

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 1, 1995

REGISTRATION NO. 33-48996

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1

TO

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

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

AMERICAN INTERNATIONAL GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS
CHARTER)
DELAWARE
(STATE OR OTHER JURISDICTION OF INCORPORATION OR
ORGANIZATION)
13-2592361
(I.R.S. EMPLOYER IDENTIFICATION NO.)
70 PINE STREET
NEW YORK, NEW YORK 10270
(212) 770-7000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE
NUMBER, INCLUDING
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE
OFFICES)

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

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

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

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

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE (3)
Liquidity Facility Obligations and Credit Facility Obligations (4).....	\$93,750,000	100%	\$93,750,000	\$32,328
Guarantee Obligations (4).....	\$93,750,000	100%	\$93,750,000	\$32,328

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

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

2

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

SUBJECT TO COMPLETION, DATED AUGUST 1, 1995

LIQUIDITY FACILITY OBLIGATIONS

AND

CREDIT FACILITY OBLIGATIONS

OF

AIG LIQUIDITY CORP.

AND

GUARANTEE OBLIGATIONS

OF

AMERICAN INTERNATIONAL GROUP, INC.

AIG Liquidity Corp. ("AIG-LC") may from time to time enter into standby bond purchase agreements (each, a "Standby Agreement") with issuers of or ultimate obligors (each, an "Issuer") in respect of one or more series of variable rate municipal securities (each such issue, a series of "Bonds") and, in some cases, the tender and paying agent (each, a "Tender Agent") for the Bonds and/or the trustee (each, a "Trustee") under the indenture, resolution or ordinance (each,

an "Indenture") pursuant to which the Bonds are being or have been issued. The Bonds of each such series, including any Bonds remarketed by a remarketing agent (each, a "Remarketing Agent") as described herein, will be subject, at the option of the holder of the Bonds, to tender for purchase and, under certain circumstances, will be subject to mandatory tender for purchase, in each case at the times and on the terms and conditions set forth in the Indenture for such Bonds. Pursuant to any such Standby Agreement, AIG-LC will be obligated to purchase tendered Bonds which have not been remarketed by a Remarketing Agent as described in, and subject to any conditions described in, the accompanying Prospectus Supplement (the "Prospectus Supplement"). Any tendered Bonds so purchased by AIG-LC would again be subject to tender for purchase at the option of the holder if such Bonds are remarketed by the Remarketing Agent.

In lieu of entering into a Standby Agreement with respect to a series of Bonds, AIG-LC may from time to time issue direct-pay letters of credit (each, a "Letter of Credit") in respect of such series of Bonds. Each Letter of Credit will be issued in favor of the Trustee under the Indenture pursuant to which the Bonds are issued for the benefit of the holders of the Bonds. Pursuant to any such Letter of Credit, the Trustee will be authorized to draw directly on AIG-LC from time to time to fund payments of principal of and interest on the Bonds or to fund the purchase by the Tender Agent of tendered Bonds which have not been remarketed by a Remarketing Agent (each such drawing, a "Credit Drawing") in each case as described in, and subject to any conditions described in, the Prospectus Supplement. In conjunction with issuing a Letter of Credit, AIG-LC and the Issuer of the relevant series of Bonds will enter into a reimbursement agreement ("Reimbursement Agreement") pursuant to which AIG-LC will be entitled to reimbursement of all Credit Drawings at such times and on such terms as provided in the Reimbursement Agreement and described in the accompanying Prospectus Supplement.

The payment obligations of AIG-LC under each Standby Agreement or Letter of Credit will be unconditionally guaranteed pursuant to a general guarantee relating to all Standby Agreements or Letters of Credit or a specific guarantee relating to the relevant Standby Agreement or Letter of Credit (the general guarantee and each such specific guarantee, a "Guarantee") issued by American International Group, Inc. ("AIG").

The Prospectus Supplement with respect to a Standby Agreement or Letter of Credit and a Guarantee will set forth the title of the relevant series of Bonds, the name of the Issuer and any Insurer (as hereinafter defined), a summary of certain terms of the Bonds relevant to the operation of the Standby Agreement or Letter of Credit and the Guarantee, and specific terms of such Standby Agreement or Letter of Credit and Guarantee, including whether and under what circumstances the obligations under the Standby Agreement or Letter of Credit and Guarantee may be suspended or terminated.

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

Payment of principal of and interest on the Bonds of a series to which

Liquidity Facility Obligations relate is solely the obligation of the Issuer and is not insured or guaranteed by AIG-LC, AIG or any affiliate thereof. Although Credit Facility Obligations issued by AIG-LC with respect to a series of Bonds will serve to support payment of principal of and interest on such Bonds, payment of such amounts will be primarily the obligation of the Issuer, as described in the Official Statement for such Bonds, notwithstanding the existence of such Credit Facility Obligations.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR NORTH CAROLINA RESIDENTS ONLY

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

THIS PROSPECTUS MAY NOT BE DELIVERED UNLESS ACCOMPANIED BY THE PROSPECTUS SUPPLEMENT.

The date of this Prospectus is _____, 1995

3

AVAILABLE INFORMATION

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

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

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

- (1) AIG's Annual Report on Form 10-K for the year ended December 31, 1994;
- (2) AIG's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995;
- (3) AIG's Proxy Statement dated April 3, 1995; and
- (4) AIG's Report on Form 8-K dated February 23, 1995.

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

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

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

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

2

4

DESCRIPTION OF THE OBLIGATIONS

GENERAL

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

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

In connection with each Standby Agreement or Letter of Credit, AIG will agree to provide, or cause to be provided, by means of capital contributions, purchases of assets, loans or otherwise, funds to AIG-LC to the extent necessary to enable AIG-LC to meet its obligations under the Standby Agreement or Letter of Credit. Any such agreement to provide or cause to be provided funds will be solely for the benefit of and enforceable by AIG-LC and AIG.

AIG depends on its subsidiaries for cash flow in the form of loans, advances and dividends. Some AIG subsidiaries, namely those in the insurance business, are subject to regulatory restrictions on the amount of dividends which can be issued to AIG. These restrictions vary by state. For example, unless permitted by the New York Superintendent of Insurance, general insurance companies domiciled in New York may not pay dividends to shareholders which in any twelve month period exceed the lesser of 10 percent of the company's statutory policyholders' surplus or 100 percent of its "adjusted net investment income," as defined. Generally, less severe restrictions applicable to both general and life insurance companies exist in most of the other states in which AIG's insurance subsidiaries are domiciled. Certain foreign jurisdictions have restrictions which generally cause only a temporary delay in the remittance of dividends. There are also various local restrictions limiting cash loans and advances to AIG by its subsidiaries. Largely as a result of the restrictions, approximately 64 percent of consolidated capital funds were restricted from

immediate transfer to AIG at December 31, 1994.

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

The Prospectus Supplement will set forth the specific terms of the Obligations in respect of which this Prospectus is being delivered, including among other things: (1) the timing, terms and method of purchase of Bonds to which the Liquidity Facility Obligations relate under the Standby Agreement; (2) the timing, terms and method of making Credit Drawings to which Credit Facility Obligations relate under the Letter of Credit and the timing, terms and method of reimbursing AIG-LC for Credit Drawings under the related Reimbursement Agreement; (3) whether and under what circumstances such Obligations will be terminable without, prior to, or after a mandatory tender for purchase or acceleration of the related Bonds; (4) any limitations on the rights of AIG-LC to resell Bonds purchased by AIG-LC; (5) the commitment fee payable to AIG-LC; and (6) any other relevant terms of the Standby Agreement, or the Letter of Credit, the Reimbursement Agreement and the Guarantee. The term of each Standby Agreement or Letter of Credit shall be set forth in the Prospectus Supplement, and generally will be at least 360 days, unless the final maturity of the Bonds occurs prior to the end of such 360 day period, in which case the term of the Standby Agreement or Letter of Credit would end on the date of such final maturity of the Bonds. See "Tender of Bonds -- Mandatory Tender."

The Prospectus Supplement will also specify the following terms of the Bonds to which the Obligations relate: (1) the Issuer and title of such Bonds; (2) the aggregate principal amount of such Bonds; and

3

5

(3) certain other terms of the Bonds or any Insurance Policy relevant to the operation of the Standby Agreement, the Letter of Credit, the Reimbursement Agreement or the Guarantee.

Payment of principal of and interest on the Bonds of a series to which Liquidity Facility Obligations relate is solely the obligation of the Issuer and is not insured or guaranteed by AIG-LC, AIG, or any affiliate thereof. Although Credit Facility Obligations issued by AIG-LC with respect to a series of Bonds will serve to support payment of principal of and interest on such Bonds, payment of such amounts will be primarily the obligation of the Issuer, as described in the Official Statement for such Bonds, notwithstanding the existence of such Credit Facility Obligations. Under certain circumstances, the Obligations with respect to the purchase of Bonds of any series may be terminated or suspended upon an Event of Default (as defined in the relevant Standby Agreement or Reimbursement Agreement and described in the Prospectus Supplement). See "The Standby Agreements -- Events of Default and Nature of Obligations" and "The Letters of Credit -- Events of Default."

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

During the period that the Bonds are owned by AIG-LC or a qualified purchaser from AIG-LC (including AIG), such Bonds will bear interest at a rate

based on a reference rate or an index as described in the Prospectus Supplement, subject in certain cases to a maximum rate, or will bear interest as otherwise described in the Prospectus Supplement. AIG-LC or its affiliates may, to hedge its interest rate exposure in connection therewith, enter into interest rate swaps or similar transactions that would have the effect of converting interest on the purchased Bonds into a LIBOR based rate (subject in certain cases to no such maximum rate or to a different maximum rate). Unless otherwise set forth in the Prospectus Supplement, the Remarketing Agent will have a continuing obligation to use its best efforts to find purchasers for any Bonds owned by AIG-LC or such qualified purchaser.

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

TENDER OF BONDS

Tender Option

The Bonds of each series will be subject, at the option of the holder of the Bonds, to tender for purchase with funds available to the Tender Agent (the "Tender Option"). The terms of the Bonds of a series may permit such tenders at any time upon notice or at specified times relating to the reset of the interest rate with respect to the Bonds of such series. On the date on which the Bonds of any series are issued and on each interest reset date for such Bonds, in general, the Remarketing Agent will determine the interest rate for the Bonds which is necessary to remarket tendered Bonds at a price equal to 100% of the principal amount thereof plus any accrued interest. The Bonds will bear interest at such rate for the next succeeding interest rate period. Tenders of the Bonds will be made to the Tender Agent for purchase at a price equal to 100% of the principal amount thereof plus any accrued interest to the date of tender (the "Purchase Price").

Mandatory Tender

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

THE STANDBY AGREEMENTS

The following paragraphs under the caption "The Standby Agreements" apply to any series of Bonds with respect to which AIG-LC has entered into a Standby Agreement.

Method of Purchase of Bonds by AIG-LC

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

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

Events of Default and Nature of Obligations

Unconditional Obligations

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

Conditional Obligations

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

Obligation of Tender Agent to Obtain Funds Under the Standby Agreement

The Tender Agent will be entitled under the Standby Agreement to demand funds for the payment of Purchase Price and the Standby Agreement will expressly provide that the Standby Agreement is for the benefit of the Tender Agent. The Indenture will provide that the Tender Agent is obligated to take such

actions as may be necessary to obtain immediately available funds on each Purchase Date under the Standby Agreement sufficient in amount to enable the Tender Agent to pay the Purchase Price on such Purchase Date.

THE LETTERS OF CREDIT

The following paragraphs under the caption "The Letters of Credit" apply to any series of Bonds with respect to which AIG-LC has issued a Letter of Credit.

