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the Principal Amount, Redemption Price, Purchase Price or contingent interest, if any, in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities or any Redemption Date, and to convert the Securities in accordance with Article Ten, or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of such Holder.

Section 6.8 Collection Suit by Trustee. If an Event of Default described in Section 6.1(1) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount owing with respect to the Securities and the amounts provided for in Section 7.6.

Section 6.9 Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the Principal Amount, Redemption Price, Purchase Price or contingent interest, if any, in respect of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of any such amount) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of the Principal Amount, Redemption Price, Purchase Price, or contingent interest, if any, and to file such other papers or

documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel or any other amounts due the Trustee under Section 7.6) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.6.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 Priorities. If the Trustee collects any money pursuant to this Article Six, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 7.6;

SECOND: to Holders for amounts due and unpaid on the Securities for the Principal Amount, Redemption Price, Purchase Price or contingent interest, if any, as the case may be, ratably, without preference or priority of any kind, according to such amounts due and payable on the Securities; and

THIRD: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10. At least 15 days before such record date, the Trustee shall mail to each Holder and the Company a notice that states the record date, the payment date and the amount to be paid.

Section 6.11 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the TIA; provided, that neither this Section nor the TIA shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or the Trustee. This Section 6.11 shall be in lieu of Section 315(e) of the TIA and such Section 315(e) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 6.12 Waiver of Stay, Extension or Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or

extension law or any usury or other law wherever enacted, now or at any time hereafter in force, which would prohibit or forgive the Company from paying all or any portion of the Principal Amount, Redemption Price or Purchase Price, or any contingent interest, as contemplated herein, or which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SEVEN

TRUSTEE

Section 7.1 Duties of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

- (1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and
- (2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture, but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

- (1) this Section (c) does not limit the effect of Section (b) of this Section 7.1; and
- (2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and
- (3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.1.

(e) The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee (acting in any capacity hereunder) shall be under no liability for interest on any money received by it hereunder unless otherwise agreed in writing with the Company.

Section 7.2 Rights of Trustee. Subject to its duties and responsibilities under the TIA,

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate;

(c) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(d) the Trustee may consult with counsel selected by it and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby;

(f) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(g) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(h) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder.

Section 7.3 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Paying Agent, Registrar, Conversion Agent or co-registrar may do the same with like rights. However, the Trustee must comply with Sections 7.9 and 7.10.

Section 7.4 Trustee's Disclaimer. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use or application of the proceeds from the Securities, and it shall not be responsible for any statement in this Indenture or the Securities (other than its certificate of authentication).

Section 7.5 Reports by Trustee to Holders. The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the TIA at the times and in the manner provided pursuant thereto.

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each securities exchange, if any, on which the Securities are listed. The Company agrees to notify the Trustee promptly whenever the Securities become listed on any securities exchange and of any delisting thereof.

Section 7.6 Compensation and Indemnity. The Company agrees:

(a) to pay to the Trustee from time to time such compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited (to the extent permitted by law) by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise provided in this Indenture, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, advances and disbursements of its agents and counsel), except

any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold it harmless against, any loss, damage, claim, liability, cost or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 6.1(4) or Section 6.1(5), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this Section shall survive the termination of this Indenture and the resignation and removal of the Trustee.

Section 7.7 Replacement of Trustee. The Trustee may resign by so notifying the Company; provided, however, no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.7. The Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may remove the Trustee by so notifying the Trustee and the Company. The Company shall remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.9;
- (2) the Trustee is adjudged bankrupt or insolvent;
- (3) a receiver or public officer takes charge of the Trustee or its property; or
- (4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint, by resolution of its Board of Directors, a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company satisfactory in form and substance to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

If a successor Trustee does not take office within 120 days after the retiring Trustee resigns or is removed, the Trustee, the Company or the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding may petition, in the case of the Trustee, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.9, any Holder who has been a bona fide Holder for at least six months may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Section 7.8 Successor Trustee by Merger. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, provided such corporation shall be otherwise qualified and eligible under this Article Seven, without the execution or filing of any paper or any further act

on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 7.9 Eligibility; Disqualification. If the Trustee has or shall acquire a conflicting interest within the meaning of the TIA, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the TIA and this Indenture. To the extent permitted by the TIA, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under the Indenture, dated July 15, 1989, between the Company, and the Trustee. The Trustee (or its parent holding company) shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article Seven.

Section 7.10 Preferential Collection of Claims Against Company. If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the TIA regarding the collection of claims against the Company (or any such other obligor).

ARTICLE EIGHT

DISCHARGE OF INDENTURE

Section 8.1 Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect (except as to any surviving rights of conversion, registration of transfer or exchange of Securities herein expressly provided for), and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Securities theretofore authenticated and delivered (other than (i) Securities which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.7 and (ii) Securities for whose payment money, Common Stock or other securities has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 2.4) have been delivered to the Trustee for cancellation; or

(B) all such Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for the Principal Amount, Redemption Price and any contingent interest payable to the date of such deposit (in the case of Securities which have become due and payable) or to the final Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 7.6 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Clause (1) of this Section, the obligations of the Trustee under the last paragraph of Section 2.4 shall survive.

Section 8.2 Application of Trust Money

Subject to the provisions of the last paragraph of Section 2.4, all money deposited with the Trustee pursuant to Section 8.1 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the Principal Amount, Redemption Price and any contingent interest for whose payment such money has been deposited with the Trustee. All moneys deposited with the Trustee pursuant to Section 8.1 (and held by it or any Paying Agent) for the payment of Securities subsequently converted shall be returned to the Company upon Company Request.

ARTICLE NINE

AMENDMENTS

Section 9.1 Without Consent of Holders. The Company and the Trustee may amend this Indenture or the Securities without the consent of any Securityholder to:

(a) add to the covenants of the Company for the benefit of the Holders of Securities;

(b) surrender any right or power herein conferred upon the Company;

(c) provide for conversion rights of Holders of Securities if any reclassification or change of the Common Stock or any consolidation, merger or sale of all or substantially all of the Company's assets occurs;

(d) provide for the assumption of the Company's obligations to the Holders of Securities in the case of a merger, consolidation, conveyance, transfer or lease pursuant to Article Five hereof;

(e) reduce the Conversion Price; provided, however, that such reduction must remain in effect for at least 20 days;

(f) comply with the requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;

(g) secure the Securities;

(h) cure any ambiguity or correct or supplement any provision herein which may be inconsistent with any other provision herein or which is otherwise defective, or to make any other provisions with respect to matters or questions arising under this Indenture which the Company may deem necessary or desirable and which shall not be inconsistent with the provisions of this Indenture; provided, however, that such action shall not adversely affect the interests of the Holders of Securities in any material respect; and

(i) add or modify any other provisions herein with respect to matters or questions arising hereunder which the Company and the Trustee may deem necessary or desirable and which will not adversely affect the interests of the Holders of Securities in any material respect.

Section 9.2 With Consent of Holders. Except as provided below in this Section 9.2, this Indenture or the Securities may be amended, modified or supplemented, and noncompliance in any particular instance with any provision of this Indenture or the Securities may be waived, in each case with the written consent of the Holders of at least a majority of the principal amount of the Securities at the time Outstanding.

Without the written consent or the affirmative vote of each Holder of Securities affected thereby, an amendment or waiver under this Section 9.2 may not:

(a) alter the manner or rate of accrual of Original Issue Discount or the rate of contingent interest;

(b) reduce the Principal Amount, accrued Original Issue Discount, the Redemption Price or Purchase Price of any Security;

(c) change the currency of payment of any amount owed or owing under the Security;

(d) adversely affect the conversion rights of any Holder of any Security;

(e) adversely affect the purchase right of any Holder of any Security;

(f) impair the right of any Holder to institute suit for the enforcement of any payment or with respect to, or conversion of, any Security;

(g) modify any of the provisions of this Section, or reduce the principal amount of Outstanding Securities required to waive a Default, except to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby; or

(h) reduce the percentage of the principal amount of the Outstanding Securities the consent of whose Holders is required for any supplemental indenture or the consent of whose Holders is required for any waiver provided for in this Indenture.

It shall not be necessary for the consent of the Holders under this Section 9.2 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section 9.2 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment.

Nothing in this Section 9.2 shall impair the ability of the Company and the Trustee to amend this Indenture or the Securities without the consent of any Securityholder to provide for the assumption of the Company's obligations to the Holders of Securities in the case of a merger, consolidation, conveyance, transfer or lease pursuant to Article Five hereof.

