

**PLAINTIFF'S
EXHIBIT
425**

From: Holland, Andrew
Sent: Monday, July 24, 2000 7:30 PM
To: Brown, PaulA@Comptroller's; Umansky, Joseph; Spier, Arnold
Cc: Harkins, Ken; Rose, Scott@Notes
Subject: Warranty-Pledge Agreement for Non-114 Assets

Attachments: Pledge Agreement non 1142.doc; REDNON114PLEDGE.doc



Pledge Agreement REDNON114PLEDG
non 1142.doc ... E.doc (82 KB)

I have attached a revised draft Pledge Agreement for the Capco assets which will not be part of the 114 trust. Please call me with any questions.

**DEFENDANT'S
EXHIBIT**

M
5-17-07. *ll*

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of January 1, 2000, made by CAPCO REINSURANCE COMPANY LTD., a corporation organized under the laws of Barbados (the "Pledgor"), in favor of NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA., a Pennsylvania corporation (the "Pledgee").

WITNESSETH:

WHEREAS, the Pledgor has entered into an Aggregate Loss Ratio Agreement, dated as of January 1, 2000, with the Pledgee (such agreement, as it may hereafter be amended or otherwise modified from time to time, the "Reinsurance Agreement" and the terms defined therein and not otherwise defined herein being used herein as therein defined); and

WHEREAS, the Pledgor is the legal and beneficial owner of certain assets held by AIG Global Investment Trust Services Limited (the "Custodian") pursuant to an Agreement dated as of January 1, 2000 between the Pledgor and the Custodian; and

WHEREAS, it is a condition precedent to the execution of the Reinsurance Agreement by the Pledgee that the Pledgor shall have made the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and to induce the Pledgee to enter into the Reinsurance Agreement, the Pledgor hereby agrees with the Pledgee as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee and grants to the Pledgee a security interest in, the following (the "Pledged Collateral"):

(i) all securities held by the Custodian from time to time pursuant to the terms of the Custody Agreement (collectively, the "Pledged Securities");

(ii) all additional securities acquired by the Custodian and held under the terms of the Custody Agreement;

(iii) the certificates (if any) representing the securities referred to in clauses (i) and (ii) above; and

(iv) all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the securities referred to in clauses (i) and (ii) above.

SECTION 2. Security for Obligations. This Agreement secures, and the Pledged Collateral is security for, the payment in full of all obligations of the Pledgor to the Pledgee, including, without limitation, all obligations now or hereafter existing under the Reinsurance Agreement.

SECTION 3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by the Custodian on behalf of the Pledgee and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in its name or the name of any of its nominees any or all of the Pledged Collateral, subject only

to the revocable rights specified in Section 6(a). In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

(a) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien except for the lien and security interest created by this Agreement.

(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Pledgor's obligations to the Pledgee under the Reinsurance Agreement.

(c) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Pledgor or (ii) for the exercise by the Pledgee of the rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement.

(d) The Pledgor has full power, authority and legal right to pledge all the Pledged Collateral pursuant to the Pledge Agreement.

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral, including, without limitation, the filing of any financing statement or continuation statement under the UCC (as defined herein) with respect to the security interests granted hereby. The Pledgor also hereby authorizes the Pledgee to file any such financing or continuation statement without the signature of the Pledgor to the extent permitted by applicable law.

SECTION 6. Voting Rights; Dividends; Etc.

(a) So long as no breach of or default under the Reinsurance Agreement shall have occurred and be continuing (and, in the case of subsection (a)(i) of this Section 6, as long as no notice thereof shall have been given by the Pledgee to the Pledgor):

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Reinsurance Agreement; provided, however, that the Pledgor shall not exercise or refrain from exercising any such right if, in the Pledgee's judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof; and, provided, further, that the Pledgor shall give the Pledgee at least five days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends paid in respect of the Pledged Collateral, other than any and all

(A) dividends paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Collateral,

all of which shall be, and all of which shall be forthwith delivered to the Custodian to hold for the benefit of the Pledgee as Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Custodian for the benefit of the Pledgee as Pledged Collateral in the same form as so received (with any necessary indorsement).