Method of Payment of Credit Drawings by AIG-LC

The Trustee shall give to AIG-LC notice of Credit Drawings from time to time up to the Stated Amount (as defined below). After receipt of such notice, AIG-LC shall (unless its obligations have been terminated or suspended and subject to any conditions, including its Stated Amount, described in the Prospectus Supplement), by the time set forth in the Prospectus Supplement, make such amount available to the Trustee, in immediately available funds or such other funds as shall be permitted as described in the Prospectus Supplement. The Trustee will apply such Credit Drawings to pay principal of and interest on the Bonds or to purchase at the Purchase Price tendered bonds which have not been remarketed by a Remarketing Agent. If the Credit Drawing is made to purchase tendered Bonds, the Trustee will be required to remit to AIG-LC such funds which are not so used to purchase tendered Bonds.

Neither AIG-LC nor AIG will have any liability to a holder for the failure by the Trustee or any other person to apply funds received by it under the Letter of Credit to payments of principal of, interest on or Purchase Price of, as the case may be, the related Bonds.

Method of Reimbursement of Credit Drawings

Pursuant to the Reimbursement Agreement, AIG-LC will be entitled to reimbursement by the Issuer of the Bonds of all Credit Drawings at such times and on such terms as provided in the Reimbursement Agreement and described in the Prospectus Supplement. If any such reimbursement obligation of an Issuer is not paid on the same day on which Credit Drawings are made, the Issuer will be obligated to pay interest to AIG-LC on the unpaid amount thereof.

Events of Default

The default by the Issuer of its obligation to reimburse AIG-LC for Credit Drawings, or the occurrence and continuance of certain other Events of Default (as defined in the Reimbursement Agreement and described in the Prospectus Supplement), shall, except as otherwise described in the Prospectus Supplement, give AIG-LC the right to terminate its obligations under the Letter of Credit upon written notice to the Issuer or the Trustee specifying a date on which the Letter of Credit shall terminate. In such event, a mandatory tender or acceleration of the Bonds may take place pursuant to the Indenture prior to the date specified for termination and AIG-LC will be obligated, subject to the terms and conditions of the Letter of Credit and except as otherwise described in the Prospectus Supplement, to make Credit Drawings available to the Trustee for the acceleration of the Bonds or the payment of the Purchase Price of tendered Bonds.

Obligation of Trustee to Obtain Funds Under the Letter of Credit

The Trustee will be entitled under the Letter of Credit to draw funds for the payment of principal of and interest on the Bonds or to purchase tendered Bonds which have not been remarketed by a Remarketing Agent, and the Letter of Credit will expressly provide that the Letter of Credit is for the benefit of the Trustee. The Indenture will provide that the Trustee is obligated to make Credit Drawings as necessary to obtain immediately available funds for the payment of principal of and interest on the Bonds or to purchase tendered Bonds which have not been remarketed by a Remarketing Agent, in each case as such amounts become due and payable.

6

8

AMOUNT OF COMMITMENT

Except as otherwise described in the Prospectus Supplement, each Standby Agreement and Letter of Credit will have an initial stated amount which is equal to the sum of (a) the aggregate principal amount of the Bonds and (b) an amount at least equal to the interest that would accrue on the Bonds during the period specified on the Prospectus Supplement, computed as though the Bonds bore interest at the maximum rate of interest permitted to be borne by the Bonds for such period as set forth in the related Prospectus Supplement (collectively, the "Available Commitment" or "Stated Amount").

Upon the purchase of any Bonds under a Standby Agreement, and upon the payment and reimbursement of Credit Drawings under a Letter of Credit, the Available Commitment or Stated Amount will be adjusted as described in the Prospectus Supplement.

THE GUARANTEES

The Liquidity Facility Obligations and Credit Facility Obligations will be unconditionally guaranteed by AIG pursuant to a Guarantee. The Guarantee will terminate upon the termination of AIG-LC's obligations pursuant to the relevant Standby Agreement or Letter of Credit.

AIG LIQUIDITY CORP.

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

The business of AIG-LC consists of providing liquidity for the payment of the tender price of certain variable rate municipal securities through Standby Agreements, providing credit support for the payment of principal of, interest on and tender price of certain variable rate municipal securities through Letters of Credit and certain related activities.

AMERICAN INTERNATIONAL GROUP, INC.

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

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

THREE MONTHS ENDED MARCH 31, 1995	YEARS ENDED DECEMBER 31				
	1994	1993	1992	1991	1990
	-----	-----	-----	-----	-----
3.04	3.03	3.08	2.67	3.00	3.03

Earnings represent income from operations before income taxes plus fixed charges and dividends received from less than fifty percent owned persons, and exclude capitalized interest and the equity income of less than fifty percent owned persons. Fixed charges include interest, whether expensed or capitalized, and is the proportion of rental expense deemed representative of the interest factor.

The ratios shown are significantly affected as a result of the inclusion of the fixed charges and operating results of AIG Financial Products Corp. and its subsidiaries (AIG-FP). AIG-FP structures borrowings through guaranteed investment agreements and engages in other complex financial transactions, including interest rate and currency swaps. In the course of its business, AIG-FP enters into borrowings that are primarily used to purchase assets that yield rates greater than the rates on the borrowings with the intent of earning a profit on the spread and to finance the acquisition of securities utilized to hedge certain transactions.

7

9

The pro forma ratios of earnings to fixed charges, excluding the effects of the operating results of AIG-FP, are 4.58 for the first quarter of 1995 and 5.23, 5.66, 5.15, 5.40 and 7.27 for 1994, 1993, 1992, 1991 and 1990, respectively. As AIG-FP will continue to be a subsidiary, AIG expects that these ratios will continue to be lower than they would be if the fixed charges and operating results of AIG-FP were not included therein.

USE OF PROCEEDS

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

PLAN OF DISTRIBUTION

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

responsibility with respect to the accuracy or completeness of any Official Statement or any information set forth therein.

VALIDITY OF OBLIGATIONS

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

EXPERTS

The consolidated financial statements of AIG and its subsidiaries and the related financial statement schedules included in its Annual Report on Form 10-K for the year ended December 31, 1994, incorporated herein by reference, are so incorporated in reliance upon the report of Coopers & Lybrand, independent accountants, given on the authority of that firm as experts in accounting and auditing.

8

10

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Registration Fee.....	\$ 32,328
Printing and Engraving.....	15,000
Legal Fees and Expenses.....	530,000
Rating Agency Fees.....	N/A
Miscellaneous.....	N/A

Total.....	\$577,328
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Restated Certificate of Incorporation of AIG provides:

"The Company shall indemnify to the full extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Company or serves or served any other enterprise at the request of the Company."

The Certificate of Incorporation of AIG-LC provides:

"The Corporation shall indemnify to the full extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he, his testator or intestate is or was a director, officer or employee of the Corporation or serves or served any other enterprise at the request of the Corporation."

Section 145 of the Delaware General Corporation Law permits indemnification against expenses, fines, judgments and settlements incurred by any director, officer or employee of the registrant in the event of pending or threatened civil, criminal administrative or investigative proceedings, if such person was, or was threatened to be made, a party by reason of the fact that he is or was a director, officer or employee of the registrant. Section 145 also provides that

the indemnification provided for therein shall not be deemed exclusive of any other rights to which those seeking indemnification may otherwise be entitled. In addition, AIG and its subsidiaries maintain a directors' and officers' liability insurance policy.

II-1

11

ITEM 16. EXHIBITS

- *4.1 Form of Standby Bond Purchase Agreement to be entered into by AIG-LC
- 4.2 Form of Letter of Credit to be issued by AIG-LC
- 4.3 Form of Specific Guarantee of American International Group, Inc.
- 4.4 Form of General Guarantee of American International Group, Inc.
- 5.1 Opinion of Mudge Rose Guthrie Alexander & Ferdon LLP, with respect to the Liquidity Facility Obligations or the Credit Facility Obligations
- 5.2 Opinion of Kathleen E. Shannon, Esq. with respect to the Guarantee Obligations
- 10.1 Form of Letter Agreement to be entered into by AIG-LC and AIG relating to a Standby Bond Purchase Agreement or a Letter of Credit
- 10.2 Form of Reimbursement Agreement to be entered into by AIG-LC
- 12 Computation of ratio of earnings to fixed charges (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1994, and incorporated herein by reference)
- 23.1 Consent of Coopers & Lybrand, independent accountants
- 23.2 Consent of Mudge Rose Guthrie Alexander & Ferdon LLP, (included in Exhibit 5.1)
- 23.3 Consent of Kathleen E. Shannon, Esq. (included in Exhibit 5.2)
- *24.1 Power of Attorney for American International Group, Inc.
- 28 Information from reports furnished to state insurance regulatory authorities (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference)

* Previously filed.

ITEM 17. UNDERTAKINGS

The undersigned registrants hereby undertake:

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

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 unless the information required to be included in such post-effective amendment is contained in a periodic report filed by AIG pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference,

(ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement unless the information required to be included in such post-effective amendment is contained in a periodic report filed by AIG pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and incorporated herein by reference, and

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

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

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

termination of the offering; and

II-2

12

(4) that, for purposes of determining any liability under the Securities Act of 1933, each filing of AIG's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

II-3

13

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 POST-EFFECTIVE AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE TOWN OF WESTPORT, STATE OF CONNECTICUT, ON THE 28TH DAY OF JULY 1995.

AIG LIQUIDITY CORP.

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
-----	-----	-----
EDWARD E. MATTHEWS (EDWARD E. MATTHEWS)	Director and Co-Chairman	July 28, 1995

PETROS K.
SABATACAKIS
(PETROS K. SABATACAKIS)

Director and Co-Chairman
(Principal Executive Officer)

July 28, 1995

JOSEPH J.
CASSANO
(JOSEPH J. CASSANO)

Managing Director,
Vice President, and Treasurer
(Principal Financial Officer and
Principal Accounting Officer)

July 28, 1995

THOMAS R. SAVAGE
(THOMAS R. SAVAGE)

Managing Director and
Vice President

July 28, 1995

II-4

14

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 POST-EFFECTIVE AMENDMENT NO. 1 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF NEW YORK AND STATE OF NEW YORK, ON THE 28TH DAY OF JULY 1995.

AMERICAN INTERNATIONAL GROUP, INC.

