

Brown A N

**PLAINTIFF'S
EXHIBIT
426**

From: Brown, PaulA@Comptroller's
Sent: Monday, July 31, 2000 1:01 PM
To: 'REmmerman@ngelaw.com'; 'jmarion@westgen.bm';
'martin@sunbeach.net'; 'chancery@caribsurf.com'
Cc: Umansky, Joseph; Holland, Andrew
Subject: Outline of Capco closing and related documents

Importance: High

Attachments: Contract Log.xls; Capco Business Plan.doc; Business Plan Projection.xls;
Subscription & Operating Agreement 7-31.doc; Terms of Preferred 7-31.doc;
114 Trust Agreement 7-31.DOC; 114 Investment Management Agreement 7-31_.doc; Custody Agreement 7-31.doc; Pledge Agreement 7-31.doc;
Investment Management Agreement 7-31.doc

Attached to this e-mail are documents to which you are a signatory. I am also attaching a listing of all contracts/documents we have been preparing for the transaction, if you wish to review any of these not included in this e-mail please advise.



Contract Log.xls
(21 KB)

The tentative schedule for closing is as follows ;

1. Capco will be arranging a meeting with the Barbados Regulators for later this week. Attached is an outline of the proposed revision to the Capco business plan, we will forward the financial statements of the Preferred holder shortly.



Capco Business
Plan.doc (25 KB...



Business Plan
Projection.xls (...)

If there are no pending requests from the Regulators. We propose the signing date of the Subscription and Operating Agreement be August 18, 2000. Capco should hold a Shareholder and Board meeting August 18, 2000 to;

- authorize the amendment to the Articles for the Preferred Shares,
 - authorize the signing the Subscription and Operating agreement,
 - receive the resignation of all directors except for J.Marion and T.Carmichael,
 - appoint Martin Hole as the third director,
 - authorize the appointment of AIGIC as investment manager of both the 114 Trust assets and the Non 114 investment account,
 - provide a board resolution regarding the establishment and appointment of Citibank N.A. as the 114 account Trustee,
 - to approve management proceeding with the closing and associated documents,
 - any other matters.
2. We will close the transaction August 25, 2000. This will involve;
 - a certificate for bringing reps and warranties to closing date,
 - the payments for the Common and Preferred stock to Capco,
 - Issuance of respective cross receipts.

**DEFENDANT'S
EXHIBIT**
N
5-17-07 4

Please respond with any comments on the Subscription and Operating Agreement by end of day Wednesday August 2nd, the remainder by Friday August 4th. There have been no changes of substance to these documents other than the holder option redeem price being reduced to \$20,000 per share.

As soon as possible would Capco distribute the proposed schedule 2.5 (list of contracts still in effect) and 2.6 (June 30, 2000 financial statements). Could we also receive a copy of the stock certificates to be issued for review and inclusion of their certificate numbers in the investor pledge agreements.



Subscription &
Operating Agree...



Terms of Preferred
7-31.doc (5...

Investment related agreements – 114 Trust



114 Trust
reement 7-31.DOC



114 Investment
Management Agre...

Investment related agreements – Pledged Account (Non 114 Trust)



Custody Agreement
7-31.doc (64...



Pledge Agreement
7-31.doc (57 ...



Investment
agement Agree...

Paul A. Brown
Director
Financial Planning and Analysis
American International Group, Inc.
70 Pine Street, 39th Floor
New York, NY 10270
212 770 7631
fax 212 785 0599

CONFIDENTIALITY NOTICE

The information contained in this message may be legally privileged or confidential - intended only for the use of the individual or entity named above. If you are not the intended recipient, you are notified that any dissemination, distribution, or copying of this message is strictly prohibited, please notify me immediately so that I can arrange to have it sent to the proper individual.

A	B	C	D
1			
2	Capco Project		
3			
4			Contract or Document Title
5			
6	Investors	1	Subscription and Operating Agreement
7		2	Limited Recourse Promissory Note
8		3	Pledge and Security Agreement
9		4	Stock Power
10		5	Investor Bio Information
11			
12			
13	Capco	6	Terms of Preferred Shares
14		7	Aggregate Loss Ratio Agreement
15		8	114 Trust Agreement
16		9	114 Investment Management Agreement
17		10	Management Agreement
18		11	Investment Management Agreement
19		12	Custody Agreement
20		13	Pledge Agreement
21		14	Business Plan
22			
23	Legend to signatories		
24	A		Alfons Muller, Kilmare Worldwide Inc., Hanspeter Knecht.
25	B		Western General Insurance Limited
26	C		Preferred Holder - American International Reinsurance Company, Ltd.
27	D		Note Provider - AIG Capital Corp.
28	E		Capco Reinsurance Company Ltd
29	F		National Union Fire Insurance Company of Pittsburgh, Pa.
30	G		MIMS International (Barbados) Ltd.
31	H		Citibank N.A.
32	I		AIG Global Investment Corp. (Ireland) Ltd.
33	J		AIG Global Investment Trust Services Limited.
34	*		Presentation to Barbados Regulators requesting their approval

	E	F	G	H	I	J
1						
2	Index of Contracts and Documents					
3						
4				Draft		
5					7/31	
6					X	
7					X	
8					X	
9					X	
10					X	
11						
12						
13					X	
14					X	
15					X	
16					X	
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18					X	
19					X	
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	K	L	M
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2			
3			
4	Signatories	Explanatory note	
5			
6	A(s), B, C, E	To D	
7	A(s)		
8	A(s), D		
9	A(s)	re Pledge and Security Agreement	
10	A(s)	Obtained	
11			
12			
13	*	Amendment to Articles	
14	E, F	Reinsurance Agreement, NUJIC as Reinsured	
15	E, F, H	114 Trust for Reinsurance Credit	
16	E, F, J	re 114 Trust	
17	E, G	Continuing Agreement with MIMs	
18	E, I	re Non 114 Trust Assets	
19	E, J	re Non 114 Trust Assets	
20	E, F	re Non 114 Trust Assets	
21	*	Revised ownership and business plan	
22			
23			
24			
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Re: Revision to Business Plan for Capco Reinsurance Company Ltd.

Name and Registered Office will remain unchanged.

Capco Reinsurance Company Ltd.
Chancery House
High Street
Bridgetown

Capital Structure and Ownership

The recapitalized Company will receive in August 2000 US \$190,000,000 of fully paid up equity, comprised of US \$170,000,000 Preferred Shares and US \$20,000,000 Common Shares. Four investors own the Common shares, 5% by the current Parent of the Company Western General Insurance Ltd. and 31.67% each held by three European investors.

5% Western General Insurance Ltd.
31.67% Alfons Muller
31.67% Kilmarc Worldwide Inc.
31.67% Hanspctor Knecht

The Preferred shares are to be owned by a 100% subsidiary of the American International Group, American International Reinsurance Company, Ltd., a Bermudan corporation.

The Company has currently no significant liabilities or reinsurance contracts in force following a novation programme completed in June 2000.

The Company is not supported by any guarantees.

Main Objective

The Company has been recapitalized to write and retain higher limits on specific reinsurance contracts of National Union Fire Insurance Company of Pittsburgh, Pa. It is also expected that after a period of time, other Reinsureds may utilize the Company for similar purposes. The attached Reinsurance Contract is the only contract anticipated to be in force in the near term. Due to the majority of the Company assets being pledged to support the maximum potential loss from this contract, further reinsurance agreements will not be entered until sufficient non-pledged assets become available to support such transactions.

Management

There are no changes foreseen in the Directors or Management of the Company.

Source of Business (by Class)

The underlying business reinsured will be General Reinsurance.

Estimated Gross Premium Written 2000: US \$20,000,000
Estimated Net Premium Written 2000: US \$20,000,000

Retrocession Programme (by Class)

There is no retrocession arrangement for the assumed business.

	A	B
1		
2		
3	CAPCO FINANCIALS	
4		
5	Scenario:	
6		
7		
8		
9		
10	Income Statement	
11	Earned Prem	
12	Incurred and paid loss	
13	Charge in Loss Reserves	
14	Net Inv Income (Assume 6%)	
15	Operating expenses	
16		
17	Gain on repurchase	
18	Income (Loss) for period	
19	Dividend on Preferred	
20		
21	Balance Sheet	
22	Invested Assets	
23	Total Assets	
24		
25	Loss Reserves	
26	UEP	
27	Preferred Shares	
28	Common Equity	
29	Total Liab & Equity	
30		
31		
32		
33		
34		

it is of course possible that the full limit of the proposed Reinsurance Agreement may be utilized.
 If this is the case the Company will have sufficient equity to cover such an event.