(b) Upon the occurrence and during the continuance of a breach of or default under the Reinsurance Agreement:

(i) The Pledgee shall be entitled to direct the Custodian to transfer any or all of the Pledged Collateral to the Pledgee as the Pledgee deems necessary to satisfy the obligations of the Pledgor under the Reinsurance Agreement. The Pledgor's execution of this Agreement shall constitute the Pledgor's consent and direction to the Custodian to take such action without any need to make independent verification of the existence of the breach or the merit of the Pledgee's claim. The Pledgor agrees to indemnify and hold harmless the Custodian for any losses incurred by the Custodian as a result of taking such action.

(ii) Upon notice by the Pledgee to the Pledgor, all rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) above shall cease, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights.

(iii) All rights of the Pledgor to receive the dividends which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) above shall cease, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to receive and hold such dividends as Pledged Collateral.

(iv) All dividends which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor, and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary indorsement).

(v) The Pledgor shall, if necessary to permit the Pledgee to exercise the voting and other rights which it may be entitled to exercise pursuant to Section 6(b)(i) above, and to receive all dividends and distributions which it may be entitled to receive under Section 6(b)(ii) above, upon written notice from the Pledgee, from time to time execute and deliver to the Pledgee appropriate dividend payment orders and other instruments as the Pledgee may reasonably request.

SECTION 7. Transfers and Other Liens. The Pledgor agrees that it will not (i) sell or otherwise dispose of, or grant any option or warrant with respect to, any of the Pledged Collateral, or (ii) create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Pledgee Appointed Attorney-in-Fact. The Pledgor hereby appoints the Pledgee the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

SECTION 9. Pledgee May Perform. If the Pledgor fails to perform any agreement contained herein, the Pledgee may itself perform, or cause performance of, such agreement, and the expenses of the Pledgee incurred in connection therewith shall be payable by the Pledgor under Section 11 hereof.

SECTION 10. Remedies upon Default. If any breach of or default under the Reinsurance Agreement shall have occurred and be continuing:

(a) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party in default under the Uniform Commercial Code (the "UCC") in effect in the State of New York at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgor's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor hereby waives any claims against the Pledgee arising by reason of the fact that the price at which any Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Pledgee accepts the first offer received and does not offer such Pledged Collateral to more than one offeree.

(b) If the Pledgee shall determine to exercise its right to sell all or any of the Pledged Collateral pursuant to this Section 10, the Pledgor agrees that, upon request of the Pledgee, the Pledgor will, at its own expense:

(i) execute and deliver, and use its best efforts to cause its directors and officers

to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Pledgee, advisable to register such Pledged Collateral under the provisions of applicable securities laws; and

(ii) do or cause to be done all such other acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

The Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by the Pledgee by reason of the failure by the Pledgor to perform any of the covenants contained in this section and, consequently, agrees that, if the Pledgor shall fail to perform any of such covenants, it shall pay, as liquidated damages and not as a penalty, an amount equal to the value of the Pledged Collateral on the date the Pledgee shall demand compliance with the provisions of this section.

(c) Any cash held by the Pledgee as Pledged Collateral and all cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied by the Pledgee:

First, to the payment of the costs and expenses of such sale, including reasonable, compensation to the Pledgee and its counsel, and all expenses, liabilities and advances made or incurred by the Pledgee in connection therewith;

Next, to the Pledgee based on the then outstanding obligations under the Reinsurance Agreement; and

Finally, after payment in full of all obligations under the Reinsurance Agreement, to the payment to the Pledgor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

SECTION 11. Expenses. The Pledgor will upon demand pay to the Pledgee the amount of any and all expenses, including the fees and expenses of its counsel and of any experts, which the Pledgee may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights hereunder of the Pledgee or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 12. Security Interest Absolute. All rights of the Pledgee and security interests hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Reinsurance Agreement or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations under the Reinsurance Agreement, or any other amendment or waiver of or any consent to any departure from the Reinsurance Agreement;

(iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the obligations under the Reinsurance Agreement; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Pledgor or a third party pledgor.

