FUELCELL ENERGY INC
Form DEF 14A
February 19, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to ss.240.14a-12

FuelCell Energy, Inc.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1)
Title of each class of securities to which transaction applies:

(2)
Aggregate number of securities to which transaction applies:

(3)
Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4)
Proposed maximum aggregate value of transaction:

(5)
Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)
Amount Previously Paid:

(2)
Form, Schedule or Registration Statement No.:

(3)
Filing Party:

(4)
Date Filed:

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Notice of 2019 Annual Meeting & Proxy Statement
APRIL 4, 2019 — NEW YORK, NY

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DEAR FELLOW FUELCELL ENERGY STOCKHOLDER
JAMES H. ENGLAND
CHAIRMAN OF THE BOARD
February 19, 2019

For the Board of Directors of FuelCell Energy, Inc., our senior management team and all of our employees, our 2018 fiscal year was a busy and productive year as we worked to win projects and drive policy initiatives that favor our solutions for the supply, recovery and storage of energy.

We ended fiscal year 2018 with a record backlog of over $2 billion, over 83 megawatts (“MW”) of new projects to be built, and significant advancements in our carbon capture, hydrogen and storage solutions.

We worked to restore the federal investment tax credit for stationary fuel cells and to expand the carbon sequestration credit.

We delivered, commissioned and are now operating the 20 MW KOSPO project in Incheon, South Korea.

We were awarded 22.2 MW of projects in the Connecticut competitive solicitation.

The Board, in conjunction with senior management, continues to focus on the Company’s strategy, business objectives, and risk management.

Following the results of last year's Annual Meeting of Stockholders, we engaged in a thorough review of our corporate governance. As a result of this review, a number of actions were taken:

We added Dr. Christina Lampe-Onnerud and Mr. Jason B. Few to our Board, bringing fresh ideas, insights and greater diversity, as well as a wealth of key relevant experience and expertise to our Board;

We implemented a mandatory retirement age for Directors and set limits on Board tenure;

We elected a new Chairman of the Board;

We implemented mandatory accredited education for Directors; and

We increased minimum share ownership requirements for the Chief Executive Officer, all named executive officers and Directors.

As we begin our 2019 fiscal year, we continue to evaluate ways in which we can improve our business and our governance and demonstrate our commitment to our stockholders. We will continue to review and evaluate our governance structure and will undertake a review of our compensation policies to ensure they are aligned with the best interest of our stockholders.

Our Board and management remain committed to our core values and to delivering on our vision for sustainable profitability. Thank you for your investment in FuelCell Energy, Inc.

Sincerely,

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DEAR FELLOW FUELCELL ENERGY STOCKHOLDER
ARTHUR A. "CHIP" BOTTONE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
February 19, 2019

On behalf of FuelCell Energy, Inc. (the "Company" or "FuelCell Energy"), I thank you for your ongoing interest and investment in the Company. We are committed to acting in the best long-term interests of our stockholders. For further information about our continuing commitment to maintaining good corporate governance practices, we encourage you to review the "Corporate Governance" section beginning on page 12 of this Proxy Statement.

We are pleased to invite you to FuelCell Energy's 2019 Annual Meeting of Stockholders to be held on Thursday, April 4, 2019 at 10:00 AM Eastern Daylight Time at the Lotte New York Palace Hotel, 455 Madison Avenue, New York, New York. This booklet includes the Notice of Annual Meeting and the Proxy Statement.

The Proxy Statement fully describes the business we will conduct at the Annual Meeting and provides information about the Company that you should consider when voting your shares.

Your vote is very important and we request that you vote your shares as promptly as possible. We encourage you to vote your shares by proxy even if you do not plan to attend the Annual Meeting. The Board of Directors recommends the approval of the proposals being presented at the Annual Meeting as being in the best interest of the Company and its stockholders.

Sincerely,

“YOUR VOTE IS VERY IMPORTANT. WE ENCOURAGE YOU TO VOTE
YOUR SHARES BY PROXY EVEN IF YOU DO NOT
PLAN TO ATTEND THE MEETING.”

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NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS
MEETING INFORMATION
THURSDAY, APRIL 4, 2019
10:00 a.m. Eastern Daylight Time
Lotte New York Palace Hotel
455 Madison Avenue
New York, NY
ITEMS OF BUSINESS

1.
To elect six directors to serve until the 2020 Annual Meeting of Stockholders and until their successors are duly elected and qualified;

2.
To ratify the selection of KPMG LLP as FuelCell Energy, Inc.'s independent registered public accounting firm for the fiscal year ending October 31, 2019;

3.
To approve, on a non-binding advisory basis, the compensation of FuelCell Energy, Inc.'s named executive officers as set forth in the "Executive Compensation" section of the accompanying Proxy Statement;

4.
To approve, in accordance with Nasdaq Marketplace Rule 5635(d), the issuance of shares of FuelCell Energy, Inc.'s common stock exceeding 19.9% of the number of shares outstanding on August 27, 2018, upon conversion of the Series D Convertible Preferred Stock issued in an underwritten offering in August 2018 (the "Nasdaq Marketplace Rule Proposal");

5.
To approve the amendment of the FuelCell Energy, Inc. Certificate of Incorporation, as amended, to increase the number of authorized shares of common stock of FuelCell Energy, Inc. from 225,000,000 shares to 335,000,000 shares (the "Increase Authorized Shares Proposal");

6.
To authorize the Board of Directors of FuelCell Energy, Inc. to effect a reverse stock split (such authorization to expire on April 4, 2020) through an amendment to the FuelCell Energy, Inc. Certificate of Incorporation, as amended (the "Reverse Stock Split Proposal"); provided that, in the event that the Increase Authorized Shares Proposal is also approved, such reverse stock split and amendment, if implemented by the Board of Directors, will become effective after the effectiveness of the Increase Authorized Shares Proposal;

7.
To approve an adjournment of the Annual Meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Nasdaq Marketplace Rule Proposal (the "Adjournment Proposal"); and

8.
To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

RECORD DATE

Holders of record of our common stock on February 7, 2019, the record date, are entitled to notice of, and to vote at, the Annual Meeting; provided, however, that holders of shares of our common stock issued upon conversion of the Series D Convertible Preferred Stock prior to stockholder approval of Proposal 4 — the Nasdaq Marketplace Rule Proposal will not be permitted to vote such shares with respect to Proposal 4 — the Nasdaq Marketplace Rule Proposal.

MATERIALS TO REVIEW

This booklet contains our Notice of Annual Meeting and our Proxy Statement, which fully describes the business we will conduct at the Annual Meeting.

PROXY VOTING

It is important that your shares are represented and voted at the Annual Meeting. Please vote your shares according to the instructions under “How to Vote” in the Proxy Summary.

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NOTICE OF 2019 ANNUAL MEETING OF STOCKHOLDERS
ADMISSION TO THE 2019 ANNUAL MEETING
To attend the 2019 Annual Meeting, please follow the “Meeting Attendance” instructions in the Proxy Summary.
By Order of the Board of Directors,

JENNIFER D. ARASIMOWICZ
Senior Vice President, General Counsel
and Corporate Secretary
February 19, 2019

REVIEW YOUR PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:

INTERNET	BY TELEPHONE	BY MAIL	IN PERSON
Visit the website on your proxy card	Call the telephone number on your proxy card	Sign, date and return your proxy card in the enclosed envelope	Attend the annual meeting in New York, NY. See page 6 for instructions on how to attend

Please refer to the enclosed proxy materials or the information forwarded by your bank, broker or other holder of record to see which voting methods are available to you.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on April 4, 2019: The Notice of Annual Meeting, Proxy Statement and Annual Report to Stockholders for the fiscal year ended October 31, 2018 are available at www.fuelcellenergy.com.

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FUELCELL ENERGY, INC.PROXY STATEMENT5

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Proxy Summary

This summary highlights selected information contained throughout this Proxy Statement. Please read the entire Proxy Statement before casting your vote. For information regarding FuelCell Energy's fiscal year 2018 performance, please review our Annual Report to Stockholders for the fiscal year ended October 31, 2018. We are making this Proxy Statement available on February 19, 2019.

ELIGIBILITY TO VOTE

Holders of record of our common stock at the close of business on February 7, 2019, the record date, are entitled to vote at the 2019 Annual Meeting of Stockholders; provided, however, that holders of shares of our common stock issued upon conversion of the Series D Convertible Preferred Stock prior to stockholder approval of Proposal 4 — the Nasdaq Marketplace Rule Proposal will not be permitted to vote such shares with respect to Proposal 4 — the Nasdaq Marketplace Rule Proposal.

HOW TO VOTE

You may vote using any one of the following methods. In all cases, you should have your 16-Digit Control Number from your proxy card or Notice of Annual Meeting available and follow the instructions. Voting will be accepted until 11:59 p.m. (EDT) on April 3, 2019:

Online at www.proxyvote.com	By telephone at 1-800-690-6903
Online using your mobile device by scanning the QR Code	By mail by voting, signing and timely mailing your Proxy Card

MEETING INFORMATION

Time and Date:	Thursday, April 4, 2019 at 10:00 a.m. (EDT)
Place:	Lotte New York Palace Hotel, 455 Madison Avenue, New York, NY

MEETING ATTENDANCE

Meeting attendance requires advance registration. Please contact the office of the Corporate Secretary at corporatesecretary@fce.com to request an admission ticket. If you do not have an admission ticket, you must present proof of ownership in order to attend the meeting.

COMPANY PROFILE

FuelCell Energy, Inc. delivers state-of-the-art fuel cell power plants that provide environmentally responsible solutions for various applications such as utility-scale and on-site power generation, carbon capture, local hydrogen production for both transportation and industry, and long duration energy storage. Our systems cater to the needs of customers across several industries, including utility companies, municipalities, universities, government entities and a variety of industrial and commercial enterprises. With our megawatt-scale SureSource™ installations on three continents and with more than 8.0 million megawatt hours of ultra-clean power produced, FuelCell Energy is a global leader in designing, manufacturing, installing, operating and maintaining environmentally responsible fuel cell distributed power solutions. Visit us online at www.fuelcellenergy.com and follow us on Twitter @FuelCell_Energy.