	C	D	E	F	G	H
1						
2						
3						
4						
5	Loss Ratio @ 100%					
6						
7						(In Millions)
8						
9		2000	2001	2002	2003	2004
10						
11		7.0	4.0	3.0	2.0	2.0
12		7.0	4.0	3.0	2.0	2.0
13		0.0	0.0	0.0	0.0	0.0
14		6.3	12.2	12.1	12.0	12.0
15		0.2	0.2	0.2	0.2	0.2
16						
17	*****	0.0	0.0	0.0	0.0	0.0
18		6.1	12.0	11.9	11.8	11.8
19		5.1	10.2	10.2	10.2	10.2
20						
21						
22		210.0	204.0	201.8	200.6	199.8
23		210.0	204.0	201.8	200.6	199.8
24						
25		0.0	0.0	0.0	0.0	0.0
26		20.0	13.0	9.0	6.0	4.0
27		170.0	170.0	170.0	170.0	170.0
28		20.0	21.0	22.8	24.6	27.8
29		210.0	204.0	201.8	200.6	199.8
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SUBSCRIPTION AND OPERATING AGREEMENT

SUBSCRIPTION AND OPERATING AGREEMENT, dated as of [August 18], 2000 (the "Agreement"), by and among Capco Reinsurance Company Ltd., a Barbados corporation (the "Company"), American International Reinsurance Company, Ltd., a Bermuda corporation (the "Preferred Shareholder"), Western General Insurance Ltd., a Bermuda corporation ("WestGen"), Alfons Muller, a Swiss national ("Muller"), Kilmare Worldwide Inc., a British Virgin Islands corporation ("Kilmare") and Hanspeter Knecht a Swiss national ("Knecht"), (each of WestGen, Muller, Kilmare, and Knecht, a "Common Shareholder" and together, the "Common Shareholders").

WITNESSETH:

WHEREAS, the Company desires to issue and sell to the Common Shareholders, and the Common Shareholders desire to purchase from the Company, for aggregate consideration of US\$19,800,000, 19,800,000 of the Company's Common Shares (the "Common Shares"); and

WHEREAS, the Company desires to issue and sell to the Preferred Shareholder, and the Preferred Shareholder desires to purchase from the Company, for aggregate consideration of US\$170,000,000, 8,500 shares of a newly created series of the Company's Preferred Shares (the "Preferred Shares") having the rights, preferences, privileges, and restrictions set forth in the form of Amended and Restated Articles of Incorporation of the Company attached hereto as Exhibit B (the "Amended Articles"); and

WHEREAS, the Company, the Preferred Shareholder and the Common Shareholders desire to set forth certain provisions relating to the governance of the Company and certain other matters.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereby agree as follows:

ARTICLE I AUTHORIZATION; CLOSING

1.1 Authorization. The Company has authorized the issuance (i) to the Common Shareholders an aggregate of 19,800,000 Common Shares, and (ii) to the Preferred Shareholder of 8,500 Preferred Shares, each issuable as provided in Section 1.2 hereof.

1.2 Closing.

(a) The closing of the transactions contemplated hereby (the "Closing") shall occur five business days after the satisfaction of all conditions to closing specified in Article VIII hereof, at such time and at such location as the parties hereto may agree.

July 31

(b) At the Closing, the Company shall issue and sell (i) to the Common Shareholders, and the Common Shareholders shall purchase from the Company, upon the terms and subject to the conditions set forth herein, 19,800,000 Common Shares for an aggregate purchase price of US\$19,800,000 (the "Common Purchase Price") and (ii) to the Preferred Shareholder, and the Preferred Shareholder shall purchase from the Company, upon the terms and subject to the conditions set forth herein, 8,500 Preferred Shares for an aggregate purchase price of US\$170,000,000 (the "Preferred Purchase Price"). Each Common Shareholder shall purchase the number of Common Shares set forth under his name on Exhibit A hereto.

(c) At the Closing, each of the Company, the Common Shareholders, and the Preferred Shareholder shall execute and deliver to each other, as applicable, (i) certificates in respect of the Common Shares and Preferred Shares described above, and (ii) any other certificates, resolutions or documents which any of the Company, Common Shareholders or the Preferred Shareholder shall reasonably require.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND WESTGEN

Each of the Company and WestGen hereby jointly and severally represents and warrants to the Preferred Shareholder and the other Common Shareholders as follows:

2.1 Organization and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of Barbados and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business.

2.2 Capitalization. As of the date hereof, the authorized capital of the Company consists of an unlimited number of Common Shares, of which 200,000 Common Shares are issued and outstanding. All of the issued and outstanding Common Shares are owned by WestGen, free and clear of any Liens (as defined below).

2.3 Authorization. The execution, delivery and performance by the Company of this Agreement, including the issuance, sale and delivery of the Common Shares and the Preferred Shares, have been duly authorized by all requisite corporate action. This Agreement has been duly executed and delivered by the Company, and is the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity). The Common Shares, when issued to the Common Shareholders as contemplated hereby, will be validly issued and outstanding, fully paid and non-assessable and not subject to preemptive or any other similar rights of the shareholders of the Company or others. The Preferred Shares, when issued to the Preferred Shareholder as contemplated hereby, will be validly issued and outstanding, fully paid and non-assessable and

not subject to preemptive or any other similar rights of the shareholders of the Company or others.

2.4 No Conflicts; Consents of Third Parties. The execution, delivery and performance of this Agreement, the issuance, sale and delivery of the Common Shares and the Preferred Shares, and compliance with the provisions hereof by the Company will not (i) conflict with, or result in the breach of, any provision of the Articles of Incorporation or By-laws or comparable organizational documents of the Company; (ii) conflict with, violate, result in the breach or termination of, or constitute a default under any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which the Company is a party or by which the Company or its properties or assets is bound; (iii) violate any statute, rule, regulation, order or decree of any governmental body by which the Company is bound; or (iv) result in the creation of any lien, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, preemptive right, easement, servitude, transfer restriction under any shareholder or similar agreement, encumbrance or any other restriction or limitation whatsoever (collectively, "Liens") upon the properties or assets of the Company. No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person, including without limitation any governmental body, is required on the part of the Company in connection with the execution, delivery and performance of the Agreement, or the compliance by the Company with any of the provisions hereof, except for the approval of the Barbados Supervisor of Insurance of the transactions contemplated hereby.

2.5 Contracts. Schedule 2.5 sets forth a true and complete list of all agreements to which the Company is a party.

2.6 Financial Statements. The Company's unaudited balance sheet as of June 30, 2000, together with the related statements of operations and cash flows for the [six-month] period then ended, attached hereto as Schedule 2.6 are accurate and complete in all material respects, fairly present the financial position of the Company as of the date thereof and the results of its operations and its cash flows for the period then ended, and have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis, subject to the absence of footnote disclosures and to normal year-end audit adjustments (which are not material in the aggregate).

2.7 No Liabilities. As of the date hereof, the Company has no liabilities, direct or indirect, absolute or contingent, including without limitation tax liabilities, and there is no existing condition, situation or set of circumstances which could result in any such liabilities.

2.8 Licenses. The Company has obtained all licenses, certificates of authority, permits, authorizations, orders and approvals of, and has made all registrations or filings with, all governmental bodies as required in connection with the conduct of its business (collectively, "Licenses"). All Licenses are valid and in full force and effect.

2.9 No Litigation. There is no suit, action, proceeding, investigation, claim or order pending or, to the knowledge of the Company, threatened against the Company or to which the

Company is otherwise a party before any court, or before any governmental department, commission, board, agency, or instrumentality.

2.10 Compliance with Laws; Permits. The Company is in compliance with all laws applicable to the Company or to the conduct of its business and operations or the use of its properties and assets.

2.11 No Misrepresentation. No representation or warranty of the Company contained in this Agreement or in any certificate or other instrument furnished by the Company to the Common Shareholders and the Preferred Shareholder pursuant to the terms hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE PREFERRED SHAREHOLDER

The Preferred Shareholder hereby represents and warrants to the Company and the Common Shareholders as follows:

3.1 Organization and Good Standing. The Preferred Shareholder is a corporation duly organized, validly existing and in good standing under the laws of Bermuda and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business.