By /s/ M.R. GREENBERG*

(M.R. GREENBERG, CHAIRMAN)

Pursuant to the requirements of the Securities Act of 1933, as amended, this Post-Effective Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- /s/ M.R. GREENBERG* ----- (M.R. GREENBERG)	Chairman and Director (Principal Executive Officer)	July 28, 1995
----- /s/ EDWARD E. MATTHEWS* ----- (EDWARD E. MATTHEWS)	Vice Chairman and Director (Principal Financial Officer)	July 28, 1995
----- /s/ HOWARD I. SMITH* ----- (HOWARD I. SMITH)	Senior Vice President and Comptroller (Principal Accounting Officer)	July 28, 1995
----- /s/ M. BERNARD AIDINOFF* ----- (M. BERNARD AIDINOFF)	Director	July 28, 1995
----- /s/ LLOYD BENTSEN* ----- (LLOYD BENTSEN)	Director	

II-5

SIGNATURE	TITLE	DATE
/s/ MARSHALL A. COHEN* (MARSHALL A. COHEN)	Director	July 28, 1995
/s/ BARBER B. CONABLE, JR.* (BARBER B. CONABLE, JR.)	Director	July 28, 1995
/s/ MARTIN S. FELDSTEIN* (MARTIN S. FELDSTEIN)	Director	July 28, 1995
/s/ HOUGHTON FREEMAN* (HOUGHTON FREEMAN)	Director	July 28, 1995
/s/ LESLIE L. GONDA* (LESLIE L. GONDA)	Director	July 28, 1995
(CARLA A. HILLS)	Director	
/s/ FRANK HOENEMEYER* (FRANK HOENEMEYER)	Director	July 28, 1995
/s/ JOHN I. HOWELL* (JOHN I. HOWELL)	Director	July 28, 1995
/s/ DEAN P. PHYPPERS* (DEAN P. PHYPPERS)	Director	July 28, 1995
/s/ JOHN J. ROBERTS* (JOHN J. ROBERTS)	Director	July 28, 1995
/s/ ERNEST E. STEMPEL* (ERNEST E. STEMPEL)	Director	July 28, 1995
/s/ THOMAS R. TIZZIO* (THOMAS R. TIZZIO)	Director	July 28, 1995
*By: HOWARD I. SMITH (HOWARD I. SMITH) (ATTORNEY-IN-FACT)		

II-6

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE
*4.1	Form of Standby Bond Purchase Agreement to be entered into by AIG-LC	
4.2	Form of Letter of Credit to be issued by AIG-LC	
4.3	Form of Specific Guarantee of American International Group, Inc.	
4.4	Form of General Guarantee of American International Group, Inc.	
5.1	Opinion of Mudge Rose Guthrie Alexander & Ferdon LLP, with respect to the Liquidity Facility Obligations or Credit Facility Obligations	

- 5.2 Opinion of Kathleen E. Shannon, Esq. with respect to the Guarantee Obligations
- 10.1 Form of Letter Agreement to be entered into by AIG-IC and AIG relating to a Standby Bond Purchase Agreement or a Letter of Credit
- 10.2 Form of Reimbursement Agreement to be entered into by AIG-IC
- 12 Computation of ratio of earnings to fixed charges (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1994, and incorporated herein by reference)
- 23.1 Consent of Coopers & Lybrand, independent accountants
- 23.2 Consent of Mudge Rose Guthrie Alexander & Ferdon LLP (included in Exhibit 5.1)
- 23.3 Consent of Kathleen E. Shannon, Esq. (included in Exhibit 5.2)
- *24.1 Power of Attorney for American International Group, Inc.
- 28 Information from reports furnished to state insurance regulatory authorities (filed as exhibit to Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference)

* Previously filed.

APPENDIX I

IRREVOCABLE TRANSFERABLE LETTER OF CREDIT

_____, _____
U.S. \$ _____
No. _____

_____, as trustee (the "Trustee") under the _____
[ordinance, resolution, order, trust indenture or similar instrument
of the Issuer pursuant to which the Bonds are issued and secured],
as amended and supplemented (the "Bond Security Agreement"),
including the _____ [supplement to the Bond Security
Agreement specifying terms of Bonds] (the "Series Bond Security
Agreement"), each adopted _____, _____, of the _____
[Name of Issuer] authorizing the issuance of the Bonds (as
hereinafter defined)

_____, _____

Attention:

Ladies and Gentlemen:

We hereby establish in your favor as Trustee for the benefit
of the holders of the Bonds (as hereinafter defined) our Irrevocable
Transferable Letter of Credit No. ___ for the account of _____
(the "Issuer"). Any capitalized terms which are not expressly defined herein
shall have the meanings set forth in the Bond Security Agreement. In accordance
with the terms hereof, we hereby irrevocably authorize you to draw on us from
time to time, from and after the date hereof to and including the earliest to
occur of our close of business on:

- (i) _____, _____ (the "Stated Expiration Date"),

(ii) the earlier of (A) the date which is five (5) calendar
days following the Conversion Date (as defined in the Series Bond Security
Agreement) as such date is specified in a certificate in the form of Exhibit A
hereto or (B) the date which is five (5) calendar days following the date on
which we honor a drawing on the Letter of Credit on or after the Conversion Date
as such date is specified in a certificate in the form of Exhibit A hereto,

(iii) the date which is fifteen (15) calendar days following
our receipt from you of a certificate in the form set forth as Exhibit B hereto,

(iv) the date which is five (5) calendar days following
the date on which an Acceleration Drawing is honored by us, and

(v) the date which is fifteen (15) calendar days following
receipt by you of a written notice from us specifying the occurrence of an
Event of Default under the Reimbursement Agreement dated as of _____,
_____ between the Issuer and us (the "Reimbursement Agreement") and directing

you to redeem the Bonds (as hereinafter defined)

(the earliest of such dates hereinafter referred to as the "Termination Date") (provided that if on the Termination Date you are unable to present any Payment Document as herein provided as a consequence of any event referred to as a cause for interruption of business under Article 17 of the Uniform Customs (as hereinafter defined), then such Payment Document shall be deemed presented in accordance herewith if the same is deposited in the mail, registered postage prepaid, addressed to us as hereinafter provided and postmarked on or prior to the Termination Date), a maximum aggregate amount not exceeding _____ United States Dollars (U.S. \$ _____ - the "Original Stated Amount") to pay principal of and accrued interest on, or the purchase price of, the \$ _____ Bonds, _____ Series issued by the Issuer (the "Bonds"), in accordance with the terms hereof (said \$ _____ having been initially calculated to be equal to \$ _____, the original principal amount of the Bonds, plus \$ _____, which is at least _____ days' accrued interest on said principal amount of the Bonds at the rate of _____ percent (____%) per annum (the "Maximum Rate")). This credit is available to you against presentation of the following certificates (with all blanks appropriately completed) (the "Payment Documents") presented to AIG Liquidity Corp., a Delaware corporation (the "Credit Provider"), at our office at _____, _____, _____ (or such other place as we may from time to time specify), Attention: _____ (or such other person as we may from time to time specify):

(i) in the form attached as Exhibit C

Page 2 of 27 Pages

3

hereto to pay accrued interest on the Bonds as provided for under Section _____ of the Series Bond Security Agreement and Section _____ of the Bond Security Agreement (an "Interest Drawing"),

(ii) in the form attached as Exhibit D hereto to pay the principal amount of and accrued interest on the Bonds in respect of any redemption of the Bonds as provided for in Section _____ or _____ of the Bond Security Agreement or Section _____ of the Series Bond Security Agreement (a "Redemption Drawing"), provided that in the event the date of redemption or purchase coincides with an Interest Payment Date (as defined in the Bond Security Agreement) the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing),

(iii) in the form attached as Exhibit E hereto, to allow the Trustee, as Tender Agent (together with its permitted successors and assigns, the "Tender Agent"), to pay the purchase price of Bonds tendered for purchase as provided for in Section _____ or Section _____ of the Series Bond Security Agreement which have not been successfully remarketed or for which the purchase price has not been received by the Tender Agent by 11:00 A.M., New York City time, on the purchase date (a "Liquidity Drawing"), provided that in the event the purchase date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing),

(iv) in the form attached as Exhibit F hereto, to pay the principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to Section _____ of the Bond Security Agreement (an "Acceleration Drawing"), and

(v) in the form attached as Exhibit G hereto to pay the principal amount of Bonds outstanding on _____, _____ (a "Stated Maturity Drawing"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder.

No drawings shall be made under this Letter of Credit for Credit Provider Bonds (as defined in the Reimbursement Agreement). All drawings shall be made by presentation of each

Page 3 of 27 Pages

4

Payment Document at our office at _____, _____, _____ as aforesaid, by hand delivery, by telecopier (at telecopier number (____) _____), Attention: _____, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Credit Provider, Attention: Chief Financial Officer ((203) 222-4700) on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Liquidity, Acceleration or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If a Drawing is presented prior to _____ A.M., New York City time, on a Business Day, we will confirm to you by wire transfer of the amount specified, in immediately available funds, and will notify you of the Federal Reserve Bank confirmation number relating to such transfer by _____ P.M., New York City time, on the same Business Day. If a Drawing is presented at or after _____ A.M., New York City time, on a Business Day, we will confirm to you by wire transfer of the amount specified, in immediately available funds, and will notify you of the Federal Reserve Bank confirmation number relating to such transfer by _____ A.M., New York City time, on the following Business Day. Payments made hereunder shall be made by wire transfer to you or by deposit into your account with us in accordance with the instructions specified by the Trustee in the drawing certificate relating to a particular drawing hereunder. "Business Day" means [incorporate definition from Bond Security Agreement].

The Available Amount (as hereinafter defined) of this Letter of Credit will be reduced automatically by the amount of any drawing hereunder; provided, however, that the amount of any Interest Drawing hereunder, less the amount of the reduction in the Available Amount of this Letter of Credit attributable to interest as specified in a certificate in the form of Exhibit D or H hereto, shall be automatically reinstated effective the 11th calendar day from the date of such drawing unless you shall have received notice by telecopy (or other facsimile telecommunication) within ten (10) calendar days of the date of any Interest Drawing that the Credit Provider has not been reimbursed in full for any such drawing, or any other Event of Default has occurred under the Reimbursement Agreement, and as a consequence thereof the Letter of Credit will not be so reinstated. After payment by us of a Liquidity Drawing, the obligation of the Credit Provider to honor drawings under this Letter of Credit will be automatically reduced by an amount equal to the Original Purchase Price of any Bonds (or portions thereof)

Page 4 of 27 Pages

5

purchased pursuant to said drawing. Prior to the Conversion Date, upon reimbursement to the Credit Provider of the amount of any Liquidity Drawing relating to Bonds purchased with the proceeds of such Liquidity Drawing plus all accrued interest thereon (provided no Event of Default has occurred and is continuing under the Reimbursement Agreement), this Letter of Credit shall be reinstated by an amount equal to the Original Purchase Price of such Bonds. In addition, without duplication of any reinstatement made pursuant to the immediately preceding sentence, prior to the Conversion Date, in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, our obligation to honor drawings hereunder will be automatically reinstated concurrently upon receipt by us, or the Trustee or the Tender Agent on our behalf, of an amount equal to the Original Purchase Price of such Bonds (or portion thereof); the amount of such reinstatement shall be equal to the Original Purchase Price of such Bonds (or portions thereof). "Original Purchase Price" shall mean the principal amount of any Bond purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bond paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase.

Upon receipt by us of a certificate of the Trustee in the form of Exhibit D or H hereto, the Available Amount of this Letter of Credit will automatically and permanently reduce by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

Upon any permanent reduction of the amounts available to be drawn under this Letter of Credit, as provided herein, we may deliver to you a substitute letter of credit in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Exhibit I hereto to reflect any such reduction. If we deliver to you such a substitute Letter of Credit you shall simultaneously surrender to us for cancellation the Letter of Credit then in your possession. The "Available Amount" shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Liquidity, Acceleration or Stated Maturity Drawings, (ii) less the amount of any reduction in the Available Amount of the Letter of Credit pursuant to a reduction certificate in the form of Exhibit D or H hereto to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the Issuer by delivering to you an amendment to this Letter of Credit in the form of Exhibit K hereto designating the date to which the Stated

Expiration Date is being extended. Each such extension of the Stated Expiration Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date this Letter of Credit shall automatically terminate and be delivered to the Credit Provider for cancellation.

This Letter of Credit is transferable in whole only to your successor as Trustee. Any such transfer (including any successive transfer) shall be effective upon receipt by us (which receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Credit Provider) of a signed copy of the instrument effecting each such transfer signed by the transferor and by the transferee in the form of Exhibit J hereto (which shall be conclusive evidence of such transfer) and, in such case the transferee

instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

All communications with respect to this Letter of Credit (other than presentation of Payment Documents) shall be addressed to us at _____, _____, _____, _____, Attention: _____, _____ specifically referring to the number of this Letter of Credit.

To the extent not inconsistent with the express terms hereof, this Letter of Credit shall be governed by, and construed in accordance with, the terms of the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (the "Uniform Customs"), except for Article 41 thereof, which shall not be applicable hereto, and Article 48 thereof, which shall be applicable hereto except to the extent described below and the first sentence of Article 54(e) thereof. As to matters not governed by the Uniform Customs, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York. Notwithstanding anything in Article 48 of the Uniform Customs to the contrary, this Letter of Credit is transferable to any transferee who has succeeded the Trustee, as Trustee under the Bond Security Agreement, and may be successively transferred.