Section 9.3 Compliance with Trust Indenture Act. Every supplemental indenture executed pursuant to this Article shall comply with the TIA.

Section 9.4 Revocation and Effect of Consents, Waivers and Actions. Until an amendment, waiver or other action by Holders becomes effective, a consent thereto by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment, waiver or action becomes effective. After an amendment, waiver or action becomes effective, it shall bind every Securityholder.

Section 9.5 Notation on or Exchange of Securities. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

Section 9.6 Trustee to Sign Supplemental Indentures. The Trustee shall sign any supplemental indenture authorized pursuant to this Article Nine if the amendment contained therein does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign such supplemental indenture. In signing such supplemental indenture the Trustee shall receive, and (subject to the provisions of Section 7.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

Section 9.7 Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE TEN

CONVERSIONS

Section 10.1 Conversion Privilege. (a) Subject to and upon compliance with the provisions of this Article Ten, a Holder of a Security shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is \$1,000 or a whole multiple of \$1,000) of such Security into shares of Common Stock at the Conversion Price in effect on the date of conversion. The Securities shall be convertible only upon the occurrence of one of the following events:

(1) during any fiscal quarter commencing after December 31, 2001 or on any Business Day commencing after September 30, 2031, if the Sale Price of the Common Stock exceeds 120% of the Conversion Price for at least (a) 20 Trading Days in the 30 consecutive Trading Days ending on the last Trading Day of the immediately preceding fiscal quarter (it being understood for purposes of this Section 10.1(a)(1) that the Conversion Price in effect on the close of each of the 30 consecutive Trading Days should be used) or (b) after (but not including) September 30, 2031, one Trading Day;

(2) if such Security has been called for redemption pursuant to Article Three hereof, at any time on or after the date the notice of redemption has been given up to, but not including, the third Business Day preceding the Redemption Date; or

(3) as provided in Section (b) of this Section 10.1.

The Conversion Agent shall, on behalf of the Company, determine on a daily basis whether the Securities shall be convertible as a result of the occurrence of an event specified in clause (1) above and, if the Securities shall be so convertible, the Conversion Agent shall promptly deliver to the Company and the Trustee written notice thereof. Whenever the Securities shall become convertible pursuant to this Section 10.1, the Company or, at the Company's request, the Trustee in the name and at the expense of the Company, shall notify the Holders of the event triggering such convertibility in the manner provided in Section 12.2, and the Company shall also publicly announce such information and publish it on the Company's

Web site. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice.

(b) In addition, in the event that:

(1) (A) the Company distributes to all holders of its shares of Common Stock rights or warrants entitling them (for a period expiring within 45 days of the record date for the determination of the stockholders entitled to receive such distribution) to subscribe for or purchase shares of Common Stock, at a price per share less than the average of the Sale Prices of the Common Stock for the ten Trading Days immediately preceding, but not including, the date such distribution is first publicly announced by the Company, or (B) the Company distributes to all holders of its shares of Common Stock, cash or other assets, debt securities or rights or warrants to purchase its securities, where the Fair Market Value of such distribution per share of Common Stock exceeds 15% of the Sale Price of a share of Common Stock on the Trading Day immediately preceding, but not including, the date such distribution is first publicly announced by the Company, then, in either case, the Securities may be surrendered for conversion at any time on and after the date that the Company gives notice to the Holders of such right, which shall be not less than 10 days prior to the Ex-Dividend Time for such distribution, until the earlier of the close of business on the Business Day immediately preceding, but not including, the Ex-Dividend Time or the date the Company publicly announces that such distribution will not take place; provided that, no adjustment to the Conversion Price or the ability of a Holder of a Security to convert will be made if the Holder will otherwise participate in such distribution without conversion; or

(2) (A) the Company consolidates with or merges with or into another Person or conveys, transfers, sells, leases or otherwise disposes of all or substantially all of its properties and assets, (B) the Company is not the resulting or surviving entity, (C) such transaction is not with an Affiliate of the Company and (D) after the completion or consummation of such transaction either (i) 50% of the beneficial owners of the surviving or resulting entity's Voting Stock were not holders of the Company's Capital Stock prior to the transaction or (ii) 50% of the surviving or resulting entity's directors (or persons performing similar functions) were not directors of the Company, or directors approved by the Board of Directors, immediately prior to the transaction, then the Securities may be surrendered for conversion at any time from and after the date 15 days prior to the anticipated effective date of the transaction and ending on and including the date 15 days after the consummation of the transaction. The Board of Directors shall determine the anticipated effective date of the transaction, and such determination shall be conclusive and binding on the Holders and shall be publicly announced by the Company and posted on its Web site not later than two Business Days prior to such 15th day.

"Ex-Dividend Time" means, with respect to any issuance or distribution on shares of Common Stock, the first date on which the shares of Common Stock trade regular way on the principal securities market on which the shares of Common Stock are then traded without the right to receive such issuance or distribution.

Section 10.2 Conversion Procedure; Conversion Price;

Fractional Shares. (a) Each Security shall be convertible at the office of the Conversion Agent into fully paid and nonassessable shares (calculated to the nearest 1/100th of a share) of Common Stock. The Security will be converted into shares of Common Stock at the Conversion Price therefor. No payment or adjustment shall be made in respect of dividends on the Common Stock or accrued Original Issue Discount or contingent interest on a converted Security, except as described in Section 11.3 hereof. The Company shall not issue any fraction of a share of Common Stock in connection with any conversion of Securities, but instead shall make a cash payment (calculated to the nearest cent) equal to such fraction multiplied by the Sale Price of the Common Stock on the last Trading Day prior to the date of conversion. Notwithstanding the foregoing, a Security in respect of which a Holder has delivered a Purchase Notice exercising such Holder's option to require the Company to repurchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the Section 3.9 hereof.

(b) Before any Holder of a Security shall be entitled to convert the same into Common Stock, such Holder shall, in the case of Securities issued in global form, comply with the procedures of the Depository in effect at that time, and in the case of Certificated Securities, surrender such Securities, duly endorsed to the Company or in blank, at the office of the Conversion Agent, and shall give written notice to the Company at said office or place that such Holder elects to convert the same and shall state in writing therein the principal amount of Securities to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for Common Stock to be issued.

Before any such conversion, a Holder also shall pay all funds required, if any, relating to interest on the Securities, as provided in Section 11.3, and all taxes or duties, if any, as provided in Section 10.8.

If more than one Security shall be surrendered for conversion at one time by the same Holder, the number of full shares of Common Stock which shall be deliverable upon conversion shall be computed on the basis of the aggregate principal amount of the Securities (or specified portions thereof to the extent permitted thereby) so surrendered. Subject to the next succeeding sentence, the Company will, as soon as practicable thereafter, issue and deliver at said office or place to such Holder of a Security, or to such Holder's nominee or nominees, certificates for the number of full shares of Common Stock to which such Holder shall be entitled as aforesaid, together with cash in lieu of any fraction of a share to which such Holder would otherwise be entitled. The Company shall not be required to deliver certificates for shares of Common Stock while the stock transfer books for such stock or the security register are duly closed for any purpose, but certificates for shares of Common Stock shall be issued and delivered as soon as practicable after the opening of such books or security register.

(c) A Security shall be deemed to have been converted as of the close of business on the date of the notification of the Conversion Agent by the Depository of the due completion of the procedures of the Depository or the due surrender of such Securities for conversion as provided above, and the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Common Stock as of the close of business on such date.

(d) In case any Security shall be surrendered for partial conversion, the Company shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Security so surrendered, without charge to such Holder (subject to the provisions of Section 10.8 hereof), a new Security or Securities in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Securities.

Section 10.3 Adjustment of Conversion Price for Common Stock.
The Conversion Price shall be adjusted from time to time as follows:

(a) In case the Company shall, at any time or from time to time while any of the Securities are Outstanding, pay a dividend or make a distribution in shares of Common Stock to all holders of its outstanding shares of Common Stock, then the Conversion Price in effect at the opening of business on the date following the record date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction:

- (1) the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the record date fixed for such determination; and
- (2) the denominator of which shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution.

Such reduction shall become effective immediately after the opening of business on the day following the record date fixed for such determination. If any dividend or distribution of the type described in this Section 10.3(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(b) In case the Company shall, at any time or from time to time while any of the Securities are Outstanding, subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, then the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case the Company shall, at any time or from time to time while any of the Securities are outstanding, combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, then the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased.