SECTION 13. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Pledgee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 14. Notices. All notices and other communications under this Agreement shall be in writing and deemed to have been duly given if sent by registered airmail, internationally recognized overnight delivery service, or facsimile transmission as follows (or to such other address as a party may have specified by notice given to the other party pursuant to this provision):

If to the Pledgor to:

Capco Reinsurance Company Ltd.

[]

[]

Attention: []

Facsimile: []

If to the Pledgee, to:

National Union Fire Insurance Company of Pittsburgh, Pa.

70 Pine Street

New York, NY 10270 USA

Attention: []

Facsimile: []

with a copy to:

National Union Fire Insurance Company of Pittsburgh, Pa.

160 Water Street, 24th Floor

New York, NY 10038 USA

Attention: General Counsel, Domestic Brokerage Group

Facsimile: (212) 820-4504

Any notice sent by registered airmail shall be deemed to have been delivered seven days after dispatch, any notice sent by internationally recognized overnight delivery service shall be deemed to have been delivered upon receipt, and any notice sent by facsimile transmission shall be deemed to have been delivered upon confirmed transmission.

SECTION 15. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until payment in full of all obligations under the Reinsurance Agreement, (ii) be binding upon the Pledgor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Pledgee hereunder, to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full of all obligations under the Reinsurance Agreement, the Pledgor shall be entitled to the return, upon its request and at its expense, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 16. Governing Law; Terms. This Agreement shall be governed by, and be construed and interpreted in accordance with, the laws of the New York, without reference to any principle of conflicts of laws that would cause the application of the laws of any jurisdiction other than the State of New York.

SECTION 17. Submission to Jurisdiction; Consent to Service of Process.

(a) The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the Supreme Court of the State of New York (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection that they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by the mailing of a copy thereof in accordance with the provisions of Section 14 hereof.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

CAPCO REINSURANCE COMPANY LTD.,
as Pledgor

By _____
Name:
Title:

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA.,
as Pledgee

By _____
Name:
Title:

PLEDGE AND SECURITY AGREEMENT

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Do not delete this box or the codes above the box.

PLEDGE AND SECURITY AGREEMENT, dated _____, as of January 1, 2000, is made by CAPCO REINSURANCE COMPANY LTD., a corporation organized under the laws of Barbados (the "Pledgor"), to in favor of NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA., a Pennsylvania corporation (the "Pledgee").

W I T N E S S E T H

WHEREAS, the Pledgor has entered into a Reinsurance an Aggregate Loss Ratio Agreement, dated as of _____, 20 January 1, 2000, with the Pledgee ~~((such agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Reinsurance Agreement" and the terms defined therein and not otherwise defined herein being used herein as therein defined);~~ and

WHEREAS, the Pledgor is the legal and beneficial owner of certain assets held by AIG Global Investment Trust Services Limited (the "Custodian") pursuant to an Agreement dated _____ as of January 1, 2000 between the Pledgor and the Custodian; and

WHEREAS, it is a condition precedent to the execution of the Reinsurance Agreement by the Pledgee that the Pledgor shall have made the pledge contemplated by this Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Pledgee to enter into the Reinsurance Agreement, the Pledgor hereby agrees with the Pledgee as follows:

SECTION 1. Pledge. The Pledgor hereby pledges to the Pledgee and grants to the Pledgee a security interest in, the following (the "Pledged Collateral"):

(i) all securities held by the Custodian from time to time pursuant to the terms of the Custody Agreement (collectively, the "Pledged Securities");

(ii) all additional securities acquired by the Custodian and held under the terms of the Custody Agreement;

(iii) the certificates (if any) representing the securities referred to in clauses (i) and (ii) above; and

(iv) all dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the securities referred to in clauses (i) and (ii) above.

SECTION 2. Security for Obligations. This Agreement secures, and the Pledged Collateral is security for, the payment in full of all obligations of the Pledgor to the Pledgee, including, without limitation, all obligations now or hereafter existing under the Reinsurance Agreement.

