

**PLAINTIFF'S
EXHIBIT
194**

From: Spier, Arnold
Sent: Thursday, September 05, 2002 9:08 AM
To: Umansky, Joseph; Holland, Andrew
Subject: FW: Attached Files

Importance: High

Attachments: Dissolution Plan v2 02-09-04.DOC; Special Resolution
02-07-25.DOC

Just received for our review.

-----Original Message-----

From: Ella Hoyos [mailto:enhoyos@chancerylaw.bb]
Sent: Thursday, September 05, 2002 9:06 AM
To: arnold.spier@aig.com
Subject: Attached Files
Importance: High

Please find attached the finalised documents for signature and return. Regarding your concern about liabilities being transferred to the Preferred shareholder, this is a standard catch all approach to the liquidation. Although we are doing the long form which prima facie gives notice to all creditors, because all of the remaining assets are going to the Preferred shareholder, it is fair that if any invoice was overlooked or the directors failed to pay anything which they ought to have, such debts should be settled by the recipient of the remaining assets. As it is a long form, if a questionable claim were to come in after the dissolution, the shareholder has the defence that proper notice was given to all creditors and shareholders. The catch all approach gives both the Supervisor and the Registrar confidence that the company is not going to go distributing assets without first taking care of all its liabilities. In reality, it is unlikely that a liability will turn up after distribution. Please contact me if you have further questions.

Confidential



AIG-H 01110765

CAPCO REINSURANCE COMPANY LIMITED

PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION

This **PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION** (the "Plan"), is adopted and enacted as of the date written hereunder, and is intended to accomplish the complete voluntary liquidation, the complete cancellation of the issued and outstanding shares, and the dissolution of **CAPCO REINSURANCE COMPANY LIMITED** (the "Company"), a company incorporated under the laws of Barbados and licensed under the provisions of the Exempt Insurance Act (as amended), Cap.308A of the laws of Barbados, all in accordance with and pursuant to the Companies Act, Cap 308 of the laws of Barbados.

CORPORATE AUTHORISATION AND EFFECT

1. The Plan shall be submitted to the shareholders of the Company and shall be adopted and become effective when the holders of all of the outstanding shares of the Company in each class shall have approved its adoption by way of special resolution
2. The approval of the Plan and its due adoption by the shareholders of the Company, shall constitute the approval of the shareholders for all aspect of the Plan, and specifically approval:-
 - (a) pursuant to section 134(1) of the Companies Act, for the sale of all of the business of the Company by way of novation of the insurance business of the Company;
 - (b) pursuant to section 366(3) of the Companies Act, for the liquidation and dissolution of the Company; and
 - (c) for any other action requiring specific approval under any other law or regulation binding upon the Company.
3. Subject to a resolution of the shareholders, as evidence of the due adoption of the Plan, on approval by resolution of the shareholders, any two officers of the Company, shall be authorised and directed to sign the Plan on behalf of the Company and to affix the common seal of the Company hereto.

CONDUCT OF LIQUIDATION

4. The Company shall not appoint any person to act liquidator or as the trustee in dissolution, and the Board of Directors of the Company shall have conduct of the complete liquidation and dissolution of the Company, and shall exercise and powers and discretions granted under the Plan.
5. Each of the officers and directors of the Company is empowered, authorised and directed to enter into, execute, deliver and file any and all reports, returns, notices, agreements,

CAPCO REINSURANCE COMPANY LIMITED**Plan of Complete Liquidation and Dissolution**

documents or other instruments in the name of and on behalf of the Company or otherwise and under the seal of the corporation or otherwise and to do any and all other things in the name and on behalf of the Company which he or she may deem necessary or desirable to carry out the provisions, purposes and intent of the Plan, including without limitation such actions as shall be necessary to conform with all applicable provisions of the laws of Barbados.

FINANCIAL SUMMARY

6. The basis of the Plan is that each of the audited financial statements for the period ended December 31, 2001, and the financial summary prepared the insurance managers for the period ended June 30, 2002, fairly accurately represent the financial status of the Company at the date hereof.
7. The Insurance Managers of the Company shall prepare and submit together with this Plan for the approval of the shareholders of the Company a financial summary (balance sheet and income statement) before and after the novations contemplated in this Plan in order to confirm to the shareholders that prior to and immediately following the novations, that:- The Company will remain solvent. The expected surplus amount over the solvency requirement is approximately U.S.\$16,000,000.