Such reduction or increase, as the case may be, shall become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) In case the Company shall, at any time or from time to time while any of the Securities are Outstanding, issue rights or warrants to all holders of its shares of Common Stock entitling them for a period of not more than 45 days after the record date mentioned below to subscribe for or purchase shares of Common Stock at a price per share less than the Sale Price on the Trading Day immediately preceding the date of the announcement of such issuance, then

the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect at the opening of business on the date after the record date fixed for the determination of stockholders entitled to receive such rights or warrants by a fraction:

- (1) the numerator of which shall be the number of shares of Common Stock outstanding on the close of business on the record date fixed for the determination of stockholders entitled to receive such rights or warrants, plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such Sale Price of the Common Stock; and
- (2) the denominator of which shall be the number of shares of Common Stock outstanding at the close of business on the record date fixed for the determination of stockholders entitled to receive such rights or warrants, plus the total number of additional shares of Common Stock so offered for subscription or purchase;

provided that no adjustment for a transaction referred to in this Section 10.3(c) shall be made if the Holders of the Securities may participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of shares of the Company's Common Stock may participate in the transaction.

Such adjustment shall become effective immediately after the opening of business on the day following the record date fixed for such issuance. To the extent that shares of Common Stock are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of the delivery of only the number of shares of Common Stock actually delivered. In the event that such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if the date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Sale Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, the value of such consideration if other than cash, to be determined by the Board of Directors, whose determination shall be conclusive and binding.

(d) In case the Company shall, at any time or from time to time while any of the Securities are Outstanding, by dividend or otherwise, distribute to all holders of its shares of Common Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation and the Common Stock is not changed or exchanged), shares of its capital stock (other than any dividends or distributions to which Section 10.3(a) applies), evidences of its indebtedness or other assets, including securities, but excluding (i) any rights or warrants referred to in Section 10.3(c), (ii) dividends or

distributions of stock, securities or other property or assets (including cash) in connection with a transaction to which Section 10.4 applies, (iii) any reclassification covered by the definition of Common Stock and (iv) dividends and distributions paid exclusively in cash (such capital stock, evidence of its indebtedness, other assets or securities being distributed hereinafter in this Section 10.3(d) called the "distributed assets"), then, in each such case, subject to other provisions of this Section 10.3(d), the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the record date fixed for the determination of stockholders entitled to such distribution by a fraction:

- (1) the numerator of which shall be the Current Market Price of the Common Stock, less the Fair Market Value on such date of the portion of the distributed assets so distributed applicable to one share of Common Stock (determined on the basis of the number of shares of Common Stock outstanding on the record date fixed for such distribution) on such date; and
- (2) the denominator of which shall be such Current Market Price;

provided that no adjustment for a transaction referred to in this Section 10.3(d) shall be made if all Holders of the Securities may participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of shares of the Company's Common Stock may participate in the transaction.

Such reduction shall become effective immediately prior to the opening of business on the day following the record date fixed for such distribution. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

If the Board of Directors determines the Fair Market Value of any distribution for purposes of this Section 10.3(d) by reference to the actual or when issued trading market for any distributed assets comprising all or part of such distribution, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price pursuant to Section 10.3(e) to the extent possible.

Rights or warrants distributed by the Company to all holders of its shares of Common Stock entitling them to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"), (i) are deemed to be transferred with such shares of Common Stock, (ii) are not exercisable and (iii) are also issued in respect of future issuances of shares of Common Stock, shall be deemed not to have been distributed for purposes of this Section 10.3(d) (and no adjustment to the Conversion Price under this Section 10.3(d) will be required) until the occurrence of the earliest Trigger Event. In the case of any such rights or warrants which shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Price shall be readjusted upon such redemption or repurchase to give effect to the Trigger Event as though it were a cash distribution, equal to the per share

redemption or repurchase price received by a holder of shares of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of shares of Common Stock as of the date of such redemption or repurchase. In the case of any such rights or warrants that expire or terminate without exercise, the Conversion Price shall be readjusted as if such rights and warrants had never been issued.

For purposes of this Section 10.3(d) and Sections 10.3(a), 10.3(b) and 10.3(c), any dividend or distribution to which this Section 10.3(d) is applicable that also includes (i) shares of Common Stock, (ii) a subdivision or combination of shares of Common Stock to which Section 10.3(b) applies or (iii) rights or warrants to subscribe for or purchase shares of Common Stock to which Section 10.3(c) applies (or any combination thereof), shall be deemed instead to be:

(1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants, other than such shares of Common Stock, such subdivision or combination or such rights or warrants to which Sections 10.3(a), 10.3(b) and 10.3(c) apply, respectively (and any Conversion Price reduction required by this Section 10.3(d) with respect to such dividend or distribution shall then be made), immediately followed by

(2) a dividend or distribution of such shares of Common Stock, such subdivision or combination or such rights or warrants (and any further Conversion Price reduction required by Sections 10.3(a), 10.3(b) and 10.3(c) with respect to such dividend or distribution shall then be made), except:

(A) the record date of such dividend or distribution shall be substituted as (i) "the record date fixed for the determination of stockholders entitled to receive such dividend or other distribution" and "record date fixed for such determination" within the meaning of Section 10.3(a), (ii) "the day upon which such subdivision becomes effective" and "the day upon which such combination becomes effective" within the meaning of Section 10.3(b), and (iii) as "the date fixed for the determination of stockholders entitled to receive such rights or warrants," "the record date fixed for the determination of the stockholders entitled to receive such rights or warrants" and "record date fixed for such issuance" within the meaning of Section 10.3(c); and

(B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the record date fixed for such determination" within the meaning of Section 10.3(a) and any reduction or increase in the number of shares of Common Stock resulting from such subdivision or combination shall be disregarded in connection with such dividend or distribution.

(e) In case the Company shall, at any time during any calendar year while any of the Securities are Outstanding, by dividend or otherwise, make a distribution to all holders of its shares of Common Stock payable exclusively in cash in an aggregate amount per share of Common Stock that, when combined with the aggregate amount paid per share of Common Stock in respect of all other distributions to all holders of its shares of Common Stock paid exclusively in cash within that calendar year up to the date fixed for the determination of stockholders entitled to receive such distribution less the amount of all Regular Cash Dividends per share of Common Stock declared within that calendar year up to the record date fixed for such determination, exceeds 15% of the Current Market Price on the date that such dividend or distribution is first publicly announced (such amount per share of Common Stock in excess of such 15%, the "Per Share Distribution Amount"), the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of the stockholders entitled to such distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the Current Market Price on the date fixed for such payment less the Per Share Distribution Amount

and the denominator shall be such Current Market Price, such reduction to become effective immediately prior to the opening of business on the day following the date fixed for such payment.

No adjustment for a transaction referred to in this Section 10.3(e) shall be made if the cash dividend or distribution is not made or if all Holders of the Securities may participate in the transaction on a basis and notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice which holders of the shares of the Company's Common Stock may participate in the transaction.

(f) For purposes of this Article Ten, the following terms shall have the meanings indicated:

"Current Market Price" on any date in question means the average of the daily Sale Prices per share of Common Stock for the ten consecutive Trading Days selected by the Board of Directors commencing not more than 20 Trading Days before, and ending not later than, the earlier of the date in question and the day before the "ex" date (as hereinafter defined) with respect to the transaction requiring such adjustment; provided, however, that if:

(1) the "ex" date for any other transaction that requires an adjustment to the Conversion Price pursuant to Section 10.3(a), (b), (c), (d) or (e) falls after the first of the ten consecutive Trading Days so selected by the Board of Directors, the Sale Price for each such Trading Day falling prior to the "ex" date for such other transaction shall be adjusted by multiplying such Sale Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other transaction;

(2) the "ex" date for any other transaction that requires an adjustment to the Conversion Price pursuant to Section 10.3(a), (b), (c), (d) or (e) falls on or before the last of the ten consecutive Trading Days so selected by the Board of Directors, the Sale Price for each such Trading Day falling on and after the "ex" date for such other transaction shall be adjusted by dividing such Sale Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other transaction.

For purposes of this paragraph, the term "ex" date, when used:

(1) with respect to any dividend, distribution or issuance, means the first date on which the shares of Common Stock trade regular way on the relevant exchange or in the relevant market from which the Sale Price was obtained without the right to receive such dividend, distribution or issuance; and

(2) with respect to any subdivision or combination of shares of Common Stock, means the first date on which the shares of Common Stock trade regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective.