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PROXY SUMMARY
STOCKHOLDER VOTING MATTERS

	Management Recommendation	Page Reference (for more detail)
1. To elect six directors to serve until the 2020 Annual Meeting of Stockholders and until their successors are duly elected and qualified	FOR each Director Nominee	8
2. To ratify the selection of KPMG LLP as FuelCell Energy, Inc.'s independent registered public accounting firm for the fiscal year ending October 31, 2019	FOR	48
3. To approve, on a non-binding advisory basis, the compensation of FuelCell Energy, Inc.'s named executive officers as set forth in the "Executive Compensation" section of the accompanying Proxy Statement	FOR	48
4. To approve, in accordance with Nasdaq Marketplace Rule 5635(d), the issuance of shares of FuelCell Energy, Inc.'s common stock exceeding 19.9% of the number of shares outstanding on August 27, 2018, upon conversion of the Series D Convertible Preferred Stock issued in an underwritten offering in August 2018 (the "Nasdaq Marketplace Rule Proposal")	FOR	49
5. To approve the amendment of the FuelCell Energy, Inc. Certificate of Incorporation, as amended, to increase the number of authorized shares of common stock of FuelCell Energy, Inc. from 225,000,000 shares to 335,000,000 shares (the "Increase Authorized Shares Proposal")	FOR	53
6. To authorize the Board of Directors of FuelCell Energy, Inc. to effect a reverse stock split (such authorization to expire on April 4, 2020) through an amendment to the FuelCell Energy, Inc. Certificate of Incorporation, as amended (the "Reverse Stock Split Proposal"); provided that, in the event that the Increase Authorized Shares Proposal is also approved, such reverse stock split and amendment, if implemented by the Board of Directors, will become effective after the	FOR	56

effectiveness of the Increase Authorized Shares Proposal			
7. To approve an adjournment of the Annual Meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the Nasdaq Marketplace Rule Proposal (the "Adjournment Proposal")	FOR	64	

DIRECTOR NOMINEES

Name	Age	Director Since	Principal Occupation
Arthur A. Bottone	58	2011	President and Chief Executive Officer of FuelCell Energy, Inc.
James H. England*†	72	2008	Corporate Director
Jason B. Few*	52	2018	President of Sustayn Analytics LLC
Matthew F. Hilzinger*	56	2015	Executive Vice President and Chief Financial Officer of USG Corporation
Christina Lampe-Onnerud*	52	2018	Founder and Chief Executive Officer of Cadenza Innovation, Inc.
Natica von Althann*	68	2015	Former Financial Executive at Bank of America and Citigroup

*
Independent Director

†
Chairman of the Board of Directors

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Proxy Statement

FuelCell Energy, Inc. (referred to in this Proxy Statement as "we," "FuelCell," "FuelCell Energy" or the "Company") is sending you this Proxy Statement in connection with the solicitation by FuelCell's Board of Directors (the "Board") of proxies to be voted at FuelCell's 2019 Annual Meeting of Stockholders (the "Annual Meeting") and at any adjournment thereof. The Annual Meeting is scheduled to be held at the Lotte New York Palace Hotel, 455 Madison Avenue, New York, NY on Thursday, April 4, 2019 at 10:00 a.m. Eastern Daylight Time. The Company is a Delaware corporation. The address of our principal executive office is 3 Great Pasture Road, Danbury, CT 06810.

The Board has set the close of business on February 7, 2019 as the record date for the determination of holders of the Company's common stock, par value $0.0001 per share, who are entitled to notice of, and to vote at, the Annual Meeting.

As of February 7, 2019, there were 112,018,865 shares of common stock outstanding and entitled to vote at the Annual Meeting. Holders of common stock outstanding at the close of business on the record date will be entitled to one vote for each share held on the record date; provided, however, that holders of shares of our common stock issued upon conversion of the Series D Convertible Preferred Stock prior to stockholder approval of Proposal 4 — the Nasdaq Marketplace Rule Proposal will not be permitted to vote such shares with respect to Proposal 4 — the Nasdaq Marketplace Rule Proposal.

The approximate date on which this Proxy Statement and the accompanying proxy card are first being sent or given to stockholders is February 19, 2019.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on April 4, 2019: The Notice of Annual Meeting, Proxy Statement and Annual Report to Stockholders for the fiscal year ended October 31, 2018 are available at www.fuelcellenergy.com.

Proposal 1

Election of Directors

FuelCell's Directors ("Directors") are elected annually to serve one-year terms. The Board has nominated each of the six Director nominees named below to serve until the 2020 Annual Meeting of Stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal. All of the Director nominees are currently Directors of the Company, and all of the Director nominees except Mr. Few and Dr. Lampe-Onnerud were elected by the stockholders at the 2018 Annual Meeting of Stockholders of the Company (the "2018 Annual Meeting"). Mr. Few and Dr. Lampe-Onnerud were appointed by the Board after the 2018 Annual Meeting and after the end of the Company's 2018 fiscal year. It is the intention of the persons named as proxies to vote, if authorized, for the election of the six Director nominees named below as Directors. Each nominee has indicated his or her willingness to serve, if elected.

DIRECTOR QUALIFICATIONS AND BIOGRAPHIES

The Nominating and Corporate Governance Committee regularly assesses the performance and attributes of each Director to ensure that the Board as a governing body encompasses a broad range of perspectives, experience, diversity, integrity and commitment, in order to effectively conduct the Company's global business while representing the long-term interests of its stockholders.

Pursuant to the recommendation of the Nominating and Corporate Governance Committee, the Board has nominated the following six candidates for election as Directors and have concluded that each of these incumbent Directors should be nominated for election based on their extensive senior leadership backgrounds, competencies and other qualifications identified below:

Director Nominee Key Characteristics and Experience include:

Technology Commercialization	Government Affairs	Manufacturing

Corporate & International Finance	Energy & Utility Sectors	Regulatory
Financial Management	Project Finance	Risk Management
Global Power Project Development	Leadership	Strategic Planning

Five of the six Director nominees are considered “Independent Directors” as such term is defined in Nasdaq Rule 5605(a)(2).
Further information about the Company’s corporate governance practices, the responsibilities and functions of the Board and its committees, Director compensation and related party transactions can be found in this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THE PROPOSAL TO ELECT EACH OF THE SIX NOMINEES LISTED BELOW AS DIRECTORS OF THE COMPANY TO SERVE UNTIL THE 2020 ANNUAL MEETING OF STOCKHOLDERS AND UNTIL THEIR SUCCESSORS ARE DULY ELECTED AND QUALIFIED.

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PROXY STATEMENT

DIRECTOR NOMINEES

ARTHUR A. BOTTONE

BIOGRAPHY:
Mr. Bottone joined FuelCell Energy in February 2010 as Senior Vice President and Chief Commercial Officer and was promoted to President and Chief Executive Officer in February 2011 and is a named executive officer. Mr. Bottone's focus is to accelerate and diversify global revenue growth to achieve sustainable profitability by capitalizing on heightened global demand for clean and renewable energy. Mr. Bottone has broad experience in the energy field including traditional power generation and alternative energy. Prior to joining FuelCell Energy, Mr. Bottone spent 25 years at Ingersoll Rand, a diversified global industrial company, including as President of the Energy Systems business. Mr. Bottone received an undergraduate degree in Mechanical Engineering from Georgia Institute of Technology in 1983, and received a Certificate of Professional Development from The Wharton School, University of Pennsylvania in 2004.

SKILLS AND QUALIFICATIONS INCLUDE:

Extensive Global Business Development

Technology Commercialization

Power Generation Project Development

Mergers, Acquisitions and Integration

Capital Raising

Age 58
Director since: 2011

PRINCIPAL OCCUPATION:

President and Chief Executive Officer of FuelCell Energy

JAMES H. ENGLAND

BIOGRAPHY:
Mr. England is a Corporate Director and has been the CEO of Stahlman-England Irrigation, Inc. since 2000. Prior to that, Mr. England spent 4 years as Chairman, President and CEO of Sweet Ripe Drinks, Ltd., a fruit beverage company. Prior to that, he spent 18 years at John Labatt Ltd. and served as that company's CFO from 1990 — 1993, during which time John Labatt Ltd. was a public company with a market capitalization of over $5 billion. Mr. England started his career with Arthur Andersen & Co. in Toronto after serving in the Canadian infantry. Mr. England is a director of Enbridge Inc. and is a past member of the board of directors of John Labatt, Ltd., Canada Malting Co., Ltd., and the St. Clair Paint and Wallpaper Corporation.

Age 72
Director since: 2008
INDEPENDENT

Chairman of the Board of Directors since 2018

SKILLS AND QUALIFICATIONS INCLUDE:	PRINCIPAL OCCUPATION:
Board and Executive Level Leadership	Corporate Director
Broad International Exposure	
High Level of Financial Expertise	
Extensive Energy Industry Experience	
Extensive Knowledge of the Company	

JASON B. FEW

Age 52
Director since: 2018
INDEPENDENT

BIOGRAPHY:
Mr. Few has been the President of Sustayn Analytics LLC, a cloud-based software waste and recycling optimization company, since 2018. Mr. Few has over 30 years of experience increasing enterprise value for Global Fortune 500 and privately held technology, telecommunication, and energy firms. Mr. Few has overseen transformational opportunities across the technology and industrial energy sectors, including as the Founder and Senior Managing Director of BJF Partners, LLC, a privately held strategic transformation consulting firm, where he has served since 2016, with Continuum Energy, an energy products and services company, where Mr. Few served as President and Chief Executive Officer from 2013 to 2016, NRG Energy, an integrated energy company, where he served in various roles including Executive Vice President and Chief Customer Officer from 2009 to 2012 and President Reliant Energy, a retail electricity provider, where he also served as Senior Vice President, Smart Energy from 2008 to 2009. Mr. Few also serves as a Senior Advisor to Verve Industrial, an industrial cybersecurity software company. Mr. Few is active in his community serving on the boards of Memorial Hermann Hospital, the American Heart Association, and the St. John’s School Investment Committee. He earned a bachelor’s degree in computer systems in business from Ohio University. He received an MBA from Northwestern University’s J.L. Kellogg Graduate School of Management.

SKILLS AND QUALIFICATIONS INCLUDE:	PRINCIPAL OCCUPATION:
Executive Leadership	President of Sustayn Analytics LLC
Broad Understanding of Advanced Technologies	
Extensive Energy Industry Experience	
Experience with Global Publicly Traded Companies	

Risk Management/Oversight

Cybersecurity

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PROXY STATEMENT

MATTHEW F. HILZINGER

BIOGRAPHY:
Mr. Hilzinger is Executive Vice President and Chief Financial Officer for USG Corporation, an international building products company, where he oversees all financial activities as well as strategic planning, a position he has held since 2012. From March 2002 to 2012, Mr. Hilzinger was with Exelon Corporation, where he served as Chief Financial Officer from 2008 to 2012 responsible for finance and risk management, and as Corporate Controller from 2002 to 2008. Prior to joining Exelon, Mr. Hilzinger was Chief Financial Officer at Credit Acceptance Corporation in 2001. From 1997 to 2001, Mr. Hilzinger was at Kmart Corporation, where he last served as Vice President, Corporate Controller. From 1990 to 1997, Mr. Hilzinger was at Handleman Company, where he last served as Vice President, International Operations. Mr. Hilzinger started his career at Arthur Andersen & Co. from 1985 to 1990. Mr. Hilzinger is a graduate of the University of Michigan, with a BBA in accounting.

SKILLS AND QUALIFICATIONS INCLUDE:

Executive Leadership

Age 56
Director since: 2015
INDEPENDENT

High Level of Financial Expertise

PRINCIPAL OCCUPATION:

Extensive Energy Industry Experience

Executive Vice President and Chief Financial Officer of USG Corporation

Experience with Global Publicly Traded Companies

Risk Management/Oversight

CHRISTINA LAMPE-ONNERUD

BIOGRAPHY:
Dr. Lampe-Onnerud is presently Founder and Chief Executive Officer of Cadenza Innovation, Inc., a startup she formed in 2012 to bring higher energy density, lower cost, safer and environmentally sustainable batteries to the electric vehicle, grid storage and industrial markets via licensing to global manufacturers. Previously, Dr. Lampe-Onnerud served as Founder, Chief Executive Officer and International Chairman of Boston-Power, Inc. from 2004 – 2011, where she grew the company into a global organization backed by more than $360 million in investment. She held an executive position at Bridgewater Associates and was a partner at Arthur D. Little. She has been named a two-time Technology Pioneer by the World Economic Forum and is a member of the Royal Swedish Academy of Sciences. Dr. Lampe-Onnerud holds a Ph.D. in inorganic chemistry from Uppsala University in Sweden, and conducted post-doctoral work at MIT in Cambridge, Massachusetts.

