

**AGREEMENT OF COMPROMISE AND SETTLEMENT**

This Agreement of Compromise and Settlement (the “Agreement”) is entered into among the Ohio Public Employees Retirement System, State Teachers Retirement System of Ohio and Ohio Police & Fire Pension Fund (collectively, the “Lead Plaintiff”), on behalf of the Settlement Class (as defined below), and PricewaterhouseCoopers LLP (“PwC”) (the Lead Plaintiff and PwC collectively, the “Settling Parties”), by and through their respective counsel.

**RECITALS**

**WHEREAS:**

1. Beginning on October 15, 2004, at least ten class actions alleging violations of federal securities laws against American International Group, Inc. (“AIG”) and others were filed in this Court. By Order dated February 8, 2005, the Court consolidated these actions under the caption In re American International Group, Inc. Securities Litigation, Master File No. 04 Civ. 8141 (JES). By Order dated February 8, 2005, the Court also appointed the Ohio Public Employees Retirement System, State Teachers Retirement System of Ohio and Ohio Police & Fire Pension Fund to serve as Lead Plaintiff in the consolidated action; and by the same Order the Court approved the selection of Goodkind Labaton Rudoff & Sucharow LLP (now Labaton Sucharow LLP) and Hahn Loeser & Parks LLP as co-lead counsel for the purported class.

2. The Consolidated Amended Class Action Complaint, filed April 19, 2005; the Consolidated Second Amended Class Action Complaint, filed September 27, 2005; and the Consolidated Third Amended Class Action Complaint, filed December 15, 2006, generally alleged, among other things, violations of the federal securities laws against AIG, certain former members of AIG’s senior management, PwC

and others in connection with AIG's filings with the Securities and Exchange Commission and press releases.

3. There has been extensive discovery in the Action (as defined below) so far. In the course of this litigation, PwC has produced and made available to Lead Plaintiff over 28 million pages of documents, and the total document production by parties and non-parties exceeds 45 million pages. Lead Plaintiff's counsel has reviewed and analyzed all of the documents produced to date. The parties have conducted over 30 depositions.

4. This Agreement constitutes a compromise of matters that are in dispute between the Settling Parties. PwC is entering into this Agreement solely to eliminate the uncertainties, burden and expense of further protracted litigation. PwC has denied and continues to deny each and every allegation of liability or wrongdoing or damage to the Settlement Class or Class Members, and believes that it acted properly and lawfully at all times, and believes that any Claims against it are without merit. This Agreement, whether or not consummated, any proceedings related to this Agreement, or any of the terms of the Agreement, are not intended to constitute, nor should they be construed as, any admission of liability or wrongdoing in any respect. Neither this Agreement, nor the fact of its execution, nor any of its provisions, shall be offered or received in evidence in any action or proceeding of any nature or otherwise referred to or used in any manner in any court or other tribunal, except in a proceeding to enforce the terms of the Agreement.

5. Lead Plaintiff believes that the claims asserted in the Action have merit and the evidence developed to date supports the claims asserted. However, Lead

Plaintiff and its counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Action against PwC through trial and appeals. Lead Plaintiff and its counsel have also taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Action, as well as the difficulties and delays inherent in such litigation. Lead Plaintiff and its counsel are also mindful of the inherent problems of proof of and the possible defenses to the violations asserted in the Action. They believe that the settlement set forth in this Agreement confers substantial benefits upon the Settlement Class. Based on their evaluation, counsel for Lead Plaintiff and Lead Plaintiff have determined that the settlement set forth in the Agreement is in the best interests of Lead Plaintiff and the Settlement Class.

6. The Settling Parties have participated in multiple mediation sessions with former Judge Layn Phillips and were able to reach the settlement that is the subject of this Agreement.

7. The Settling Parties have included bar orders as a negotiated item in this Agreement. PwC faces existing and potential future claims, for contribution, indemnification or otherwise, by or on behalf of Maurice R. Greenberg, Howard I. Smith, AIG and other non-settling co-defendants in the Action, arising out of or relating to the acts and transactions that are the subject of the Action. PwC is currently a defendant in related derivative action, American International Group, Inc. Consolidated Derivative Litigation, Civ. A. No. 769-VCS (Del. Ch.) (the “Delaware Derivative Action”), and In re American International Group, Inc. Derivative Litigation, Master File No. 04-cv-08406 (JES) (S.D.N.Y.), in which plaintiffs seek to recover on behalf of

AIG (a non-settling co-defendant in the Action) for alleged damages to AIG, inter alia from (a) any settlement or judgment in this Action, (b) costs incurred by AIG in settling with federal and state governmental agencies and regulators, including but not limited to an SEC “Fair Fund” payment in Securities and Exchange Commission v. American International Group, Inc., No. 06 Civ. 1000 (LAP) (S.D.N.Y.), which will be distributed to the Settlement Class, and (c) legal fees, expenses and costs incurred by AIG in connection with the Action, the related governmental and regulatory investigations and actions, and AIG’s internal investigations. In the Delaware Derivative Action, PwC was previously also a third-party defendant in claims for contribution filed by co-defendants Greenberg and Smith (which claims for contribution Greenberg and Smith later deemed superseded) seeking to recover for these same alleged damages, and Greenberg, Smith or others may assert such claims against PwC again in the future.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, by and among the Settling Parties, through their respective attorneys, subject to approval by the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the Settling Parties from the Agreement, that all Released Claims (as defined below) as against all Released Persons (as defined below) shall be compromised, settled, released and dismissed, with prejudice and without costs, upon and subject to the following terms and conditions.