3.2 Authority. The execution, delivery and performance by the Preferred Shareholder of this Agreement have been duly authorized by all requisite corporate action. This Agreement has been duly executed and delivered by the Preferred Shareholder, and is the legal, valid and binding obligation of the Preferred Shareholder, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

3.3 No Conflicts; Consents of Third Parties. The execution, delivery and performance of this Agreement and compliance with the provisions hereof by the Preferred Shareholder will not (i) conflict with, or result in the breach of, any provision of the Articles of Incorporation or By-laws or comparable organizational documents of the Preferred Shareholder; (ii) conflict with, violate, result in the breach or termination of, or constitute a default under any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which the Preferred Shareholder is a party or by which the Preferred Shareholder or its properties or assets is bound; or (iii) violate any statute, rule, regulation, order or decree of any governmental body by which the Preferred Shareholder is bound, other than any conflicts, violations or breaches which would not, individually or in the aggregate, have a material adverse effect on the Preferred Shareholder. No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person, including without limitation any

governmental body, is required on the part of the Preferred Shareholder in connection with the execution, delivery and performance of the Agreement, or the compliance by the Preferred Shareholder with any of the provisions hereof, except for the approval of the Barbados Supervisor of Insurance of the transactions contemplated hereby.

3.4 Investment Intention. The Preferred Shareholder is acquiring the Preferred Shares for its own account, for investment purposes only and not with a view to the distribution thereof.

ARTICLE IV ADDITIONAL REPRESENTATIONS AND WARRANTIES OF WESTGEN

WestGen hereby additionally represents and warrants to the Company, the Preferred Shareholder and each other Common Shareholder as follows:

4.1 Organization and Good Standing. WestGen is a corporation duly organized, validly existing and in good standing under the laws of Bermuda and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business.

4.2 Authority. The execution, delivery and performance by WestGen of this Agreement have been duly authorized by all requisite corporate action. This Agreement has been duly executed and delivered by WestGen, and is the legal, valid and binding obligation of WestGen, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.3 No Conflicts; Consents of Third Parties. The execution, delivery and performance of this Agreement and compliance with the provisions hereof by WestGen will not (i) conflict with, or result in the breach of, any provision of the Articles of Incorporation or By-laws or comparable organizational documents of WestGen; (ii) conflict with, violate, result in the breach or termination of, or constitute a default under any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which WestGen is a party or by which WestGen or its properties or assets is bound; or (iii) violate any statute, rule, regulation, order or decree of any governmental body by which WestGen is bound, other than any conflicts, violations or breaches which would not, individually or in the aggregate, have a material adverse effect on WestGen. No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person, including without limitation any governmental body, is required on the part of WestGen in connection with the execution, delivery and performance of the Agreement, or the compliance by WestGen with any of the provisions hereof.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF THE COMMON SHAREHOLDERS

Each Common Shareholder other than WestGen, for such Common Shareholder only and not for any other Common Shareholder, hereby represents and warrants to the Company, the Preferred Shareholder, WestGen and each other Common Shareholder as follows:

5.1 Authority. Such Common Shareholder has full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by such Common Shareholder and constitutes the legal, valid and binding obligation of such Common Shareholder, enforceable against such Common Shareholder in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

5.2 No Conflicts; Consents of Third Parties. The execution, delivery and performance of this Agreement and compliance with the provisions hereof by such Common Shareholder will not (i) conflict with, violate, result in the breach or termination of, or constitute a default under any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which such Common Shareholder is a party or by which such Common Shareholder or its properties or assets is bound; (ii) violate any statute, rule, regulation, order or decree of any governmental body by which such Common Shareholder is bound; or (iii) result in the creation of any Lien upon the properties or assets of such Common Shareholder. No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person, including without limitation any governmental body, is required on the part of such Common Shareholder in connection with the execution, delivery and performance of the Agreement, or the compliance by such Common Shareholder with any of the provisions hereof.

ARTICLE VI
CORPORATE GOVERNANCE MATTERS

6.1 Board of Directors. From and after the Closing Date, the board of directors of the Company (the "Board of Directors") shall consist of the following two directors: John Marion and Trevor Carmichael.

6.2 Preferred Shareholder Representative. From and after the Closing Date, the Preferred Shareholder shall have the right to designate a representative to attend meetings of the Board of Directors (the "Representative"). The Representative shall be entitled to receive notice of all meetings of the Board of Directors, as well as copies of all meeting agendas or other materials distributed to directors (including any proposed action by written consent).

6.3 Limitation on Conduct of the Company's Business. From and after the Closing Date, the Company shall not effect any of the following actions without the prior consent of a

majority of the holders of the Common Shares and the Preferred Shares, each voting separately as a class:

- (a) engage in any business other than the proposed reinsurance arrangement with National Union Fire Insurance Company of Pittsburgh, Pa.;
- (b) sell the principal assets of the Company;
- (c) borrow any sum of money;
- (d) make any loan or advance or give any credit to any person or entity (each, a "Person");
- (e) give any guarantee or indemnity to secure the liabilities or obligations of any Person;
- (f) enter into any contract, arrangement or commitment involving an expenditure more than US\$20,000;
- (g) issue any unissued Common Shares or Preferred Shares, create a new class or series of equity securities of the Company or alter any rights attaching to either the Common Shares or the Preferred Shares;
- (h) pay any dividend on the Common Shares, other than a dividend payable solely in additional Common Shares;
- (i) create or acquire any subsidiary;
- (j) enter into any joint venture, partnership, merger, consolidation, profit sharing, or recapitalization agreement, or any agreement to sell all or substantially all of the Company's assets with any Person;
- (k) issue any debentures, warrants, rights or other securities convertible into Common Shares or Preferred Shares;
- (l) acquire, purchase or subscribe for any shares, debentures, mortgages or securities (or any interest therein) in any Person;
- (m) adopt any employee benefit program or incentive plan;
- (n) engage any employee of the Company;
- (o) amend the Company's Amended Articles or By-laws;
- (p) alter the number of the Company's directors; or

(q) liquidate or wind-up the Company.

6.4 Management Agreement. The Company shall enter into (or maintain) a management agreement with MIMs International Ltd upon such terms as the parties thereto shall in good faith negotiate providing for, among other services, such accounting, financial, tax and services as the Company may require.

ARTICLE VII TRANSFERS OF COMMON SHARES AND PREFERRED SHARES

7.1 Restrictions on Transfer. During the term of this Agreement, no holder of Preferred Shares or Common Shares may, directly or indirectly, sell assign, pledge, encumber, hypothecate, grant a security interest in, or otherwise transfer (each, a "Transfer") any Common Shares or Preferred Shares held by it except as permitted by Section 7.2 or 7.4 hereof. The Company shall not, and shall not permit any transfer agent or registrar for the Common Shares or Preferred Shares to, transfer upon the books of the Company any Common Shares or Preferred Shares to any transferee other than in accordance with this Agreement. Any purported transfer not in compliance with Agreement shall be void.

7.2 Permitted Transfers. Notwithstanding the provisions of Section 7.1 hereof, (i) each Common Shareholder other than WestGen shall be permitted to pledge its Common Shares to AIG Capital Corp. pursuant to those certain Pledge Agreements, to be dated as of [August 25], 2000, by and between AIG Capital Corp. and such Common Shareholder, (ii) the Preferred Shareholder shall be permitted to Transfer its Preferred Shares to one or more subsidiaries or Affiliates, (iii) the Preferred Shareholder shall be permitted to Transfer its Preferred Shares to the Company in accordance with the terms of the Preferred Shares, or otherwise, (iv) any shareholder shall be permitted to Transfer its Common Shares or Preferred Shares with the prior written consent of all other shareholders of the Company, and (v) WestGen shall be obligated and permitted to effect certain Transfers in accordance with Section 7.4; provided, however, that any permitted transferee shall have executed and delivered to the Company and all other shareholders of the Company an instrument in customary form and reasonably satisfactory to such shareholders agreeing to be bound by the provisions of this Agreement applicable to holders of Common Shares and Preferred Shares. For purposes of this Agreement, (A) an "Affiliate" of any Person shall mean any other Person that, directly or indirectly, controls, is controlled by or is under common control with, such Person, and (B) "control" shall mean the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other interests, by contract or otherwise) of any other Person.

7.3 Death of Shareholder. In the event of the death of any Common Shareholder who is a natural person, pending a Transfer of such Common Shares in compliance with Section 7.2 hereof, such Common Shareholder's Common Shares shall be held by his estate, who shall be bound by all of the provisions of this Agreement.