Age 52
Director since: 2018

SKILLS AND QUALIFICATIONS INCLUDE:

Executive Leadership

Extensive Technological Knowledge

Extensive Energy Project Finance and Structuring Experience

Extensive Energy Industry Experience

PRINCIPAL OCCUPATION:

Founder and Chief Executive Officer of Cadenza Innovation, Inc.

NATICA VON ALTHANN

Age 68
Director since: 2015
INDEPENDENT

BIOGRAPHY:
Ms. von Althann has served as a Director of PPL Corporation, one of the largest investor-owned utilities in the U.S. with approximately 18,000 megawatts of power generation, since December 1, 2009 and as a Director of TD Bank US Holding Company and its two bank subsidiaries, TD Bank, N.A. and TD Bank USA, N.A. since 2009. She was a founding partner of C&A Advisors, a consulting firm for financial services and risk management from 2009 to 2013, following her retirement in 2008 as the Senior Credit Risk Management Executive for Bank of America and Chief Credit Officer of U.S. Trust, an investment management company owned by Bank of America. Previously, she spent 26 years with Citigroup in various leadership roles, including Division Executive – Latin America for the Citigroup Private Bank, Managing Director and Global Retail Industry Head, and Managing Director and co-head of the U.S. Telecommunications — Technology group for Citicorp Securities.

SKILLS AND QUALIFICATIONS INCLUDE:

Board and Executive Level Leadership Experience

High Level of Banking and Financial Expertise

Broad International Exposure

Risk Management/Oversight

Exposure to Energy and Utility Sectors

PRINCIPAL OCCUPATION:

Former Financial Executive at Bank of America and Citigroup

Strong Focus on Strategy Development and Implementation

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PROXY STATEMENT

A summary of the attributes of each of our Director nominees follows.

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Corporate Governance

THE ROLE OF THE BOARD

The business affairs of the Company are managed by and under the direction of the Board. The Board and committees of the Board regularly engage with senior management to ensure management accountability, review management succession planning, review and approve the Company's strategy and mission, execute the Company's financial and strategic goals, oversee risk management and review and approve executive compensation.

BOARD LEADERSHIP STRUCTURE

The Board regularly evaluates its leadership structure in order to ensure that the Company effectively represents the interests of its stockholders. Our amended and restated by-laws provide the Board flexibility in determining its leadership structure. Currently, the Board maintains separate roles for the CEO and the Chairman of the Board. The Company's President and CEO (Mr. Arthur A. Bottone) is responsible for the general supervision of the affairs of the Company and is accountable for achieving the Company's strategic goals. The Board's independent Chairman (Mr. James H. England) serves as the principal representative of the Board and as such, presides at all Board meetings. The Board believes that this leadership structure, which separates the Chairman and Chief Executive Officer roles, is optimal at this time because it allows Mr. Bottone to focus on operating and managing our company, while Mr. England focuses on the leadership of the Board and other strategic business activities. We believe that our governance practices ensure that skilled and experienced independent directors provide independent leadership. Our Board also periodically evaluates our leadership structure to determine if it remains in our best interests based on circumstances existing at the time. In evaluating our leadership structure, our Board seeks to implement a leadership structure that will allow the Board to effectively carry out its responsibilities and best represent our stockholders' interests, and considers various factors, including our specific business needs, our operating and financial performance, industry conditions, the economic and regulatory environment, Board and committee annual self-evaluations, advantages and disadvantages of alternative leadership structures and our corporate governance practices.

BOARD REFRESHMENT AND COMPOSITION

The Board understands the importance of adding diverse, experienced talent to the Board in order to establish an array of experience and strategic views. The Nominating and Corporate Governance Committee adheres to vigorous board refreshment efforts by thoroughly evaluating the backgrounds of potential Board candidates in addition to regularly assessing the contributions and qualifications of current Directors, to ensure that the composition of the Board and each of its committees encompasses a wide range of perspectives and knowledge. The Nominating and Corporate Governance Committee routinely looks for candidates with skill sets that are relevant to the Company and align with our business strategy and goals.

Since 2015, we have added four new, currently serving, Directors to the Board, bringing an expansive mix of expertise, diversity and insight to the Board and its committees. We believe that this is a healthy level of turnover to ensure fresh views and new perspective balanced with the continuity and stability of our experienced Directors. We believe we have a healthy mix of longer-serving Directors and those that are newer to our Board. Our six Director nominees have an average of 4.7 years of service on our Board as of the date of the Annual Meeting.

One third of our Director nominees are women and one third of our Director nominees are ethnically diverse.

As part of the Company's commitment to good corporate governance practices and principles and in furtherance of Board refreshment initiatives, in 2018, the Board adopted a mandatory director retirement age of 75 and set a director term limit of 12 years, subject to certain exceptions necessary to ensure an orderly transition of Board members and leadership positions.

DIRECTOR ORIENTATION

As part of our Director orientation process, each new Director is provided with orientation materials and a tour of the Company's manufacturing facility.

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Corporate Governance

MAJORITY VOTING STANDARD IN DIRECTOR ELECTIONS

In 2016, the Board approved an amendment to the Company's by-laws to, among other changes, adopt a majority voting standard in uncontested Director elections, providing that each Director shall be elected by a majority of votes cast. Under our amended and restated by-laws, a majority of the votes cast standard requires that the number of shares voted "for" a Director must exceed the number of votes cast "against" that Director's election. "Abstentions" and "broker non-votes" are not counted as votes cast with respect to a Director's election.

In addition, following certification of the stockholder vote in an uncontested election, if any incumbent Director receives a greater number of votes "against" his or her election than votes "for" his or her election, the Director shall promptly tender his or her resignation to the Chairman of the Board. The Nominating and Corporate Governance Committee shall promptly consider such resignation and recommend to the Board whether to accept the tendered resignation or reject it. In deciding upon its recommendation, the Nominating and Corporate Governance Committee shall consider all relevant factors including, without limitation, the length of service and qualifications of the Director and the Director's contributions to the Company and the Board.

CONTINUING EDUCATION AND SELF-EVALUATION

The Board believes that continuing education by the Board and management is critical to supporting the Company's commitment to enhancing its corporate governance practices. The Board and management are therefore regularly updated on corporate governance matters, including industry and regulatory developments, strategies, operations and external trends and other topics of importance. In addition, in 2018, the Board adopted a policy requiring mandatory participation in an accredited director education program. New directors are required to complete a minimum of four hours of accredited director education within the first 180 days of election to the Board and all directors are required to complete four hours of accredited director education per fiscal year.

As part of the Board's commitment to improve its performance and effectiveness, self-assessments of the Board and each of its committees are conducted annually. Results of these self-assessments are reviewed by the Nominating and Corporate Governance Committee and the full Board. In 2016, the Board added individual Director self-assessments to the self-assessment process in an effort to assess individual Director effectiveness and his or her contribution to the Board. Results of these individual Director self-assessments are also reviewed by the Nominating and Corporate Governance Committee and the full Board.

CORPORATE GOVERNANCE PRINCIPLES

The Board has adopted Corporate Governance Principles (the "Principles") which provide the structure for the governance and best practices of the Company, in accordance with applicable statutory and regulatory requirements. The Company is committed to the highest standards of business conduct and integrity in its relationships with employees, customers, suppliers and stockholders. The Principles are reviewed annually by the Nominating and Corporate Governance Committee and updated as needed. The Corporate Governance Principles can be found in the Corporate Governance sub-section of the section entitled "Investors" on our website at www.fuelcellenergy.com.

CODE OF ETHICS

The Company is committed to high standards of ethical, moral and legal business conduct and to the timely identification and resolution of all such issues that may adversely affect the Company or its customers, employees or stockholders.

The Board has adopted a Code of Ethics (the "Code of Ethics"), which applies to the Board, the named executive officers ("NEOs"), and all employees. The Code of Ethics provides a statement of certain fundamental principles and key policies and procedures that govern the conduct of the Company's business. The Code of Ethics covers all major areas of professional conduct, including employment policies, conflicts of interest, intellectual property and the protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of our business. As required by the Sarbanes-Oxley Act of 2002, our Audit and Finance Committee has procedures to receive, retain, investigate and resolve complaints received regarding our accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Code of Ethics can be found in the Corporate Governance sub-section of the section entitled "Investors" on our website at www.fuelcellenergy.com.

WHISTLEBLOWER POLICY

The Company’s Whistleblower Policy covers reporting of suspected misconduct, illegal activities or fraud, including questionable accounting, financial control and auditing matters, federal securities violations or other violations of federal and state laws or of the Company’s Code of Ethics.

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We have established a written protocol with a third party vendor to ensure that all complaints received will be reported directly to the Company's General Counsel and Vice President, Human Resources, who investigate and report as necessary directly to the Audit and Finance Committee of the Board.

The third party vendor offers anonymity to whistleblowers and assures those who identify themselves that their confidentiality will be maintained, to the extent possible, within the limits proscribed by law. No attempt will be made to identify a whistleblower who requests anonymity.

ANTI-HEDGING POLICY

Under the terms of the Company's Insider Trading Policy, all key employees, including but not limited to the NEOs and Directors, are prohibited from engaging in any hedging transaction involving shares of the Company's securities or the securities of the Company's competitors, such as a put, call or short sale.

COMPENSATION RECOVERY POLICY

The Company has adopted an Executive Compensation Recovery Policy that allows the Board to seek recovery of any erroneously paid incentive compensation made to any current or former executive officer of the Company in the event of an accounting restatement that results in a recalculation of a financial metric applicable to an award if, in the opinion of the Board, such restatement is due to the misconduct by one or more of any current or former executive officers. The amount subject to recoupment will, at a minimum, be equal to the difference between what the executive received and what he or she would have received under the corrected financial metrics over the three-year period prior to the restatement. Under the policy, the Board will review all performance-based compensation awarded to or earned by the executive officer on the basis of performance during fiscal periods materially affected by the restatement. If, in the opinion of the Board, the Company's financial results require restatement due to the misconduct by one or more of any current or former executive officers, the Board may seek recovery of all performance-based compensation awarded to or earned by the executive officer during fiscal periods materially affected by the restatement, to the extent permitted by applicable law.

The Executive Compensation Recovery Policy can be found in the Corporate Governance sub-section of the section entitled "Investors" on our website at www.fuelcellenergy.com.

STOCK OWNERSHIP GUIDELINES AND HOLDING REQUIREMENTS

In 2018, the Company increased its minimum stock ownership guidelines applicable to each of its non-employee independent Directors and NEOs. The increase represents a six-fold increase in the prior minimum stock ownership guidelines. Our new stock ownership guidelines are based on a fixed number of shares, as shown in the table below:

Position	Ownership Guideline
President and Chief Executive Officer	At least 150,000 shares
All Other Section 16 Executive Officers	At least 75,000 shares
Non-Employee Independent Directors	At least 25,000 shares

Executives subject to the guidelines must meet the ownership requirement within five years from the date they are appointed to a Section 16 Executive Officer position. The non-employee independent Directors are expected to achieve target ownership levels within five years of commencement of service as a Director. For purposes of meeting the applicable ownership guidelines, the following shares and awards may be counted:

FuelCell Energy common stock owned (i) directly by the executive officer or Director or his or her spouse, (ii) jointly by the executive officer or Director or his or her spouse, and (iii) indirectly by a trust, partnership, limited liability company or other entity for the benefit of the executive officer or Director or his or her spouse;

100% of restricted stock and restricted stock unit awards (vested and unvested) issued under the Company's equity incentive plans;

100% of common stock issued under the Company's Employee Stock Purchase Plan;

100% of unexercised Stock Options (vested and unvested) issued under the Company's equity incentive plans; and

100% of deferred stock units issued under the Company's Directors Deferred Compensation Plan.