#### **DEFINITIONS**

1. “Action” means all actions consolidated under the caption In re American International Group, Inc. Securities Litigation, Master File No. 04 Civ. 8141 (JES) (AJP).

2. “Administrator” means such entity as shall be appointed by the Court in the Hearing Order to assist in administering the settlement pursuant to this Agreement.

3. “AIG Securities” means any and all publicly-traded securities issued by American International Group, Inc., whether debt or equity securities, including, without limitation, AIG common stock, the Zero Coupon Convertible Senior Debentures referenced in paragraph 189 of the Complaint, the 0.5% Cash Exchangeable Equity-Linked Senior Notes referenced in paragraph 193 of the Complaint, the 2.85% Medium-Term Notes, Series F referenced in paragraph 203 of the Complaint, the 2.875% Notes 144A securities referenced in paragraph 212 of the Complaint that were exchanged into registered like coupon bonds and the 4.25% Notes 144A securities referenced in paragraph 217 of the Complaint that were exchanged into registered like coupon bonds.

4. “Attorneys’ Fees and Expenses Award” means the amounts awarded to Lead Plaintiff’s counsel to compensate them for their fees and expenses in connection with investigating, prosecuting and/or settling the Action, as provided for in Section V below.

5. “Authorized Claimant” means a claimant whose Proof of Claim is allowed by the Court.

6. “Cash Settlement Account” means a segregated interest-bearing escrow account established pursuant to the terms of an escrow agreement to be entered into by Lead Plaintiff and PwC. The Cash Settlement Account shall be maintained as a Qualified Settlement Fund, as defined in Section I below. All monies in the Cash

Settlement Account, including all interest accruing thereon, shall be deemed to be in the custody of the Court and will remain subject to the jurisdiction of the Court until such time as they are paid out as (i) Notice and Administrative Expenses, (ii) Attorneys' Fees and Expenses Award, (iii) payment to the Lead Plaintiff of its reasonable costs and expenses (including lost wages), to the extent approved by the Court, (iv) Tax Expenses on the Cash Settlement Account or (v) distributions to Authorized Claimants after the Effective Date of this Agreement.

7. "Claims" means any and all claims, rights or causes of action, demands, attorneys' fees, costs, obligations, controversies, debts, damages, losses or liabilities of any kind whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation (whether foreign or domestic), including known and unknown, accrued and not accrued, foreseen and unforeseen, matured and not matured.

8. "Class Member" means a member of the Settlement Class.

9. "Class Period" means the period of time from October 28, 1999, through April 1, 2005, inclusive.

10. "Complaint" means the Consolidated Third Amended Class Action Complaint in the Action, dated December 15, 2006.

11. "Distribution Amount" means the Settlement Amount, as defined below, plus all interest or other income earned thereon, less any Tax Expenses, less all Notice and Administrative Expenses, less the Attorneys' Fees and Expenses Award, less any award to the Lead Plaintiff of its reasonable costs and expenses (including lost

wages), to the extent approved by the Court, and less any other payment authorized by the Court to be paid from those funds.

12. “Effective Date” means the date when all of the following shall have occurred: (1) the Notice is provided to the Settlement Class, in a manner and form approved by the Court, (2) the Fairness Hearing is held and the Final Judgment is entered by the Court; and (3) the Final Judgment is affirmed on appeal or all time periods for appeals have expired under the Federal Rules of Civil and/or Appellate Procedure.

13. “Execution Date” means the date on which this Agreement is filed with the Court.

14. “Fairness Hearing” means the hearing to be held by the Court to make a final decision pursuant to Fed. R. Civ. P. 23 as to whether this Agreement is fair, reasonable and adequate.

15. “Final Judgment” means the order and the judgment to be entered by the Court pursuant to Fed. R. Civ. P. 58(a) finally approving this Agreement, and dismissing the Action as to the Released Persons on the merits and with prejudice.

16. “Hearing Order” means the order preliminarily approving the Agreement and directing the Notice to be provided to the Settlement Class.

17. “Notice” means the Notice of Proposed Settlement, Motion for Attorneys’ Fees and Expenses Award and Fairness Hearing, which is to be provided to the Settlement Class as specified in Section III below.

18. “Notice and Administrative Expenses” means all expenses incurred in connection with the preparation, printing and mailing of the Notice to the

Settlement Class, and all expenses of settlement administration; *provided however*, that Notice and Administrative Expenses shall not include the amount of the Attorneys' Fees and Expenses Award.

19. "Person" means an individual, corporation, limited liability corporation, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, or any business or legal entity, and their respective spouses, heirs, predecessors, successors, representatives and assignees.

20. "Plan of Allocation" means the terms and procedures for allocating the Distribution Amount among, and distributing the Distribution Amount to, Authorized Claimants, as proposed in the Notice, or such other plan of allocation as the Court shall approve.

21. "Proof of Claim" means the form which is to be sent to Class Members substantially in the form attached hereto as Exhibit A.

22. "Released Claims" means and includes any and all Claims, known or unknown, suspected or unsuspected, asserted or unasserted, that Lead Plaintiff, the Settlement Class or Class Members, and/or each of their respective divisions, agencies, instrumentalities, branches, subsidiaries, parent companies, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors and/or administrators ever had, now have or hereafter can, shall or may have against the Released Persons, related in any way to any professional services that PwC performed or was engaged to perform for AIG that are raised or referred to in the Complaint or

related in any way to the financial statements of AIG or any of its subsidiaries for fiscal years 1999 through 2004 or any restatement thereof, including, but not limited to, the Claims asserted against PwC in the Complaint.

23. “Released PwC Claims” means any Claims which PwC ever had, now has or hereafter can, shall or may have against any of the Released Plaintiff Parties, which arise out of or relate in any way to the institution or prosecution (to the Effective Date) of the Action.

24. “Released Persons” means PricewaterhouseCoopers LLP (“PwC”) and/or its divisions, subsidiaries, parent companies, affiliates, connected firms, associates, representatives, predecessors, successors, heirs, owners, assigns, executors, administrators, and/or its present, former or future directors, agents, partners, principals, officers, employees, trustees, servants, attorneys, shareholders and/or representatives of the foregoing, and each of them. “Released Persons” shall include PricewaterhouseCoopers International Limited, any member firm, network firm, specified subsidiary or connected firm of PricewaterhouseCoopers International Limited, and any other entity or partnership (whether or not incorporated) which carries on business under a name which includes all or part of the PricewaterhouseCoopers name or is otherwise within (directly or indirectly) the worldwide network of PricewaterhouseCoopers firms.

25. “Released Plaintiff Parties” means any and all of the Lead Plaintiff, the Settlement Class, Class Members and Lead Plaintiff’s counsel, and/or each of their respective divisions, agencies, instrumentalities, branches, subsidiaries, parent

companies, affiliates, associates, representatives, predecessors, successors, heirs, owners, assigns, executors and/or administrators.

26. “Settlement Class” means, for purposes of this Agreement only, all persons who purchased or otherwise acquired AIG Securities during the period from October 28, 1999 through April 1, 2005, inclusive (the “Class Period”), including all persons and entities who held the common stock of HSB Group, Inc. (“HSB”) at the time HSB was acquired by AIG in a stock for stock transaction, and all persons and entities who held the common stock of American General Corporation (“AGC”) at the time AGC was acquired by AIG in a stock for stock transaction, and who were damaged thereby, excluding persons who make requests for exclusion from the class in the manner and within the time period provided by Section IV below and/or by order of the Court and do not thereafter rescind such requests.

27. “Tax Expenses” means (i) all taxes on the income earned in the Cash Settlement Account, and (ii) fees and expenses incurred in connection with such taxation (including, without limitation, expenses of tax attorneys and accountants).

## **AGREEMENT**

### **I. TERMS AND CONDITIONS OF THE SETTLEMENT**

#### **A. Payment**

1. By no later than ten (10) business days after the entry of the Hearing Order, PwC shall make payment by wire transfer to Lead Plaintiff, in the amount of \$97,500,000 (the “Settlement Amount”). The Settlement Amount is being paid to fully settle and resolve all Claims by the Settlement Class, Lead Plaintiff and their respective agents and assigns against the Released Persons.

2. PwC shall place or cause to be placed the Settlement Amount into the Cash Settlement Account established pursuant to the terms of an escrow agreement to be entered into by counsel for Lead Plaintiff and PwC. The Settlement Amount shall be invested in securities backed by the full faith and credit of the United States Government. Thomas A. Dubbs and James W. Johnson, Court-appointed Lead Plaintiff's counsel, and Thomas G. Rafferty, counsel for PwC, shall be signatories on the Cash Settlement Account. On the Effective Date, Labaton Sucharow LLP shall become the sole signatory on the Cash Settlement Account.

3. If, after PwC has paid the Settlement Amount, Lead Plaintiff or PwC exercises its respective right to terminate this Agreement (as specified in Section X below), the entire Settlement Amount, plus any accrued interest earned in the Cash Settlement Account, less any Notice and Administrative Expenses actually and reasonably incurred prior to termination of this Agreement and less any Tax Expenses actually and reasonably incurred in connection with the Agreement, shall be returned promptly to PwC.

4. Lead Plaintiff's counsel may withdraw up to \$2,500,000 from the Cash Settlement Account to pay Notice and Administrative Expenses. In the event that the Agreement is not approved or is not consummated, the entire Settlement Amount, plus any accrued interest earned in the Cash Settlement Account, less any Notice and Administrative Expenses actually and reasonably incurred in connection with this Agreement and less any Tax Expenses actually and reasonably incurred in connection with the Agreement, shall be returned promptly to PwC.

B. Qualified Settlement Fund

1. The parties hereto agree that the Cash Settlement Account is intended to be a single Qualified Settlement Fund within the meaning of Treasury Regulation § 1.468B-1 and that the Administrator shall be the “administrator” of the Cash Settlement Account within the meaning of Treasury Regulation § 1.468B-2(k)(3) and shall be responsible for filing tax returns for the Cash Settlement Account and paying from the Cash Settlement Account any Tax Expenses with respect to the Cash Settlement Account. The parties hereto agree that all of the Cash Settlement Account shall be treated as a single Qualified Settlement Fund from the earliest date possible, and agree to any relation-back election required to treat any and all of the Cash Settlement Account as a Qualified Settlement Fund from the earliest date possible. Counsel for PwC agrees to provide promptly to the Administrator the statement described in Treasury Regulation § 1.468B-3(e).

2. All Tax Expenses shall be paid out of the Cash Settlement Account; in all events the Released Persons shall not have any liability or responsibility for the Tax Expenses or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. Tax Expenses shall be treated as, and considered to be, a cost of administration of the Agreement and shall be paid out of the Cash Settlement Account in a timely manner without prior order from the Court, and the Administrator shall be obligated to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts; the Released Persons are not responsible and shall have no liability therefor or for any reporting requirements that may relate thereto.

C. Distribution of the Settlement Amount

1. In the event that PwC does not exercise its right of termination of this Agreement, the entire Distribution Amount shall be distributed pursuant to the Plan of Allocation, as described below, provided, however, that no amounts shall be distributed to Authorized Claimants prior to the Effective Date.

2. No Person shall have any Claim against Lead Plaintiff, Lead Plaintiff's counsel, the Administrator or any of their respective agents, or against the Released Persons and/or their respective counsel, with respect to or arising out of any distributions or lack thereof made under the Plan of Allocation, this Agreement or orders of the Court.

3. It is understood and agreed to by the Settling Parties that, notwithstanding any other provision of this Agreement, the proposed Plan of Allocation is not a part of this Agreement; and no order or proceedings relating to the Plan of Allocation shall operate to modify, terminate or cancel this Agreement or affect the finality of the Final Judgment.

4. The Released Persons and/or their counsel shall have no role in, responsibility for, or liability with respect to the Plan of Allocation, the form, substance, method or manner of allocation, administration, or distribution of the Distribution Amount, any tax liability that a Class Member may incur as a result of this Agreement or as a result of any action taken pursuant to this Agreement, the administration or processing of claims, including, without limitation, determinations as to the validity of any Proof of Claim, the amounts of claims or distribution of the Distribution Amount, or the maintenance of the Cash Settlement Account as a Qualified Settlement Fund.

5. In the event that PwC does not exercise its right of termination of this Agreement, Class Members shall look solely to the Distribution Amount for settlement and satisfaction of all Released Claims. Except as expressly provided by this Agreement, the Plan of Allocation, or an order of the Court, no Class Member shall have any interest in the Cash Settlement Account.

6. If the funds remaining in the Cash Settlement Account following pro rata distribution(s) to all Authorized Claimants are of such an amount that it is not cost effective or efficient to redistribute the amount to the Settlement Class, then such remaining funds, after payment of any further Notice and Administration Expenses, Tax Expenses, shall be donated to non-sectarian, not-for-profit 501(c)(3) organization(s) designated by Lead Plaintiff and Lead Plaintiff's counsel.

D. Plan of Allocation

1. Lead Plaintiff shall propose in the Notice a Plan of Allocation pursuant to which the Distribution Amount shall be allocated to Authorized Claimants, and shall seek approval of the Court for such Plan of Allocation at the Fairness Hearing. Approval of the proposed Plan of Allocation set forth in the Notice is not a condition to the Effective Date.

2. All cash distributions to Authorized Claimants shall be from the Distribution Amount pursuant to an approved Plan of Allocation.

3. To receive a cash distribution from the Distribution Amount, a Class Member must be an Authorized Claimant.

4. Each Class Member who wishes to receive a distribution from the Distribution Amount must complete and submit a Proof of Claim (i) by first-class mail,

such that it is postmarked no later than the date set forth in the Notice, or (ii) so that it is actually received at the address on the Proof of Claim form by the date stated in the Notice, unless that date is extended by order of the Court. The address to which the Proof of Claim must be mailed shall be stated in the Proof of Claim form itself and shall also be printed in the Notice.

5. Lead Plaintiff's counsel shall have the right, but not the obligation, to advise the Administrator to waive what Lead Plaintiff's counsel deem to be de minimis or formal or technical defects in any Proofs of Claim submitted. All Proof of Claim forms must be supported by such documents and other information as called for in the Proof of Claim, unless this requirement is waived as to specific Proof of Claims by the Administrator in consultation with Lead Plaintiff's counsel.

6. The Proof of Claim shall be substantially in the form of Exhibit A hereto and shall include an individual release in favor of the Released Persons, which must be executed by all Authorized Claimants in order for such Authorized Claimant to receive a distribution in accordance with the Plan of Allocation. Any Class Member who fails to execute the individual release referred to herein shall nevertheless be bound by the release.

7. The validity of each Proof of Claim filed will initially be determined by the Administrator in accordance with the Plan of Allocation approved by the Court. The Administrator shall promptly advise the claimant in writing if the Administrator determines to reject the claim. Neither Lead Plaintiff's counsel, nor its designees or agents, the Released Persons, or their respective counsel shall have any liability arising out of such determination. If any claimant whose claim has been

rejected in whole or in part desires to contest such rejection, the claimant must, within twenty (20) days after the date of the Administrator's mailing of the writing rejecting the claimant's claim, serve upon the Administrator a notice and statement of reasons indicating the claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Lead Plaintiff's counsel shall thereafter present the request for review to the Court for summary resolution, without any right of appeal or review. Any such claimant shall be responsible for his, her or its own costs, including, without limitation, attorneys' fees, incurred in pursuing any dispute.

8. All initial determinations as to the validity of a Proof of Claim, the amount of any claims and the calculation of the extent to which each Authorized Claimant will participate in the Distribution Amount, the preparation and mailing of distributions to Authorized Claimants, and the distribution of the Distribution Amount shall be made by the Administrator. The administration of the Distribution Amount, and decisions on all disputed questions of law and fact with respect to the validity of any Proof of Claim or regarding the rejection or amount of any claim, shall remain under the jurisdiction of the Court.

9. Unless otherwise ordered by the Court, any Class Member who fails to submit a valid and timely Proof of Claim shall be barred from receiving a distribution from the Distribution Amount. Any Class Member who fails to submit a valid and timely Proof of Claim shall nevertheless be bound by the release and by all proceedings, orders and judgments in the Action even if he, she or it does not receive a distribution from the Distribution Amount and/or has pending, or subsequently initiates,

any litigation, arbitration or other proceeding, or has any Claim, against any or all of the Released Persons that is, or relates in any way to, any Released Claim.