Notwithstanding the foregoing, whenever successive adjustments to the Conversion Price are called for pursuant to this Section 10.3, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this Section 10.3 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors whose good faith determination shall be conclusive and binding.

"Fair Market Value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction (as determined by the Board of Directors, whose determination shall be conclusive).

(g) The Company shall be entitled to make such additional reductions in the Conversion Price, in addition to those required by Sections 10.3(a), (b), (c), (d) or (e), as shall be necessary, as determined by the Board of Directors, in order that any dividend or distribution of Common Stock, any subdivision or combination of shares of Common Stock or any issuance of rights or warrants referred to above shall not be taxable to the holders of Common Stock for United States Federal income tax purposes.

(h) The Company may, from time to time, reduce the Conversion Price by any amount for any period of time, if such period is at least 20 days and the reduction is irrevocable during the period. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to the Trustee and each Holder at the address of such Holder as it appears in the register of the Securities maintained by the Registrar, at least five Business Days prior to the date the reduced Conversion Price takes effect, a notice of the reduction stating the reduced Conversion Price and the period during which it will be in effect.

(i) In any case in which this Section 10.3 shall require that any adjustment be made effective as of or retroactively immediately following a record date, the Company may elect to defer issuing to the Holder of any Securities converted after such record date the shares of Common Stock issuable upon such conversion over and above the shares of Common Stock issuable upon such conversion on the basis of the Conversion Price prior to adjustment; provided, however, that the Company shall deliver to such Holder a due bill or other appropriate instrument evidencing such Holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(j) All calculations under this Section 10.3 shall be made to the nearest cent or one-hundredth of a share, with one-half cent and 0.005 of a share, respectively, being rounded upward. Notwithstanding any other provision of this Section 10.3, the Company shall not be required to make any adjustment of the Conversion Price unless such adjustment would require an increase or decrease of at least 1% of such price. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% in such price. Any adjustments under this Section 10.3 shall be made successively whenever an event requiring such an adjustment occurs.

(k) In the event that at any time, as a result of an adjustment made pursuant to this Section 10.3, the Holder of any Securities thereafter surrendered for conversion shall become entitled to receive any shares of stock of the Company other than shares of Common Stock into which the Securities originally were convertible, the Conversion Price of such other shares so receivable upon conversion of any such Security shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in subparagraphs (a) through (d) of this Section 10.3.

(l) No adjustment shall be made pursuant to Section 10.3 (g) if the effect thereof would be to reduce the Conversion Price below the par value (if any) of the Common Stock or (ii) if the Holders of the Securities may participate without conversion in the transaction that would otherwise give rise to an adjustment pursuant to this Section 10.3 on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of shares of the Company's Common Stock may participate in the transaction.

Section 10.4 Consolidation or Merger of the Company. If any of the following events occur, namely:

(1) any reclassification or change of the outstanding Common Stock (other than any reclassification or change covered by the definition of Common Stock or a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination);

(2) any merger, consolidation, statutory share exchange or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) or any combination thereof with respect to or in exchange for such Common Stock; or

(3) any sale, lease or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) or any combination thereof with respect to or in exchange for such Common Stock;

the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture, if such supplemental indenture is then required to so comply) providing that such Securities shall be convertible into the kind and amount of shares of stock and other securities or property or assets (including cash) or any combination thereof which such Holder would have been entitled to receive upon such reclassification, change, merger, consolidation, statutory share exchange, combination, sale, lease or conveyance had such Securities been converted into Common Stock immediately prior to such reclassification, change, merger, consolidation, statutory share exchange, combination, sale, lease or conveyance assuming such holder of Common Stock did not exercise its rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such merger, consolidation, statutory share exchange, sale, lease or conveyance (provided, that if the kind or amount of securities, cash or other property receivable upon such merger, consolidation, statutory share exchange, sale, lease or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("Non-Electing Share"), then for the purposes of this Section 10.4, the kind and amount of securities, cash or other property receivable upon such merger, consolidation, statutory share exchange, sale, lease or conveyance for each Non-Electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-Electing Shares). Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article Ten.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at the address of such Holder as it appears on the register of the Securities maintained by the Registrar, within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section 10.4 shall similarly apply to successive reclassifications, changes, mergers, consolidations, statutory share exchanges, combinations, sales, leases and conveyances.

If this Section 10.4 applies to any event or occurrence, Section 10.3 shall not apply.

Section 10.5 Notice of Adjustment. Whenever an adjustment in the Conversion Price with respect to the Securities is required:

(1) the Company shall forthwith place on file with the Trustee and any Conversion Agent for such securities a certificate of the Treasurer or Assistant Treasurer of the Company, stating the adjusted Conversion Price determined as provided herein and setting forth in reasonable detail such facts as shall be necessary to show the reason for and the manner of computing such adjustment; and

(2) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall forthwith be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company, to each Holder in the manner provided in Section 12.2. Any notice so given shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice.

Section 10.6 Notice in Certain Events. In case:

(1) of a consolidation, merger to which the Company is a party or a sale or conveyance to another Person of all or substantially all of the property and assets of the Company, in each case, for which approval of the stockholders of the Company is required, or

(2) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

(3) of any action triggering an adjustment of the Conversion Price referred to in clauses (x) or (y) below;

then, in each case, the Company shall cause to be filed with the Trustee and the Conversion Agent, and shall cause to be given, to the Holders of the Securities in the manner provided in Section 12.2, at least 15 days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of any distribution or grant of rights or warrants triggering an adjustment to the Conversion Price pursuant to this Article Ten, or, if a record date is not to be taken, the date as of which the holders of record of Common Stock entitled to such distribution, rights or warrants are to be determined, or (y) the date on which any consolidation, merger, sale, conveyance, dissolution, liquidation or winding up is expected to become effective.

Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in clause (1), (2) or (3) of this Section 10.6.

Section 10.7 Company To Reserve Stock: Registration; Listing.

(a) The Company shall, in accordance with the laws of the State of Delaware, at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued shares of Common Stock, for the purpose of effecting the conversion of the Securities, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all Securities then Outstanding into shares of Common Stock (assuming that, at the time of the computation, all such Securities would be held by a single Holder); provided, however, that nothing contained herein shall preclude the Company from satisfying its obligations in respect of the conversion of the Securities by delivery of purchased shares of Common Stock which are then held in the treasury of the Company. The Company covenants that all shares of Common Stock which may be issued upon conversion of Securities will upon issue be fully paid and nonassessable.

(b) The Company covenants that so long as the Common Stock shall be listed on the NYSE, the Company will, if permitted by the rules of such exchange, list and keep listed all Common Stock issuable upon conversion of the Securities, and the Company will endeavor to list the shares of Common Stock required to be delivered upon conversion of the Securities prior to such delivery upon any other national securities exchange upon which the outstanding Common Stock is listed at the time of such delivery.

Section 10.8 Taxes on Conversion.

The issue of stock certificates on conversion of Securities shall be made without charge to the converting Holder for any documentary, stamp or similar issue or transfer taxes in respect of the issue thereof, and the Company shall pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Securities pursuant hereto. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or the portion, if any, of the Securities which are not so converted in a name other than that in which the Securities so converted were registered, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of such tax or has established to the satisfaction of the Company that such tax has been paid.

Section 10.9 Company Determination Final.

Any determination that the Company or the Board of Directors must make pursuant to this Article Ten shall be conclusive if made in good faith and in accordance with the provisions of this Article, absent manifest error.

Section 10.10 Responsibility of Trustee for Conversion Provisions.

The Trustee has no duty to determine when an adjustment under this Article Ten should be made, how it should be made or what it should be. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for any failure of the Company to comply with this Article Ten.

Section 10.11 Unconditional Right of Holders to Convert.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to convert its Security in accordance with this Article Ten and to bring an action for the enforcement of any such right to convert, and such rights shall not be impaired or affected without the consent of such Holder.