Executive officers and Directors must maintain at least 50% of the stock received from equity awards (on a shares issued basis) until the specified minimum ownership requirement level is achieved.

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Once the stock ownership guideline has been achieved, executive officers will be required to maintain stock holding requirements for the duration of their employment with the Company and for Directors, until their cessation of service on the Board.

RISK OVERSIGHT

The Board has overall responsibility for the oversight of risk management at our Company. Day to day risk management is the responsibility of management, which has implemented processes to identify, assess, manage and monitor risks that face our Company. Our Board, either as a whole or through its committees, regularly discusses with management our major risk exposures, their potential impact on our Company, and the steps we take to monitor and control such exposures.

While our Board has general oversight responsibility for risk at our Company, the Board has delegated some of its risk oversight duties to the various Board committees. The Nominating and Corporate Governance Committee oversees risks related to corporate governance. The Audit and Finance Committee is responsible for generally reviewing and discussing the Company's policies and guidelines with respect to risk assessment and enterprise risk management. The Audit and Finance Committee oversees the risk assessment and review of the financial internal controls environment and financial statement reporting compliance. The Audit and Finance Committee also considers financial risk management including risks relating to liquidity, access to capital and macroeconomic trends and risks. The Compensation Committee assists our Board in overseeing the management of risks arising from our compensation policies, and programs related to assessment, selection, succession planning, training and development of executives of the Company. Each of the Board committees reviews these risks and then discusses the process and results with the full Board.

COMMUNICATING WITH DIRECTORS

The Company has established a process by which stockholders or other interested parties can communicate with the Board or any of the Company's individual Directors, by sending their communications to the following address:

FuelCell Energy, Inc. Board of Directors
c/o Corporate Secretary
3 Great Pasture Road
Danbury, CT 06810

Alternatively, communications can be submitted electronically via the Company website at www.fuelcellenergy.com. Stockholder communications received by the Company's Corporate Secretary will be delivered to one or more members of the Board or, in the case of communications sent to an individual Director, to such Director.

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BOARD OF DIRECTORS AND COMMITTEES

INDEPENDENT DIRECTORS AND MEETING ATTENDANCE

The Board currently consists of eight directors — Arthur A. Bottone, James H. England, Jason B. Few, Matthew F. Hilzinger, Christina Lampe-Onnerud, John A. Rolls, Christopher S. Sotos, and Natica von Althann. Mr. Rolls has elected to retire from the Board and therefore is not standing for re-election at the Annual Meeting, and Mr. Sotos has elected not to stand for re-election at the Annual Meeting. Accordingly, the size of the Board will be decreased to six Directors standing for election at the Annual Meeting.

The Board has determined that the following five of the six Director nominees are independent Directors, in accordance with the director independence standards of the Securities and Exchange Commission ("SEC") and the Nasdaq Stock Market, including Nasdaq Rule 5605(a)(2): James H. England, Jason B. Few, Matthew F. Hilzinger, Christina Lampe-Onnerud, and Natica von Althann. The Board has also determined that John A. Rolls, who served on the Board through fiscal 2018 but has elected to retire from the Board and is not standing for re-election at the Annual Meeting, is an independent Director in accordance with the director independence standards of the SEC and the Nasdaq Stock Market, including Nasdaq Rule 5605(a)(2). Christopher S. Sotos, who served as a member of the Board during fiscal 2018 and has elected not to stand for re-election at the Annual Meeting, is not an independent Director under the director independence standards of the SEC and the Nasdaq Stock Market. Finally, the Board previously determined that Secretary Togo Dennis West, Jr., who served on the Board during early fiscal 2018, was an independent Director in accordance with the director independence standards of the SEC and the Nasdaq Stock Market, including Nasdaq Rule 5605(a)(2).

The Board and its committees meet regularly to review and discuss the Company's progress, strategy and business. The Board meets regularly with management and outside advisors. The independent Directors also hold regular executive sessions without Mr. Bottone or other members of management. Board members are also kept apprised of Company progress and issues that arise between Board meetings.

All Directors serving at the time of the Company's 2018 Annual Meeting were in attendance at the meeting, with the exception of Mr. England, who attended the Board meeting on the same day, but not the 2018 Annual Meeting. Regular attendance at Board meetings and annual stockholder meetings by each Board member is expected. The Board held 10 meetings in fiscal 2018. Each Director serving during fiscal 2018 attended more than 75% of the total number of Board and, if a Director served on a committee, committee meetings held during fiscal 2018.

BOARD COMMITTEES

The Board has four standing committees: the Audit and Finance Committee, the Compensation Committee, the Executive Committee and the Nominating and Corporate Governance Committee. These committees assist the Board in performing its responsibilities and making informed decisions.

The table below identifies the current members of these four standing committees:

Director	Audit and Finance	Compensation	Executive	Nominating and Corporate Governance
Arthur A. Bottone				
James H. England (Chairman of the Board)				
Jason B. Few				
Matthew F. Hilzinger				
Christina Lampe-Onnerud				

John A. Rolls(1)

Christopher S. Sotos(2)

Natica von Althann

(1)
Mr. Rolls has elected to retire from the Board and is therefore not standing for re-election to the Board at the Annual Meeting.

(2)
Mr. Sotos is a non-independent Director and therefore does not serve on any standing committees. Mr. Sotos has elected not to stand for re-election to the Board at the Annual Meeting.

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The Board believes it is more effective for the Board, as a whole, to monitor and oversee the Company's government affairs strategy and initiatives, including federal and state legislative and regulatory proceedings, in addition to monitoring the Company's ongoing relations with government agencies.

Audit and Finance Committee

Current Members:

Matthew F. Hilzinger, James H. England, Jason B. Few and Natica von Althann
Current Chair: Matthew F. Hilzinger
Our Committee structure changed on November 8, 2018 with the election of Mr. Few and Dr. Lampe-Onnerud as Directors. The members of the Audit and Finance Committee in fiscal 2018 were James H. England, Matthew F. Hilzinger, John A. Rolls, and Natica von Althann. Mr. Hilzinger was Chair of the Audit and Finance Committee throughout fiscal 2018.
Each of the current and fiscal 2018 Audit and Finance Committee members satisfies the definition of independent director and is financially literate under the applicable Nasdaq and SEC rules. In accordance with Section 407 of the Sarbanes-Oxley Act of 2002, the Board has designated Mr. Hilzinger and Mr. England as the Audit and Finance Committee's "Audit Committee Financial Experts."
The Audit and Finance Committee represents and provides assistance to the Board with respect to matters involving the accounting, auditing, financial reporting, internal controls, and legal compliance functions of the Company and its subsidiaries, including assisting the Board in its oversight of the integrity of the Company's financial statements, compliance with legal and regulatory requirements, the qualifications, independence, and performance of the Company's independent auditors, the performance of the Company's service firm used to assist management in its assessment of internal controls, and effectiveness of the Company's financial risk management.

The Audit and Finance Committee routinely holds executive sessions with the Company's independent registered public accounting firm without the presence of management.
Responsibilities of the Audit and Finance Committee include:

Overseeing management's conduct of the Company's financial reporting process, including reviewing the financial reports and other financial information provided by the Company, and reviewing the Company's systems of internal accounting and financial controls;

Overseeing the Company's independent auditors' qualifications and independence and the audit and non-audit services provided to the Company;

Overseeing the performance of the Company's independent auditors as well as parties engaged to assist the Company with its assessment of internal controls;

Reviewing potential financing proposals and referring them to the Board as necessary; and

Overseeing the Company's analysis and mitigation strategies for enterprise risk (reporting any findings to the Board as necessary).

The Audit and Finance Committee held 10 meetings during fiscal 2018. The complete Audit and Finance Committee charter can be found in the Corporate Governance sub-section of the section entitled “Investors” on our website at www.fuelcellenergy.com. The Audit and Finance Committee’s report appears on page 46 of this Proxy Statement.

Compensation Committee

Current Members:

Jason B. Few, Matthew F. Hilzinger, Christina Lampe-Onnerud and John A. Rolls
Current Chair: Matthew F. Hilzinger

Our Committee structure changed on November 8, 2018 with the election of Mr. Few and Dr. Lampe-Onnerud as Directors. The members of the Compensation Committee in fiscal 2018 were James H. England, Matthew F. Hilzinger, Togo D. West, Jr., and Natica von Althann. Mr. England was Chair of the Compensation Committee throughout fiscal 2018, prior to his election as Chairman of the Board.

Each of the current and fiscal 2018 Compensation Committee members is an independent Director under applicable Nasdaq and SEC rules, and the Compensation Committee is governed by a Board-approved charter stating its responsibilities. Members of the Compensation Committee are appointed by the Board.

The Compensation Committee is responsible for reviewing and approving the compensation plans, policies and programs of the Company to compensate the officers and Directors in a reasonable and cost-effective manner.

The Compensation Committee’s overall objectives are to ensure the attraction and retention of superior talent, to motivate the performance of the executive officers in the achievement of the Company’s business objectives and to align the interests of the officers and Directors with the long-term interests of the Company’s stockholders. To that end, it is the responsibility of the Compensation Committee to develop, approve and periodically review a general compensation policy and salary structure for executive officers of

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the Company, which considers business and financial objectives, industry and market pay practices and/or such other information as may be deemed appropriate.

Responsibilities of the Compensation Committee include:

Reviewing and recommending for approval by the independent Directors of the Board the compensation (salary, bonus and other incentive compensation) of the Chief Executive Officer of the Company;

Reviewing and approving the compensation (salary, bonus and other incentive compensation) of the other executive officers of the Company;

Reviewing and approving milestones and strategic initiatives relevant to the compensation of executive officers of the Company and evaluating performance in light of those goals and objectives;

Reviewing and approving all employment, retention and severance agreements for executive officers of the Company; and

Reviewing the management succession program for the Chief Executive Officer, the NEOs and selected executives of the Company.

The Compensation Committee acts on behalf of the Board in administering compensation plans approved by the Board in a manner consistent with the terms of such plans (including, as applicable, the granting of stock options, restricted stock, stock units and other awards, the review of performance goals established before the start of the relevant plan year, and the determination of performance compared to the goals at the end of the plan year). The Committee reviews and makes recommendations to the Board with respect to new compensation incentive plans and equity-based plans; reviews and recommends the compensation (annual retainer, committee fees and other compensation) of the Directors to the full Board for approval; and reviews and makes recommendations to the Board on changes in major benefit programs of the Company. Compensation Committee agendas are established in consultation with the committee chair. The Compensation Committee meets in executive session at each Committee meeting.

The Compensation Committee held 7 meetings during fiscal 2018. The complete Compensation Committee charter can be found in the Corporate Governance sub-section of the section entitled “Investors” on our website at www.fuelcellenergy.com. The Compensation Committee’s report appears on page 22 of this Proxy Statement.

Executive Committee

Current Members:

Arthur A. Bottone, James H. England and John A. Rolls
Current Chair: Arthur A. Bottone

During the intervals between Board meetings, the Executive Committee has and may exercise all the powers of the Board in the management of the business and affairs of the Company, in such manner as the Committee deems in the best interests of the Company, in all cases in which specific instructions have not been given by the Board. Mr. England and Mr. Rolls are independent directors under applicable Nasdaq rules. The current members of the Executive Committee were also members of the Executive Committee in fiscal 2018. Togo D. West was

also a member of the Executive Committee in fiscal 2018.