7.4 Change of Control of WestGen. In the event that any Person or group of Persons other than Western International Financial Group Ltd or its Affiliates shall (i) obtain ownership or control in one or more series of transactions of more than 50% of the voting power of WestGen entitled to vote in the election of members of the board of directors of WestGen, or (ii) shall otherwise obtain, directly or indirectly, the power to direct or cause the direction of management or policies of WestGen (whether by contract or otherwise) (each, a Change of Control”), then (A) WestGen shall provide prompt written notice of such Change of Control to the other parties hereto, and (B) upon receipt of such written notice, the other Common Shareholders shall have 45 days to notify WestGen of their desire to buy all or a portion of WestGen’s Common Shares at a price of US\$1.00 per share, the closing of such purchase to occur no later than 30 days after the date of such notice to WestGen. Such Common Shares shall be allocated to each such Common Shareholder desiring to purchase WestGen’s Common Shares pro rata, if necessary. At the closing of the purchase of such Common Shares, WestGen shall deliver (i) certificates representing such Common Shares, free and clear of any Liens, duly endorsed or accompanied by written instruments of transfer executed by WestGen in form reasonably satisfactory to the purchaser, against payment of the purchase price therefor in cash, and any such other customary documents reasonably requested by either party, and (ii) the written resignations of all directors and officers of the Company who are employees or representatives of any of Western International Financial Group Ltd or its Affiliates.

ARTICLE VIII CONDITIONS TO CLOSING

8.1 Conditions Precedent to Obligations of the Preferred Shareholder. The obligation of the Preferred Shareholder to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by the Preferred Shareholder in whole or in part):

(a) all representations and warranties of the Company and WestGen contained in Article II hereof, of WestGen contained in Article IV hereof, and of the other Common Shareholders contained in Article V hereof shall be true and correct in all material respects, at and as of the Closing Date, except to the extent expressly made as of an earlier date;

(b) each of the Company, WestGen and the other Common Shareholders shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by such party on or prior to the Closing Date;

(c) the Amended Articles shall have been filed with the Barbados Registrar of Companies; and

(d) any required approval of the Barbados Supervisor of Insurance of the transactions contemplated hereby shall have been obtained.

8.2 Conditions Precedent to Obligations of the Common Shareholders. The obligation of the Common Shareholders to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by the Common Shareholders in whole or in part):

(a) all representations and warranties of the Company and WestGen contained in Article II hereof and of the Preferred Shareholder contained in Article III hereof shall be true and correct in all material respects, at and as of the Closing Date, except to the extent expressly made as of an earlier date;

(b) each of the Company and the Preferred Shareholder shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by such party on or prior to the Closing Date;

(c) the Amended Articles shall have been filed with the Barbados Registrar of Companies; and

(d) any required approval of the Barbados Supervisor of Insurance of the transactions contemplated hereby shall have been obtained.

8.3 Conditions Precedent to Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement are subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived by the Company in whole or in part):

(a) all representations and warranties of the Preferred Shareholder contained in Article III hereof, of WestGen contained in Article IV hereof and of the other Common Shareholders contained in Article V hereof shall be true and correct in all material respects, at and as of the Closing Date;

(b) each of the Preferred Shareholder, WestGen and the other Common Shareholders shall have performed and complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by such party on or prior to the Closing Date;

(c) the Amended Articles shall have been filed with the Barbados Registrar of Companies; and

(d) any required approval of the Barbados Supervisor of Insurance of the transactions contemplated hereby shall have been obtained.

ARTICLE IX
DOCUMENTS TO BE DELIVERED

9.1 Deliveries by the Company to the Preferred Shareholder and the Common Shareholders. At the Closing, the Company shall deliver, or shall cause to be delivered, (i) to the Preferred Shareholder certificates evidencing the Preferred Shares, a receipt for the Preferred Purchase Price paid at Closing and any other certificates, resolutions or documents deliverable pursuant to Section 1.2 hereof, and (ii) to the Common Shareholders certificates evidencing the Common Shares, a receipt for the Common Purchase Price paid at Closing and any other certificates, resolutions or documents deliverable pursuant to Section 1.2 hereof. The Company shall also deliver the written resignation of all directors other than John Marion and Trevor Carmichael.

9.2 Deliveries by the Preferred Shareholder to the Company. At the Closing, the Preferred Shareholder shall deliver to the Company the Preferred Purchase Price, a receipt for the Preferred Shares, and any other certificates, resolutions or documents deliverable pursuant to Section 1.2 hereof.

9.3 Deliveries by the Common Shareholders to the Company. At the Closing, each Common Shareholder shall deliver to the Company his respective portion of the Common Purchase Price as set forth on Exhibit A hereto, a receipt for the his respective Common Shares as set forth on Exhibit A hereto, and any other certificates, resolutions or documents deliverable pursuant to Section 1.2 hereof.

ARTICLE X
INDEMNIFICATION

10.1 General. Each party hereto (the "Indemnifying Party") hereby agrees to indemnify and hold each of the other parties hereto, and any of such parties' directors, officers, employees, agents, successors and assigns, harmless from and against:

(a) any and all losses, liabilities, obligations, damages, costs and expenses (collectively, "Losses") based upon, attributable to or resulting from the failure of any representation or warranty made by the Indemnifying Party, or any representation or warranty contained in any certificate delivered by or on behalf of the Indemnifying Party pursuant to this Agreement, to be true and correct in all respects as of the date made;

(b) any and all Losses based upon, attributable to or resulting from the breach of any covenant or other agreement on the part of such Indemnifying Party under this Agreement; and

(c) any and all notices, actions, suits, proceedings, claims, demands, assessments, judgments, costs, penalties and expenses, including attorneys' and other professionals' fees and disbursements (collectively, "Expenses") incident to any Losses with respect to which indemnification is provided under this Section 10.1.

10.2 Indemnification by WestGen. WestGen hereby agrees to further indemnify and hold each of the other parties hereto, and any of such parties' directors, officers, employees, agents, successors and assigns, harmless from and against:

(a) any and all Losses relating to the operation or conduct of the Company's business during the period from date of its incorporation to the Closing Date; and

(b) any and all Expenses incident to any Losses with respect to which indemnification is provided under this Section 10.2.

ARTICLE XI CONFIDENTIALITY

11.1 Confidentiality. Each of the parties hereto agrees that it will not publish, communicate or otherwise disclose any confidential or proprietary information of the Company or any of the other parties or their Affiliates, including without limitation, this Agreement, the substance of the transactions contemplated hereby, and the involvement of the parties hereto with each other as contemplated hereby ("Confidential Information"); provided, however, that such Confidential Information may be published, communicated or otherwise disclosed (i) to any person who is a director, officer or employee of, or counsel or advisor to, any of the Company or such party or any of such party's Affiliates, (ii) to any person who is an official or employee of, or counsel to, any regulatory body or agency having jurisdiction over any of the Company or such party or such party's Affiliates, (iii) pursuant to a subpoena or order issued by a court of competent jurisdiction or as otherwise required by law, or (iv) with the unanimous consent of all parties to this Agreement.

11.2 Breach. In the event of a breach or threatened breach of Section 11.1, the Company and the other parties shall each be entitled to an injunction restraining the breaching party from disclosing, in whole or in part, such Confidential Information. Nothing contained herein shall be construed as prohibiting the Company or any party from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of damages.

ARTICLE XII TERMINATION

12.1 Prior to Closing. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time before the Closing:

(a) by mutual written consent of the Company, the Preferred Shareholder and the Common Shareholders;

(b) by the Preferred Shareholder, if the Company or any Common Shareholder has materially breached any representation, warranty, or covenant or agreement and such breach is not capable of being cured prior to the Closing;

(c) by the Company, if the Preferred Shareholder or any Common Shareholder has materially breached any representation, warranty, or covenant or agreement and such breach is not capable of being cured prior to the Closing;

(d) by any Common Shareholder, if the Company or the Preferred Shareholder has materially breached any representation, warranty, or covenant or agreement and such breach is not capable of being cured prior to the Closing; or

(e) by the Company, the Preferred Shareholder or any of the Common Shareholders at any time after November 30, 2000.

12.2 Procedure Upon Termination Prior to Closing. In the event of termination and abandonment of this Agreement pursuant to Section 12.1, written notice thereof shall forthwith be given to the other parties and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by any party.

12.3 Termination After Closing. After Closing, the Company, the Preferred Shareholder and the Common Shareholders shall continue to be bound by the provisions of this Agreement until this Agreement is terminated by written consent of the Preferred Shareholder and all of the Common Shareholders.

ARTICLE XIII MISCELLANEOUS

13.1 Parties Bound. Each party hereto undertakes with the others to exercise its obligations in relation to the Company so as to ensure that the Company fully and promptly observes performs and complies with its obligations under this Agreement.

13.2 Nature and Survival of Representations and Warranties. All representations and warranties and agreements made by the parties hereto in this Agreement or pursuant hereto shall survive the Closing hereunder and any investigation at any time made by or on behalf of any party hereto. No suit or action may be commenced for claims under Section 10.1 or 10.2 at any time more than 60 months after the Closing Date.

13.3 Further Assurances. Each of the parties hereto agrees to execute and deliver all such other documents or agreements and to take all such other action as may be reasonably necessary or desirable for further effectuate the purposes and intent of this Agreement and the consummation of the transactions contemplated hereby, including without limitation, any tax returns relating to the Company.

13.4 Injunctive Relief. The parties hereto agree and acknowledge that it would be impossible to measure in money the damages that would be suffered if any party hereto should breach any obligation, covenant or representation herein imposed or made, and that in the event of any such breach, the non-breaching parties would be irreparably damaged and would not have an adequate remedy at law. Any such non-breaching party shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, and if any action should be brought in equity to enforce any of the provisions of this Agreement, none of the other parties hereto shall raise the defense that there is an adequate remedy at law.

13.5 Submission to Jurisdiction; Consent to Service of Process.

(a) The parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the courts of the United Kingdom 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 13.6 hereof.

13.6 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 Company to:

Capco Reinsurance Company Ltd.
Chelston Park, Building No. 2
Collymore Rock, St. Michael
Barbados
Attention: Mr. Martin Hole
Facsimile: 1 246 429 8517

If to WestGen, to:

Western General Insurance Ltd.
Swan Building, 2nd Floor
26 Victoria Street

Hamilton HM 12
Bermuda
Attention: Mr. John Marion
Telecopier: 1 441 292 3168

If to the Preferred Shareholder, to:

American International Reinsurance Company, Ltd.
AIG Building
7 Richmond Road
Hamilton, Bermuda HM08
Attention: Ms. Jocelyn Troake
Facsimile: 1 441 292 8882

with a copy to:

American International Companies
160 Water Street, 24th Floor
New York, NY 10038 USA
Attention: General Counsel, Domestic Brokerage Group
Facsimile: (212) 820-4504

If to Muller, to;

C/o Bovet
Talacker 42
Zurich, CH-8001
Switzerland
Attention: Mr. Alfons Muller
Facsimile: 411 218 70 91

If to Kilmare , to;

C/o AIG Private Bank Ltd
Pelikanstrauss 37
Zurich, CH-8021
Switzerland
Attention: Mr. Eduardo Leemann
Facsimile: 411 211 62 11

If to Knecht, to;

C/o AIG Private Bank Ltd

Pelikanstrass 37
Zurich, CH-8021
Switzerland
Attention: Mr. Eduardo Leemann
Facsimile: 411 211 62 11

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.

13.7 Entire Agreement; Amendments and Waivers. This Agreement (including the schedules and exhibits hereto) represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

13.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United Kingdom.

13.9 Severability. The provisions of this Agreement shall be deemed severable, so that if any provision hereof is declared invalid under applicable law, all other provisions of this Agreement shall continue in full force and effect.

13.10 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above.

CAPCO REINSURANCE COMPANY LTD.

By: _____
Name:
Title:

AMERICAN INTERNATIONAL REINSURANCE
COMPANY, LTD.

By: _____
Name:
Title:

WESTERN GENERAL INSURANCE LTD.

By: _____
Name:
Title:

Alfons Muller

KILMARE WORLDWIDE INC.

By: _____
Name:
Title:

Hanspeter Knecht

July 31

Exhibit A

<u>Purchaser, Address and Facsimile Number</u>	<u>Number of Common Shares</u>	<u>Purchase Price</u>
Western General Insurance Ltd. Swan Building 2 nd Floor 26 Victoria Street Hamilton, Bermuda HM12 Attn: Mr. John Marion Fax: 1 441 292 3168	800,000	\$ 800,000
Alfons Muller C/o Bovet Talacker 42 Zurich, Switzerland CH-8001 Fax: 411 218 70 91	6,333,333	\$ 6,333,333
Kilmare Worldwide Inc. C/o AIG Private Bank Ltd Pelikanstrass 37 Zurich, Switzerland CH-8021 Attn: Mr. Eduardo Leemann Fax: 411 211 62 11	6,333,333	\$ 6,333,333
Hanspeter Knecht C/o AIG Private Bank Ltd Pelikanstrass 37 Zurich, Switzerland CH-8021 Attn: Mr. Eduardo Leemann Fax: 411 211 62 11	6,333,334	\$ 6,333,334

July 31

Form of Amended and Restated Articles of Incorporation

July 31

Schedule 2.5
Contracts

July 31

Schedule 2.6
Financial Statements

July 31

TERMS OF SERIES A PREFERRED SHARES

ARTICLE I.

Ten Thousand (10,000) preferred shares are hereby designated and known as "Series A Preferred Shares."

The rights, preferences, privileges, restrictions and other matters relating to the Series A Preferred Shares are as follows:

Section 1. Certain Definitions. In addition to the terms defined elsewhere herein, for purposes of this Article, the following terms shall have the meanings specified in this Section 1:

"Business Day" means any day (other than a day which is a Saturday, Sunday or legal holiday in Barbados) on which commercial banks are open for business in Barbados.

"Liquidation Preference" means, for each Series A Preferred Share, US\$20,000, plus an amount equal to any accrued and unpaid dividends (whether or not earned or declared) on such Series A Preferred Share which is added to the Liquidation Preference pursuant to Section 2(c) hereof.

"Issuance Date" means the date of original issuance of the Series A Preferred Shares.

"Junior Shares" means the Common Shares and any other capital shares of the Company ranking junior to the Series A Preferred Shares with respect to the payment of dividends or distributions upon liquidation.

"Majority Holders" means, as of any date, the holders of a majority of the outstanding Series A Preferred Shares as of such date.

Section 2. Dividend Rights.

(a) Dividends will be payable on each Series A Preferred Share in cash at a rate per annum equal to six percent (6%) of the Liquidation Preference as provided herein when, as and if declared by the Board of Directors, to the extent funds are legally available therefor. Such dividends shall be payable annually on July 1st of each year, commencing on July 1, 2001 (each such date hereinafter referred to as a "Dividend Payment Date") (or if such date is not a Business Day, then on the next succeeding Business Day) to the holders of record as they appear on the register of the Company for such Series A Preferred Shares.

(b) Dividends on the Series A Preferred Shares shall accrue cumulatively on a daily basis and shall accrue from the Issuance Date to and including the date on which the Series A Preferred Shares shall have been redeemed or on which full payment with respect to any liquidation, dissolution or winding-up of the Company shall have been made, whether or not such

July 31

dividends have been declared and whether or not there shall be (at the time such dividends became or become payable or any other time) profits, surpluses or other funds of the Company legally available for the payment of dividends.

(c) To the extent not paid on any Dividend Payment Date, all dividends which have accrued on any Series A Preferred Shares then outstanding during the period from and including the preceding Dividend Payment Date (or from and including the Issuance Date in the case of the initial Dividend Payment Date) to (but excluding) such Dividend Payment Date shall be added on such Dividend Payment Date to the Liquidation Preference of such Series A Preferred Shares (so that, without limitation, dividends shall thereafter accrue in respect of the amount of such accrued but unpaid dividends) and shall remain a part thereof until (but only until) such dividends are paid.

(d) Unless full dividends (including the full dividend for the then current dividend term) on the Series A Preferred Shares in accordance with the provisions of this Section 2 shall have been or are concurrently paid or declared and a sum sufficient for the payment thereof set apart, no dividend whatsoever shall be paid or declared on, and no other distribution shall be made in respect of, any Common Shares or any other Junior Shares; provided, however, that the foregoing provision shall not prohibit dividends or distributions payable in shares of the class or series upon which such dividend or distribution are declared, set apart or paid.

Section 3. Series A Seniority; Liquidation Preference. The Series A Preferred Shares shall rank senior to any future class or series of preferred shares issued by the Company and the Company's Common Shares. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series A Preferred Shares then outstanding shall be entitled to be paid an amount equal to the Liquidation Preference out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and before setting apart for payment of any amount shall be made in respect of the Common Shares or any other Junior Shares. If upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such shareholders of the full Liquidation Preference, then all of the assets of the Company shall be distributed ratably to the holders of the Series A Preferred Shares, in proportion to the amounts that each would have been entitled to receive if the Company's assets were sufficient to permit distribution of the full Liquidation Preference. After the distributions described above have been made, subject to the rights of other series of preferred shares that may from time to time come into existence, the remaining assets of the Company available for distribution to shareholders shall be distributed among the holders of Common Shares *pro rata* based on the number of Common Shares held by each.

Section 4. Voting Rights.

(a) No Voting Rights Generally. Except as otherwise provided specifically herein or required by law, holders of the Series A Preferred Shares shall not be entitled to vote together with holders of Common Shares, including with respect to the election of directors.

(b) Series A Preferred Shares Consent Required. For so long as any Series A Preferred Shares are issued and outstanding, the affirmative vote or consent of the Majority Holders given in person or by proxy either in writing (as may be permitted by law and the Articles of Incorporation and By-laws of the Company) or at any special or annual meeting, shall be necessary to permit, effect or validate the taking of any of the following actions by the Company, whether such actions are effected directly or indirectly through another transaction:

(i) amend its Articles of Incorporation or By-laws so as to affect adversely the Series A Preferred Shares or any holder thereof, including without limitation, by creating any series of preferred shares (or issuing any shares under any such series) that is senior or *pari passu* in right of payment upon liquidation, in respect of dividends, or otherwise, to the Series A Preferred Shares; or

(ii) change the rights of the holders of the Series A Preferred Shares in any other respect.

Section 5. Redemption.

(a) Redemption by the Company.

(i) To the extent funds are legally available therefor, on July 1, 2002 and on any Business Day thereafter, the Company, at its option, may redeem at the Redemption Price (as hereinafter defined) therefor all or any portion of the shares of Series A Preferred Shares then issued and outstanding.

(ii) The date on which shares of Series A Preferred Shares are redeemed pursuant to this Section 5(a) is referred to herein as the "Redemption Date." The redemption price (the "Redemption Price") for each outstanding Series A Preferred Share to be redeemed pursuant to this Section 5(a) shall be the US\$ 24,000 plus any accrued and unpaid dividends.

(b) Shareholder Optional Redemption.

(i) On July 1, 2005 and on any Business Day thereafter, upon the request (the "Special Redemption Request") of any holder of Series A Preferred Shares, the Company shall offer to redeem any or all of the outstanding Series A Preferred Shares held by such holder thereof on a date not less than thirty (30) days nor more than forty-five (45) days following the date of the Special Redemption Request (the date of such required redemption being the "Special Redemption Date") for the Special Redemption Price (as hereinafter defined). Thereupon, the Special Redemption Price (as hereinafter defined) for such shares shall be payable in the manner provided below to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be cancelled and retired. In

the event less than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares. The "Special Redemption Price" for each Series A Preferred Share being redeemed shall equal US\$ 20,000 plus accrued and unpaid dividends.

(ii) The Special Redemption Price shall be payable on the Special Redemption Date in cash. In the event that the Company fails to pay the Special Redemption Price on or prior to sixty (60) days from the date of the Special Redemption Request, the Special Redemption Price shall increase during the period from the date of the Special Redemption Request until paid in full to each accepting holder at a rate of ten percent (10%) per annum, compounded quarterly.

(c) Payment of Redemption Price. Each payment of the Redemption Price or the Special Redemption Price in accordance with this Section 5 shall be made to the holder of each Series A Preferred Share being redeemed, upon surrender by such holder at the Company's principal executive office of the certificate representing such Series A Preferred Share, duly endorsed in blank or accompanied by an appropriate form of assignment.

(d) Redeemed Shares not to be Reissued. All Series A Preferred Shares redeemed pursuant to this Section 5 shall be retired and cancelled and shall not thereafter be reissued.

(e) Amount of Shares Redeemed. The Company may acquire the Series A Preferred Shares from time to time without redeeming or otherwise acquiring all or any other issued and outstanding the Series A Preferred Shares.

(f) Notice of Redemption. Notice of the redemption of Series A Preferred Shares pursuant to Section 5(a) hereof, specifying the time and place of redemption and the Redemption Price, shall be mailed by certified or registered airmail, return receipt requested, or by international courier, to each holder of record of shares to be redeemed, at the address for such holder shown on the share records of the Company not less than ten (10) Business Days prior to the date on which such redemption is to be made; provided, that neither failure to give such notice nor any defect therein shall affect the validity of the proceeding for the redemption of any Series A Preferred Shares to be redeemed. Such notice shall also specify the number of Series A Preferred Shares of each holder thereof and the certificate numbers thereof which are to be redeemed. In case less than all the Series A Preferred Shares represented by any certificate are redeemed, a new certificate representing the unredeemed Series A Preferred Shares shall be issued to the holder thereof without cost to such holder.

(g) Dividends After Redemption Date. Unless the Redemption Price is not made available to the holder of a Series A Preferred Share, then from and after the Redemption Date, such Series A Preferred Share shall not be entitled to any dividends accruing after such date, all rights of the holder of such Series A Preferred Share as a shareholder of the Company by reason of the ownership of such Series A Preferred Share shall cease, except the right to receive the Redemption Price of such Series A Preferred Share upon the presentation and surrender of the

certificate representing such Series A Preferred Share, and such Series A Preferred Share shall not after such date be deemed to be outstanding for any purpose.

Section 6. Waivers. Upon the vote of the Majority Holders, voting as a class, the obligations of the Company and the rights of the holders of the Series A Preferred Shares under any provision of this Article may be waived (either generally or in a particular instance, either retroactively or prospectively and either for a specified period of time or indefinitely). Upon the effectuation of each such waiver, the Company shall promptly give written notice thereof to the holders of Series A Preferred Shares who have not previously consented thereto in writing. By purchasing or holding Series A Preferred Shares, each purchaser or holder thereof (including any transferee thereof) shall be bound by any waiver effected in accordance with this Section 6, whether or not the consent of such purchaser or holder was solicited or obtained.

Section 7. Notices. All notices and other communications required by the provisions of this Article shall be in writing and shall be deemed to have been duly given if delivered in person or sent by registered or certified airmail (return receipt requested) or recognized international overnight delivery service, postage prepaid, to the Company at its principal executive offices or to each holder of record at the address of such holder appearing on the books of the Company. Notice so given shall, in the case of notice so given by mail, be deemed to be given and received on the fourth calendar day after posting, in the case of overnight delivery service, on the date of actual delivery and, in the case of notice so given by personal delivery, on the date of personal delivery.

* * *

TRUST AGREEMENT,

dated as of [August 25], 2000,

by and among

CAPCO REINSURANCE COMPANY LTD.,

as Grantor,

**NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA.,**

as Beneficiary,

and

CITIBANK, N.A.,

as Trustee

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TRUST AGREEMENT

TRUST AGREEMENT, dated as of [August 25], 2000 (the "Agreement"), by and between Capco Reinsurance Company Ltd., a Barbados corporation (the "Grantor"), National Union Fire Insurance Company of Pittsburgh, Pa., a Pennsylvania corporation (together with any successors thereto by operation of law, including, without limitation, any liquidator, rehabilitator, receiver or conservator, the "Beneficiary"), and Citibank, N.A., a national banking association organized and existing under the laws of the United States (the "Trustee") (the Grantor, the Beneficiary and the Trustee are hereinafter each sometimes referred to individually as a "Party" and collectively as the "Parties").

W I T N E S S E T H:

WHEREAS, the Grantor and the Beneficiary have entered into the reinsurance agreement listed on Exhibit A hereto (the "Reinsurance Agreement");

WHEREAS, the Beneficiary desires the Grantor to secure payments of all amounts at any time and from time to time owing by the Grantor to the Beneficiary under or in connection with the Reinsurance Agreement;

WHEREAS, the Grantor desires to transfer to the Trustee for deposit to a trust account (the "Trust Account") Assets (as hereinafter defined) in order to secure payments under or in connection with the Reinsurance Agreement and in order to permit the Beneficiary to take credit on financial statements required to be filed with the Insurance Department of the Commonwealth of Pennsylvania for liabilities ceded under the Reinsurance Agreement;

WHEREAS, the Trustee has agreed to act as Trustee hereunder, and in accordance with the terms hereof, to hold such Assets in trust in the Trust Account for the sole use and benefit of the Beneficiary in accordance with the provisions hereof; and

WHEREAS, this Agreement is made for the sole use and benefit of the Beneficiary and for the purpose of setting forth the duties and powers of the Trustee with respect to the Trust Account, and the Grantor's and Beneficiary's rights and obligations;

NOW, THEREFORE, for and in consideration of the premises and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties hereby agree as follows:

Section 1. Deposit of Assets to the Trust Account.{tc \1 "Section 1. Deposit of Assets to the Trust Account.}

(a) The Grantor hereby establishes the Trust Account in the State of New York and the Trustee hereby accepts the Trust Account herein created and declared upon the terms provided herein and shall administer the Trust Account in the Grantor's name as Trustee for the Beneficiary. The Trust Account shall be subject to withdrawal by the Beneficiary as provided

herein. The Trustee and its lawfully appointed successors are authorized and shall have power to receive such cash, securities and property as the Grantor from time to time may transfer or remit to or vest in the Trustee or place under the Trustee's possession and control, and to hold, invest, reinvest, manage and dispose of the same for the uses and purposes and in the manner and according to the provisions hereinafter set forth. The Trustee shall receive and hold the Assets in a safe place at an office of the Trustee in New York, New York.

(b) The Grantor shall transfer to the Trustee, for deposit to the Trust Account, the Assets listed on Exhibit B hereto, and shall transfer to the Trustee, for deposit to the Trust Account, such other assets as may from time to time be required by this Agreement (all such assets actually received in the Trust Account are herein referred to individually as an "Asset" and collectively as the "Assets"). The Assets shall consist only of Eligible Trust Assets (as hereinafter defined).

(c) The Grantor hereby represents, warrants and covenants (i) that any Assets transferred by the Grantor to the Trustee for deposit to the Trust Account will be in such form that the Beneficiary whenever necessary may, and the Trustee upon direction by the Beneficiary will, negotiate any such Assets without consent or signature from the Grantor or any other Person; (ii) that all Assets transferred by the Grantor to the Trustee for deposit to the Trust Account shall consist only of Eligible Trust Assets; and (iii) that the Grantor will transfer sufficient additional Assets at least equal to 102% of the Grantor's Obligations (as hereinafter defined) upon demand.

(d) All assets in the Trust Account shall be valued at their current fair market value in U.S. dollars as determined by the Trustee in its sole discretion exercised in a reasonable manner.

(e) The Trustee shall have no responsibility to determine whether the Assets in the Trust Account are sufficient to secure the Grantor's Obligations under the Reinsurance Agreement. The Beneficiary's determination of the sufficiency of the Assets is final and binding on all Parties.

Section 2. Withdrawal of Assets from the Trust Account. {tc \l1 "Section 2. Withdrawal of Assets from the Trust Account. }

(a) Without notice to the Grantor, the Beneficiary, shall have the right, at any time and from time to time, to withdraw from the Trust Account, upon written notice to the Trustee delivered to the Trustee at the address indicated in Section 19 (and, as a matter of legal right, at the Trustee's principal office in the United States) (the "Withdrawal Notice") such Assets or amounts as are specified in such Withdrawal Notice. The Withdrawal Notice may designate a third party (the "Designee") to whom Assets or amounts specified therein shall be delivered. The Beneficiary need present no statement or document in addition to a Withdrawal Notice in order to withdraw any Assets; nor is such right of withdrawal or any other provision of this Agreement subject to any conditions or qualifications not contained in this Agreement.

(b) Upon receipt of a Withdrawal Notice from the Beneficiary, the Trustee shall immediately take any and all steps necessary to transfer, absolutely and unequivocally, all right, title and interest to the Assets or amounts specified in such Withdrawal Notice and shall deliver such Assets or amounts to or for the account of the Beneficiary or such Designee as specified in such Withdrawal Notice. The Trustee shall be protected in relying upon any written demand, instruction, direction, acknowledgment, statement, notice, resolution, request, consent, order, certificate, report, appraisal, opinion, telegram, cablegram, facsimile, radiogram, letter, or other communication (collectively, "Communications") of the Beneficiary for any such withdrawal. The Beneficiary shall execute a receipt evidencing the delivery of Assets or amounts when required in the normal and customary transaction of the business of banking.

(c) Except as provided in Section 4(a), the Trustee shall allow no withdrawal of Assets except on written instructions from the Beneficiary for each individual withdrawal at the time the withdrawal is executed.

(d) Without limiting any other provision of this Agreement, the Trustee shall have no responsibility whatsoever to determine that any Assets withdrawn from the Trust Account pursuant to this Section 2 will be used and applied in the manner contemplated by Section 3 of this Agreement.

Section 3. Application of Assets. {tc \11 "Section 3. Application of Assets.}

The Beneficiary hereby covenants to the Grantor that it shall use and apply any withdrawn Assets, without diminution because of the insolvency of the Beneficiary or the Grantor, for the following purposes only:

(i) to pay or reimburse the Beneficiary regarding any losses and allocated loss expenses paid or incurred by the Beneficiary but not recovered from the Grantor, for unearned premiums due to the Beneficiary, or to secure losses incurred but not reported, if not otherwise paid by the Grantor in accordance with the terms of the Reinsurance Agreement;

(ii) where the Beneficiary has received a Termination Notice (as hereinafter defined) pursuant to Section 10 of this Agreement and where all of the Grantor's Obligations have been liquidated or discharged ten days prior to the Termination Date (as hereinafter defined), to make payment to the Grantor of any amounts held in the Trust Account; and

(iii) where the Beneficiary has received a Termination Notice pursuant to Section 10 of this Agreement and where all or any part of the Grantor's Obligations remain unliquidated and undischarged ten days prior to the Termination Date, to withdraw Assets equal to such Obligations and deposit such amounts in a separate account, in the name of the Beneficiary in any Qualified United States Financial Institution (as hereinafter defined), apart from its other assets, in trust for the uses and purposes specified in subparagraph (i) of this section as may remain executory after such withdrawal and for any period after such Termination Date. The

relative rights and obligations of the Grantor and the Beneficiary under this Agreement shall apply to any "separate account" established pursuant to this subparagraph (iii).

Section 4. Redemption, Investment and Substitution of Assets. {tc \11 "Section 4. Redemption, Investment and Substitution of Assets.}

(a) Upon call or maturity of a Trust Asset, the Trustee may withdraw the Asset without the consent of the Beneficiary if the Trustee provides notice to the Beneficiary, liquidates or redeems the Asset, and the proceeds are paid to the Trust Account no later than five days after the liquidation or redemption of the Asset.

(b) The Beneficiary may appoint an investment manager (the "Investment Manager") with respect to the Trust Account. The Trustee is authorized to act upon any Communications concerning the investment, reinvestment, or substitution of securities (each, an "Investment Order") received from the Investment Manager to the same extent that the Trustee would act upon an Investment Order of the Beneficiary, provided that the Trustee has received written evidence of the Investment Manager's appointment by Beneficiary, written confirmation from the Investment Manager evidencing its acceptance of such appointment, and written certification from the Investment Manager of the names of individuals authorized to give instructions with respect to the Trust Account, together with specimen signatures of those persons.

(c) Except as provided in Section 4(a), the Trustee shall allow no substitution or reinvestment of Assets except on written instructions from the Beneficiary for each individual substitution or reinvestment at the time the substitution or reinvestment is executed. From time to time, the Grantor may request that the Beneficiary give such written instructions to the Trustee, subject to the Beneficiary's sole and absolute discretion to reject such request. The Trustee shall have no responsibility whatsoever to determine the value of such substituted or reinvested securities or that such substituted or reinvested securities constitute Eligible Trust Assets. The Beneficiary's prior written approval of such substitution or reinvestment shall be deemed to approve such substituted or reinvested securities as Eligible Trust Assets.

(d) The Beneficiary and the Grantor agree that all investments and substitutions of securities referred to in paragraph (c) of this Section 4 shall be in compliance with the relevant provisions of the Pennsylvania Insurance Law, as set forth in the definition of "Eligible Trust Assets" in Section 13 of this Agreement. The Trustee shall have no responsibility whatsoever to determine that any Assets in the Trust Account are or continue to be Eligible Trust Assets. The Trustee, based upon Investment Orders from the Investment Manager or the Beneficiary if no Investment Manager is appointed, shall execute Investment Orders and settle securities transactions by itself or by means of an agent or broker (provided that such securities shall ultimately be held only by the Trustee and not by such agent or broker). The Trustee shall not be responsible for any act, error or omission, or for the solvency, of any Investment Manager, agent or broker unless such act, error or omission is the result, in whole or in part, of the Trustee's negligence, willful misconduct or lack of good faith. The Trustee shall not be

responsible for any Loss (as hereinafter defined) suffered by the Beneficiary or the Grantor due to the insolvency of any agent or broker unless the Trustee negligently, willfully or with lack of good faith chooses the agent or broker.