ARTICLE ELEVEN

CONTINGENT INTEREST

Section 11.1 Contingent Interest. On or after November , 2006, the Company will become obligated to make contingent interest payments to Holders of Securities as provided in Section 11.2, if:

- (1) during any six-month period from November to May and from May to November the average Sale Price during the five Trading Days ending on and

including the third scheduled Trading Day immediately preceding the first day of the applicable six-month period equals 120% or more of the Relevant Value of the Security on the day immediately preceding the first day of the applicable six-month period; provided, however, that if the Company should declare a dividend for which the record date (the "Common Stock Record Date") falls prior to the first day of a six-month period, but the payment date for such dividend falls within such six-month period, then the five Trading Day period shall be calculated by reference to the five Trading Days ending on and including the third Trading Day immediately preceding such Common Stock Record Date. During any six-month period when contingent interest accrues pursuant to this Section 11.1(1), each contingent interest payment due and payable on each \$1,000 Principal Amount of Security shall be calculated for each of the first three months and the second three months of the applicable six-month period, and in each instance shall equal the greater of (i) .00125 multiplied by the sum of the Issue Price and accrued Original Issue Discount for such Security on the last day of the relevant three-month period and (ii) the sum of all Regular Cash Dividends paid by the Company per share on the Common Stock during such three-month period multiplied by the number of shares of Common Stock issuable upon conversion of such Security at the Conversion Price applicable on the record date or dates for such cash dividends.

(2) during any six-month period from November to May and from May to November the Sale Price for any 20 out of the last 30 Trading Days ending on but not including the third Business Day prior to the commencement of such six-month period is less than or equal to 95% of the Conversion Price in effect at the close of business on each of those 20 Trading Days (the "Trading Condition").

After contingent interest begins to accrue pursuant to this Section 11.1(2), it will continue to accrue until but excluding the first day of the first subsequent six-month period for which the Trading Condition is not satisfied, at which time it shall cease to be payable unless and until the Trading Condition is satisfied for any subsequent six-month period.

During any six-month period when contingent interest accrues pursuant to this Section 11.1(2), each contingent interest payment due and payable on each \$1,000 Principal Amount of Security shall be calculated by multiplying (i) the Downside Contingent Interest Rate by (ii) the Issue Price and Original Issue Discount of such Security accrued to the day prior to the commencement of the applicable six-month period.

The Company will appoint a contingent interest rate agent (the "Agent"), which may be any Affiliate of the Company. For the determination of the Contingent Interest Rate, the Agent will, at 11:00 a.m. London time, two London Business Days prior to the applicable Spread Determination Date, seek indicative reference spreads from three nationally-recognized investment banks (the "Reference Banks") that would be applicable to the issuance by the Company of a Reference Debt Security, and the "Spread" shall be the average of such three indicative reference spreads provided that if at least three such indicative references spreads cannot reasonably be obtained by the Agent, but two such indicative reference spreads are obtained, then the average of two indicative reference spreads shall be used, and if only one such indicative reference spread can reasonably be obtained by the Agent, this one indicative references spread shall be used.

If the Agent is unable to establish the Spread on a Spread Determination Date, the Spread for that period will be the Spread most recently determined (except if there is no Spread most recently determined, in which case the Spread shall be a spread mutually agreed upon by the Agent and the Company reflecting current market conditions), and such Spread shall remain in effect until the Agent shall determine a new Spread. The Spread determined with respect to any Spread Determination Date shall remain in effect from and including such Spread Determination Date to but excluding the next succeeding Spread Determination Date.

The determination of any Downside Contingent Interest will be conclusive and binding upon the Holders of the Securities in the absence of manifest error. The Company may remove the Agent and appoint a successor Agent at any time.

"Downside Contingent Interest Rate" means an interest rate per annum, equal to the difference between (A) LIBOR plus the Spread minus (B) 1.50%, but in no event less than zero. The Downside Contingent Interest Rate will be calculated by the Agent on the second London Business Day prior to the commencement of any six-month period for which the Trading Condition has been satisfied.

"LIBOR" means the offered rate appearing on the Telerate LIBOR Page, as of 11:00 a.m., London time, on the second London Business Day prior to the applicable six-month period for deposits of United States dollars having a six-month maturity date. If such rate does not appear on the Telerate LIBOR Page, then LIBOR will be determined on the basis of the rates, at approximately 11:00 a.m., London time, on the second London Business Day prior to the applicable six-month period and in a Representative Amount offered to prime banks in the London interbank market by four major banks in that market selected by the Agent. The Agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR will be the arithmetic mean of the rates for loans of United States dollars having a six-month maturity date, and in a Representative Amount, to leading European banks quoted at approximately 11:00 a.m., in The City of New York, on the second London Business Day prior to the applicable six-month period, by three major banks selected by the Agent. If fewer than three banks selected by the Agent are quoting, LIBOR for the six-month period will be LIBOR in effect for the prior six-month period.

"Reference Debt Security" means an unsecured, unsubordinated debt obligation of the Company that (i) has a five year maturity, (ii) is not subject to redemption or repayment, or entitled to the benefits of a sinking fund, prior to such maturity, (iii) bears interest at LIBOR, which is reset semi-annually and (iv) has the same covenants and events of default as the Company's Series-F Medium Term Notes being offered on the date of this Indenture.

"Regular Cash Dividend" means quarterly or other periodic cash dividends paid on the Common Stock as declared by the Board of Directors in accordance with the Company's cash dividend policy in effect from time to time and shall exclude any cash dividend determined by the Board of Directors to be extraordinary, special or nonrecurring, such determination to be conclusive.

"Relevant Value" means the sum of the Issue Price and the accrued Original Issue Discount of one Security having a Principal Amount of \$1,000 divided by the number of shares of Common Stock into which such Security is convertible.

"Representative Amount" means an amount that, in the Agent's

judgment, is representative of a single transaction in the relevant market at the relevant time.

"Spread Determination Date" means each of November , 2006, November , 2011, November , 2016, November , 2021 and November , 2026.

"Telerate LIBOR Page" means Telerate Page 3750 or any replacement page or pages, on which London interbank rates of major banks for United States dollars are displayed.

"Telerate Page" means the display on Bridge Telerate Inc., or any successor service, on the page or pages specified herein, or any replacement page or pages on that service.

Any contingent interest payable pursuant to this Section 11.1 shall accrue based on a year of twelve 30-day months.

The Original Issue Discount of the Securities will continue to accrue at the yield set forth in paragraph 1 of the Security to Stated Maturity whether or not contingent interest payments are made.

Section 11.2 Payment of Contingent Interest; Contingent Interest Rights Preserved. If payable, contingent interest will be paid (x) in the case of contingent interest payable pursuant to Section 11.1(1) on the payment date for the related Regular Cash Dividend or, if the Company does not pay a Regular Cash Dividend during a six-month period, on the last day of such six-month period or (y) in the case of contingent interest payable pursuant to Section 11.1(2), on the last day of such six-month period (any such date, a "Contingent Interest Payment Date"). Contingent interest payments on any Security that are payable, and are punctually paid or duly provided for, on any Contingent Interest Payment Date shall be paid to the Person who is the Holder of that Security at the close of business on (x) in the case of contingent interest payable pursuant to Section 11.1(1), the relevant Common Stock Record Date or, if the Company does not pay a Regular Cash Dividend during a six-month period, to the Person who is the Holder of that Security on the 15th day (whether or not a Business Day) preceding the last day of such six-month period or (y) in the case of the payment of contingent interest pursuant to Section 11.1(2), the 15th day (whether or not a Business Day) preceding the last day of such six month period (any such date, a "Contingent Interest Record Date"). Each payment of contingent interest on any Security shall be paid by check mailed to the Person entitled thereto at such address as shall appear in the Registrar's books.

Section 11.3 Contingent Interest: Conversion, Redemption or Purchase

(a) Except as provided below, if any Securities are surrendered for conversion on any day other than a Contingent Interest Payment Date, the Holder of such Securities shall not be entitled to receive any contingent interest that has accrued on such Securities since the prior Contingent Interest Payment Date. By delivery to the Holder of the number of shares of Common Stock or other consideration issuable upon conversion in accordance with Article Ten, any accrued and unpaid contingent interest on such Securities will be deemed to have been paid in full.