Nominating and Corporate Governance Committee

Current Members:

Natica von Althann, Matthew F. Hilzinger, John A. Rolls and Christina Lampe-Onnnerud
Current Chair: Natica von Althann
Our Committee structure changed on November 8, 2018 with the election of Mr. Few and Dr. Lampe-Onnerud as Directors. The members of the Nominating and Corporate Governance Committee in fiscal 2018 were Matthew F. Hilzinger, John A. Rolls and Natica von Althann. Ms. von Althann was Chair of the Compensation Committee throughout fiscal 2018.
The current and fiscal 2018 members of the Nominating and Corporate Governance Committee are all independent directors under applicable Nasdaq rules. Members of the Nominating and Corporate Governance Committee are appointed by the Board.
Responsibilities of the Nominating and Corporate Governance Committee include:

Identifying individuals qualified to become members of the Board and recommending the persons to be nominated by the Board for election as Directors at the annual meeting of stockholders or elected as Directors to fill vacancies;

Reviewing the Company’s corporate governance principles, assessing and recommending to the Board any changes deemed appropriate;

Periodically reviewing, discussing and assessing the performance of the Board and the committees of the Board;

Reviewing the Board’s committee structure and making recommendations to the full Board concerning the number and responsibilities of Board committees and committee assignments; and

Periodically reviewing and reporting to the Board any questions of possible conflicts of interest or related party transactions involving Board members or members of senior management of the Company.

The Nominating and Corporate Governance Committee will consider nominees for the Board recommended by stockholders. Nominations by stockholders must be in writing, and must include the full name of the proposed nominee, a brief description of the

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proposed nominee's business experience for at least the previous five years, and a representation that the nominating stockholder is a beneficial or record owner of the Company's common stock.

Any such submission must also be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as Director if elected. All recommendations for nomination received by the Corporate Secretary that satisfy our amended and restated by-law requirements relating to such Director nominations will be presented to the Nominating and Corporate Governance Committee for its consideration. Stockholders must also satisfy the notification, timeliness, consent and information requirements set forth in our amended and restated by-laws. Nominations must be delivered to the Nominating and Corporate Governance Committee at the following address:

Nominating and Corporate Governance Committee
FuelCell Energy, Inc.
Office of the Corporate Secretary
3 Great Pasture Road
Danbury, CT 06810

The Nominating and Corporate Governance Committee weighs the characteristics, experience, independence and skills of potential candidates for election to the Board and recommends nominees for Director to the Board for election (without regard to whether a nominee has been recommended by stockholders). In considering candidates for the Board, the Nominating and Corporate Governance Committee also assesses the size, composition and combined expertise of the Board. As the application of these factors involves the exercise of judgment, the Nominating and Corporate Governance Committee does not have a standard set of fixed qualifications that is applicable to all Director candidates, although the Nominating and Corporate Governance Committee does at a minimum assess each candidate's strength of character, mature judgment, industry knowledge or experience, ability to work collegially with the other members of the Board and ability to satisfy any applicable legal requirements or listing standards. The Nominating and Corporate Governance Committee is committed to actively seeking highly qualified individuals, and requires a diverse candidate pool, including individuals of diverse gender and ethnicity, from which Board nominees are selected. In identifying prospective Director candidates, the Nominating and Corporate Governance Committee may seek referrals from other members of the Board, management, stockholders and other sources. The Nominating and Corporate Governance Committee also may, but need not, retain a search firm in order to assist it in identifying candidates to serve as Directors of the Company. The Nominating and Corporate Governance Committee utilizes the same criteria for evaluating candidates regardless of the source of the referral. When considering Director candidates, the Nominating and Corporate Governance Committee seeks individuals with backgrounds and qualities that, when combined with those of our incumbent Directors, provide a blend of skills and experience to further enhance the Board's effectiveness.

In fiscal 2018, the Nominating and Corporate Governance Committee retained the services of Egon Zhender to assist it in identifying qualified candidates to serve on the Board and vetting those candidates in accordance with the qualifications and attributes sought by the Committee. Egon Zhender identified and proposed Jason B. Few and Christina Lampe-Onnerud, both of whom were elected to the Board in November 2018.

In connection with its annual recommendation of a slate of Director nominees, the Nominating and Corporate Governance Committee may also assess the contributions of those Directors recommended for re-election in the context of the Board evaluation process and other perceived needs of the Board.

The Nominating and Corporate Governance Committee held 6 meetings during fiscal 2018. The complete Nominating and Corporate Governance Committee charter, which includes the general criteria for nomination as a Director, can be found in the Corporate Governance subsection of the section entitled "Investors" on our website at www.fuelcellenergy.com.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee was an officer or employee of the Company during the fiscal year ended October 31, 2018. During the fiscal year ended October 31, 2018, none of our executive officers served as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who served as members of our Board of Directors or our Compensation Committee. During the fiscal year ended October 31, 2018, no member of the Compensation Committee other than Mr. James H. England had a relationship with the Company that required disclosure under Item 404 of Regulation S-K.

NASDAQ LISTING RULES – COMPENSATION COMMITTEE MEMBERS

Upon assessing the independence of the Compensation Committee members in accordance with the Nasdaq Listing Rules, the Board has determined that each Compensation Committee member satisfies the following independence criteria, in addition to qualifying as an independent director under Nasdaq Rule 5605(a)(2):

No Compensation Committee member has received compensation from the Company for any consulting or advisory services nor has any Compensation Committee member received any other compensatory fees paid by the Company (other than Directors' fees); and

No Compensation Committee member has an affiliate relationship with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

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NASDAQ LISTING RULES – COMPENSATION COMMITTEE ADVISOR

Upon assessing the independence of, and any potential conflicts of interest of, the Company's Compensation Advisor, Compensia, Inc. (the "Advisor"), in accordance with the Nasdaq Listing Rules, the Compensation Committee has determined that the Advisor satisfies the following independence criteria:

The Advisor has not provided, in the last completed fiscal year ended October 31, 2018 or any subsequent interim period, any services to the Company or its affiliated companies, other than the Advisor's work as a compensation advisor to the Company's Compensation Committee;

Less than 1% of the Advisor's total revenue was derived from fees paid by the Company in the last completed fiscal year ended October 31, 2018 and any subsequent interim period for work on behalf of the Company's Compensation Committee;

The Advisor has implemented policies and procedures designed to prevent conflicts of interest;

Neither the Advisor nor any of its employees or their spouses has any business or personal relationships with any members of the Company's Compensation Committee or any of the Company's executive officers;

Neither the Advisor nor any of its employees or their immediate family members currently own any Company securities (other than through a mutual fund or similar externally-managed investment vehicle); and

The Advisor is unaware of any relationship not identified in the statements above that could create an actual or potential conflict of interest with the Company or its affiliated entities, any members of the Company's Compensation Committee or any of the Company's executive officers.

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BIOGRAPHIES OF EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

MICHAEL S. BISHOP

Age 51

Mr. Bishop was appointed Senior Vice President, Chief Financial Officer, and Treasurer in June 2011. He has more than 20 years of experience in financial operations and management with public high growth technology companies with a focus on capital raising, project finance, debt/treasury management, investor relations, strategic planning, internal controls, and organizational development. Since joining the Company in 2003, Mr. Bishop has held a succession of financial leadership roles including Assistant Controller, Corporate Controller and Vice President and Controller. Prior to joining FuelCell Energy, Mr. Bishop held finance and accounting positions at TranSwitch Corporation, Cyberian Outpost, Inc. and United Technologies, Inc. He is a certified public accountant and began his professional career at McGladrey and Pullen, LLP. Mr. Bishop also served four years in the United States Marine Corps.

Mr. Bishop received a Bachelor of Science in Accounting from Boston University in 1993 and a MBA from the University of Connecticut in 1999.

Principal Occupation:

Senior Vice President, Chief Financial Officer and Treasurer

JENNIFER D. ARASIMOWICZ

Age 47

Ms. Arasimowicz was appointed Senior Vice President, General Counsel and Corporate Secretary in April 2017. In this position, Ms. Arasimowicz, a licensed attorney in Connecticut, New York and Massachusetts, is the chief legal officer and chief compliance officer of the Company, having responsibility for oversight of all of the Company's legal and government affairs, and providing leadership in all aspects of the Company's business, including compliance, corporate governance and board activities. Ms. Arasimowicz joined the Company in 2012 as Associate Counsel and was promoted to Vice President in 2014. Prior to joining the Company, Ms. Arasimowicz served as General Counsel of Total Energy Corporation, a New York based diversified energy products and services company providing a broad range of specialized services to utilities and industrial companies. Previously, Ms. Arasimowicz was a partner at Shipman & Goodwin, LLP in Hartford, Connecticut chairing the Utility Law Practice Group and began her legal career as an associate at Murtha Cullina, LLP.

Ms. Arasimowicz earned her Juris Doctor at Boston University School of Law and holds a bachelor's degree in English from Boston University.

Principal Occupation:

Senior Vice President, General Counsel and Corporate Secretary

ANTHONY F. RAUSEO

Mr. Rauseo was appointed Senior Vice President and Chief Operating Officer in July 2010. In this position, Mr. Rauseo has responsibility for closely integrating the manufacturing operations with the supply chain, product development and quality initiatives. Mr. Rauseo is an organizational leader with a strong record of achievement in product development, business development, manufacturing, operations, and customer support. Mr. Rauseo joined the Company in 2005 as Vice President of Engineering and Chief Engineer. Prior to joining the Company, Mr. Rauseo held a variety of key management positions in manufacturing, quality and engineering including five years with CiDRA Corporation. Prior to joining CiDRA, Mr. Rauseo was with Pratt and Whitney for 17 years where he held various leadership positions in product development, production and customer support of aircraft turbines.

Mr. Rauseo received a Bachelor of Science in Mechanical Engineering from Rutgers University in 1983 and a Masters of Science in Mechanical Engineering from Rensselaer Polytechnic Institute in 1987.

Principal Occupation:

Age 59

Senior Vice President and Chief Operating Officer

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis as set forth in this Proxy Statement. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be incorporated by reference in the Company's Annual Report on Form 10-K for its fiscal year ended October 31, 2018 and included in the Company's 2019 Proxy Statement filed in connection with the Company's 2019 Annual Meeting of Stockholders.

Respectfully submitted by the Compensation Committee of the Board of Directors.

Matthew F. Hilzinger (Chair)
Jason B. Few
Christina Lampe-Onnnerud
John A. Rolls

COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION AND SUMMARY

This Compensation Discussion and Analysis describes the philosophy and objectives of the executive compensation program underlying the compensation which is reported in the executive compensation tables included in this Proxy Statement for the following executive officers (the "NEOs" or "named executive officers"):

ARTHUR A. BOTTONE	President and Chief Executive Officer (the "CEO");
MICHAEL S. BISHOP	Senior Vice President, Chief Financial Officer and Treasurer (the "CFO");
JENNIFER D. ARASIMOWICZ	Senior Vice President, General Counsel and Corporate Secretary (the "GC"); and
ANTHONY F. RAUSEO	Senior Vice President and Chief Operating Officer (the "COO").

The total compensation of each NEO is reported in the Fiscal 2018 Summary Compensation Table presented on page 32 of this Proxy Statement. The individuals identified above as our NEOs are all of our executive officers, which is why we only provide compensation-related disclosure with respect to our CEO, CFO and next two most highly compensated executive officers.

Our compensation program is intended to motivate and incentivize our NEOs to achieve our corporate objectives and increase stockholder value. The Compensation Committee continues to evaluate how best to structure our compensation programs to ensure that our executives are being appropriately and competitively compensated while also maintaining compensation levels commensurate with our business performance.