We hereby irrevocably submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for the purposes of any legal proceedings arising out of or in connection with this Letter of Credit.

All payments made by us hereunder shall be made from our funds or funds obtained by us from a participant of ours in this Letter of Credit, but in no event shall such payment be made with funds obtained from the Issuer.

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

By _____

EXHIBIT A
to

LETTER OF CREDIT
No. _____

NOTICE OF CONVERSION DATE

AIG Liquidity Corp.

_____, _____
Attention:

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), which has been established by you for the account of [Name of Issuer] in favor of the Trustee.

The undersigned hereby certifies and confirms that the Conversion Date of all of the Bonds within the meaning of the Series Bond Security Agreement has occurred on [insert applicable date], and, accordingly, said Letter of Credit shall terminate five days after such Conversion Date in accordance with its terms.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

as Trustee

By _____
[Title of Authorized
Representative]

EXHIBIT
B to

LETTER OF CREDIT
No. _____

NOTICE OF TERMINATION

AIG Liquidity Corp.

_____, _____
Attention:

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), which has been established by you for the account of [Name of Issuer] in favor of the Trustee.

The undersigned hereby certifies and confirms that [(i) no

Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Bond Security Agreement, (ii) all drawings required to be made under the Bond Security Agreement and available under the Letter of Credit have been made and honored, or (iii) a substitute letter of credit has been issued to replace the Letter of Credit in accordance with the Bond Security Agreement and the Reimbursement Agreement (as such terms are defined in the Letter of Credit)]*, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

as Trustee

By _____
[Title of Authorized
Representative]
By Telecopy or Tested Telex

* Insert appropriate statement.

EXHIBIT C
to

LETTER OF CREDIT
No. _____

INTEREST DRAWING CERTIFICATE

AIG Liquidity Corp.

_____, _____
Attention:

The undersigned individual, a duly authorized representative of _____ (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), issued by _____ in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Bond Security Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Bond Security Agreement.
2. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit pursuant to the Bond Security Agreement with respect to the payment of interest due on all Bonds Outstanding on the Interest Payment Date (as defined in the Letter of Credit) occurring on [insert applicable date], other than Credit Provider Bonds (as defined in the Letter of Credit).
3. The amount of the drawing is equal to the amount required to be drawn by the Trustee pursuant to Section _____ of the Bond Security Agreement.
4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Bond Security Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

11

5. The proceeds of this drawing will not be used with respect to Bonds bearing interest at a fixed rate per annum or Bonds that are secured by a substitute or alternate letter of credit or other alternate credit enhancement in accordance with the terms of the Bond Security Agreement.

6. Payment by the Credit Provider pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re:_____.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 19__.

_____ as Trustee

By _____ [Title of Authorized Representative]

12

By Telecopy or Tested Telex EXHIBIT D to

LETTER OF CREDIT

No. _____

REDEMPTION DRAWING AND REDUCTION CERTIFICATE

_____, _____
Attention:

The undersigned individual, a duly authorized representative of _____ (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), issued by _____ (the "Credit Provider") in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Bond Security Agreement and Series Bond Security Agreement (each as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Bond Security Agreement.

2. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit pursuant to [Section [____] [____] of the Bond Security Agreement] [Section [____] [____]

[_____] [_____] of the Series Bond Security Agreement].*

3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be redeemed by the Issuer pursuant to [Section [_____] [_____] of the Bond Security Agreement] [Section [_____] [_____] [_____] of the Series Bond Security Agreement]* on [insert applicable date] (the "Redemption Date") other than Credit Provider Bonds (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment

* Insert appropriate section and document reference.

Page 12 of 27 Pages

13

Date (as defined in the Letter of Credit) to the Redemption Date, provided that in the event the Redemption Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$_____ is demanded in respect of the principal amount of the Bonds referred to in subparagraph (a) above; and

(ii) \$_____ is demanded in respect of accrued interest on such Bonds.

4. Payment by the Credit Provider pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re:_____.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Bond Security Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

6. Upon payment of the amount drawn hereunder, the Credit Provider is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(i) \$_____ is attributable to the principal amount of Bonds redeemed; and

(ii) \$_____ is attributable to interest on such Bonds (i.e., ___ days interest thereon at the Maximum Rate, as defined in the Letter of Credit).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds Outstanding (to the extent such

Page 13 of 27 Pages

Bonds are not Credit Provider Bonds) plus ___ days' interest thereon at the Maximum Rate.

*10. In the case of a redemption pursuant to Section _____ of the Series Bond Security Agreement, the Trustee, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Credit Provider that the Credit Provider has consented to such redemption.

11. The proceeds of this drawing will not be used with respect to Bonds bearing interest at a fixed rate per annum or Bonds that are secured by a substitute or alternate letter of credit or other alternate credit enhancement in accordance with the terms of the Bond Security Agreement.

IN WITNESS WHEREOF, this Certificate has been executed this ___ day of _____, 19__.

as Trustee
By _____
[Title of Authorized Representative]

* To be included in certificate only if Section _____ is referenced in paragraph numbered 2 or 3 above.

By Telecopy or Tested Telex
EXHIBIT E
to

LETTER OF CREDIT
No. _____

LIQUIDITY DRAWING CERTIFICATE

AIG Liquidity Corp.

Attention: _____

The undersigned individual, a duly authorized representative of _____ (the "Beneficiary"), hereby CERTIFIES as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____, _____ (the "Letter of Credit") issued by _____ in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Bond Security Agreement and Series Bond Security Agreement (each as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Bond Security Agreement.

2. The Beneficiary is entitled to make this drawing under the Letter of Credit in the amount of \$_____ with respect to the payment of the purchase price of Bonds tendered for purchase in accordance with Section _____ or Section _____ of the Series Bond Security Agreement and to be purchased on [insert applicable date] (the "Purchase Date") which Bonds have not been remarketed as provided in the Series Bond Security Agreement or the purchase price of which has not been received by the Tender Agent (as defined in the Letter of Credit) by 11:00 A.M., New York City time, on said Purchase Date.

3. (a) The amount of the drawing is equal to (i) the principal amount of Bonds to be purchased pursuant to the Series Bond Security Agreement on the Purchase Date other than Credit Provider Bonds (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of

Page 15 of 27 Pages

16

Credit) (or if none, the date of issuance of the Bonds) to the Purchase Date, provided that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph (2) above:

(i) \$_____ is demanded in respect of the principal portion of the purchase price of the Bonds referred to in subparagraph (2) above; and

(ii) \$_____ is demanded in respect of payment of the interest portion of the purchase price of such Bonds.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Series Bond Security Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

5. The Beneficiary will register or cause to be registered in the name of the Issuer, upon payment of the amount drawn hereunder, Bonds in the principal amount of the Bonds being purchased with the amounts drawn hereunder and will deliver such Bonds to the Trustee in accordance with the Series Bond Security Agreement and the Pledge Agreement (as defined in the Reimbursement Agreement), unless DTC (as defined in the Reimbursement Agreement) is the registered owner of all Bonds, in which case the Beneficiary will cause both the Issuer's beneficial ownership interest of, and the Credit Provider's security interest in, the Bonds to be recorded by DTC on its books.

6. Payment by the Credit Provider pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

7. The proceeds of this drawing will not be used with respect to Bonds bearing interest at a fixed rate per annum or Bonds that are secured by a substitute or alternate letter of credit or other alternate credit enhancement in accordance with the terms of the Bond Security Agreement.

Page 16 of 27 Pages

IN WITNESS WHEREOF, this Certificate has been executed this
____ day of _____, 19__.

as Trustee

By _____
[Title of Authorized
Representative]

By Telecopy or Tested Telex
EXHIBIT F
to

LETTER OF CREDIT

No. _____

ACCELERATION DRAWING CERTIFICATE

AIG Liquidity Corp.

_____, _____
Attention:

The undersigned individual, a duly authorized representative of _____ (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), issued by _____ in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Bond Security Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Bond Security Agreement.
2. An Event of Default has occurred under subsection [insert subsection] of Section _____ of the Bond Security Agreement and the Trustee has declared the principal of and accrued interest on all Bonds then outstanding immediately due and payable. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit pursuant to Section ___ of the Bond Security Agreement in order to pay the principal of and interest accrued on the Bonds due to an acceleration thereof in accordance with Section ___ of the Bond Security Agreement.
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds outstanding on [insert applicable date] (the "Acceleration Date") other than Credit Provider Bonds (as defined in the Letter of Credit), plus (ii) interest on such Bonds accrued from

the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Acceleration Date.

19

(b) Of the amount stated in paragraph 2 above:

(i) \$_____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph (a) above; and

(ii) \$_____ is demanded in respect of accrued interest on such Bonds.

4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Bond Security Agreement and, when added to the amount of any drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

5. Payment by the Credit Provider pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____: _____, Re: _____.

6. The proceeds of this drawing will not be used with respect to Bonds bearing interest at a fixed rate per annum or Bonds that are secured by a substitute or alternate letter of credit or other alternate credit enhancement in accordance with the terms of the Bond Security Agreement.

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 19__.

as Trustee

By _____
[Title of Authorized Representative]

20

By Telecopy or Tested Telex
EXHIBIT G
to

LETTER OF CREDIT

No. _____

STATED MATURITY DRAWING CERTIFICATE

AIG Liquidity Corp.

_____, _____
Attention:

The undersigned individual, a duly authorized representative of _____ (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), issued by _____ in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Bond Security Agreement and Series Bond Security Agreement (each as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Bond Security Agreement.
2. The Beneficiary is entitled to make this drawing in the amount of \$_____ under the Letter of Credit pursuant to Section _____ of the Bond Security Agreement.
3. The amount of this drawing is equal to the principal amount of Bonds outstanding on _____, _____ the maturity date thereof as specified in Section 203 of the Series Bond Security Agreement, other than Credit Provider Bonds (as defined in the Letter of Credit).
4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Bond Security Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

Page 20 of 27 Pages

21

5. The proceeds of this drawing will not be used with respect to Bonds that are secured by a substitute or alternate letter of credit or other alternate credit enhancement in accordance with the terms of the Bond Security Agreement.

6. Payment by the Credit Provider pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____.

as Trustee

By _____
[Title of Authorized Representative]

Page 21 of 27 Pages

22

No. _____

REDUCTION CERTIFICATE

AIG Liquidity Corp.

_____, _____
Attention:

The undersigned hereby CERTIFIES with respect to (i) that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), issued by _____ (the "Credit Provider") in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Bond Security Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Bond Security Agreement.

2. Upon receipt by the Credit Provider of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$_____ and the Available Amount shall thereupon equal \$_____. \$_____ of said amount is attributable to interest.

3. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

4. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding (to the extent such Bonds are not Credit Provider Bonds, as defined in the Letter of Credit) plus ___ days' interest thereon at the Maximum Rate (as defined in the Letter of Credit).

Page 22 of 27 Pages

23

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 19____.

as Trustee

By _____
[Title of Authorized Representative]

Page 23 of 27 Pages

24

EXHIBIT I
to

No. _____

NOTICE OF AMENDMENT

[TRUSTEE]

Attention:

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of _____, _____ among [Name of Issuer] and us, the Available Amount of the Letter of Credit has been reduced to \$_____.

This letter should be attached to the Letter of Credit and made a part thereof.

AIG LIQUIDITY CORP.

By _____
Authorized Officer

EXHIBIT J
to

LETTER OF CREDIT

No. _____

TRANSFER CERTIFICATE

AIG Liquidity Corp.

Attention:

Ladies and Gentlemen:

Reference is made to that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit") which has been established by you in favor of _____.

The undersigned, a duly authorized officer or agent of [Name of Transferor], has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Letter of Credit to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Letter of Credit.

Transferor and Transferee have indicated on the face of said Letter of Credit that it has been transferred and assigned to Transferee.