If any Securities are surrendered for conversion subsequent to the Contingent Interest Record Date preceding a Contingent Interest Payment Date but on or prior to such Contingent Interest Payment Date, the Holder of such Securities at the close of business on such Contingent Interest Record Date shall (except in the case of a Security redeemed or repurchased prior to the Contingent Interest Payment Date) receive the contingent interest payable on such Securities on such Contingent Interest Payment Date notwithstanding the conversion thereof. Securities surrendered for conversion during the period from the close of business on any Contingent Interest Record Date preceding any Contingent Interest Payment Date to the opening of business on such Contingent Interest Payment Date shall be accompanied by payment by Holders, for the account of the Company, in New York Clearing House same day funds or other funds acceptable to the Company of an amount equal to the contingent interest payable on such Contingent Interest Payment Date on the Securities being surrendered for conversion (unless such Security has been called for redemption on a Redemption Date prior to such Contingent Interest Payment Date). Except as provided in this Section 11.3, no adjustments in respect of payments of contingent interest on Securities surrendered for conversion or any dividends or distributions or interest on the Common Stock or securities issued upon conversion shall be made upon the conversion of any Securities.

(b) In the case of a Contingent Interest Record Date occurring before a Redemption Date or Purchase Date but relating to a Contingent Interest Payment Date occurring after the Redemption Date or Purchase Date, no contingent interest shall be paid to the Holders of record on such Contingent Interest Record Date with respect to any Security redeemed on the Redemption Date or repurchased on the Purchase Date.

Section 11.4 Defaulted Interest. Any contingent interest on any Security that is payable, but is not punctually paid or duly provided for, within 30 days following any Contingent Interest Payment Date (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder thereof on the relevant Contingent Interest Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment,

such money when deposited to be held in trust for the benefit of the Persons entitled as provided in this clause to such Defaulted Interest. Thereupon the Trustee shall fix a special record date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears on the list of Securityholders maintained pursuant to Section 2.5, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date thereof having been so mailed, such Defaulted Interest shall be paid to the persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after

notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Article Eleven, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to contingent interest accrued and unpaid, which were carried by such other Security.

Section 11.5 Contingent Interest Notification. Upon determination that Holders of Securities will be entitled to receive contingent interest during a six-month period, on or prior to the start of such six-month period, the Company shall be required to disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on the Company's Website or through such other public medium as the Company may use at that time.

ARTICLE TWELVE

MISCELLANEOUS

Section 12.1 Trust Indenture Act Controls. If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

Section 12.2 Notices. Any request, demand, authorization, notice, waiver, consent or communication shall be in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows or transmitted by a guaranteed overnight courier service to the following facsimile numbers:

if to the Company:

American International Group, Inc.
70 Pine Street
New York, NY 10270
Attention: Secretary

if to the Trustee:

The Bank of New York
101 Barclay Street
New York, NY 10286
Telephone No. (212) 896-7200
Facsimile No. (212) 896-7298
Attention: Corporate Trust Department

The Company or the Trustee by notice given to the other in the manner provided above may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Securityholder shall be mailed to the Securityholder, by first-class mail, postage prepaid, at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Securityholders, it shall mail a copy to the Trustee and each Registrar, Paying Agent, Conversion Agent or co-registrar.

Section 12.3 Communication by Holders with Other Holders. Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar, the Paying Agent, the Conversion Agent and anyone else shall have the protection of TIA Section 312(c).

Section 12.4 Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

- (1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

Section 12.5 Statements Required in Certificate or Opinion. Each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

- (1) a statement that each person making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;
- (3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (4) a statement that, in the opinion of such person, such covenant or condition has been complied with.

Section 12.6 Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.7 Legal Holidays. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Securities, no interest, if any, shall accrue for the intervening period.

Section 12.8 GOVERNING LAW. THIS INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 12.9 No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

Section 12.10 Successors. All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 12.11 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 12.12 Multiple Originals. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Indenture on behalf of the respective parties hereto as of the date first above written.

AMERICAN INTERNATIONAL GROUP, INC.

By: _____
Name:
Title:

THE BANK OF NEW YORK
As Trustee

By: _____
Name:
Title:

EXHIBIT A

[FORM OF FACE OF GLOBAL SECURITY]

FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE, THIS DEBENTURE IS ISSUED WITH AN INDETERMINATE AMOUNT OF ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE DATE IS NOVEMBER , 2001, AND THE YIELD TO MATURITY FOR PURPOSES OF ACCRUING ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES IS -% PER ANNUM, COMPOUNDED SEMIANNUALLY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO AMERICAN INTERNATIONAL GROUP, INC. OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF THE DEPOSITORY TRUST COMPANY, OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

PURSUANT TO THE INDENTURE, AMERICAN INTERNATIONAL GROUP, INC. AGREES, AND BY ACCEPTANCE OF A BENEFICIAL OWNERSHIP INTEREST IN THE SECURITY, EACH BENEFICIAL HOLDER OF THE SECURITIES WILL BE DEEMED TO HAVE AGREED, FOR UNITED STATES FEDERAL INCOME TAX PURPOSES, TO TREAT THE SECURITIES AS INDEBTEDNESS THAT IS SUBJECT TO SECTION 1.1275-4 OF THE UNITED STATES TREASURY REGULATIONS (THE "CONTINGENT DEBT REGULATIONS"). YOU MAY OBTAIN THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE, YIELD TO MATURITY, COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE FOR THE SECURITY BY TELEPHONING AMERICAN INTERNATIONAL GROUP, INC. AT (212) 770-7000 OR SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO:

AMERICAN INTERNATIONAL GROUP, INC., 70 PINE STREET, NEW YORK, NEW YORK 10270
ATTENTION: VICE PRESIDENT AND DIRECTOR OF TAXES.

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AMERICAN INTERNATIONAL GROUP, INC.

Zero Coupon Convertible Senior Debentures Due 2031

No.	Principal Amount: \$ (at final Stated Maturity)
Issue Date: November , 2001	CUSIP:
Issue Price: (for each \$1,000 Principal Amount at final Stated Maturity)	Original Issue Discount: \$ (for each \$1,000 Principal Amount at final Stated Maturity)

AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation, promises to pay to Cede & Co. or registered assigns, the principal amount of [_____ dollars (\$_____)] on November , 2031. Payment of the Principal Amount, Redemption Price, contingent interest, if any, and, to the extent payable in cash, the Purchase Price on this Security will be made at the office or agency of the Company maintained for that purpose in The Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of contingent interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Registrar's books.

This Security shall not bear interest except as specified on the reverse side of this Security. Original Issue Discount will accrue as specified on the reverse side of this Security. This Security is convertible as specified on the reverse side of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse side of this Security, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to
be duly executed.

Dated: November , 2001

AMERICAN INTERNATIONAL GROUP, INC.

By: _____
Title: _____

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TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK
as Trustee, certifies that this is one
of the Securities referred to in the
within-mentioned Indenture.

By _____
Authorized Signatory

Dated: November , 2001

Zero Coupon Convertible Senior Debentures Due 2031

This Security is one of a duly authorized issue of Zero Coupon Convertible Senior Debentures due 2031 (the "Securities") of American International Group, Inc., a Delaware corporation (including any successor corporation under the Indenture hereinafter referred to, the "Company"), issued under an Indenture, dated as of November , 2001 (the "Indenture"), between the Company and The Bank of New York, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture referred to above unless otherwise indicated.

1. Interest.

This Security shall not bear interest, except as specified in this Section or in Section 5 hereof. If the Principal Amount, Redemption Price, cash portion of any Purchase Price, any amount payable upon acceleration of this Security or any contingent interest portion of such Principal Amount is not paid when due, then in each such case the overdue amount shall, to the extent permitted by law, bear interest at the rate of 1.50% per annum, compounded semi-annually, which interest shall accrue from the date such overdue amount was originally due to the date payment of such amount has been made or duly provided for. All such interest shall be payable on demand. The accrual of such interest on overdue amounts shall be in addition to, and not in lieu of, the continued accrual of Original Issue Discount.

Original Issue Discount, in the period during which a Security remains Outstanding, shall accrue based on a % per annum interest rate compounded semi annually using a 360-day year composed of twelve 30-day months, from the Issue Date of this Security.

2. Method of Payment.

Subject to the terms and conditions of the Indenture, the Company will make payments in cash, shares of Common Stock or a combination thereof, as the case may be, in respect of the Principal Amount, Redemption Price, and Purchase Price to Holders who surrender Securities to a Paying Agent to collect such payments in respect of the Securities.

3. Paying Agent, Conversion Agent and Registrar.

Initially, The Bank of New York will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent or Registrar without notice, other than notice to the Trustee; provided that the Company will maintain at least one Paying Agent in the City of New York, Borough of Manhattan, which shall initially be an office or agency of the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent or Registrar.