During fiscal 2018, we continued to progress toward sustainable profitability with the development of our generation portfolio. We recognize that there is still more work to be done in order to reach our full potential. Fiscal 2018 was focused on the continued advancement of our business plan. Despite challenging industry and market conditions, our executives capitalized on opportunities and achieved favorable results on a number of important business initiatives, including but not limited to:

Lobbying for the restoration of the federal investment tax credit for stationary fuel cells and expansion of the carbon sequestration credit;

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Delivery, commissioning and operation of the 20 MW KOSPO project in Incheon, South Korea; and

Award of 22.2 MW of projects in the Connecticut Department of Energy and Environmental Protection competitive solicitation.

THE 2018 SAY-ON-PAY VOTE AND COMPENSATION HIGHLIGHTS

Our Compensation Committee pays close attention to the views of our stockholders when making determinations regarding executive compensation. At our 2018 Annual Meeting, only 65.57% of the votes cast on the advisory proposal regarding the compensation of our named executive officers were voted in favor of our 2018 executive compensation program. Although the stockholders approved the compensation program, we are concerned with the declining level of stockholder support for our executive compensation program. As we did with our corporate governance policies and practices, we undertook an evaluation of our executive compensation programs and practices to ensure that those programs and practices were, in fact, aligned with our business goals and the interests of our stockholders.

We believe that our continued efforts to grow our business, enhance liquidity, improve margins and grow revenue are positioning us to achieve sustainable profitability. Nevertheless, we understand stockholder discontent regarding our current stock price and financial performance. It is important to note that, although our NEOs delivered on a number of opportunities and strategic initiatives as outlined above, in light of our stock performance during the year, the Compensation Committee did not approve any cash bonuses for fiscal 2018.

As part of our review of our executive compensation program in fiscal 2018, we implemented a six-fold increase in our minimum stock ownership guidelines and made modifications to our peer group, both as discussed further below. The Compensation Committee is also considering additional ways to redesign some of the features of our executive compensation program for the future.

We are also endeavoring in this Proxy Statement to clarify certain elements of our executive compensation program so that our stockholders can better understand the reported versus realizable total compensation of our executives, how our current compensation program is structured, and why our compensation program is appropriate for our Company. In looking at these types of programs among our peer group companies (which are listed below under the heading “Competitive Positioning”), only 30% of our peer group companies grant performance-based shares, while 60% of our peer group companies grant restricted stock in line with the Company’s compensation program. The Compensation Committee hopes that our stockholders will consider these factors, as well as the positive momentum of our business and the attributes of our compensation program, when casting “say-on-pay” votes at the Annual Meeting.

The Compensation Committee will continue to consider the results of annual stockholder advisory votes on executive compensation in its ongoing evaluation of our programs and practices.

During fiscal 2018, we enhanced or maintained the following compensation-related governance policies and practices, including both policies and practices we have implemented to drive performance and policies and practices that either prohibit or minimize behaviors that we do not believe serve our stockholders’ long-term interests.

What We Do:

Maintain an Independent Compensation Committee – Our Compensation Committee consists solely of independent directors who establish our compensation practices.

Retain an Independent Compensation Advisor – Our Compensation Committee has engaged its own compensation consultant to provide information, analysis, and other advice on executive compensation independent of management.

Annual Executive Compensation Review – At least once a year, our Board conducts a review of our compensation strategy.

Compensation At-Risk – Our executive compensation program is designed so that a significant portion of our NEO's compensation is "at risk" based on corporate performance, to align the interests of our NEOs and stockholders.

Stock Ownership Guidelines – We maintain minimum stock ownership guidelines and stock holding requirements applicable to the NEOs and the non-employee independent members of our Board. In December 2018, our Board approved a six-fold increase in the ownership guidelines; and, as of October 31, 2018, each of the NEOs satisfied the requirements of the minimum stock ownership policy.

Compensation Recovery ("Clawback") Policy – We maintain an Executive Compensation Recovery Policy that enables our Board to seek recovery of any erroneously paid incentive compensation received by any current or former executive officer of the Company (who was actively employed as an executive officer of the Company on or after December 18, 2014, the date this policy was first adopted) in the event of an accounting restatement.

Conduct an Annual Stockholder Advisory Vote on NEO Compensation – We conduct an annual stockholder advisory vote on the compensation of our NEOs. Our Board considers the results of this advisory vote during the course of its deliberations on NEO compensation.

Compensation-Related Risk Assessment – We conduct regular risk assessments of our compensation programs and practices.

"Double-Trigger" Change in Control Arrangements – We have established "double-trigger" change-in-control severance agreements with each of the NEOs, with a payment equal to two times base salary plus the average of the bonuses paid since the effective date of his employment agreement (for Mr. Bottone) and payments of one times base salary plus the average of the bonuses paid since their appointment as executive officers of the Company (for Messrs. Bishop and Rauseo and Ms. Arasimowicz).

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What We Do Not Do:

No Guaranteed Bonuses – We do not provide guaranteed bonuses to our NEOs.

No Defined Benefit Retirement Plans – We do not currently offer, nor do we have plans to offer, defined benefit pension plans or any non-qualified deferred compensation plans or arrangements to our NEOs other than arrangements that are available generally to all employees. Our NEOs are eligible to participate in our 401(k) retirement plan on the same basis as our other employees.

Prohibition on Hedging and Pledging – We maintain a policy that prohibits our employees, including our NEOs and members of the Board, from hedging or pledging any Company securities.

No Perquisites or Tax Gross-Ups – We do not offer our NEOs any perquisites, executive class benefits, or tax "gross-ups."

No Stock Option Re-pricing – We do not permit options to purchase shares of our common stock to be repriced to a lower exercise price without the approval of our stockholders.

"REPORTED" VS. "REALIZABLE" SHARE-BASED COMPENSATION

Following the "say-on-pay" voting results at the 2018 Annual Meeting, we wanted to provide a clearer understanding of how our equity-based compensation as reported in our proxy statements compares to the value actually paid to our NEOs in subsequent years and how this compensation structure is designed to be performance-based. This is commonly referred to as "reported" versus "realizable" pay. Reported pay refers to the compensation value reported in the compensation tables required under Item 402 of Regulation S-K, which we calculate based on applicable SEC rules and guidance. Realizable pay refers to the value of compensation received by our NEOs as of the applicable vesting dates.

We believe that it is important for our stockholders to understand, in reviewing the compensation information provided in this Proxy Statement, that all annual cash bonus and equity compensation are performance-based. Annual cash bonuses are dependent on achievement of the Company's pre-established milestones and strategic initiatives. For fiscal 2018, the Company did not achieve the specific milestones and strategic initiatives that were established under the 2018 Management Incentive Plan. As a result of the Company's performance, the stock price and the financial condition of the Company at fiscal year-end, our Compensation Committee determined that cash bonuses for fiscal 2018 were not earned. Annual equity awards are reported in the compensation tables at grant date fair value, which is not necessarily the actual compensation received by the NEOs at vesting. If our stock price declines over time, the NEO will receive less than the grant date fair value reported for those awards.

The table below compares the grant date fair values as reported in the proxy statements for the 2016, 2017, and 2018 Annual Meetings of the Stockholders to the fair market value of the shares on the applicable vesting dates. To calculate these fair market values, we multiplied the number of shares vesting by the closing price of our common stock on the applicable vesting dates. For shares not yet vested, we multiplied the number of unvested shares by the closing price of our common stock on December 31, 2018.

Name	Grant Date	Quantity Granted	Report Grant I Value

		4/2/2015	43,373	$ 66
ARTHUR A. BOTTONE		4/7/2016	102,640	$ 66
		4/6/2017	330,500	$ 49
		4/5/2018	308,989	$ 55
		4/5/2018	100,000	$ 17
		Total	885,502	$ 2,5
		4/2/2015	16,405	$ 25
MICHAEL S. BISHOP		4/7/2016	54,348	$ 35
		4/6/2017	175,000	$ 26
		4/5/2018	168,539	$ 29
		4/5/2018	100,000	$ 17
		Total	514,292	$ 1,3
JENNIFER D. ARASIMOWICZ		4/7/2016	9,473	$ 61,
		4/6/2017	200,000	$ 30

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of your debt security s adjusted issue price, as determined above, the excess is acquisition premium. If you do not make the election described below under Election to Treat All Interest as Original Issue Discount, then you must reduce the daily portions of original issue discount by a fraction equal to:

the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security divided by:

the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security s adjusted issue price.

Pre-Issuance Accrued Interest

An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest;

the first stated interest payment on your debt security is to be made within one year of your debt security s issue date; and

the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.

Debt Securities Subject to Contingencies Including Optional Redemption

Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

the timing and amounts of the payments that comprise each payment schedule are known as of the issue date; and

one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable prospectus supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your debt security; and

in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your debt security.

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If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your debt security is repaid as a result of this change in circumstances and solely to determine the amount and accrual of original issue discount, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security s adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount

You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above, with the modifications described below. For purposes of this election, interest will include stated interest, original issue discount, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under Debt Securities Purchased at a Premium, or acquisition premium.

If you make this election for your debt security, then, when you apply the constant-yield method:

- the issue price of your debt security will equal your cost;
- the issue date of your debt security will be the date you acquired it; and
- no payments on your debt security will be treated as payments of qualified stated interest.

Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount debt security, you will be treated as having made the election discussed below under Market Discount to include market discount in income currently over the life of all debt instruments having market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the United States Internal Revenue Service.

Variable Rate Debt Securities

Your debt security will be a variable rate debt security if:

your debt security s issue price does not exceed the total noncontingent principal payments by more than the lesser of:

.015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date; or

15 percent of the total noncontingent principal payments; and

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your debt security provides for stated interest, compounded or paid at least annually, only at:

- one or more qualified floating rates;
- a single fixed rate and one or more qualified floating rates;
- a single objective rate; or
- a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your debt security will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or
- the rate is equal to such a rate multiplied by either:
  - a fixed multiple that is greater than 0.65 but not more than 1.35; or
  - a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt security.

Your debt security will have a variable rate that is a single objective rate if:

the rate is not a qualified floating rate;

the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your debt security will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your debt security s term will be either significantly less than or significantly greater than the average value of the rate during the final half of your debt security s term.

An objective rate as described above is a qualified inverse floating rate if:

the rate is equal to a fixed rate minus a qualified floating rate and

the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

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Your debt security will also have a single qualified floating rate or an objective rate if interest on your debt security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the debt security that do not differ by more than 0.25 percentage points; or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if your variable rate debt security provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your debt security is qualified stated interest. In this case, the amount of original issue discount, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your debt security.

If your variable rate debt security does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and original issue discount accruals on your debt security by:

- determining a fixed rate substitute for each variable rate provided under your variable rate debt security;
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above;
- determining the amount of qualified stated interest and original issue discount with respect to the equivalent fixed rate debt instrument; and
- adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate debt security, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your debt security.

If your variable rate debt security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and original issue discount accruals by using the method described in the previous paragraph. However, your variable rate debt security will be treated, for purposes of the first three steps of the

determination, as if your debt security had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate debt security as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Debt Securities

In general, if you are an individual or other cash basis United States holder of a short-term debt security, you are not required to accrue original issue discount, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to

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accrue original issue discount on short-term debt securities on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include original issue discount in income currently, any gain you realize on the sale or retirement of your short-term debt security will be ordinary income to the extent of the accrued original issue discount, which will be determined on a straight-line basis unless you make an election to accrue the original issue discount under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue original issue discount on your short-term debt securities, you will be required to defer deductions for interest on borrowings allocable to your short-term debt securities in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of original issue discount subject to these rules, you must include all interest payments on your short-term debt security, including stated interest, in your short-term debt security s stated redemption price at maturity.

Non-U.S. Dollar Currency Original Issue Discount Debt Securities

If your original issue discount debt security is denominated in, or determined by reference to, a non-U.S. dollar currency, you must determine original issue discount for any accrual period on your original issue discount debt security in the non-U.S. dollar currency and then translate the amount of original issue discount into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described above under Payments of Interest. You may recognize ordinary income or loss when you receive an amount attributable to original issue discount in connection with a payment of interest or the sale or retirement of your debt security.

Market Discount

You will be treated as if you purchased your debt security, other than a short-term debt security, at a market discount, and your debt security will be a market discount debt security if:

- you purchase your debt security for less than its issue price as determined above; and
- the difference between the debt security s stated redemption price at maturity or, in the case of an original issue discount debt security, the debt security s revised issue price, and the price you paid for your debt security is equal to or greater than 0.25 percent of your debt security s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security s maturity. To determine the revised issue price of your debt security for these purposes, you generally add any original issue discount that has accrued on your debt security to its issue price.

If your debt security s stated redemption price at maturity or, in the case of an original issue discount debt security, its revised issue price, exceeds the price you paid for the debt security by less than 0.25 percent multiplied by the number of complete years to the debt security s maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount debt security as ordinary income to the extent of the accrued market discount on your debt security. Alternatively, you may elect to include market discount in income currently over the life of your debt security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the United States Internal Revenue Service. If you own a market discount debt security and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your debt security in an amount not exceeding the accrued market discount on your debt security until the maturity or disposition of your debt security.

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If you own a market discount debt security, the market discount will accrue on a straight-line basis unless an election is made to accrue market discount using a constant-yield method. If you make this election, it will apply only to the debt security with respect to which it is made and you may not revoke it. You would, however, not include accrued market discount in income currently unless you elect to do so as described above.

Debt Securities Purchased at a Premium

If you purchase your debt security for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you would reduce the amount required to be included in your income each year with respect to interest on your debt security by the amount of amortizable bond premium allocable to that year, based on your debt security s yield to maturity. If your debt security is denominated in, or determined by reference to, a non-U.S. dollar currency, you would compute your amortizable bond premium in units of the non-U.S. dollar currency and your amortizable bond premium will reduce your interest income in units of the non-U.S. dollar currency. Gain or loss recognized that is attributable to changes in foreign currency exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your debt security is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the United States Internal Revenue Service. See also Original Issue Discount Election to Treat All Interest as Original Issue Discount.

Purchase, Sale and Retirement of the Debt Securities

Your tax basis in your debt security will generally be the U.S. dollar cost, as defined below, of your debt security, adjusted by:

- adding any original issue discount or market discount previously included in income with respect to your debt security; and then
- subtracting any payments on your debt security that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your debt security.

If you purchase your debt security with non-U.S. dollar currency, the U.S. dollar cost of your debt security will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your debt security is traded on an established securities market, as defined in the applicable U.S. Treasury regulations, the U.S. dollar cost of your debt security will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your debt security equal to the difference between the amount you realize on the sale or retirement and your tax basis in your debt security. If your debt security is sold or retired for an amount in non-U.S. dollar currency, the amount you realize will be the U.S. dollar value of such amount on the date the debt security is disposed of or retired, except that in the case of a debt security that is traded on an established

securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the specified currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your debt security, except to the extent:

described above under Original Issue Discount Short-Term Debt Securities or Market Discount;

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attributable to accrued but unpaid interest;

the rules governing contingent payment obligations apply; or

attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States holder is generally taxed at preferential rates where the debt security is held for more than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a debt security as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

If you receive non-U.S. dollar currency as interest on your debt security or on the sale or retirement of your debt security, your tax basis in the non-U.S. dollar currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase non-U.S. dollar currency, you generally will have a tax basis equal to the U.S. dollar value of the non-U.S. dollar currency on the date of your purchase. If you sell or dispose of a non-U.S. dollar currency, including if you use it to purchase debt securities or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Other Debt Securities

The applicable prospectus supplement will discuss the material United States federal income tax rules with respect to debt securities that may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of AIG parent or debt or equity securities of one or more third parties, debt securities that are subject to the rules governing contingent payment obligations, any renewable and extendible debt securities and any debt securities providing for the periodic payment of principal over the life of the debt security.

Medicare Tax

For taxable years beginning after December 31, 2012, a U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. holder s net investment income for the relevant taxable year and (2) the excess of the U.S. holder s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual s circumstances). A U.S. holder s net investment income will generally include its interest income and its net gains from the disposition of the debt securities, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate or trust, you are advised to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the debt securities.

United States Alien Holders

This subsection describes the tax consequences to a United States alien holder. This discussion assumes that the debt security is not subject to the rules of Section 871(h)(4)(A) of the Code, relating to interest payments that are determined by reference to the income, profits, changes in the value of property or other attributes of the debtor or a related party.

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Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a debt security:

- we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, including original issue discount, to you if, in the case of payments of interest:
  - you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
  - you are not a controlled foreign corporation that is related to us through stock ownership;
  - the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:
    - you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person;
    - in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as the beneficial owner of the payment for United States federal income tax purposes and as a person who is not a United States person;
    - the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:
      - a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners);
      - a qualified intermediary (generally a non-United States financial institution or clearing organization or a

non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the United States Internal Revenue Service); or

a U.S. branch of a non-United States bank or of a non-United States insurance company;

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a person who is not a United States person that is, for United States federal income tax purposes, the beneficial owner of the payments on the debt securities in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the United States Internal Revenue Service);

the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers securities in the ordinary course of its trade or business:

certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you; and

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to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form; or

the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a person who is not a United States person that is, for United States federal income tax purposes, the beneficial owner of the payments on the debt securities in accordance with U.S. Treasury regulations; and

no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your debt security.

Further, a debt security held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual s gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote at the time of death; and

the income on the debt security would not have been effectively connected with a U.S. trade or business of the decedent at the same time.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Pursuant to Treasury regulations, United States taxpayers must report certain transactions that give rise to a loss in excess of certain thresholds (a Reportable Transaction). Under these regulations, if the debt securities are denominated in a foreign currency, a United States holder (or a United States alien holder that holds the debt securities in connection with a U.S. trade or business) that recognizes a loss with respect to the debt securities that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of debt securities.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

A 30% withholding tax will be imposed on certain payments that are made to certain foreign financial institutions, investment funds and other non-U.S. persons that fail to comply with information reporting requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. Such payments will include U.S.-source interest and the gross proceeds from the sale or other disposition of debt securities that can produce U.S.-source interest. However, under proposed regulations, such payments will only include interest and proceeds of debt securities issued on or after January 1, 2013. In addition, under administrative guidance and proposed regulations, withholding would only be made

to payments of interest made on or after January 1, 2014, and to payments of gross proceeds from a sale or other disposition of debt securities made on or after January 1, 2015.

Backup Withholding and Information Reporting

United States Holders. In general, if you are a noncorporate United States holder, we and other payors are required to report to the United States Internal Revenue Service all payments of principal, any premium and interest on your debt security, and the accrual of original issue discount on an original issue discount debt security. In addition, we and other payors are required to report to the United States Internal Revenue Service any payment of proceeds of the sale of your debt security before maturity within the United States. Additionally,

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backup withholding will apply to any payments, including payments of original issue discount, if you fail to provide an accurate taxpayer identification number, or you are notified by the United States Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

United States Alien Holders. In general, if you are a United States alien holder, payments of principal, premium or interest, including original issue discount, made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under United States Alien Holders are satisfied or you otherwise establish an exemption. However, we and other payors are required to report payments of interest on your debt securities on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements. In addition, payment of the proceeds from the sale of debt securities effected at a United States office of a broker will not be subject to backup withholding and information reporting provided that:

- the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:
  - an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person; or
  - other documentation upon which it may rely to treat the payment as made to a person who is not a United States person that is, for United States federal income tax purposes, the beneficial owner of the payment on the debt securities in accordance with U.S. Treasury regulations; or
- you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a person who is not a United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made outside the United States to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of debt securities effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States;

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of debt securities effected at a foreign office of a broker will be subject to information reporting if the broker is:

a United States person;

a controlled foreign corporation for United States tax purposes;

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a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

a foreign partnership, if at any time during its tax year:

one or more of its partners are United States persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or

such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Taxation of Common Stock, Preferred Stock and Depositary Shares

This subsection describes the material United States federal income tax consequences of owning, selling and disposing of the common stock, preferred stock and depositary shares that we may offer other than preferred stock that may be convertible into, or exercisable or exchangeable for, securities or other property, which will be described in the applicable prospectus supplement. When we refer to preferred stock in this subsection, we mean both preferred stock and depositary shares.

United States Holders

Distributions

You will be taxed on distributions on common stock or preferred stock as dividend income to the extent paid out of our current or accumulated earnings and profits for United States federal income tax purposes. If you are a noncorporate United States holder, dividends paid to you in taxable years beginning before January 1, 2013 will be taxable to you at a maximum rate of 15%, provided that you hold your shares of common stock or preferred stock for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, if a dividend is on preferred stock and is attributable to a period or periods aggregating over 366 days, provided that you hold your shares of preferred stock for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. If you are taxed as a corporation, except as described in the next subsection, dividends would be eligible for the 70% dividends-received deduction.

You generally will not be taxed on any portion of a distribution not paid out of our current or accumulated earnings and profits if your tax basis in the common stock or preferred stock is greater than or equal to the amount of the distribution. However, you would be required to reduce your tax basis (but not below zero) in the common stock or preferred stock by the amount of the distribution, and would

recognize capital gain to the extent that the distribution exceeds your tax basis in the common stock or preferred stock. Further, if you are a corporation, you would not be entitled to a dividends-received deduction on this portion of a distribution.

Limitations on Dividends-Received Deduction

Corporate shareholders may not be entitled to take the 70% dividends-received deduction in all circumstances. Prospective corporate investors in common stock or preferred stock should consider the effect of:

Section 246A of the Code, which reduces the dividends-received deduction allowed to a corporate shareholder that has incurred indebtedness that is directly attributable to an investment in certain portfolio stock;

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Section 246(c) of the Code, which, among other things, disallows the dividends-received deduction in respect of any dividend on a share of stock that is held for less than the minimum holding period (generally at least 46 days during the 91 day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend); and

Section 1059 of the Code, which, under certain circumstances, reduces the basis of stock for purposes of calculating gain or loss in a subsequent disposition by the portion of any extraordinary dividend (as defined below) that is eligible for the dividends-received deduction.

Extraordinary Dividends

If you are a corporate shareholder, you will be required to reduce your tax basis (but not below zero) in the common stock or preferred stock by the nontaxed portion of any extraordinary dividend if you have not held your stock for more than two years before the earliest of the date such dividend is declared, announced, or agreed. Generally, the nontaxed portion of an extraordinary dividend is the amount excluded from income by operation of the dividends-received deduction. An extraordinary dividend on the common stock or preferred stock generally would be a dividend that:

equals or exceeds 5% (in the case of preferred stock) or 10% (in the case of common stock) of the corporate shareholder s adjusted tax basis in the common stock or preferred stock, treating all dividends having ex-dividend dates within an 85 day period as one dividend; or

exceeds 20% of the corporate shareholder s adjusted tax basis in the common stock or preferred stock, treating all dividends having ex-dividend dates within a 365 day period as one dividend.