SECTION 3. Delivery of Pledged Collateral. All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by the Custodian on behalf of the Pledgee and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Pledgee. The Pledgee shall have the right, at any time in its discretion and without notice to the Pledgor, to transfer to or to register in its name or the name of any of its nominees any or all of the Pledged Collateral, subject

only to the revocable rights specified in Section 6(a). In addition, the Pledgee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. Representations and Warranties. The Pledgor represents and warrants as follows:

~~(a) The Pledged Securities have been duly authorized and validly issued and are fully paid and non-assessable.~~

~~(b) The Pledgor is the legal and beneficial owner of the Pledged Collateral free and clear of any lien except for the lien and security interest created by this Agreement.~~

~~(c)(b) The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Pledgor's obligations to the Pledgee under the Reinsurance Agreement.~~

~~(c) (e) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement or for the execution, delivery or performance of this Agreement by the Pledgor or (ii) for the exercise by the Pledgee of the rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement ~~except as may be required in connection with the disposition of the Pledged Collateral by laws affecting the offering and sale of securities generally.~~~~

~~(e)(d) The Pledgor has full power, authority and legal right to pledge all the Pledged Collateral pursuant to the Pledge Agreement.~~

SECTION 5. Further Assurances. The Pledgor agrees that at any time and from time to time, at the expense of the Pledgor, the Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Pledgee may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Pledgee to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral, including, without limitation, the filing of any financing statement or continuation statement under the UCC (as defined herein) with respect to the security interests granted hereby. The Pledgor also hereby authorizes the Pledgee to file any such financing or continuation statement without the signature of the Pledgor to the extent permitted by applicable law.

SECTION 6. Voting Rights; Dividends; Etc.

(a) So long as no breach of or default under the Reinsurance Agreement shall have occurred and be continuing (and, in the case of subsection (a)(i) of this Section 6, as long as no notice thereof shall have been given by the Pledgee to the Pledgor):

(i) The Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Reinsurance Agreement; provided, however, that the Pledgor shall not exercise or refrain from exercising any such right if, in the Pledgee's judgment, such action would have a material adverse effect on the value of the Pledged Collateral or any part thereof; and, provided, further, that the

Pledgor shall give the Pledgee at least five days' written notice of the manner in which it intends to exercise, or the reasons for refraining from exercising, any such right.

(ii) The Pledgor shall be entitled to receive and retain any and all dividends paid in respect of the Pledged Collateral, other than any and all

(A) dividends paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Collateral,

all of which shall be, and all of which shall be forthwith delivered to the Custodian to hold for the benefit of the Pledgee as, Pledged Collateral and shall, if received by the Pledgor, be received in trust for the benefit of the Pledgee, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Custodian for the benefit of the Pledgee as Pledged Collateral in the same form as so received (with any necessary indorsement).

(b) Upon the occurrence and during the continuance of a breach of or default under the Reinsurance Agreement:

(i) The Pledgee shall be entitled to direct the Custodian to transfer any or all of the Pledged Collateral to the Pledgee as the Pledgee deems necessary to satisfy the obligations of the Pledgor under the Reinsurance Agreement ~~Agreement~~. The Pledgor's execution of this Agreement shall constitute the Pledgor's consent and direction to the Custodian to take such action without any need to make independent verification of the existence of the breach or the merit of the Pledgee's claim. The Pledgor agrees to indemnify and hold harmless the Custodian for any losses incurred by the Custodian as a result of taking such action.

(ii) Upon notice by the Pledgee to the Pledgor, all rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i) above shall cease, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to exercise such voting and other consensual rights.

(iii) All rights of the Pledgor to receive the dividends which it would otherwise be authorized to receive and retain pursuant to Section 6(a)(ii) above shall cease, and all such rights shall thereupon become vested in the Pledgee who shall thereupon have the sole right to receive and hold such dividends as Pledged Collateral ~~such dividends~~.

(iv) All dividends which are received by the Pledgor contrary to the provisions of paragraph (i) of this Section 6(b) shall be received in trust for the benefit of the Pledgee, shall be segregated from other funds of the Pledgor, and shall be forthwith paid over to the Pledgee as Pledged Collateral in the same form as so received (with any necessary indorsement).

