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Dear Client:

American International Group Inc posted a record \$61.7 billion quarterly loss on Monday and got a new but not necessarily final government bailout after officials concluded again that letting the insurer fail would threaten the world financial system.

AIG will get access to up to \$30 billion of new capital, after getting a commitment for \$150 billion in aid last year that gave the government a stake of nearly 80 percent.

The latest bailout avoids for now any crippling credit rating downgrades that could force AIG to come up with billions of dollars it might not have. The new rescue agreement increases the government's commitment to keeping AIG on life support.

In agreeing to a new AIG bailout, the Treasury Department and the Federal Reserve cited AIG's operations in more than 130 countries, its role as an insurer for more than 100,000 entities including operations that employ more than 100 million Americans, and its more than 30 million U.S. policyholders.

The government also acknowledged that Monday's bailout might not be AIG's last. "Given the systemic risk AIG continues to pose and the fragility of markets today, the potential cost to the economy and the taxpayer of government inaction would be extremely high," the government said in a statement.

It said fixing the insurer "will take time and possibly further government support if markets do not stabilize and improve.

Major credit rating agencies affirmed AIG's ratings, which fall in the "single-A" category **investment grade**. S&P today affirmed AIG's ratings on the prospects that the Fed and Treasury will "continue their financial support." Moody's Investors Service analyst Bruce Ballentine said he expected the government "**will provide incremental support as needed to ensure that AIG can meet its obligations through this period of severe economic recession and market turmoil.**"

The above paragraph translated means that the equity holders will lose as a result of new ownership of the US Government and the bondholders will gain from support from the new owners, the US Government.

Sincerely,

Scott Spiering