The undersigned, a duly authorized officer or agent of the Transferee, hereby certifies that the Transferee is a duly authorized Transferee under the terms of said Letter of Credit and is accordingly entitled, upon presentation of the documents called for therein, to receive payment thereunder.

Name of Transferor

By _____
[Name and Title of Authorized
Officer of Transferor]

Name of Transferee

By _____
[Name and Title of Authorized
Officer of Transferee]

EXHIBIT K
to

LETTER OF CREDIT
No. _____

NOTICE OF EXTENSION

[TRUSTEE]

Attention:

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. _____ dated _____, _____ (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of _____, _____ among [Name of Issuer] and us, the Stated Expiration Date of the Letter of Credit has been extended to _____, _____.

This letter should be attached to the Letter of Credit and made a part thereof.

AIG LIQUIDITY CORP.
By _____
Authorized Officer

FORM OF SPECIFIC
GUARANTEE OF AMERICAN
INTERNATIONAL GROUP, INC.

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

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

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

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

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

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

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

1

2

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

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

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

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

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

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

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

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

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

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

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

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

AMERICAN INTERNATIONAL GROUP, INC.

By

By

AMERICAN INTERNATIONAL GROUP, INC.
GENERAL GUARANTY

AMERICAN INTERNATIONAL GROUP, INC., a Delaware corporation (the "Guarantor") for value received and hereby acknowledged, hereby unconditionally and irrevocably guarantees to each party (a "Party") entering into a standby bond purchase agreement or letter of credit, line of credit or similar credit facility (each, a "Facility") with AIG Liquidity Corp., a Delaware corporation ("AIG-LC"), the obligations of AIG-LC under which have been registered under the Securities Act of 1933 pursuant to the Registration Statement on Form S-3, Registration No. 33-48996, and to such Party's successors, endorsees and assigns, the prompt payment when due of all present and future obligations and liabilities of all kinds of AIG-LC to such Party arising out of the Facilities (the "Obligations").

The Guarantor hereby waives any requirements that a Party, in the event of a default in any payment by AIG-LC under a Facility, first make demand upon or seek to enforce remedies against AIG-LC or first realize upon the collateral, if any, available to such Party before demanding payment under or seeking to enforce this Guarantee. In the event that any payment to a Party in respect to any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations as if such payment has not been made. The Guarantor reserves the right to assert defenses which AIG-LC may have to payment of any obligations other than defenses arising from the bankruptcy or insolvency of AIG-LC and other defenses expressly waived hereby.

The Guarantor agrees and consents that without the necessity for any additional endorsement or guaranty of the Obligations hereby guaranteed, or any reservation of rights against the Guarantor, and without further notice to, or assent by the Guarantor, the Obligations hereby guaranteed may, from time to time, in whole or in part be renewed, extended, modified, accelerated, compromised, or released by the Party with the agreement of AIG-LC, and any changes may be made by such Party with the agreement of AIG-LC in the maturity dates, interest rates or other terms of the Obligations guaranteed hereunder without impairing, abridging, affecting, diminishing or releasing the liability of the Guarantor hereunder, which liability shall also extend to such Obligations as renewed, extended, modified, accelerated, compromised or otherwise changed. The Guarantor waives any and all notices of acceptance of this Guarantee or of the creation, renewal, extension, modification, acceleration, compromising or releasing of any of the Obligations hereby guaranteed.

Upon payment of all of the Obligations owing to any Party, the Guarantor shall be subrogated to the rights of such Party against AIG-LC with respect to such Obligations, and such Party agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

All dealings between AIG-LC and a Party or between AIG-LC and any authorized brokers, dealers, placement agents or remarketing agents of securities which are the subject of a Facility, their successors, and assigns, shall be conclusively presumed to have been had or consummated in reliance upon this Guarantee. The Guarantor waives presentment, demand for payment, notice of dishonor or non-payment to or on the Guarantor or AIG-LC, protest and all other notices and demands whatsoever. Nothing but prompt payment in full of the Obligations hereby guaranteed shall discharge the Guarantor of its obligations hereunder.

This Guarantee may not be amended orally and all rights and obligations of

the parties hereunder shall be construed and interpreted in accordance with the laws of the State of New York. The Guarantor warrants and represents that there are no mortgages, deeds of trust, indentures, note or loan agreements, or any other agreements of undertaking to which it is a party or by which any of its property is bound which limit or in any way restrict its capacity, right or power to execute and deliver this Guarantee and to discharge by prompt payment in full its obligations hereunder.

1

2

IN WITNESS WHEREOF, AMERICAN INTERNATIONAL GROUP, INC. has authorized and caused this Guarantee to be duly executed and delivered by its authorized officers as of the day of , 19 .

AMERICAN INTERNATIONAL GROUP, INC.

By:

Edward E. Matthews
Vice Chairman

By:

Kathleen E. Shannon
Vice President and Secretary

2

July 31, 1995

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

Dear Sirs:

In connection with the registration under the Securities Act of 1933 (the "Act") of \$93,750,000 of (i) liquidity facility obligations (the "Liquidity Facility Obligations") to be issued by AIG Liquidity Corp. (the "Company") under Standby Bond Purchase Agreements (each, a "Standby Bond Purchase Agreement"), and/or credit facility obligations (the "Credit Facility Obligations") to be issued by the Company under Letters of Credit (each, a "Letter of Credit"), and (ii) guarantee obligations (the "Guarantee Obligations") to be issued by American International Group, Inc. (the "Guarantor") under a General Guarantee relating to all Standby

2

Purchase Agreements and Letters of Credit and a Specific Guarantee relating to the relevant Standby Purchase Agreement or Letter of Credit (the General Guarantee and each such Specific Guarantee being herein referred to as a "Guarantee"), we, as counsel to the Company, have examined such corporate records, certificates and other documents, and such questions of law, as we have considered necessary or appropriate for the purposes of this opinion.

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

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

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

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

Very truly yours,

July 31, 1995

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

Dear Sirs:

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

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

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

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

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

Very truly yours,

Kathleen E. Shannon, Esq.

REIMBURSEMENT AGREEMENT

AMONG

[NAME OF ISSUER]

AND

AIG LIQUIDITY CORP.

DATED AS OF , 19

TABLE OF CONTENTS

ARTICLE I.

DEFINITIONS

Title	Page No.
-----	-----
SECTION 1.1. Definitions	1
SECTION 1.2. Incorporation of Certain Definitions By Reference	5

ARTICLE II.

LETTER OF CREDIT

SECTION 2.1. Issuance of Letter of Credit	6
SECTION 2.2. Letter of Credit Drawings	6
SECTION 2.3. Reimbursement of Liquidity Drawings; Interest	6
SECTION 2.4. Reimbursement of Other Drawings; Interest	7
SECTION 2.5. Fees	7
SECTION 2.6. Method of Payment; Etc	7
SECTION 2.7. Reduction and Termination	8
SECTION 2.8. Reduction and Reinstatement of the Amount of the Letter of Credit	8
SECTION 2.9. Substitute Letter of Credit	9
SECTION 2.10. Disbursement of Drawings	9
SECTION 2.11. Computation of Interest	9
SECTION 2.12. Payment Due on Non-Business Day to be Made on Next Business Day	9
SECTION 2.13. Late Payments	9
SECTION 2.14. Source of Funds	10
SECTION 2.15. Extension of Stated Expiration Date	10
SECTION 2.16. Change of Law	11
SECTION 2.17. Credit Provider Rate Adjustment	12

ARTICLE III.

CONDITIONS PRECEDENT

SECTION 3.1. Conditions Precedent to Issuance of Letter of Credit	12
---	----

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties 14

ARTICLE V.
COVENANTS

SECTION 5.1. Affirmative Covenants 16
SECTION 5.2. Negative Covenants 18

ARTICLE VI.
DEFAULTS

SECTION 6.1. Events of Default 20
SECTION 6.2. Remedies 21

ARTICLE VII.
MISCELLANEOUS

SECTION 7.1. Waiver; Parties in Interest; Caption Headings 22
SECTION 7.2. Governing Law 22
SECTION 7.3. Severability 22
SECTION 7.4. Counterparts 23
SECTION 7.5. Liability of the Credit Provider 23
SECTION 7.6. Fees; Expenses; Documentary Taxes; Indemnification 24
SECTION 7.7. Term of the Agreement 25
SECTION 7.8. Survival of Representations, Warranties and Covenants 25
SECTION 7.9. Participation 25
SECTION 7.10. Right of Set-Off 26
SECTION 7.11. Notices 26
SECTION 7.12. Consent to Jurisdiction; Waiver of Defense of Sovereign Immunity 27
SECTION 7.13. Obligations Absolute 27

REIMBURSEMENT AGREEMENT (this "Agreement") dated as of _____, 1994 between _____, a [state] [authority] [political subdivision] [municipal corporation] organized and existing under the laws of the State of _____ (the "Issuer"), and AIG Liquidity Corp., a Delaware corporation (the "Credit Provider").

WHEREAS, the Issuer intends to issue \$ _____ aggregate principal amount of its _____ Bonds, Series _____ (the "Bonds") pursuant to the Issuer's [ordinance, resolution, order, trust indenture or similar instrument of the Issuer pursuant to which the Bonds are issued and secured], as amended and supplemented (the "Bond Security Agreement"), including the _____ [supplement to the Bond Security Agreement specifying terms of Bonds] (the "Series Bond Security Agreement"); and

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

WHEREAS, the Issuer has requested the Credit Provider to issue a letter of credit to provide funds for the payment of the principal of and interest on the Bonds when due and, in the event that any tendered Bonds cannot be remarketed as provided in the Bond Security Agreement, for the payment of the purchase price of such tendered Bonds.

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

ARTICLE I.

DEFINITIONS

SECTION 1.1. DEFINITIONS. The following terms, as used in this Agreement, have the following meanings:

"ACCELERATION DRAWING" means a drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit F to the Letter of Credit.

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

5

"AVAILABLE AMOUNT" has the meaning set forth in the Letter of Credit.

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

"BUSINESS DAY" has the meaning set forth in the Letter of Credit.

"CHANGE OF LAW" has the meaning set forth in Section 2.16.

"CLOSING DATE" means the date on which the Letter of Credit is issued.

"CONVERSION DATE" has the same meaning herein as in the Series Resolution.

"CREDIT PROVIDER BONDS" means any Bond (i) owned or held by the Credit Provider or by the Trustee or an agent of the Trustee for the account of the Credit Provider or (ii) with respect to which the Credit Provider has notified the Trustee, or which the Trustee actually knows, were purchased by another Person for the account of the Credit Provider or by a Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Credit Provider.

"CREDIT PROVIDER RATE" means, on any date of determination, a rate per annum equal to [to be determined]; provided, however, that such Credit Provider Rate shall be subject to adjustment as set forth in Section 2.17; and provided further that in no event shall the Credit Provider Rate exceed the Maximum Lawful Rate.

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

"DESIGNATED OFFICE" means [specify the office of the Credit Provider to which payments are to be made].

"DRAWING" means an Interest Drawing, a Liquidity Drawing, a Redemption Drawing, an Acceleration Drawing or a Stated Maturity Drawing.

"DTC" means The Depository Trust Company, New York, New York, or its nominee, or its successors and assigns, or any other depository performing similar functions under the Bond Security Agreement.

2

6

"EVENT OF DEFAULT" means any one of the events described in Section 6.1 hereof.

"GAAP" means generally accepted accounting principles in the United States of America, as in effect from time to time.

"GUARANTEE" means the guarantee of the Guarantor in the form of Appendix II hereto.

"GUARANTOR" means American International Group, Inc.

"INTEREST DRAWING" means a drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit C to the Letter of Credit.

"INTEREST PAYMENT DATE" has the same meaning herein as in the Bond Security Agreement.