In determining whether a dividend paid on the common stock or preferred stock is an extraordinary dividend, a corporate shareholder may elect to substitute the fair market value of the stock for its tax basis for purposes of applying these tests if the fair market value as of the day before the ex-dividend date is established to the satisfaction of the Secretary of the Treasury. An extraordinary dividend also includes any amount treated as a dividend in the case of a repurchase or redemption that is either non-pro rata as to all stockholders or in partial liquidation of the company, regardless of the stockholder s holding period and regardless of the size of the dividend. Any part of the nontaxed portion of an extraordinary dividend that is not applied to reduce the corporate shareholder s tax basis as a result of the limitation on reducing its basis below zero would be treated as capital gain and would be recognized in the taxable year in which the extraordinary dividend is received.

If you are a corporate shareholder, please consult your tax advisor with respect to the possible application of the extraordinary dividend provisions of the federal income tax law to your ownership or disposition of common stock or preferred stock in your particular circumstances.

Redemption Premium

If we may redeem your preferred stock at a redemption price in excess of its issue price, the entire amount of the excess may constitute an unreasonable redemption premium which will be treated as a constructive dividend. You generally must take this constructive dividend into account each year in the same manner as original issue discount would be taken into account if the preferred stock were treated as an original issue discount debt security for United States federal income tax purposes. See Taxation of Debt Securities United States Holders Original Issue Discount above for a discussion of the special tax rules for original issue discount. A corporate shareholder would be entitled to a dividends-received deduction for any constructive dividends unless the special rules denying a dividends-received deduction described above in Limitations on Dividends-Received Deduction apply. A corporate shareholder would also be required to take these constructive dividends into account when applying the extraordinary dividend rules described above. Thus, a corporate

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shareholder s receipt of a constructive dividend may cause some or all stated dividends to be treated as extraordinary dividends. The applicable prospectus supplement for preferred stock that is redeemable at a price in excess of its issue price will indicate whether tax counsel believes that a shareholder must include any redemption premium in income.

Sale or Exchange of Common Stock and Preferred Stock Other Than by Repurchase or Redemption

If you sell or otherwise dispose of your common stock or preferred stock (other than by repurchase or redemption), you will generally recognize capital gain or loss equal to the difference between the amount realized upon the disposition and your adjusted tax basis of the common stock or preferred stock. Capital gain of a noncorporate United States holder is generally taxed at preferential rates where the holder has a holding period greater than one year.

Repurchase or Redemption of Common Stock or Preferred Stock

If we repurchase or redeem your common stock or preferred stock, it generally would be a taxable event. You would be treated as if you had sold your common stock or preferred stock if the repurchase or redemption:

- results in a complete termination of your stock interest in us;
- is substantially disproportionate with respect to you; or
- is not essentially equivalent to a dividend with respect to you.

In determining whether any of these tests has been met, shares of stock considered to be owned by you by reason of certain constructive ownership rules set forth in Section 318 of the Code, as well as shares actually owned, must be taken into account.

If we repurchase or redeem your common stock or preferred stock in a repurchase or redemption that meets one of the tests described above, you generally would recognize taxable gain or loss equal to the sum of the amount of cash and fair market value of property (other than stock of us or a successor to us) received by you less your tax basis in the common stock or preferred stock repurchased or redeemed. This gain or loss would be long-term capital gain or capital loss if you have held the common stock or preferred stock for more than one year.

If a repurchase or redemption does not meet any of the tests described above, you generally would be taxed on the cash and fair market value of the property you receive as a dividend to the extent paid out of our current or accumulated earnings and profits. Any amount in excess of our current and accumulated earnings and profits would first reduce your tax basis in the common stock or preferred stock and thereafter would be treated as capital gain. If a repurchase or redemption of the common stock or preferred stock is treated as a distribution that is taxable as a dividend, you should consult with your own tax advisor regarding the treatment of your basis in the repurchased or redeemed common stock or preferred stock.

Medicare Tax

For taxable years beginning after December 31, 2012, a U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. holder s net investment income for the relevant taxable year and (2) the excess of the U.S. holder s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual s circumstances). A U.S. holder s net investment income will generally include its dividend income and its net gains from the disposition of the common stock and preferred stock, unless such dividends or net gains are derived in the ordinary course of

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the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. holder that is an individual, estate or trust, you are advised to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the common stock and preferred stock.

United States Alien Holders

Except as described below, if you are a United States alien holder of common stock or preferred stock, dividends paid to you are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us or another payor:

- a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a person who is not a United States person and your entitlement to the lower treaty rate with respect to such payments; or

- in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

If dividends paid to you are effectively connected with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

- you are not a United States person; and

- the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

Effectively connected dividends are taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations.

If you are a corporate United States alien holder, effectively connected dividends that you receive may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Gain on Disposition of Common Stock and Preferred Stock

If you are a United States alien holder, you generally will not be subject to United States federal income tax on gain that you recognize on a disposition of common stock or preferred stock unless:

the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis;

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you are an individual, you hold the common stock or preferred stock as a capital asset, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist; or

we are or have been a United States real property holding corporation for federal income tax purposes and certain other conditions are met.

If you are a corporate United States alien holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

Federal Estate Taxes

Common stock or preferred stock held by a United States alien holder at the time of death will be included in the holder s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

A 30% withholding tax will be imposed on certain payments that are made to certain foreign financial institutions, investment funds and other non-U.S. persons that fail to comply with information reporting requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. Such payments would include U.S.-source dividends and the gross proceeds from the sale or other disposition of stock that can produce U.S.-source dividends. Under administrative guidance and proposed regulations, withholding would only be made on payments of interest and dividends made on or after January 1, 2014, and to payments of gross proceeds from the sale or other disposition of our common stock or preferred stock made on or after January 1, 2015.

Backup Withholding and Information Reporting

United States Holders. In general, if you are a non-corporate United States holder, dividend payments, or other taxable distributions, made on your common stock or preferred stock, as well as the payment of the proceeds from the sale, repurchase or redemption of your common stock or preferred stock that are made within the United States will be subject to information reporting requirements. Additionally, backup withholding will apply to such payments if you are a non-corporate United States holder and you:

fail to provide an accurate taxpayer identification number;

are notified by the United States Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or

in certain circumstances, fail to comply with applicable certification requirements.

If you sell your common stock or preferred stock outside the United States through a non-U.S. office of a non-U.S. broker, and the sales proceeds are paid to you outside the United States, then U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your common stock or preferred stock through a non-U.S. office of a broker that is:

a United States person;

a controlled foreign corporation for United States tax purposes;

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a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

a foreign partnership, if at any time during its tax year:

one or more of its partners are United States persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or

such foreign partnership is engaged in the conduct of a United States trade or business.

Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the U.S. backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

United States Alien Holders. If you are a United States alien holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

dividend payments; and

the payment of the proceeds from the sale of common stock or preferred stock effected at a United States office of a broker;

as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:

a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person; or

other documentation upon which it may rely to treat the payments as made to a non-United States person that is, for United States federal income tax purposes, the beneficial owner of the payments in accordance with U.S. Treasury regulations; or

you otherwise establish an exemption.

Payment of the proceeds from the sale of common stock or preferred stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of common stock or preferred stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States;
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

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In addition, a sale of common stock or preferred stock will be subject to information reporting if it is effected at a foreign office of a broker that is:

- a United States person;
- a controlled foreign corporation for United States tax purposes;
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or
- a foreign partnership, if at any time during its tax year:
  - one or more of its partners are United States persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or
  - such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person that is, for United States federal income tax purposes, the beneficial owner of the payments.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

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EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended (ERISA) (each, a Plan), should consider the fiduciary standards of ERISA in the context of the Plan s particular circumstances before authorizing an investment in the securities offered hereunder. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under ERISA or the U.S. Internal Revenue Code, as amended (the Code).

Section 406 of ERISA and Section 4975 of the Code prohibit Plans that are subject to Title I of ERISA and plans described in Section 4975(e)(1) of the Code (including, without limitation, retirement accounts, Keogh plans and any other plans that are subject to Section 4975 of the Code (also Plans)), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in excise tax or other liabilities under ERISA or the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (Non-ERISA Arrangements) are not subject to the requirements of Section 406 of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other laws (Similar Laws).

The acquisition of the securities that we may offer by a Plan or any entity whose underlying assets include plan assets by reason of any Plan s investment in the entity (a Plan Asset Entity) with respect to which we or certain of our affiliates is or becomes a party in interest or disqualified person may result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those securities are acquired pursuant to an applicable exemption. AIG, directly or through its affiliates, may be considered a party in interest or a disqualified person to a large number of Plans. A purchase of offered securities by any such Plan may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless the offered securities are acquired pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or PTCEs , that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of a security offered hereunder. These exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), and PTCE 96-23 (for transactions managed by in-house asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of the securities offered hereby, provided that neither AIG nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more and receives no less than adequate consideration in connection with the transaction (the service provider exemption). There can be no assurance that all of the conditions of any such exemptions will be satisfied. The assets of a Plan may include the assets held in the general account of an insurance company that are deemed to be plan assets under ERISA.

Any purchaser or holder of any security offered hereunder or any interest therein will be deemed to have represented by its purchase and holding of the security that either (1) it is not a Plan, a Plan Asset Entity or a Non-ERISA Arrangement and is not purchasing the security on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement or (2) the purchase and holding of the security will not constitute or result in a non-exempt prohibited transaction or a similar violation under any applicable Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the

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securities offered hereunder on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or the potential consequences of any purchase or holding under Similar Laws, as applicable. Purchasers of the securities offered hereunder have exclusive responsibility for ensuring that their purchase and holding of the securities do not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any similar provisions of Similar Laws. The sale of any security offered hereunder to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

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VALIDITY OF THE SECURITIES

Unless otherwise specified in any prospectus supplement, the validity of the securities offered by this prospectus will be passed upon for us by Sullivan & Cromwell LLP, New York, New York, and the validity of the securities will be passed upon for any underwriters or agents by Cleary Gottlieb Steen & Hamilton LLP, New York, New York. Cleary Gottlieb Steen & Hamilton LLP has from time to time provided, and may provide in the future, legal services to AIG and its affiliates. In addition, the validity of the securities offered by this prospectus may also be passed upon for us by Kathleen E. Shannon, Senior Vice President and Deputy General Counsel of AIG, or another AIG attorney. Ms. Shannon is regularly employed by AIG, participates in various AIG employee benefit plans under which she may receive shares of common stock and currently beneficially owns less than 1 percent of the outstanding shares of common stock.

EXPERTS

The consolidated financial statements and the financial statement schedules incorporated in this prospectus by reference to AIG s Current Report on Form 8-K dated May 4, 2012 and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to AIG s Annual Report on Form 10-K for the year ended December 31, 2011, have been so incorporated in reliance upon the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of AIA Group Limited incorporated into this prospectus by reference to AIG s Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the year ended December 31, 2011 have been so incorporated in reliance upon the report of PricewaterhouseCoopers, independent accountants, given on the authority of said firm as experts in auditing and accounting.

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Shares

American International Group, Inc.

Common Stock

PROSPECTUS SUPPLEMENT

Joint Book-Runners

BofA Merrill Lynch	**Barclays**		**Citigroup**
Credit Suisse	**Deutsche Bank Securities**	**Goldman, Sachs & Co.**	**J.P. Morgan**
Macquarie Capital	**Morgan Stanley**	**UBS Investment Bank**	**Wells Fargo Securities**

, 2012