## **II. RETENTION OF AN ADMINISTRATOR**

Lead Plaintiff shall request the Court to appoint an Administrator to help implement this Agreement. The Administrator shall perform the following functions in furtherance of the Agreement: (i) mailing or arranging for the mailing of the Notice to Class Members; (ii) answering written inquiries from Class Members and/or forwarding such inquiries to Lead Plaintiff's counsel or its designee(s), which shall be forwarded to counsel for PwC as appropriate; (iii) receiving and maintaining on behalf of the Court any requests for exclusion from the Agreement received from potential Class Members; (iv) receiving and processing Proofs of Claim; (v) mailing or causing to be mailed to Authorized Claimants their distributions under the Agreement; and (vi) otherwise assisting the Court and Lead Plaintiff's counsel with administration of the settlement pursuant to this Agreement. The Released Persons shall have no responsibility with respect to the tasks enumerated or described in this section.

## **III. NOTICE TO THE CLASS**

Lead Plaintiff shall cause the Administrator to mail, by first-class mail, postage prepaid, a copy of the Notice and Proof of Claim to each putative member of the Settlement Class who can be identified by reasonable effort. The Notice shall be substantially in the form attached hereto as Exhibit B. Lead Plaintiff and the Administrator shall cause the Notice to be published on their respective websites. Subject to the requirements of the Hearing Order, Lead Plaintiff's counsel shall submit to

the Court affidavits demonstrating the adequacy of its efforts to provide notice to the putative Class Members.

1. Lead Plaintiff will request that the Court order AIG to provide Lead Plaintiff's counsel with information obtainable by reasonable efforts identifying, by name and address, the persons and entities who were shareholders during the Class Period, including banks, brokerage firms, institutions and other nominees and record owners. Such request will not be opposed by PwC.

2. The Released Persons shall have no responsibility with respect to the tasks enumerated or described in this section.

#### **IV. REQUESTS FOR EXCLUSION**

1. Putative Class Members requesting exclusion from the Settlement Class shall be requested to provide the following information to the Administrator: (i) name, (ii) address, (iii) telephone number, (iv) number and type of AIG Securities purchased (or otherwise acquired) or sold during the Class Period, (v) prices or other consideration paid or received for such AIG Securities, and (vi) the date of each transaction. Unless otherwise ordered by the Court, any member of the class as defined in the Complaint who does not submit a timely written request for exclusion as provided by this section shall be bound by the Agreement, even if he, she or it has pending, or subsequently initiates, litigation, arbitration or any other proceeding, or has any Claim against any Released Person relating to any Released Claim. Lead Plaintiff's counsel and PwC's counsel shall jointly request that the deadline for submitting exclusions from this Action be set twenty-one (21) days prior to the Fairness Hearing.

2. The Administrator shall scan and send electronically copies of all requests for exclusion in PDF format (or such other format as shall be agreed) to PwC's counsel and to Lead Plaintiff's counsel expeditiously after the Administrator receives such a request. As part of the motion papers in support of the settlement of the Action, Lead Plaintiff's counsel will provide a list of all the persons who have requested exclusion from the class as defined in the Complaint and all of the information provided to the Administrator under Section IV.1 of this Agreement for those persons requesting exclusion, and shall certify that all requests for exclusion received have been copied and provided to PwC's counsel.

#### **V. ATTORNEYS' FEES AND EXPENSES**

1. Lead Plaintiff's counsel will apply to the Court for an Attorneys' Fees and Expenses Award to be paid out of the Cash Settlement Account. Immediately after the Court enters an order approving the Attorneys' Fees and Expenses Award, Lead Plaintiff's counsel may withdraw the Court-awarded attorneys' fees and expenses from the Cash Settlement Account, provided that they provide to PwC, in a form acceptable to PwC, an undertaking (as that term is used in Del. Gen. Corp. Law § 145(e)) jointly and severally from Labaton Sucharow LLP and Hahn Loeser & Parks LLP securing the repayment of any attorneys' fees and expenses plus interest at the same rate as earned by the Cash Settlement Account for such periods, in the event the Effective Date does not occur or the amount of the Attorneys' Fees and Expenses Award is reduced on appeal. PwC's consent to the form of the undertaking will not be unreasonably withheld. After the Attorneys' Fees and Expenses Award is final, the requirement for any undertaking shall expire. The apportionment and distribution

among Lead Plaintiff's counsel of the Attorneys' Fees and Expenses Award shall be within the sole discretion of Lead Plaintiff's counsel, subject to the continuing jurisdiction of this Court over any fee disputes.

2. If this Agreement is terminated and the Attorneys' Fees and Expenses Award (or any portion thereof) has been paid, then Lead Plaintiff's counsel shall, within fifteen (15) business days following receipt of notice of such termination, return to the Cash Settlement Account the amount they received, plus interest on such amount at the same rate as is earned by the Cash Settlement Account from the date of such counsel's receipt to the date of repayment to the Cash Settlement Account.

3. If the Attorneys' Fees and Expenses Award is reduced and the Attorneys' Fees and Expenses Award (or any portion thereof) has been paid, then Lead Plaintiff's counsel shall within fifteen (15) business days following receipt of notice of such reduction, return to the Cash Settlement Account the difference between the Attorneys' Fees and Expenses Award and the reduced amount, plus interest on such difference at the same rate as is earned by the Cash Settlement Account from the date of such counsel's receipt to the date of repayment to the Cash Settlement Account.