4. Indenture.

The Securities are general unsecured obligations of the Company limited to \$1,519,734,000 aggregate principal amount (and up to \$1,747,694,000 if Morgan Stanley & Co. Incorporated exercises its option to purchase additional Securities in full pursuant to the Underwriting Agreement, dated November 7, 2001, between the Company and Morgan Stanley & Co. Incorporated). The Indenture does not limit other indebtedness of the Company, secured or unsecured and does not contain any covenant or restriction on the business or operation of the Company.

5. Contingent Interest.

Contingent interest, if any, will accrue and be payable on such Contingent Interest Payment Date and to Holders of this Debenture as of such Contingent Interest Record Dates as provided in the Indenture. Original Issue Discount will continue to accrue whether or not contingent interest is paid.

6. Redemption at the Option of the Company.

No sinking fund is provided for the Securities. The Securities are redeemable for cash at the option of the Company, in whole or in part, at any time or from time to time on, or after November , 2006 upon not less than 15 nor more than 60 days' notice by mail for a redemption price equal to the following:

Redemption Date

November :	
2006	\$
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	

At final Stated Maturity
(November , 2031)

plus any accrued Original Issue Discount from the most recent November , and any accrued and unpaid contingent interest, in each case, up to but excluding the Redemption Date (the "Redemption Price"), but contingent interest that is due and payable on or prior to the Redemption Date will be paid to the Holders of such Securities, or one or more Predecessor Securities, as provided in the Indenture.

7. Purchase By the Company at the Option of the Holder.

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of the Securities held by such Holder on November , 2006 November , 2011, November , 2016, November , 2021 and November , 2026, in whole multiples of \$1,000 at a Purchase Price equal to the Issue Price of those Securities plus accrued Original issue

Discount and any accrued and unpaid contingent interest on such Security to but excluding the Purchase Date, but contingent interest that is due and payable prior to the Purchase Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, as provided in the Indenture. To exercise such right, a Holder shall deliver to the Company a Purchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 24 Business Days prior to such Purchase Date until the close of business on the fourth Business Day prior to the Purchase Date, and shall deliver the Securities to the Paying Agent as set forth in the Indenture.

The Purchase Price may be paid, at the option of the Company, in cash or by the issuance and delivery of shares of Common Stock, or in any combination thereof, subject to the terms and conditions of the Indenture.

Holders have the right to withdraw any Purchase Notice by delivering to the Paying Agent a written notice of withdrawal up to, but not including, the third Business Day prior to the Purchase Date, all as provided in the Indenture.

If cash (and/or Common Stock if permitted under the Indenture) sufficient to pay the Purchase Price of all Securities or portions thereof to be purchased as of the Purchase Date is deposited with the Paying Agent, on the Business Day following the Purchase Date, Original Issue Discount and contingent interest, if any, will cease to accrue on such Securities (or portions thereof) immediately after such Purchase Date, and the Holder thereof shall have no other rights as such other than the right to receive the Purchase Price upon surrender of such Security.

8. Notice of Redemption.

Notice of redemption pursuant to Section 6 of this Security will be mailed at least 15 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Securities (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to or on the Redemption Date, on and after such Redemption Date Original Issue Discount and contingent interest, if any, will cease to accrue on such Securities or portions thereof, and the Holder hereof shall have no other rights as such other than the right to receive the Redemption Price. Securities in denominations larger than \$1,000 of principal amount may be redeemed in part but only in whole multiples of \$1,000 of principal amount.

9. Conversion.

Subject to the occurrence of certain events and in compliance with the provisions of the Indenture, a Holder is entitled, at such Holder's option, to convert the Holder's Security (or any portion of the principal amount thereof that is \$1,000 or a whole multiple of \$1,000), into fully paid and nonassessable shares of Common Stock at the Conversion Price in effect at the time of conversion. The Company will notify

Holders of any event triggering the right to convert the Securities as specified above in accordance with the Indenture.

A Security in respect of which a Holder has delivered a Purchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such Purchase Notice is withdrawn in accordance with the terms of the Indenture.

The initial Conversion Price is -, subject to adjustment in certain events described in the Indenture. A Holder which surrenders Securities for conversion will receive cash or a check in lieu of any fractional share of Common Stock.

To surrender a Security for conversion, a Holder must (1) complete and manually sign the conversion notice below (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Security to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents and (4) pay any transfer or similar tax, if required.

No payment or adjustment will be made for dividends on the shares of Common Stock, except as provided in the Indenture.

If the Company (i) is a party to a consolidation, merger or binding share exchange (ii) reclassifies the Common Stock or (iii) conveys, transfers or leases its properties and assets substantially as an entirety to any Person, the right to convert a Security into shares of Common Stock may be changed into a right to convert it into securities, cash or other assets of the Company or such other Person, in each case in accordance with the Indenture.

10. Denominations; Transfer; Exchange.

The Securities are in fully registered form, without coupons, in denominations of \$1,000 of principal amount and whole multiples of \$1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities in respect of which a Purchase Notice has been given and not withdrawn (except, in the case of a Security to be purchased in part, the portion of the Security not to be purchased) or any Securities for a period of 15 days before the mailing of a notice of redemption of Securities to be redeemed.

11. Persons Deemed Owners.

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

12. Unclaimed Money or Securities.

The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors.

13. Amendment; Waiver.

Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in aggregate principal amount of the Outstanding Securities and (ii) certain Defaults may be waived with the written consent of the Holders of a majority in aggregate principal amount of the Outstanding Securities. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities (i) to add to the covenants of the Company for the benefit of the Holders of Securities, (ii) to surrender any right or power conferred upon the Company in the Indenture, (iii) to provide for conversion rights of Holders of Securities if any reclassification or change of the Company's Common Stock or any consolidation, merger or sale of all or substantially all of the Company's assets occurs, (iv) to provide for the assumption of the Company's obligations to the Holders of Securities in the case of a merger, consolidation, conveyance, transfer or lease pursuant to Article Five of the Indenture, (v) to reduce the Conversion Price; provided, however, that such reduction in the Conversion Price shall remain in effect for at least 20 days, (vi) to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the TIA, (vii) to secure the Securities, (viii) to cure any ambiguity, or correct or supplement any provision in the Indenture which may be inconsistent with any other provision therein or which is otherwise defective, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the provisions of the Indenture; provided, however, that such action pursuant to this clause shall not adversely affect the interests of the Holders of Securities in any material respect, and (ix) to add or modify any other provisions in the Indenture with respect to matters or questions arising hereunder which the Company and the Trustee may deem necessary or desirable and which will not adversely affect the interests of the Holders of Securities in any material respect.

14. Defaults and Remedies.

If any Event of Default with respect to Securities shall occur and be continuing, the Issue Price of, and accrued Original Issue Discount and any accrued and

unpaid contingent interest on, all the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

15. Trustee Dealings with the Company.

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

16. Calculations in Respect of Securities.

The Company or its agents will be responsible for making all calculations called for under the Securities including, but not limited to, the determination of the market prices for the Securities and of the Common Stock and the amounts of contingent interest payments, if any, on the Securities. Any calculations made in good faith and without manifest error will be final and binding on Holders of the Securities.

17. No Recourse Against Others.

A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. Authentication.

This Security shall not be valid or obligatory for any purpose until an authorized signatory of the Trustee manually signs the Trustee's Certificate of Authentication on the front of this Security.

19. Abbreviations.

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. GOVERNING LAW.

THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THIS SECURITY.

To assign this Security, fill in the form below:

To convert this Security into Common Stock of the Company, check the box []

I or we assign and transfer this Security to

To convert only part of this Security, state the principal amount to be converted (which must be \$1,000 or a whole multiple of \$1,000):

(Insert assignee's soc. sec. or tax ID no.)

If you want the stock certificate made out in another person's name fill in the form below:

(Print or type assignee's name, address and zip code)

(Insert the other person's soc. sec. tax ID no.)

and irrevocably appoint

agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

(Print or type other person's name, address and zip code)

Date: Your Signature:

(Sign exactly as your name appears on the other side of this Security)

Signature Guaranteed

Participant in a Recognized Signature Guarantee Medallion Program

By: Authorized Signatory

EXHIBIT B

[FORM OF FACE OF CERTIFICATED SECURITY]

FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE, THIS DEBENTURE IS ISSUED WITH AN INDETERMINATE AMOUNT OF ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE DATE IS NOVEMBER , 2001, AND THE YIELD TO MATURITY FOR PURPOSES OF ACQUIRING ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES IS - PER ANNUM, COMPOUNDED SEMIANNUALLY.