NOVATION OF INSURANCE ARRANGMENTS

8. The Company's insurance obligations arise from workers' compensation, surety and general liability business assumed from:-
 - (a) National Union Fire Insurance Company of Pittsburgh, PA
 - (b) ATU Insurance Company
 - (c) American Home Assurance Company
 - (d) Commerce & Industry Insurance Company
 - (e) Insurance Company of the State of Pennsylvania and
 - (f) Birmingham Fire Insurance Company
9. The Company has ceased to write new business and all of the insurance business of the Company is in run-off. The Company shall cancel insurance business to National Union Fire Insurance Company of Pittsburgh, PA by way of a Cancellation Agreement and novate insurance business to Stockton Reinsurance Company LTD., by way of a Novation Agreements (each an "Agreement") in the form annexed hereto as Schedule II. The insurance policies to be novated are as follows:-

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	Primary Insurer	Effective Date	Agreement	Quota Share of Company
1.	National Union Fire Insurance Company of Pittsburgh, PA	January 1, 2000	Aggregate Loss Ratio	100%
2.	AIU Insurance Company, American Home Assurance Company, Commerce & Industry Insurance Company, Insurance Company of the State of Pennsylvania, Birmingham Fire Insurance Company and National Union Fire Insurance Company of Pittsburgh, PA	April 30, 2002	Aggregate Excess	50%

10. Each Cancellation Agreement and Novation Agreement shall fully release the Company for all reinsurance obligations arising under each reinsurance treaty in exchange for a stated premium to be based on outstanding losses and IBNR as at September 1, 2002.

11. The Company appoints Martin Hole to negotiate with National Union and Stockton Re the Cancellation and the Novation of the insurance business of the Company.

CONDITIONS OF COMPLETE LIQUIDATION

12. It is a condition of the complete liquidation of the Company that:-
 (a) the Company obtain all regulatory approvals, including the approval of the Supervisor of Insurance (Barbados) for the liquidation and dissolution of the

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Company in accordance with the terms of the Plan (subject to any revisions and amendments hereto);

- (b) all of the insurance business of the Company be cancelled and novated in accordance with the terms of the Cancellation and Novation Agreement; and
- (c) the holders of the Series A Preferred Shares of the Company shall assume and discharge all of the liabilities of the Company and have agreed to assume all of the expenses in connection with the dissolution of the Company and the distribution of its assets in payment of its liabilities.

LIMITATION OF ACTIVITIES

- 13. The Company shall cease to be a going concern and shall limit its activities to:-
 - (a) the winding up of its affairs;
 - (b) the collection of its remaining assets and the payment of its liabilities or the provision for all known liabilities and obligations of the Company (including expenses of the liquidation and dissolution), and may set aside pending the completion of the liquidation such additional amounts as the Directors may determine to be reasonably necessary for the payment of unascertained or contingent liabilities or obligations of the Company; and
 - (c) the distribution of its property in complete cancellation of the shares of the Company to its shareholders in cash (or in kind) in one or more liquidation distributions at such times and in such amounts as the directors shall determine (or in kind in one or more liquidating distributions as the directors shall determine), subject to agreement of the shareholders to pay their share of any such liabilities of the Company (including expenses and costs relating to the ascertainment or determination, compromise or settlement thereof) which may be established after the completion of its liquidation, as well as any known, unknown or contingent liabilities of the Company not paid, satisfied or discharged prior to the final liquidating distribution, but not in excess of the value of liquidating distributions made to the shareholders.

- 14. The Company shall immediately upon the effective adoption of the Plan, file a Certificate of Intent to Dissolve with the Registrar of Corporate Affairs (Barbados) and shall give notice to the creditors of the Company in accordance with applicable law.

DISTRIBUTIONS

- 15. Subject to the above provisions of this Plan, the distribution of all of the assets of the Company in accordance with the terms of the Plan shall be completed as soon as practical.

- 16. In accordance with applicable law and the corporate instruments of the Company, the assets of the Company shall be distributed as follows:-
 - (a) firstly: to the persons entitled to preferential payments under Part X of the

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- Companies Regulations;
- (b) secondly: to the payment of the debts and obligations of the Company, including to the extent permitted by law, obligations to shareholders who are creditors of the Company, in the order prescribed by law;
- (c) thirdly: to the setting up of any reserves deemed reasonably necessary by the directors for any contingent or unforeseen liabilities or obligations of the Company;
- (d) fourthly: to the preferred shareholders of their respective liquidation entitlements;
- (e) fifthly: to the shareholders who are creditors for any debts and liabilities not permitted to be paid under section 19(a), (including liabilities in respect of the contributed surplus accounts of the Company); and
- (f) sixthly: to the shareholders entitled to share in the remaining property and assets of the Company in the manner determined by the respective entitlement of each share in accordance with the Articles of Incorporation (as amended).