4. Any Lead Plaintiff's counsel's attorneys' fees or expenses relating to the Action shall be payable solely from the Cash Settlement Account. The Released Persons shall have no other or further obligation to pay any Class Member or Lead Plaintiff's counsel for fees or expenses in connection with the Action or this Agreement, except as expressly provided for in this Agreement.

## **VI. RELEASE**

1. This Agreement covers the Claims, known or unknown, suspected or unsuspected, asserted or unasserted, of the Settlement Class, against PwC, related in any way to any professional services that PwC performed or was engaged to perform for AIG that are raised or referred to in the Complaint or related in any way to the financial statements of AIG or any of its subsidiaries for fiscal years 1999 through 2004 or any restatement thereof, including, but not limited to, the Claims asserted against PwC in the Complaint. Effective upon the date of entry of the Final Judgment, as limited by the rights of the Settling Parties set forth in Section X below, Lead Plaintiff, the Settlement Class and Class Members, through their counsel, hereby dismiss with prejudice all Claims contained in the Complaint against PwC. Effective upon the Effective Date, Lead Plaintiff, the Settlement Class and Class Members hereby fully, finally and forever release, relinquish, acquit, and discharge the Released Persons from the Released Claims. Such release shall be expressly conditional upon the payment by PwC of the Settlement Amount. Nothing contained herein shall release PwC from any obligations under this Agreement.

2. Effective upon the Effective Date, with respect to any and all Released Claims, the Lead Plaintiff, the Settlement Class and Class Members hereby expressly waive the provisions, rights and benefits of California Civil Code § 1542 and any provisions, rights and benefits conferred by any law of any state or territory of the United States or principle of common law which is similar, comparable or equivalent to California Civil Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release,

which if known by him must have materially affected his settlement with the debtor.

3. The Lead Plaintiff, the Settlement Class or Class Members may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiff, the Settlement Class and Class Members hereby fully, finally and forever settle and release any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, reckless, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts.

4. Effective upon the Effective Date, PwC hereby fully, finally and forever releases, relinquishes, acquits and discharges the Released Plaintiff Parties from the Released PwC Claims. Nothing contained herein shall release Lead Plaintiff and Lead Plaintiff's counsel from any obligations under this Agreement.

## **VII. REPRESENTATIONS**

1. Lead Plaintiff and PwC represent and warrant that they are authorized to execute, deliver, and perform this Agreement and that this Agreement constitutes a legal, valid, and binding obligation and that it is enforceable against each of them in accordance with its terms.

2. Lead Plaintiff and PwC represent and warrant that (i) they have not sold, assigned, transferred or otherwise disposed of any of the claims, cross-claims,

demands or rights that are the subject of this Agreement, and (ii) they will take all necessary action to effectuate the terms of this Agreement.

### **VIII. LIMITATION ON CLAIMS AGAINST RELEASED PERSONS**

The Settling Parties have negotiated the following bar orders and judgment reduction provision to be included in substantially the following form in the Final Judgment:

The Released Persons are by virtue of the Agreement hereby released and discharged from all claims for contribution, whether direct or derivative, that have been or may hereafter be brought by any person or entity, whether arising under state, federal or common law as claims, cross-claims, counterclaims, or third-party claims, based upon, arising out of, relating to, or in connection with the Released Claims. Accordingly, to the full extent provided by Section 21D-4(f)(7)(A) of the Private Securities Litigation Reform Act of 1995 (“PSLRA”), 15 U.S.C. § 78u-4(f)(7)(A), the Court hereby bars all claims for contribution: (a) against the Released Persons; and (b) by the Released Persons against any person or entity other than any person or entity whose liability to the Settlement Class has been extinguished pursuant to the Agreement.

The Released Persons are by virtue of the Agreement hereby released and discharged from any liability to Lead Plaintiff, the Settlement Class, or any Class Member under New York’s General Obligation Law, § 15-108; Delaware’s Uniform Contribution Among Tort-feasors Law, 10 Del. C. § 6304; or any other state’s contribution bar statute, and applicable case law. Accordingly, to the full extent provided by New York’s General Obligation Law, Delaware’s Uniform Contribution Among Tort-feasors Law, and other states’ laws, the Court hereby bars all claims for contribution: (a) against the Released Persons; and (b) by the Released Persons against any person or entity.

The Released Persons are by virtue of the Agreement hereby released and discharged from and against any and all claims based on any person or entity’s liability to Lead Plaintiff, the Settlement Class or Class Members or on monies paid for the benefit of, or distributed to, Lead Plaintiff, the Settlement Class or Class Members, whether current or future, direct or derivative, however styled, whether for indemnification, contribution, or otherwise, arising out of or relating to the acts and transactions that are the subject of the Action, whether arising under federal, state or common law as claims, cross-claims, counterclaims, or third-party claims, including the claims asserted in American International Group, Inc. Consolidated Derivative Litigation, Civ. A. No. 769-VCS (Del. Ch.), and In re

American International Group, Inc. Derivative Litigation, Master File No. 04-cv-08406 (JES) (S.D.N.Y.). Accordingly, to the fullest extent allowed by law, the Court hereby bars all such claims: (a) against the Released Persons; and (b) by the Released Persons against any person or entity.

In accordance with the PSLRA, New York's General Obligations Law, Delaware's Uniform Contribution Among Tort-feasors Law, or any other state's contribution statute, and applicable law, any final verdict or judgment obtained by or on behalf of Lead Plaintiff, the Settlement Class or any Class Member against any person other than the Released Persons relating to the Released Claims shall be reduced by the greater of (i) an amount that corresponds to the percentage of responsibility of the Released Persons, or (ii) the amount paid by or on behalf of the Released Persons in connection with the Agreement (\$97,500,000).

#### **IX. COMPROMISE; NO ADMISSION OF WRONGDOING**

This Agreement constitutes a compromise of matters that are in dispute between the Settling Parties. PwC is entering into this Agreement solely to eliminate the uncertainties, burden and expense of further protracted litigation. PwC has denied and continues to deny each and every allegation of liability or wrongdoing or damage to the Settlement Class or Class Members, and believes that it acted properly and lawfully at all times, and believes that any Claims against it are without merit. This Agreement, whether or not consummated, any proceedings related to this Agreement, or any of the terms of the Agreement, are not intended to constitute, nor should they be construed as, any admission of liability or wrongdoing in any respect. Neither this Agreement, nor the fact of its execution, nor any of its provisions, shall be offered or received in evidence in any action or proceeding of any nature or otherwise referred to or used in any manner in any court or other tribunal, except in a proceeding to enforce the terms of the Agreement.

## **X. MODIFICATION OR TERMINATION OF AGREEMENT**

1. This Agreement may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Settling Parties or their successors-in-interest.

2. This Agreement may not be terminated by the Settling Parties except as provided in this Section X.

3. For purposes of this Agreement only, Lead Plaintiff and PwC agree to certification of the Action as a class action pursuant to Fed. R. Civ. P. 23(a) and 23(b)(3) for the Class Period, as defined in the Complaint. Should the Settlement Class not be certified as agreed by the Settling Parties or should any court amend the scope of the Settlement Class, each of the Settling Parties reserves the right to terminate this Agreement.

4. Lead Plaintiff and PwC shall each, in their separate discretion, have the right to terminate this Agreement by providing written notice of their election to do so to the other Settling Party hereto within thirty (30) days of (a) the Court's declining to enter the proposed Hearing Order, attached as Exhibit C in any material respect; (b) the Court's refusal to approve the Agreement in any material respect; (c) the Court's declining to enter the proposed Final Judgment, attached as Exhibit D, in any material respect; or (d) the date upon which the Final Judgment is modified or reversed in any material respect by the Court of Appeals or the Supreme Court.

5. This Agreement may be terminated at the option and in the sole discretion of PwC in the event that putative Class Members (investors who, but for their exclusion requests would be Class Members) who purchased, in the aggregate, in excess

of the Termination Threshold, as such term is defined in the Supplemental Agreement executed simultaneously herewith by the Settling Parties, have properly elected to exclude themselves in accordance with the requirements for requesting exclusion provided in the Notice to be disseminated. It is expressly understood and agreed by the Settling Parties that the only persons and entities who may submit requests for exclusion are those persons and entities who, but for their exclusion requests, would be Class Members. As set forth in paragraph 152 of the Complaint, “[e]xcluded from the Class are the Defendants [in the Action], members of the immediate families of the Individual Defendants, any parent, subsidiary, affiliate, officer, or director of defendant AIG, any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.” With respect to exclusions from the Settlement Class by investors, who but for their exclusion requests would be Class Members, PwC shall have up to 5:00 p.m. Eastern Standard Time on the twelfth calendar day prior to the Fairness Hearing to give notice in writing to Lead Plaintiff’s counsel that PwC elects to exercise its option to terminate. If PwC so elects to terminate the Agreement, Lead Plaintiff’s counsel may, within eleven (11) calendar days of receipt of such notice of termination (or such longer period as shall be agreed upon in writing between Lead Plaintiff’s counsel and counsel for PwC), review the validity of any request for exclusion and may attempt to cause retraction of any request for exclusion. If, within the eleven (11) day period (or longer period agreed upon in writing), Lead Plaintiff’s counsel succeeds in causing the filing of retractions of a sufficient number of requests for exclusion such that the Termination Threshold would not be triggered as specified above, then any termination of the Agreement by PwC

shall automatically be deemed to be a nullity. To retract a request for exclusion, a Class Member must file a written notice with the Court stating the Class Member's desire to retract his, her or its request for exclusion and that Class Member's desire to be bound by any judgment or settlement in this action; provided further, that the filing of such written notice may be effected by Lead Plaintiff's counsel.

6. If PwC or Lead Plaintiff exercise their respective rights of termination for any of the reasons in this Section X, then (a) the Agreement shall be terminated without prejudice, and none of its terms shall be effective or enforceable, except to the extent that any Notice and Administrative Expenses have been actually or reasonably paid or incurred; (b) the Settling Parties shall revert to their litigation positions immediately prior to the execution of this Agreement; (c) the fact and terms of the Agreement and all settlement discussions shall not be admissible in any trial of the Action or useable in any other proceeding, including, but not limited to, for purposes of obtaining certification of a class other than for settlement purposes; and (d) Lead Plaintiff shall return to PwC any monies remaining in the Cash Settlement Account within fifteen (15) days of such termination.

## **XI. MISCELLANEOUS PROVISIONS**

### **A. Choice of Law**

This Agreement shall be governed by and construed in accordance with the laws of the State of New York for contracts entered into and performed within the State without regard to conflicts of law principles.

### **B. Retention of Jurisdiction**

The administration and consummation of the Agreement shall be under the authority of the Court and the Court shall retain jurisdiction for the purpose of entering

orders providing for awards of attorneys' fees and expenses to Lead Plaintiff's counsel and enforcing the terms of this Agreement.

C. Waiver of Breach

The waiver by one Settling Party of any breach of this Agreement by any other Settling Party shall not be deemed a waiver of any other prior or subsequent breach of this Agreement.

D. Headings; Words

The headings herein are included for the purpose of convenience only and are not meant to have legal effect. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context indicates is appropriate.