(v) The Pledgor shall, if necessary to permit the Pledgee to exercise the voting and other rights which it may be entitled to exercise pursuant to Section 6(b)(i) above, and to receive all dividends and distributions which it may be entitled to receive under Section 6(b)(ii) above, upon written notice from the Pledgee, from time to time execute and deliver to the Pledgee appropriate dividend payment orders and other instruments as the Pledgee may reasonably request.

SECTION 7. Transfers and Other Liens. The Pledgor agrees that it will not (i) sell or otherwise dispose of, or grant any option or warrant with respect to, any of the Pledged Collateral, or (ii) ~~create~~ create or permit to exist any lien, security interest, or other charge or encumbrance upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement.

SECTION 8. Pledgee Appointed Attorney-in-Fact. The Pledgor hereby appoints the Pledgee the Pledgor's attorney-in-fact, with full authority in the place and stead of the Pledgor and in the name of the Pledgor or otherwise, from time to time in the Pledgee's discretion to take any action and to execute any instrument which the Pledgee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to the Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same.

SECTION 9. Pledgee May Perform. If the Pledgor fails to perform any agreement contained herein, the Pledgee may itself perform, or cause performance of, such agreement, and the expenses of the Pledgee incurred in connection therewith shall be payable by the Pledgor under ~~Section 11~~ Section 11 hereof.

SECTION ~~10~~ 10. Remedies upon Default. If any breach of or default under the Reinsurance Agreement shall have occurred and be continuing:

(a) The Pledgee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party in default under the ~~{~~Uniform Commercial Code (the "~~Code~~")"UCC"~~}~~ in effect in the State of New York } at that time, and the Pledgee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The Pledgor hereby waives any claims against the Pledgee arising by reason of the fact that the price at which any Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Pledgee accepts the first offer received and does not offer such Pledged Collateral to more than one offeree.

(b) If the Pledgee shall determine to exercise its right to sell all or any of the Pledged Collateral pursuant to this Section 10, the Pledgor agrees that, upon request of the Pledgee, the Pledgor will, at its own expense:

(i) execute and deliver, and use its best efforts to cause its directors and officers to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Pledgee, advisable to register such Pledged Collateral under the provisions of applicable securities laws; and

(ii) do or cause to be done all such other acts and things as may be necessary to make such sale of the Pledged Collateral or any part thereof valid and binding and in compliance with applicable law.

The Pledgor further acknowledges the impossibility of ascertaining the amount of damages which would be suffered by the Pledgee by reason of the failure by the Pledgor to perform any of the covenants contained in this ~~Section~~ section and, consequently, agrees that, if the Pledgor shall fail to perform any of such covenants, it shall pay, as liquidated damages and not as a penalty, an amount equal to the value of the Pledged Collateral on the date the Pledgee shall demand compliance with ~~this Section~~ the provisions of this section.

~~(c) The Pledgor recognizes that, by reason of applicable securities laws, the Pledgee may, at its option, elect not to require the Pledgor to register all or any part of the Pledged Collateral and may therefore be compelled, with respect to any sale of all or any part of the Pledged Collateral, to limit purchasers to those who will agree, among other things, to acquire such securities for their own account, for investment, and not with a view to the distribution or resale thereof. The Pledgor acknowledges and agrees that any such sale may result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions and, notwithstanding such circumstances, agrees that any such sale shall be deemed to have been made in a commercially reasonable manner. The Pledgee shall be under no obligation to delay the sale of any of the Pledged Shares for the period of time necessary to permit the Pledgor to register such securities for public sale under applicable securities laws, even if the Pledgor would agree to do so.~~

~~(d) If the Pledgee determines to exercise its right to sell any or all of the Pledged Collateral, upon written request, the Pledgor shall and shall cause the Company to, from time to time, furnish to the Pledgee all such information as the Pledgee may request in order to determine the number of securities and other instruments included in the Pledged Collateral which may be sold by the Pledgee as exempt transactions under the applicable securities laws.~~

~~(e)~~(c) Any cash held by the Pledgee as Pledged Collateral and all cash proceeds received by the Pledgee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be applied by the Pledgee:

First, to the payment of the costs and expenses of such sale, including reasonable, compensation to the Pledgee and its Pledgee and counsel, and all expenses, liabilities and advances made or incurred by the Pledgee in connection therewith;

Next, to the Pledgee based on the then outstanding obligations under the Reinsurance Agreement; and

Finally, after payment in full of all obligations under the Reinsurance Agreement, to the payment to the Pledgor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

SECTION 11. Expenses. The Pledgor will upon demand pay to the Pledgee the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and Pledgee, which the Pledgee may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights hereunder of the Pledgee or (iv) the failure by the Pledgor to perform or observe any of the provisions hereof.