"LETTER OF CREDIT" has the meaning set forth in Section 2.1.

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

"LIQUIDITY ADVANCE" has the meaning set forth in Section 2.3(a) hereof.

"LIQUIDITY DRAWING" means a drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit E to the Letter of Credit.

"MAXIMUM LAWFUL RATE" means the maximum interest rate permitted by law.

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

"MERGER WITHOUT ASSUMPTION" means that the Issuer consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity, and in any such case, at the time of such consolidation, amalgamation, merger, transfer, reorganization, incorporation, reincorporation, reconstitution, or succession the resulting, surviving or transferee entity fails to assume all the obligations of the Issuer under this Agreement by operation of law or pursuant

to an agreement reasonably satisfactory to the other party to this Agreement.

"OFFICIAL STATEMENT" means the Preliminary Official Statement and the final Official Statement relating to the sale of the Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final official statement of the Issuer or prospectus used with respect to the remarketing of the Bonds.

"PARTICIPANT" means any Person which purchases from the Credit Provider, from time to time, a participation in the Credit Provider's rights and obligations under the Letter of Credit and this Agreement.

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

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

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

"REDEMPTION DRAWING" means a drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit D to the Letter of Credit.

"REIMBURSEMENT OBLIGATIONS" means the obligations hereunder to

reimburse the Credit Provider for Drawings, to pay interest on Drawings and to pay fees to the Creditor Provider pursuant to Section 2.5.

"REMARKETING AGENT" means the entity acting as remarketing agent under the Series Bond Security Agreement.

"REMARKETING AGREEMENT" means that certain Remarketing Agreement dated as of _____, ___ by and between the Issuer and the Remarketing Agent.

"STATED EXPIRATION DATE" means the date on which the Letter of Credit terminates in accordance with its terms, as extended from time to time in accordance with the terms of the Letter of Credit.

4

8

"STATED MATURITY" means, with respect to any Bond, the date on which such Bond matures.

"STATED MATURITY DRAWING" means a drawing under the Letter of Credit resulting from the presentation of a certificate in the form of Exhibit G to the Letter of Credit.

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

"TERMINATION DATE" means the earliest to occur of the close of the Credit Provider's business on (i) the Stated Expiration Date; (ii) the date which is fifteen (15) days following the Credit Provider's receipt of written notice from the Trustee in the form of Exhibit B to the Letter of Credit; (iii) the earlier of (A) the date which is five (5) days following the Conversion Date as specified in a certificate in the form of Exhibit A to the Letter of Credit or (B) the date on which the Credit Provider honors a Drawing under the Letter of Credit on or after the Conversion Date as specified in a certificate in the form of Exhibit A to the Letter of Credit; (iv) the date on which an Acceleration Drawing is honored by the Bank; or (v) the date which is fifteen (15) days following the receipt by the Trustee of a written notice from the Credit Provider specifying the occurrence of an Event of Default and directing the Trustee to cause a redemption of the Bonds.

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

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any capitalized terms used herein which are not specifically defined herein shall have the same meanings herein as in the Bond Security Agreement. All references in this Agreement to times of day shall be references to New York City time unless otherwise expressly provided herein. Where the character or amount of any asset or liability or item or income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the specific provisions of this Agreement.

SECTION 1.2. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.
Each capitalized term used herein and not defined herein shall have the meaning provided therefor in the Bond Security Agreement.

5

9

ARTICLE II.

LETTER OF CREDIT

SECTION 2.1. ISSUANCE OF LETTER OF CREDIT. The Credit Provider agrees with the Issuer, on the terms and subject to the conditions herein set forth, to issue to the Trustee on the Closing Date a letter of credit substantially in the form of Appendix I hereto (the "Letter of Credit"). The Letter of Credit shall be in the original stated amount of \$_____, which is the sum of (i) the principal amount of Bonds outstanding on the Closing Date, plus (ii) interest thereon at the Maximum Rate for a period of _____ (____) days (computed on the basis of 365- or 366-day year, as applicable, and the actual number of days elapsed).

SECTION 2.2. LETTER OF CREDIT DRAWINGS. The Letter of Credit permits, and the Bond Security Agreement requires, the Trustee to make Drawings at the times and in the amounts specified therein.

SECTION 2.3. REIMBURSEMENT OF LIQUIDITY DRAWINGS; INTEREST. (a) The amount of each Liquidity Drawing shall constitute an advance (a "Liquidity Advance") to the Issuer which shall be repaid as follows:

(i) on the next succeeding Interest Payment Date, in part in an amount equal to the portion of such Liquidity Advance, if any, used to pay the interest component of the purchase price of the Credit Provider Bonds purchased with such Liquidity Advance;

(ii) on each date on which any portion of any Credit Provider Bonds purchased with such Liquidity Advance are subject to redemption pursuant to Section _____, _____ or _____ of the Bond Security Agreement or are required to be paid at Stated Maturity, in part in an amount equal to the principal amount of the Credit Provider Bonds required to be so redeemed or paid.

(b) The unpaid balance of each Liquidity Advance shall bear interest at the Credit Provider Rate payable on each Interest Payment Date and, with respect to any part of such Liquidity Advance repaid or prepaid pursuant to Section 2.3(c), on the date of such repayment or prepayment.

(c) Notwithstanding the foregoing provisions of Section 2.3, each Liquidity Advance shall be repaid (i) on the date on which any Credit Provider Bonds purchased with such Liquidity Advance are remarketed pursuant to the Series Bond Security Agreement, in an amount equal to the principal amount of the Credit

6

10

Provider Bonds so remarketed, and (ii) on the date on which the Letter of Credit is replaced by a substitute letter of credit in accordance with the terms of the Bond Security Agreement and Section _____ hereof, in the amount of the entire unpaid balance of such Liquidity Advance, in each case together with interest accrued thereon at the Credit Provider Rate. Any Liquidity Advance created pursuant to Section 2.3(a) may be prepaid at the option of the Issuer in whole or in part (but, if in part, in a minimum principal amount of \$100,000) at any time without premium or penalty on any Business Day. Each repayment or prepayment pursuant to this Section 2.3(c) shall be made by payment of an amount equal to the principal amount of the Liquidity Advance to be repaid or prepaid plus accrued interest thereon to the date of such repayment or prepayment at the Credit Provider Rate.

(d) The honoring of any Liquidity Drawing with respect to any Bonds shall constitute the purchase of such Bonds by the Credit Provider. Any such Bonds so purchased by the Credit Provider shall constitute Credit Provider Bonds, shall be registered in the name of the Credit Provider and held by the Trustee for the Credit Provider and shall not be entitled to the benefits of the Letter of Credit. Payments of principal of or interest on, or purchase price of, any such Credit Provider Bonds shall be credited against the corresponding amount due with respect to the related Liquidity Advance.

SECTION 2.4. REIMBURSEMENT OF OTHER DRAWINGS; INTEREST. Each Interest Drawing, Redemption Drawing, Acceleration Drawing and Stated Maturity

Drawing shall be reimbursed on the date of such Drawing. Until reimbursed, each Drawing referred to in this Section shall bear interest in accordance with Section 2.13.

SECTION 2.5. FEES. (a) In consideration of the issuance by the Credit Provider of the Letter of Credit, the Issuer hereby agrees to pay the Credit Provider a letter of credit fee for each day during the period from and including the Closing Date to but excluding the Termination Date equal to _____% per annum times the Available Amount in effect on such day. Such fee shall be payable, in immediately available funds, in [advance] [arrears] on each _____ and _____, commencing _____, and on the Termination Date. Fees payable pursuant to this Section shall be calculated on the basis of a 360-day year and actual days elapsed from and including the immediately preceding date for payment (or the effective date hereof, if there has been no such date for payment) to but excluding the current date for payment, without regard to whether either such date is a Business Day. It is understood that such fee shall be paid by the Issuer on the date due without the submission of any invoice or demand therefore on the part of the Credit Provider. If such fees are paid by the Trustee on behalf of the Issuer, the Credit Provider shall deliver to the Trustee a copy of an invoice for such fees.

(b) The Issuer hereby agrees to pay to the Credit Provider on the date of each Drawing a drawing fee of \$_____.

SECTION 2.6. METHOD OF PAYMENT; ETC. All payments to be made to the Credit Provider under this Agreement shall be made at the Designated Office of the Credit Provider not later than 2:00 p.m., New York City time, on the date when due and shall be made in

7

11

lawful money of the United States of America in freely transferable and in immediately available funds. If any such payment falls due on a date which is not a Business Day, the payment shall be made in accordance with this Section 2.6 on the first following day that is a Business Day.

SECTION 2.7. REDUCTION AND TERMINATION. (a) Subject to Section 2.9 hereof, the Trustee shall have the right at any time to permanently reduce, without penalty or premium, the Available Amount of the Letter of Credit upon not less than five (5) Business Day's prior written notice to the Credit Provider by the Trustee in the form of Exhibit D or H to the Letter of Credit, designating the date (which shall be a Business Day) of such reduction and the amount of such reduction. Such reduction of the Available Amount shall be effective, after receipt of such notice, on the date specified in such notice.

(b) If the Trustee shall partially reduce the Available Amount pursuant to Section 2.7(a), the Credit Provider shall then have the right to require the Trustee to simultaneously surrender the outstanding Letter of Credit to the Credit Provider on the effective date of such partial reduction of the Available Amount and to accept on such date, in substitution for the then outstanding Letter of Credit, a substitute irrevocable transferable letter of credit, dated such date, for an amount equal to the amount to which the Available Amount shall have been so reduced but otherwise having terms identical to the then outstanding Letter of Credit. Alternatively, if the Trustee shall partially reduce the Available Amount pursuant to Section 2.7(a), the Credit Provider in its sole discretion may elect to deliver to the Trustee a Notice of Amendment to the Letter of Credit in the form of Exhibit I to the Letter of Credit, dated the effective date of such partial reduction of the Available Amount of the Letter of Credit and stating the amount to which the Available Amount has been reduced.

(c) At the close of the Credit Provider's business on the fifteenth day following receipt by the Credit Provider of a certificate of the Trustee in the form of Exhibit B to the Letter of Credit, the Letter of Credit shall terminate and no further drawings will be or need be honored thereunder.

SECTION 2.8. REDUCTION AND REINSTATEMENT OF THE AMOUNT OF THE LETTER OF CREDIT. (a) As set forth in the Letter of Credit, the Available Amount

of the Letter of Credit shall be reduced by an amount equal to the amount of any Drawing made thereunder and shall be reinstated as set forth in the Letter of Credit.

(b) The Credit Provider will promptly notify the Trustee, the Issuer and the Remarketing Agent of any reinstatement of the Letter of Credit pursuant to Section 2.8(a) hereof relating to reimbursement of a Liquidity Drawing or payment of the purchase price of Bonds theretofore purchased with the proceeds of a Liquidity Drawing, but failure to provide such notice shall not affect the reinstatement of the Letter of Credit as provided above.

8

12

SECTION 2.9. SUBSTITUTE LETTER OF CREDIT. (a) The Issuer may elect to terminate the Letter of Credit at any time if the short-term ratings of the Bonds are withdrawn, suspended, or reduced below "A-1" in the case of Standard & Poor's or "VMIG-1" in the case of Moody's; provided, however, that the effective date of any such termination shall be at least _____ (____) days after notice of such termination is received by the Credit Provider and the Trustee unless a replacement Credit Facility is to be provided in accordance with the Bond Security Agreement in which event the effective date of such termination shall be at least _____ (____) days after notice of such replacement is so received.

(b) In addition, subject to the terms of the Series Bond Security Agreement and this paragraph, the Issuer may elect to terminate the Letter of Credit at any time by providing to the Credit Provider and the Trustee a replacement letter of credit in substitution for the Letter of Credit; provided, however, that the Issuer shall give the Credit Provider at least _____ (____) days' prior written notice of any such substitution. The provision of such a replacement shall be subject to the condition that the entity providing such replacement or the Issuer shall provide funds sufficient to repay all outstanding Liquidity Advances and to pay interest thereon accrued and unpaid to the date of such termination.

SECTION 2.10. DISBURSEMENT OF DRAWINGS. The Issuer hereby directs the Credit Provider to make payments under the Letter of Credit in the manner therein provided.

SECTION 2.11. COMPUTATION OF INTEREST. All computations of interest payable to the Credit Provider under this Agreement shall be made on the basis of a three hundred sixty (360) day year and actual days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof.

SECTION 2.12. PAYMENT DUE ON NON-BUSINESS DAY TO BE MADE ON NEXT BUSINESS DAY. If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, with no adjustment in the amount to be paid on such day.

SECTION 2.13. LATE PAYMENTS. If the principal amount of any Reimbursement Obligation or other amount owed by the Issuer hereunder is not paid when due, such Reimbursement Obligation or other amount shall bear interest (computed on the basis of a 360 day year and actual days elapsed) from the due date thereof until

9

13

paid in full at a rate per annum equal to the Credit Provider Rate plus _____ percent, payable on demand.

SECTION 2.14. SOURCE OF FUNDS. All payments made by the Letter of Credit shall be made from funds of the Credit Provider or from funds obtained by the Credit Provider from a Participant as provided in Section 7.6 of this Agreement, but in no event shall such payment be made with funds obtained from the Issuer.

SECTION 2.15. EXTENSION OF STATED EXPIRATION DATE. (a) If the short-term ratings of the Bonds are at least "A-1" in the case of Standard & Poor's or "VMIG-1" in the case of Moody's, the Credit Provider may, by written notice given to the Issuer and the Trustee in the form of Exhibit K to the Letter of Credit (a "Notice of Extension") on or before the _____ day prior to then current Stated Expiration Date, elect to extend the Stated Expiration Date to a future date designated in the Notice of Extension or, if the final maturity of the Bonds shall occur prior to such future date, to a date _____ days after such final maturity of the Bonds.

(b) If the Credit Provider does not give a Notice of Extension as provided in paragraph (a) of this Section 2.15, the Issuer may, on or before the _____ day prior to the then current Stated Expiration Date, but no earlier than the _____ day prior to the then current Stated Expiration Date, request in writing that the Credit Provider agree to an extension of the Stated Expiration Date to a future anniversary date of such Stated Expiration Date designated in the Notice of Extension or, if the final maturity of the Bonds shall occur prior to such future anniversary date, to a date _____ days after such final maturity of the Bonds. Within _____ days following its receipt of a request for an extension of the Stated Expiration Date, the Credit Provider shall give written notification to the Issuer and the Trustee as to whether it elects to extend the Stated Expiration Date; provided, that failure by the Credit Provider to give any such notice within such time period shall constitute an election by the Credit Provider not to extend the then current Stated Expiration Date. If the Credit Provider, in its sole discretion, elects to extend the Stated Expiration Date then in effect, it shall deliver to the Issuer and the Trustee a Notice of Extension designating the date to which the Stated Expiration Date is being extended.

(c) Any extension of the Stated Expiration Date pursuant to paragraph (a) or (b) shall be effective on the Business Day following the date of delivery of the applicable Notice of Extension and thereafter all references in this Agreement to the Stated Expiration Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to the Trustee.

10

14

SECTION 2.16. CHANGE OF LAW. (a) If, after the date of this Agreement, the adoption of any governmental rule, any change in any governmental rule or the application or requirements thereof (whether such change occurs in accordance with the terms of such governmental rule as enacted, as a result of amendment or otherwise), any change in the interpretation or administration of any governmental rule by any governmental authority, or compliance by the Credit Provider or any Participant with any request or directive (whether or not having the force of law) of any governmental authority or any credit rating agency (a "Change of Law"):

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

(ii) Shall impose, modify or hold applicable any reserve, special deposit or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances or loans by, or any other acquisition of funds by the Credit Provider or any Participant for the Credit Provider's commitment under the Letter of Credit; or

(iii) Shall impose on the Credit Provider or any Participant any other condition related to the Credit Provider's commitment under the Letter of Credit;

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

(b) If, after the date of this Agreement, the Credit Provider or any Participant determines that (i) any Change of Law affects the amount of capital required or expected to be maintained by the Credit Provider or any person controlling the Credit Provider or any Participant (a "Capital Adequacy Requirement") and

11

15

(ii) the amount of capital maintained by the Credit Provider or any Participant which is attributable to or based upon the Available Amount or this Agreement must be increased as a result of such Capital Adequacy Requirement (taking into account the Credit Provider's or such Participant's policies with respect to capital adequacy), the Issuer shall pay to the Credit Provider or any Participant, upon demand of the Credit Provider or any Participant, such amounts as the Credit Provider or any Participant shall determine are necessary to compensate the Credit Provider for the increased costs to the Credit Provider or any Participant of such increased capital. A certificate of the Credit Provider or any Participant setting forth in reasonable detail the computation of any such increased costs, delivered by the Credit Provider or any Participant to the Issuer shall, in the absence of manifest error, be conclusive and binding on the Issuer for all purposes.

SECTION 2.17. CREDIT PROVIDER RATE ADJUSTMENT. If the amount of interest that would have accrued hereunder for any period at a rate (the "Formula Rate") equal to the Credit Provider Rate calculated without regard to the Maximum Lawful Rate and without regard to this Section 2.17 exceeds the amount of interest that actually accrued for such period giving effect to the Maximum Lawful Rate, interest hereunder shall accrue at the Maximum Lawful Rate in accordance with the first proviso to the definition of Creditor Provider Rate in Section 1.1. The difference between (a) the amount of interest which would accrue at the Formula Rate and (b) the amount of interest that actually accrues as provided in the immediately preceding sentence is herein referred to as the "Excess Interest Amount". The Credit Provider shall calculate and notify the Issuer promptly in writing of the Excess Interest Amount, if any, determined from time to time. If there is an Excess Interest Amount, then all interest hereunder shall accrue at the Maximum Lawful Rate until such time as the excess of (a) the amount of interest accrued thereon at such rate over (b) the amount of interest that would have accrued at the Formula Rate equals the Excess Interest Amount.

ARTICLE III.

CONDITIONS PRECEDENT

SECTION 3.1. CONDITIONS PRECEDENT TO ISSUANCE OF LETTER OF CREDIT. It shall be a condition precedent to the Credit Provider's issuing the Letter of Credit that:

(a) All corporate and other proceedings taken in connection with the transactions contemplated hereby and all documents incident thereto shall be in form and substance satisfactory to the Credit Provider and that the Credit Provider shall have received on or prior to the Closing Date:

16

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

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

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

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

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

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

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

(viii) payment of the expenses and other amounts then due, if any, referred to in Section 7.6; and

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

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

(c) All municipal, corporate and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement and the Bond Documents shall be satisfactory in form and substance to the Credit Provider and its counsel and the Credit Provider shall have received all documents, including records of

17

corporate proceedings and governmental approvals, which it may reasonably request in connection with the transactions contemplated by this Agreement and the Bond Documents, any such document where appropriate to be certified by proper officers.

REPRESENTATIONS AND WARRANTIES

SECTION 4.1. REPRESENTATIONS AND WARRANTIES. The Issuer represents and warrants to the Credit Provider as of the Closing Date that:

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

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

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

(d) The information contained in the Official Statement (other than with respect to the information contained therein and furnished in writing by the Credit Provider), is as of the date hereof true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and except as otherwise disclosed to the Credit

14

18

Provider by the Issuer in writing, from the date of the Official Statement to the date of execution of this Agreement there has occurred no material adverse change in the condition, financial or otherwise of the Issuer, or in the status of the required permits, licenses or approvals for the [Project] [System].

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

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

(g) The execution and delivery or adoption, as the case may be, and performance by the Issuer of this Agreement or any Bond Document have been duly authorized by the Issuer and will not (i) conflict with or violate the _____ [governing instruments of the Issuer] or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Issuer, (ii) result in a breach of or constitute a default under any indenture, mortgage, deed of trust, ordinance or

loan or credit agreement or any other agreement, lease or instrument to which the Issuer is a party or by which it or its properties may be bound or affected, or (iii) result in, or require, the creation or imposition of any Lien (other than the Lien of the Bond Security Agreement) upon or with respect to any of the properties now owned or hereafter acquired by the Issuer; and the Issuer is not in material default under any such law, order, rule, regulation, writ, judgment, injunction, decree, determination or award or any such indenture, ordinance, agreement, lease or instrument.

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

(i) Except as set forth in the Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, body or official pending or, to the knowledge of the Issuer, threatened against or affecting (i) the transactions contemplated by or the validity of any Bond Documents or this Agreement, or any agreement or instrument to which the Issuer is a party and which is issued or contemplated for use in the consummation of the transactions

15

19

contemplated by the Bond Documents or this Agreement, (ii) the tax exempt status of the Issuer or of the interest on the Bonds, (iii) the Issuer's ability to perform its obligations under this Agreement or the Bond Documents to which it is a party, or (iv) which in any way contests the existence, organization or powers of the Issuer or the titles of the officers of the Issuer to their respective offices; or which in the aggregate might materially adversely affect the Issuer's property, assets, operations or condition, financial or otherwise, or which in any manner draws into question the validity or enforceability of this Agreement or any Bond Document.

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

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

ARTICLE V.

COVENANTS

SECTION 5.1. AFFIRMATIVE COVENANTS. During the term of this Agreement, and until the obligations of the Issuer to the Credit Provider hereunder or under any Credit Provider Bond are paid in full and the Credit Provider has no further commitment hereunder, unless the Credit Provider shall otherwise consent in writing, the Issuer hereby covenants to:

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

(b) Within _____ days after the end of each fiscal year of the Issuer, and within _____ days after the end of each quarter of the Issuer's fiscal year, or at such earlier time as the same may be available, provide to the Credit Provider financial statements consisting of a balance sheet of the [Project] [System] as at the end of such period and a statement of income and retained earnings of the [Project] [System] for such

20

fiscal year, setting forth in comparative form the corresponding figures, if any, for the preceding fiscal period, all in reasonable detail and accompanied by (i) in the case of the financial statements prepared at the end of the Issuer's fiscal year, an audit report of nationally recognized independent public accountants stating that such financial statements have (except as noted therein) been prepared in accordance with generally accepted accounting principles consistently applied and (ii) in any case a certificate from an authorized financial officer of the Issuer stating that no Event of Default or Default has come to his attention which was continuing at the end of such fiscal period or on the date of his certificate, or if there has been or currently exists an Event of Default or Default, indicating the nature of such Default or Event of Default and the action which the Issuer proposes to take with respect thereto.

(c) Preserve and maintain its existence, rights and privileges in the State of _____, and qualify and remain qualified and authorized to do business in each other jurisdiction in which such qualification is necessary in view of its activities or operations with respect to the [Project][System].

(d) Use the proceeds from the sale of Bonds as provided in the Series Bond Security Agreement.

(e) Cause the [Trustee] [Tender Agent] to use the proceeds from any purchase of Bonds made hereunder solely to pay the principal or Purchase Price of or interest on the Bonds as more fully described herein.

(f) Use its best efforts to cause each of the Paying Agent, the Trustee, the Tender Agent and the Remarketing Agent at all times to comply with the terms of the Bond Documents to which it is a party.

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

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

(i) Observe and perform all of its obligations under this Agreement, the Bonds and the other Bond Documents.

21

(j) Furnish to the Credit Provider a copy of any notice, certification, demand or other writing or communication given by the [Trustee][Tender Agent] to the Issuer or by the Issuer to the [Trustee][Tender Agent] under or in connection with the Bonds or any of the Bond Documents, in each case promptly after the receipt or giving of the same.