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AMERICAN INTERNATIONAL GROUP, INC.

Zero Coupon Convertible Senior Debentures Due 2031

No.	Principal Amount: \$ (at final Stated Maturity)
Issue Date: November , 2001	CUSIP:
Issue Price: (for each \$1,000 Principal Amount at final Stated Maturity)	Original Issue Discount: \$ (for each \$1,000 Principal Amount at final Stated Maturity)

AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation, promises to pay to _____ or registered assigns, the principal amount of [_____ dollars (\$_____)] on November , 2031. Payment of the Principal Amount, Redemption Price, contingent interest, if any, and, to the extent payable in cash, the Purchase Price on this Security will be made at the office or agency of the Company maintained for that purpose in The Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of contingent interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Registrar's books.

This Security shall not bear interest except as specified on the reverse side of this Security. Original Issue Discount will accrue as specified on the reverse side of this Security. This Security is convertible as specified on the reverse side of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse side of this Security, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to
be duly executed.

Dated: November , 2001

AMERICAN INTERNATIONAL GROUP, INC.

By:
Title:

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TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK,
as Trustee, certifies that this
is one of the Securities referred
to in the within-mentioned Indenture.

By _____
Authorized Signatory

Dated: November , 2001

[FORM OF REVERSE OF CERTIFICATED SECURITY IS IDENTICAL TO EXHIBIT A]

B-5

November 7, 2001

American International Group, Inc.
70 Pine Street
New York, New York 10270

Ladies and Gentlemen:

In connection with the registration under the Securities Act of 1933 (the "Act") by American International Group, Inc., a Delaware corporation (the "Company"), of \$1,747,694,000 aggregate amount of Zero Coupon Convertible Senior Debentures Due 2031 (the "Securities"), and the shares of Common Stock, par value \$2.50 per share, of the Company initially issuable upon conversion of the Securities (the "Shares"), I, as Vice President and Associate General Counsel of the Company, have examined such corporate records, certificates and other documents, and reviewed such questions of law, as I have considered necessary or appropriate for the purposes of this opinion. Upon the basis of such examination and review, you are advised that, in my opinion, when the registration statement relating to the Securities and the Shares (the "Registration Statement") has become effective under the Act, the Indenture relating to the Securities has been duly authorized, executed and delivered, the terms of the

Securities and of their issuance and sale have been duly established in conformity with the Indenture 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 and so as to comply with any requirement or restriction imposed by any court or governmental body having jurisdiction over the Company, and the Securities have been duly executed and authenticated in accordance with the Indenture and issued and sold as contemplated in the Registration Statement, the Securities 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, and the Shares, when duly issued upon conversion of the Securities, will be validly issued, fully paid and nonassessable.

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 Company 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 references to me under the heading "Validity of the Debentures and Common Stock" 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,

/s/ KATHLEEN E. SHANNON

Kathleen E. Shannon

November 6, 2001

American International Group, Inc.,
70 Pine Street,
New York, New York 10270.

Dear Sirs:

As tax counsel to American International Group, Inc., a Delaware corporation (the "Company"), in connection with the registration under the Securities Act of 1933 (the "Act") of \$1,747,694,000 aggregate amount of zero coupon convertible senior debentures and the shares of Common Stock, par value \$2.50 per share, of the Company issuable upon conversion of the zero coupon convertible senior debentures pursuant to the Registration Statement of the Company to which this opinion is filed as an exhibit (the "Registration Statement"), we hereby confirm to you that the discussion set forth under the heading "Certain United States Federal Income Tax Consequences" in the Prospectus (the "Prospectus") which forms a part of the Registration Statement is our opinion, subject to the limitations set forth therein.

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 "Certain United States Federal Income Tax Consequences" 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 Securities Act of 1933.

Very truly yours,

{/s/ Sullivan & Cromwell]

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of American International Group, Inc. of our report dated February 7, 2001 relating to the consolidated financial statements and financial statement schedules, which appears in American International Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000, and of our report dated August 29, 2001 relating to the supplemental financial statements and financial statement schedules, which appears in American International Group, Inc.'s Current Report on Form 8-K dated October 9, 2001. We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

New York, New York
November 6, 2001

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) and related Prospectus of American International Group, Inc. for the registration of its convertible debt securities, and to the incorporation by reference therein of (i) our report dated January 23, 2001 with respect to the consolidated financial statements of American General Corporation incorporated by reference in its Annual Report on Form 10-K for the year ended December 31, 2000 and the related financial statement schedules included therein and (ii) our report dated January 23, 2001 with respect to the consolidated financial statements and related financial statement schedules of American General Corporation as of December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 included in American International Group, Inc.'s Current Report on Form 8-K dated October 9, 2001, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

Houston, Texas
November 6, 2001

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FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2)

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York
(State of incorporation
if not a U.S. national bank)

13-5160382
(I.R.S. employer
identification no.)

One Wall Street, New York, N.Y.
(Address of principal executive offices)

10286
(Zip code)

American International Group, Inc.
(Exact name of obligor 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
(Address of principal executive offices)

10270
(Zip code)

Zero Coupon Convertible Senior Debentures
(Title of the indenture securities)

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1. GENERAL INFORMATION. FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

Yes.

2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

None.

16. LIST OF EXHIBITS.

EXHIBITS IDENTIFIED IN PARENTHESES BELOW, ON FILE WITH THE COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS AN EXHIBIT HERETO, PURSUANT TO RULE 7a-29 UNDER THE TRUST INDENTURE ACT OF 1939 (THE "ACT") AND 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)
4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)
7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 29th day of October, 2001.

THE BANK OF NEW YORK

By: /s/ VAN K. BROWN

Name: VAN K. BROWN
Title: VICE PRESIDENT

Consolidated Report of Condition of

THE BANK OF NEW YORK

of One Wall Street, New York, N.Y. 10286

And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business March 31, 2001,
published in accordance with a call made by the Federal Reserve Bank of this
District pursuant to the provisions of the Federal Reserve Act.

ASSETS	Dollar Amounts In Thousands
Cash and balances due from depository institutions:.....	
Noninterest-bearing balances and currency and coin.....	\$ 2,811,275
Interest-bearing balances.....	3,133,222
Securities:	
Held-to-maturity securities.....	147,185
Available-for-sale securities.....	5,403,923
Federal funds sold and Securities purchased under agreements to resell.....	3,378,526
Loans and lease financing receivables:	
Loans and leases held for sale.....	74,702
Loans and leases, net of unearned income.....	37,471,621
LESS: Allowance for loan and lease losses.....	599,061
Loans and leases, net of unearned income and allowance.....	36,872,560
Trading Assets.....	11,757,036
Premises and fixed assets (including capitalized leases).....	768,795
Other real estate owned.....	1,078
Investments in unconsolidated subsidiaries and associated companies.....	193,126
Customers' liability to this bank on acceptances outstanding.....	592,118
Intangible assets.....	
Goodwill.....	1,300,295
Other intangible assets.....	122,143
Other assets.....	3,676,375
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Total assets.....	\$70,232,359 =====
LIABILITIES	
Deposits:	
In domestic offices.....	\$25,962,242
Noninterest-bearing.....	10,586,346
Interest-bearing.....	15,395,896
In foreign offices, Edge and Agreement subsidiaries, and IBFs.....	24,862,377
Noninterest-bearing.....	373,085
Interest-bearing.....	24,489,292
Federal funds purchased and securities sold under agreements to repurchase.....	1,446,874
Trading liabilities.....	2,373,361
Other borrowed money: (includes mortgage indebtedness and obligations under capitalized leases).....	
Bank's liability on acceptances executed and outstanding.....	1,381,512
Subordinated notes and debentures.....	592,804
Other liabilities.....	1,646,000
	5,373,065

Total liabilities.....	\$63,658,235 =====
EQUITY CAPITAL	
Common stock.....	1,135,284
Surplus.....	1,008,773
Retained earnings.....	4,426,033
Accumulated other comprehensive income.....	4,034
Other equity capital components.....	0

Total equity capital.....	6,574,124

Total liabilities and equity capital.....	\$70,232,359 =====

I, Thomas J. Mastro, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Thomas J. Mastro,
Senior Vice President and Comptroller

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been

prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Thomas A. Renyi
Gerald L. Hassell
Alan R. Griffith

Directors