17. Notwithstanding the discretion of the directors to retain such amounts as necessary to meet any actual or contingent liabilities of the Company, the Company shall retain at least the following amounts to meet the liabilities of the Company:-

(a) Taxes:	US\$	nil
(b) National Insurance:	US\$	nil
(c) Other Regulatory Payments:	US\$	____.00
(d) Secured Creditors:		
(i)	US\$	____.00
(ii) Others	US\$	____.00
(e) Unsecured Creditors:		
(i) General	US\$	480,000.00
(f) Preference Shareholders:		Balance or remaining funds
(g) Contributed Surplus:	US\$	____.00

RETENTION OF AMOUNTS FOR LIQUIDATION EXPENSES

18. Notwithstanding the discretion of the directors to retain such further amounts as necessary to meet any contingent liabilities of the Company, the Company shall retain the following amounts to meet the liquidation expenses of the Company:-

(a) Legal Expenses:	US\$5,000.00
(b) Custody of Records:	US\$3,000.00

DISSOLUTION

19. The Insurance Managers of the Company shall provide the directors of the Company with a certificate, certifying that the Company has no remaining properties, assets or liabilities.
20. When all obligations of the Company have been discharged, or adequate provision has been made therefor, and all of the remaining property and assets of the Company have

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been distributed to the shareholders, the directors shall file Articles of Dissolution in accordance with the Act.

21. Each of the directors and officers of the Company are authorised to execute and file such further and other documents necessary to effect such dissolution of the Company.

MAINTENANCE OF RECORDS

22. For a period of six years after the dissolution of the Company, by the books and records of the Company will be maintained by MIMS International Limited of Building#2, Chelston Park, St. Michael, Barbados.

INDEMNITY OF DIRECTORS

23. All indemnities available to the directors and officers under the by-laws of the Company shall continue to be fully available and in effect during the liquidation.

ADOPTED AND ENACTED this _____ day of _____, 2002

CORPORATE
SEAL

[Authorized Signatory]

[Authorized Signatory]

CAPCO REINSURANCE COMPANY LIMITED

SPECIAL RESOLUTION OF SHAREHOLDERS

The undersigned, being all the shareholders of **CAPCO REINSURANCE COMPANY LIMITED** (the "Company"), acting pursuant to the Companies Act Cap. 308 of the Laws of Barbados, hereby adopt the following resolutions by Written Consent in lieu of Meeting.

TRANSFER OF ASSETS (LIQUIDATION): RESOLVED:

1. as a special resolution in accordance with section 134 of the Companies Act, that the transfer to **American International Reinsurance Company, Ltd.** (the "Class A Shareholder"), the Preferred shareholder of the Company, of all of the Company's assets upon the Class A Shareholder acquiring any and all of the remaining debts, obligations and liabilities of the Company, in accordance with the terms contained in Liquidation Agreement, , to be dated as of , 2002 (the "Liquidation Agreement"), between the Company and its Shareholders, be approved; and
2. that the directors and officers of the Company and each of them shall be authorised to do all things necessary to give effect to the foregoing resolution, including without limitation the execution of the Liquidation Agreement, in its approved and final form; (such execution to be conclusive evidence of the Company's agreement to the terms thereof, and its undertaking to be bound thereby), and all further documents as are necessary in their approved and final form, such execution to be conclusive evidence of the approval of the Company to the specific terms therein.

DISSOLUTION: RESOLVED:

1. as a special resolution in accordance with section 364 of the Companies Act, that the Company be dissolved, in accordance with the Companies Act of Barbados, and that the directors be authorised and directed to prepare Articles of Dissolution in the appropriate form;
2. that the directors and officers of the Company and each of

CAPCO REINSURANCE COMPANY LTD.

SPECIAL RESOLUTION OF SHAREHOLDER

them be authorised to do all things necessary to complete the liquidation of the Company in accordance with this Special Resolution, including without limitation the filing of Articles of Dissolution, and such further documents necessary under the Companies Act, the posting of appropriate notices, the securing of all permissions necessary from any regulatory authority having jurisdiction over the Company and the execution of all documents of whatever nature to give effect to the foregoing;

3. that any one officer or director of the Company is authorised and directed to execute and deliver Articles of Dissolution, in duplicate, in the prescribed form to the appropriate authorities under the Companies Act (Barbados) and to sign and execute all documents and do all things necessary in connection with this resolution;
4. that MIMS International Ltd. of Building #2, Chelston Park, Collymore Rock, St. Michael, be authorised to retain the records of the Company in accordance with the requirements of the Companies Act; and
5. that the Board of Directors of the Company is hereby authorised to revoke this Special Resolution without approval of the shareholder of the Company at any time before it is acted upon.

**GENERAL
AUTHORITY:**

RESOLVED: that all actions and decisions, without limitation, taken by the directors and officers of the Company in giving effect to the above referenced transactions be confirmed and ratified; and the directors and officers and each of them, is granted every power, discretion or authority to complete the liquidation of the Company (by way of transfer as described in the Liquidation Agreement), and the dissolution of the Company pursuant to the Companies Act and all applicable laws.

CAPCO REINSURANCE COMPANY LTD.
SPECIAL RESOLUTION OF SHAREHOLDER

IN WITNESS WHEREOF, this executed consent is effective as of the _____ of _____, 2002.

American International Reinsurance Company, Ltd.

Western General Insurance Limited,

per: _____
Name:

per: _____
Name:

Title

Kilmare Worldwide Inc.,

Title

Hanspeter Knecht

per
Name: _____

Alfons Muller

Title: