AIG Timeline

Fall 2007: As conditions in the U.S. housing market deteriorate, AIG Financial Products Group (AIGFP) begins to lose massive amounts of money on credit default swaps (CDS) issued on residential mortgage-backed securities.

February 2008: AIGFP co-founder and President Joseph Cassano resigns after the division writes off $11.1 billion on credit default swaps.

March 2008: AIG forms a compensation committee to discuss AIGFP and decides to offer retention bonuses to prevent defections of key employees.

May 20, 2008: AIG raises $20 billion in private capital.

August 6, 2008: In its second quarter filing, AIG ups its unrealized loss in 2008 from CDS to $14.7 billion, for a total loss of $26.2 billion. It also discloses that it has posted $16.5 billion in collateral on its CDS portfolio.

September 13, 2008: Timothy Geithner, then-President of the Federal Reserve Bank of New York, calls a meeting to discuss the future of troubled investment bank Lehman Brothers, including the possibility of an emergency liquidation of its assets.

September 14, 2008: AIG meets with Geithner and Treasury Secretary Paulson to discuss Lehman Brothers' failure as worries about AIG's condition grow.

September 15, 2008: Lehman Brothers announces it will file for Chapter 11 bankruptcy protection.

September 15, 2008: Standard & Poor's lowers AIG's credit rating due to "the combination of reduced flexibility in meeting additional collateral needs and concerns over increasing residential mortgage-related losses." The downgrade forces AIG to raise an additional $14.5 billion in collateral to meet its obligations to counterparties.

September 16, 2008: The Federal Reserve Board, acting through the Federal Reserve Bank of New York, intervenes to prevent AIG's collapse by pledging $85 billion in loans to AIG. As part of the deal, the government receives a 79.9 percent equity interest in AIG.

September 18, 2008: Former Treasury Secretary Paulson and Federal Reserve Chairman Bernanke meet with Congressional leaders to discuss the deteriorating position of the capital markets and propose a plan to purchase "troubled" assets.

September 22, 2008: AIG discloses the following in form 8-K with the Securities and Exchange Commission (SEC): "On September 22, 2008, a retention program of American International Group, Inc. ("AIG") became effective. The program applies to approximately 130 executives and consists of cash awards payable 60 percent in December 2008 and 40 percent in December 2009."

September 23, 2008: AIG announces that its Board of Directors has determined that it will suspend the declaration of dividends on AIG's common stock.

October 7, 2008: AIG makes $18.7 billion in payments tied to credit default swaps to counter-parties that include Goldman Sachs and Societe Generale SA.

October 8, 2008: The Fed pledges another $37.8 billion to AIG.

November 2008: According to Calvin Mitchell, a spokesman for the Federal Reserve, the Federal Reserve, the Treasury and the New York Attorney General knew about the AIG bonuses in the fall of 2008.

November 10, 2008: AIG discloses that it has thus far posted a total of $37.3 billion in collateral on the swaps. It estimates its total unrealized losses from the credit default swap contracts for 2007 and 2008 at $33.2 billion.

November 10, 2008: As part of a third attempt by Treasury and the Federal Reserve to stabilize AIG, the company receives a lower interest rate on its outstanding loans from the government and three extra years to pay back the loans. The rescue package grows to $150 billion and includes a $60 billion loan, a $40 billion capital investment from the Troubled Asset Relief Program (TARP), and about $50 billion to buy mortgage-linked assets owned by AIG or guaranteed by the insurer through credit default swaps.

November 11, 2008: AIG alleges that Sarah Dahlgren, one of New York Federal Reserve Bank President Geithner's top deputies, is briefed on the bonus plan at AIG headquarters in New York.

November 24, 2008: AIG discloses the following in form 8-K with the SEC: "On November 24, 2008, the Executive Officers of American International Group, Inc. ("AIG") who participate in its previously disclosed retention program, including Chief Financial Officer David Herzog and Executive Vice President Jay Wintrob, volunteered to delay payments thereunder, with the first installment being delayed from December 2008 until April 2009 and the second installment being delayed from December 2009 until April 2010. Chairman and Chief Executive Officer Edward M. Liddy does not participate in this program."

<u>December 2008:</u> According to AIG Chairman and CEO Edward Liddy, AIG engages in consultations with Members of Congress and key congressional staffers regarding the company's upcoming bonus obligations.

<u>January 27, 2009:</u> AIG announces it will pay bonuses to AIG Financial Products division employees as planned, explaining that the program had been contracted months before the company received government aid.

<u>February 12, 2009</u>: Congress passes an economic stimulus bill (Public Law 111-5) that specifically exempts from the coverage of executive compensation restrictions contained in the bill "contractually obligated bonuses agreed to on or before February 11, 2009," which includes the bonuses for AIGFP executives.

<u>February 28, 2009</u>: According to TIME magazine, New York Federal Reserve Bank staff informs Treasury Department staff about the bonus payments "imminence."

<u>March 2, 2009</u>: AIG receives an additional $30 billion infusion from the Federal government, and $38 billion of a previously arranged $60 billion loan is converted into equity, bringing the government's total commitment to AIG to $183 billion.

<u>March 3, 2009</u>: During testimony before the House Ways & Means Committee, Secretary Geithner, in response to questions posed by Congressman Crowley (D-NY) about AIG bonuses, acknowledges that the "judgments made by these boards of directors and senior executives across parts of the financial industry have just caused a lot of damage to public confidence and the quality of their judgment, and they have a deep responsibility and obligation to make more careful judgments going forward."

<u>March 3, 2009 (approx.):</u> According to Mr. Liddy, Secretary Geithner learns that $165 million in retention payments to AIG employees are imminent.

<u>March 5, 2009</u>: According to press reports, the Federal Reserve informs the Treasury Department about the pending AIG bonuses.

<u>March 10, 2009</u>: Mr. Liddy speaks with Secretary Geithner about the retention bonuses. According to the White House, this is the first time that Secretary Geithner hears about the plans to distribute the bonuses.

<u>March 11, 2009</u>: Secretary Geithner speaks again with Mr. Liddy to express outrage about the bonuses and demand that he renegotiate their terms as they are unacceptable. Geithner and Treasury lawyers also start to look for "legal solutions" to the issue.

March 12, 2009: Secretary Geithner informs White House senior aides about the AIG bonuses, who later inform President Obama.

March 13, 2009: Mr. Liddy speaks again with Secretary Geithner about the possibility of modifying the bonuses. AIG agrees to reduce future retention bonuses and cut payments to top executives. AIG distributes $165 million in retention bonuses to AIG Financial Products Group employees.

March 15, 2009: White House Economic Council Director Lawrence Summers announces on ABC's This Week that, "We are a nation of law, where there are contracts. And there is one other reality that we have to recognize, which is that these companies have to be enabled to function, if the government is going to maximize the prospect of getting its money back."

March 16, 2009: President Obama responds to the bonuses: "Under these circumstances, it's hard to understand how derivatives traders at AIG warranted any bonuses at all, much less $165 million in extra pay."

March 17, 2009: New York Attorney General Andrew Cuomo reveals that 73 AIG employees were paid more than $1 million from the $165 million.

March 18, 2009: Mr. Liddy testifies before the House Financial Services Committee that he has asked employees at AIG's Financial Products Division who received more than $100,000 in bonuses to "step up" and return at least half the payments. He indicates that some employees have agreed to return money as requested and others have returned their entire bonuses.