
AIG's Asset Sale and IPO Raise \$36.7 Bn

By Editor Test *Wed, Nov 3, 2010*

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American International Group, Inc. (AIG) has raised nearly \$37 billion to repay the United States government through the sale of its American Life Insurance Company (ALICO) unit to MetLife and an initial public offering by its AIA Group Limited (AIA) units.

The revenue from the transactions will help AIG pay back the Federal Reserve Bank of New York credit facility, which used taxpayer funds to bail out AIG during the financial crisis. The MetLife securities will be sold over time, subject to certain lock-up provisions and market conditions, to provide additional funds to repay the government.

AIG sold ALICO to MetLife for some \$16.2 billion, including about \$7.2 billion in cash and the rest in MetLife securities. The cash portion includes an upward purchase price adjustment of approximately \$400 million.

On October 22 and 29, respectively, AIG disclosed in regulatory filings that the gross proceeds from the initial public offer of AIA were \$17.8 billion and the exercise of the over-allotment option for this offering increased the gross proceeds to \$20.51 billion. Together, the AIA and ALICO transactions raised approximately \$36.71 billion, including \$27.71 billion in cash.

Proceeds from the transactions are being placed in an escrow fund with the FRBNY until the closing of the recapitalization plan, expected no later than the first quarter of 2011. As of October 27, 2010, the principal and interest owed to the FRBNY on the credit facility was approximately \$20 billion.

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