E. Confidentiality

1. Except as provided in this Section XI E., or as may otherwise be required by law, the Settling Parties and their counsel agree to keep the contents of this Agreement and all related negotiations confidential until the Execution Date and, with respect to any initial press release announcing the settlement described in this Agreement, to attempt in good faith to coordinate the timing of such press release, which coordination shall include, for each Settling Party issuing such release, affording the other Settling Party the opportunity to review and comment on such release in advance thereof.

2. In consideration for this Agreement, Lead Plaintiff and its counsel agree that they will not share any documents or work product concerning the prosecution of any Claim against the Released Persons with any party, person or entity,

including but not limited to any of the parties in any of the actions pending in the United States District Court for the Southern District of New York or the Court of Chancery of the State of Delaware related to AIG; provided that if Lead Plaintiff or its counsel is compelled, by subpoena or other form of judicial or other compulsory process or disclosure pursuant to state law, to disclose such documents or work product, such person shall as promptly as possible provide written notice, and include a copy of the subpoena or other process, to counsel for PwC.

F. Additional Discovery

Lead Plaintiff agrees not to seek any additional discovery of PwC or of PwC's current or former officers, partners, principals or employees, except for the purpose of prosecuting Lead Plaintiff's and/or the Settlement Class's Claims against persons other than the Released Persons. If the Effective Date does not occur, any such discovery taken of a current PwC officer, partner, principal or employee may be used for the purpose of prosecuting the claims against PwC. In the case of a former PwC officer, partner, principal or employee, where counsel for PwC is not present, Lead Plaintiff may use the deposition for the purpose of prosecuting claims against PwC only to the extent that PwC is permitted to re-open such deposition.

G. Notices to Lead Plaintiff and/or PwC

All notices required or permitted under this Agreement shall be in writing and delivered by any method providing proof of delivery, including facsimile. Any notice shall be deemed to have been given on the date of delivery. Notices shall be delivered to the Settling Parties at the following addresses unless and until a different address has been designated by the Settling Party:

PwC: Cravath, Swaine & Moore LLP  
Worldwide Plaza  
825 Eighth Avenue  
New York, NY 10019  
Attention: Antony L. Ryan, Esq.  
(212) 474-3700 (fax)  
[aryan@cravath.com](mailto:aryan@cravath.com)

Lead Plaintiff: Labaton Sucharow LLP  
140 Broadway  
New York, NY 10005  
Attention: Thomas A. Dubbs, Esq., Louis Gottlieb,  
Esq. and Zachary R. Ratzman, Esq.  
(212) 818-0477 (fax)  
[tdubbs@labaton.com](mailto:tdubbs@labaton.com),  
[lgottlieb@labaton.com](mailto:lgottlieb@labaton.com),  
[zratzman@labaton.com](mailto:zratzman@labaton.com)

H. Integration

This Agreement constitutes the entire agreement of the Settling Parties, and supersedes any and all prior statements, representations, promises or other agreements, written or oral, with respect to the subject matter of this Agreement. This Agreement may be amended or any of its provisions waived only in a writing signed by each of the Settling Parties. Signatures sent by facsimile or PDF format shall be deemed originals.

I. Successors

This Agreement shall be binding upon and inure to the benefit of the Settling Parties hereto and their respective heirs, successors and assigns, and upon any corporation, limited liability partnership, government or any political subdivision or agency thereof, or other entity into or with which either Settling Party hereto may merge, combine or consolidate.

J. Rule of Construction

The Settling Parties have jointly drafted this Agreement, and, accordingly, any presumption or other rule of construction that any ambiguities be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

K. Third Party Beneficiaries

Except for Section VI with respect to the Released Persons and Lead Plaintiff's counsel, nothing contained in this Agreement is intended to confer upon any Person other than the Settling Parties any benefit, release, right or remedy under or by reason of this Agreement.

L. Counterparts

This Agreement may be executed in counterparts, including by signature transmitted by facsimile or email. Each counterpart when so executed shall be deemed to be an original, and all such counterparts together shall constitute the same instrument.

M. Preliminary Approval and Final Approval of Agreement

Subject to the Court's availability and approval, the Settling Parties and their respective counsel will use their best efforts to submit the necessary papers for preliminary approval of the Agreement, including the proposed Hearing Order, attached as Exhibit C, and schedule a hearing for preliminary approval of the Agreement on or before October 7, 2008, and submit the necessary papers for final approval of the Agreement, including the proposed Final Judgment, attached as Exhibit D, and schedule a hearing for final approval of the Agreement on or before December 16, 2008.

N. Authority To Execute Settlement

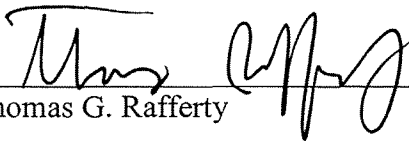
The undersigned signatories represent that they have authority from their clients to execute this Agreement.


IN WITNESS WHEREOF, this Agreement has been executed by the Settling Parties by their duly authorized representatives signing below.

Dated: September 25, 2008

CRAVATH, SWAINE & MOORE LLP

LABATON SUCHAROW LLP

  
Thomas G. Rafferty

  
Thomas A. Dubbs

Worldwide Plaza  
825 Eighth Avenue  
New York, NY 10019  
(212) 474-1000

140 Broadway  
New York, NY 10005  
(212)-907-0700

COUNSEL FOR  
PRICEWATERHOUSECOOPERS LLP

COUNSEL FOR LEAD PLAINTIFF AND  
THE CLASS