(k) Give the Credit Provider prompt notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality or other agency which, if adversely determined, could materially impair the ability of the Issuer to carry out its obligations under the Act, this Agreement, the Bonds or any other document, instrument or agreement

required hereunder or thereunder, or would materially and adversely affect its assets or financial condition.

(l) Promptly give written notice to the Credit Provider of (i) any material dispute which may exist between the Issuer and the [Trustee][Tender Agent] or any dispute in connection with any transaction contemplated under this Agreement or (ii) any matter or event which may result in a material adverse change in the Issuer's financial condition or operations.

(m) The Issuer agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Bond Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety. To the extent that any such incorporated provision permits any Person to waive compliance with or consent to such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person, for purposes of this Agreement, such provision shall be complied with only if it is waived or consented to by the Credit Provider and such document, opinion or other instrument shall be satisfactory to the Credit Provider. No amendment to such covenants and agreements or defined terms made pursuant to the Bond Documents shall be effective to amend such covenants and agreements and defined terms as incorporated by reference herein without the consent of the Credit Provider.

SECTION 5.2. NEGATIVE COVENANTS. The Issuer covenants, undertakes and agrees with the Credit Provider that, from the date of execution hereof and so long as any Bond remains Outstanding or any other amounts are due to the Credit Provider under this Agreement, it will not:

18

22

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

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

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

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

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

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

ARTICLE VI.

DEFAULTS

SECTION 6.1. EVENTS OF DEFAULT. If any of the following events shall occur and be continuing, each such event shall be an "Event of Default":

(a) any representation or warranty made by the Issuer under or in connection with this Agreement or any of the other Bond Documents shall prove to be untrue in any material respect on the date as of which it was made;

(b) any "event of default" on the part of the Issuer shall have occurred under any of the Bond Documents (as defined respectively therein);

(c) default on the part of the Issuer in the payment of any Reimbursement Obligations or other amount owing hereunder when and as the same shall become due and payable as herein provided;

(d) default in the due observance or performance by the Issuer of any covenant set forth herein [with grace periods to be determined];

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

(f) (1) The Issuer shall default in any payment of principal of or interest on any obligation for borrowed money (or any obligation under any conditional sale or other title

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

maturity; or

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

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

SECTION 6.2. REMEDIES. If any Event of Default hereunder has occurred and is continuing the Credit Provider may exercise any one or more of the following rights and remedies:

(a) give notice of the occurrence of an Event of Default to the Trustee and directing the Trustee to redeem the Bonds, thereby causing the Letter of Credit to expire at the close of the Credit Provider's business 15 days after receipt by the Trustee of such notice;

(b) direct the Trustee to exercise the rights of the Trustee under the Bond Security Agreement; and

(c) pursue any other action available at law or in equity.

ARTICLE VII.

MISCELLANEOUS

SECTION 7.1. WAIVER; PARTIES IN INTEREST; CAPTION HEADINGS. No failure or delay on the part of the Credit Provider in exercising any right, power or privilege hereunder or under the Letter of Credit and no course of dealing shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein and in the Letter of Credit expressly provided are cumulative and not exclusive of any rights or remedies which the Credit Provider would otherwise have. No notice to or demand on the Issuer or any other party hereto in any case shall entitle the Issuer or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Credit Provider to any other or further action in any circumstances without notice or demand. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the Issuer may not assign or transfer any of its interest hereunder without the prior written consent of the Credit Provider. It is understood that this Agreement is also for the benefit of the Trustee and the Guarantor, and that the Guarantor is entitled to exercise all rights and remedies herein provided to the Credit Provider upon payment under the Guarantee.

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

SECTION 7.2. GOVERNING LAW. THE OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT ARE TO BE CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE

WITH, AND SHALL BE GOVERNED BY, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO CHOICE OF LAW DOCTRINE IT BEING UNDERSTOOD HOWEVER THAT THE CORPORATE POWERS AND LEGAL CAPACITY OF THE ISSUER SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [ISSUER].

SECTION 7.3. SEVERABILITY. If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

22

26

SECTION 7.4. COUNTERPARTS. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

SECTION 7.5. LIABILITY OF THE CREDIT PROVIDER. As between the Issuer and the Credit Provider only, the Issuer assumes all risks of the acts or omissions of the Trustee, or any agent of the Trustee, and any transferee beneficiary of the Letter of Credit with respect to its use of the Letter of Credit. Neither the Credit Provider nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of the Letter of Credit or for any acts or omissions of the Trustee and any transferee beneficiary in connection therewith; (b) the validity or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged; (c) payment by the Credit Provider against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit; provided, however, that the Issuer shall have a claim against the Credit Provider, and the Credit Provider shall be liable to the Issuer, to the extent of any direct, as opposed to consequential, damages suffered by the Issuer which the Issuer proves were caused by (i) the Credit Provider's willful misconduct or gross negligence in determining whether documents presented under the Letter of Credit comply with the terms of the Letter of Credit or (ii) the Credit Provider's willful or grossly negligent failure (A) to make lawful payment under the Letter of Credit after the presentation to the Credit Provider by the Trustee or a transferee beneficiary of the Letter of Credit of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit or (B) in making payment against a drawing which does not comply with the terms of the Letter of Credit (it being understood that in making such payment the Credit Provider's exclusive good faith reliance on the documents presented to the Credit Provider in accordance with the terms of the Letter of Credit as to any and all matters set forth therein, whether or not any statement or any document presented pursuant to the Letter of Credit proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein proves to be untrue or inaccurate in any respect whatsoever, shall not be deemed willful misconduct or gross negligence of the Credit Provider). The Credit Provider is hereby expressly authorized and directed to honor any demand for payment which is made under the Letter of Credit without regard to, and without any duty on its part to inquire into the existence of, any disputes or controversies between the Issuer, the Trustee, any transferee beneficiary of the Letter of Credit or any other person or the respective rights, duties or liabilities of any of them, or

23

27

whether any facts or occurrences represented in any of the documents presented

under the Letter of Credit are true and correct.

SECTION 7.6. FEES; EXPENSES; DOCUMENTARY TAXES;

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

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

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

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

contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading), (ii) the execution and delivery of this Agreement or any Bond Document, the issuance of the Bonds or any failure of the Tender Agent to pay the Purchase Price of tendered Bonds following performance by the Credit Provider of its obligations hereunder; provided, however, that the Issuer shall not be required to protect, indemnify and save harmless the Credit Provider or any Participant from and against any of the foregoing to the extent caused by the Credit Provider's gross negligence or willful misconduct. The Credit Provider shall not, in any way, be liable for any failure by the Credit Provider to purchase Tendered Bonds under this Agreement as a result of any act of a governmental authority or any other cause beyond the control of the Credit Provider. The obligations of the Issuer under this Section 7.6 shall survive the payment of the Bonds and the termination of this Agreement.

SECTION 7.7. TERM OF THE AGREEMENT. The term of this Agreement shall be until the later of (i) the payment of all amounts due to the Credit Provider by the Issuer under this Agreement and any Credit Provider Bonds, including, without limitation, interest on the Credit Provider Bonds at the Credit Provider Rate and (ii) the Stated Expiration Date.

SECTION 7.8. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties of the Issuer and the Credit Provider contained in this Agreement shall survive issuance of the Letter of Credit, delivery of this Agreement and the transactions contemplated hereby. All covenants of the Issuer to make payments to the Credit Provider under any provision hereof, including Sections 2.5, 2.16 and 7.6, shall survive the payment of the Bonds, including the Credit Provider Bonds, and termination of this Agreement. All other covenants of the Issuer contained in this Agreement shall survive termination of this Agreement if and so long as there are Credit Provider Bonds.

SECTION 7.9. PARTICIPATION. The Credit Provider shall have the right at any time to sell, assign, grant or transfer participation in all or part of its obligations under the Letter of Credit and the obligations of the Issuer hereunder to any other Participant without the consent of or notice to the Issuer; provided, that any participation shall not relieve the Credit Provider from any of its obligations under the Letter of Credit. The Credit Provider may disclose to any Participants or prospective Participants any information or other data or material in the Credit Provider's possession relating to this Agreement, any Bond Document and the Issuer, without the consent of or notice to the Issuer.

SECTION 7.10. RIGHT OF SET-OFF. In addition to any rights now or hereafter granted under applicable law (including, but not limited to, Section 151 of the New York Debtor and Creditor Law) and not by way of limitation of any such rights, during the continuance of any Event of Default, the Credit Provider and any Participant is hereby authorized at any time and from time to time, without notice to the Issuer or to any other person or entity, any such notice being hereby expressly waived, to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by the Credit Provider or any Participant to or for the credit or the account of the Issuer against and on account of the obligations and liabilities of the Issuer to the Credit Provider under this Agreement, including (without limitation) all claims of any nature or description arising out of or connected with this Agreement irrespective of whether or not the Credit Provider shall have made any demand hereunder.

SECTION 7.11. NOTICES. Except as otherwise expressly specified in this Agreement, all notices, requests and other communications hereunder shall be in written form (including bank wire, telegram, telecopier or similar writing) and shall be given to the party to whom addressed, at its address or telecopier number as such party may hereafter specify for the purpose by notice to the other parties below. Each such notice, request or communication shall be effective (i) if given by telecopy, upon receipt thereof, (ii) if given by mail, three (3) days after such communication is deposited in the United States Mail with first-class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified below.

If to the Issuer, to:

If to the Credit Provider, to:

AIG Liquidity Corp.
100 Nyala Farm
Westport, Connecticut 06880
Attention: Chief Financial Officer
Telecopier Number: (203) 222-4780

If to the Remarketing Agent, to:

If to AIG Financial Products Corp., to:

AIG Financial Products Corp.
100 Nyala Farm
Westport, Connecticut 06880
Attention: Chief Financial Officer
Telecopier Number: (203) 222-4780

SECTION 7.12. CONSENT TO JURISDICTION; WAIVER OF DEFENSE OF SOVEREIGN IMMUNITY. To the extent permitted by law, the Issuer consents to the initiation of any proceeding for the enforcement of this Agreement in any federal or state court of competent jurisdiction located in the State of _____ and agrees not to assert the defense of sovereign immunity in any such proceeding.

SECTION 7.13. OBLIGATIONS ABSOLUTE. The obligations of the Issuer under this Agreement shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of any of the Bond Documents;

(ii) any amendment or waiver of or any consent to departure from all or any of the Bond Documents;

(iii) the existence of any claim, set-off, defense or other rights which the Issuer may have at any time against the Trustee or any other beneficiary of the Letter of Credit, the Credit Provider (other than the defense of payment to the Credit Provider in accordance with the terms of this Agreement), or any other Person whether in connection with this Agreement, the Bond Documents or any unrelated transaction;

(iv) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, or invalid or any statement therein being untrue or inaccurate in any respect whatsoever;

(v) payment by the Credit Provider under the Letter of Credit against presentation of a certificate which does not comply with the terms of the Letter of Credit; and

(vi) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

It is hereby understood and agreed that the provisions of this Section 7.13 shall not restrict the right the Issuer to sue the Credit Provider in a separate, independent lawsuit for any claims arising under this Agreement, subject to Section 7.5 hereof.

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

Attest:

Secretary

[ISSUER]

By _____
Title: _____

AIG LIQUIDITY CORP.

By _____
Title: _____

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this Post-Effective Amendment No. 1 to the Registration Statement on Form S-3 (Registration No. 33-48996) of our report dated February 23, 1995, on our audits of the consolidated financial statements and financial statement schedules of American International Group, Inc. and subsidiaries included in Annual Report on Form 10-K for the year ended December 31, 1994. We also consent to the reference to our firm under the caption "Experts".

COOPERS & LYBRAND L.L.P.

New York, New York

July 31, 1995