SECTION 12. Security Interest Absolute. All rights of the Pledgee and security interests hereunder, and all obligations of the Pledgor hereunder, shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of the Reinsurance Agreement or any other agreement or instrument relating thereto;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations under the Reinsurance Agreement, or any other amendment or waiver of or any consent to any departure from the Reinsurance Agreement;

(iii) any exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the obligations under the Reinsurance Agreement; or

(iv) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Pledgor or a third party pledgor.

SECTION 13. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Pledgee, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 14. Addresses for Notices. All notices and other communications provided for hereunder under this Agreement shall be in writing (including telegraphic communication) and, if to the Pledgor, mailed or telegraphed or delivered to it, addressed to it at

_____, if to the Pledgee, mailed or delivered to it, addressed to it at _____, Attention:

_____, or as to either party at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this Section. All such notices and other communications shall, when mailed or telegraphed, respectively, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid. **and deemed to have been duly given if sent by registered airmail, internationally recognized overnight delivery service, or facsimile transmission as follows (or to such other address as a party may have specified by notice given to the other party pursuant to this provision):**

If to the Pledgor to:

Capco Reinsurance Company Ltd.

[]

[]

Attention: []

Facsimile: []

If to the Pledgee, to:

National Union Fire Insurance Company of Pittsburgh, Pa.

70 Pine Street

New York, NY 10270 USA

Attention: []

Facsimile: []

with a copy to:

National Union Fire Insurance Company of Pittsburgh, Pa.

160 Water Street, 24th Floor

New York, NY 10038 USA

Attention: General Counsel, Domestic Brokerage Group

Facsimile: (212) 820-4504

Any notice sent by registered airmail shall be deemed to have been delivered seven days after dispatch, any notice sent by internationally recognized overnight delivery service shall be deemed to have been delivered upon receipt, and any notice sent by facsimile transmission shall be deemed to have been delivered upon confirmed transmission.

SECTION 15. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (i) remain in full force and effect until payment in full of all obligations under the Reinsurance Agreement, (ii) be binding upon the Pledgor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Pledgee hereunder, to the benefit of the Pledgee and its successors, transferees and assigns. Upon the payment in full of the all obligations under the Reinsurance Agreement, the Pledgor shall be entitled to the return, upon its request and at its expense, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

SECTION 16. Governing Law; Terms. This Agreement shall be governed by, and be construed and interpreted in accordance with, the law of ~~laws of the New York, without reference to any principle of conflicts of laws that would cause the application of the laws of any jurisdiction other than~~ the State of New York.

SECTION 17. Submission to Jurisdiction; Consent to Service of Process.

(a) The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the Supreme Court of the State of New York (without prejudice to the right of any party to remove to the United States District Court for the Southern District of New York) and to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any

objection that they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by the mailing of a copy thereof in accordance with the provisions of Section 14 hereof.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

CAPCO REINSURANCE COMPANY LTD.,
as Plcdgor

By _____
Name:
Title:

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA.,
as Pledgee

By _____
Name:
Title:

----- COMPARISON OF HEADERS -----

~~-HEADER 1-~~

~~-HEADER 2-~~

~~HeaderB will print on Pages 2-~~

~~-HEADER 3-~~

~~HeaderB will print on Pages 2-~~

----- COMPARISON OF FOOTERS -----

~~-FOOTER 1-~~

~~-FOOTER 2-~~

~~7 B-9~~

~~FOOTER 3~~

~~Footer A will print on every page unless it is discontinued on Page 2.~~

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