(e) Any loss, liability, claim or damage paid or incurred ("Loss") from any investment, reinvestment or substitution pursuant to the terms of this Agreement shall be borne exclusively by the Trust Account other than a Loss due to the Trustee's own negligence, willful misconduct or lack of good faith. Without limiting any other provision herein, the Trustee shall not be liable for any Loss due to changes in market rates or penalties for early redemption. Other than the execution of an Investment Order, as provided herein, the Trustee shall not be required to take any action with respect to the investment or reinvestment of the Assets.

Section 5. The Income Account. {tc \11 "Section 5. The Income Account.}

(a) All payments of interest or dividends actually received in respect of Assets in the Trust Account shall be deposited by the Trustee in a separate account (the "Income Account") established and maintained by the Trustee at an office of the Trustee in New York, New York.

(b) In the event that the Trustee has not been paid in accordance with Section 8(a) within 90 days of the receipt by the Beneficiary of an invoice from the Trustee therefor, the Trustee may deduct its unpaid compensation and expenses from the Income Account. If all of the Trustee's compensation and expenses have been paid, the Trustee shall transfer such funds in the Income Account into the Trust Account. Such transferred funds shall then become principal and part of the Trust Account.

(c) From time to time, the Trustee may elect, but shall not be required to, credit the Income Account with the amount of interest and dividends due in respect of Assets in the Trust Account before actually receiving such payments from a payor, Depository (as hereinafter defined), broker or other agent. Any such crediting shall be at the Grantor's sole risk, and the Trustee shall be authorized to reverse any such credit in the event it does not receive good funds from such payor, Depository, broker or other agent. The Trustee shall not be required to enforce collection by legal means or otherwise of any such payment, but shall use reasonable diligence to make all such collections as may be affected in the ordinary course of business.

Section 6. Right to Vote Assets. {tc \11 "Section 6. Right to Vote Assets.}

The Trustee will forward all annual and interim stockholder reports and all proxies and proxy materials relating to the Assets in the Trust Account to the Grantor. The Grantor or its designee shall have the full and unqualified right to vote any Assets in the Trust Account. The Grantor agrees that it shall not knowingly allow the value of the Assets to fall below 102% of Grantor's Obligations due to a vote of an Asset.

Section 7. Additional Rights and Duties of the Trustee. {tc \11 "Section 7. Additional Rights and Duties of the Trustee.}

(a) The Trustee shall notify the Grantor and the Beneficiary in writing within ten days following each deposit to or withdrawal from the Trust Account.

(b) Before accepting any Asset for deposit to the Trust Account, the Trustee shall determine that such Asset is in such form that the Beneficiary whenever necessary may, or the Trustee upon direction by the Beneficiary may, negotiate such Asset without consent or signature from the Grantor or any other Person.

(c) The Trustee may deposit any Assets in the Trust Account in a book-entry account maintained at a Federal Reserve Bank or in depositories such as the Depository Trust Company and the Participants Trust Company (the Federal Reserve Bank and such other depositories being referred to herein as "Depositories").

(d) The Trustee shall accept and may open all mail directed to the Grantor or the Beneficiary in care of the Trustee. The Trustee shall forward all mail to the addressee whether or not opened.

(e) The Trustee shall furnish to the Grantor and the Beneficiary a statement of all Assets in the Trust Account upon the inception of the Trust Account and within 15 days of the end of each calendar quarter thereafter.

(f) The Trustee shall keep full and complete records of the administration of the Trust. Upon the reasonable request of the Grantor or the Beneficiary, the Trustee shall promptly permit the Grantor, the Beneficiary or their respective agents, employees or independent auditors to examine, audit, excerpt, transcribe and copy, at a location in New York, New York, at their own expense, during the Trustee's normal business hours any books, documents, papers and records relating to the Trust Account or the Assets.

(g) The Trustee is authorized to follow and rely upon all Communications (including, without limitation, Investment Orders, Withdrawal Notices and Termination Notices), given by officers, agents and/or employees named in letters and incumbency certificates furnished to the Trustee from time to time by the Grantor, the Beneficiary or the Investment Manager, respectively, and by attorneys-in-fact acting under written authority furnished to the Trustee by the Grantor, the Beneficiary or the Investment Manager (collectively "Instructions") including, without limitation, Instructions given by letter, facsimile transmission or electronic media, if the Trustee reasonably believes such Instructions to be genuine and to have been signed, sent or presented by the proper party or parties. The Trustee shall not incur any liability to anyone resulting from actions taken by the Trustee in reliance in good faith on such Instructions. The Trustee shall not incur any liability in executing Instructions prior to receipt by it of (i) notice of the revocation of the written authority of the individual(s) named therein, or (ii) notice from any officer, agent or employee of the Grantor, the Beneficiary or the Investment Manager named in a

letter or incumbency certificate delivered hereunder prior to receipt by it of a more current certificate.

(h) The duties and obligations of the Trustee shall only be such as are specifically set forth in this Agreement, as it may from time to time be amended in accordance with the terms hereof, and no implied duties or obligations shall be read into this Agreement against the Trustee. The Trustee shall be liable only for its own negligence, willful misconduct or lack of good faith.

(i) No provision of this Agreement shall require the Trustee to take any action which, in the Trustee's reasonable judgment, would result in any violation of this Agreement or any provision of applicable law.

(j) In relation to matters arising under this Agreement, the Trustee may confer with reputable counsel, experienced in the type of transactions contemplated by this Agreement and selected by it after consultation with the Grantor and the Beneficiary, and shall, upon demand, be indemnified and held harmless from and against any and all Losses by the Grantor hereunder for any actions taken, omitted or suffered by it in connection with this Agreement or under any transaction contemplated hereby in good faith without negligence or willful misconduct and in accordance with the opinion of such counsel. The opinion of such counsel shall be full and complete authority and protection for the Trustee with respect to any action taken, suffered or omitted by it in good faith and in accordance with the opinion of such counsel, other than with respect to the withdrawal of Assets by the Beneficiary.

(k) Whenever, in the administration of the Trust Account created by this Agreement, the Trustee shall reasonably deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action thereunder, subject to the requirement of reasonableness, good faith and lack of negligence and willful misconduct, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement or certificate signed by or on behalf of the Grantor and/or the Beneficiary and delivered to the Trustee and such certificate shall be full warrant to the Trustee for any action taken, suffered or omitted by it on reliance thereon, subject to this paragraph, but in its discretion exercised in a reasonable manner, the Trustee may in lieu thereof accept other evidence of the fact or matter or may require such other or additional evidence as it may deem reasonable.

(l) Notwithstanding anything to the contrary provided herein, the Trustee is not responsible for any Losses resulting from reasons or causes beyond its control, including, without limitation, nationalization, expropriation, currency restrictions, acts of war, terrorism, insurrection, revolution, civil unrest, riots or strikes, nuclear fusion or fission or acts of God.

(m) The Parties acknowledge that nothing in this Agreement shall obligate the Trustee to extend credit, grant financial accommodation or otherwise advance moneys for the

purpose of making any payments or part thereof or otherwise carrying out any Instructions, including, without limitation, any Investment Order.

(n) The Trustee hereby indemnifies the Grantor and the Beneficiary for, and holds them harmless against, any Losses (including reasonable attorneys' fees and expenses and reasonable consulting and accountants' fees and expenses) incurred or paid, arising out of or in connection with the Trustee's negligence, willful misconduct or lack of good faith in the performance of its duties and obligations under this Agreement, including, without limitation, any Loss arising out of or in connection with the status of the Trustee as the holder of record of any or all of the Assets. The Trustee hereby acknowledges that the foregoing indemnities shall survive the resignation of the Trustee and the termination of this Agreement.

Section 8. The Trustee's Compensation, Expenses and Indemnification. {tc \11 "Section 8. The Trustee's Compensation, Expenses and Indemnification.}

(a) The Beneficiary, upon receipt of an invoice from the Trustee and without offset to the Beneficiary's interest, (i) shall pay the Trustee, as compensation for its services under this Agreement, a fee computed at rates determined by the Trustee from time to time and communicated in writing to the Beneficiary and (ii) shall pay or reimburse the Trustee for all of the Trustee's expenses and disbursements in connection with its duties under this Agreement (including reasonable attorneys' fees and expenses and reasonable accounting and consulting fees and expenses), except any such expense or disbursement as may arise from the Trustee's negligence, willful misconduct or lack of good faith.

(b) The Grantor hereby indemnifies the Trustee for, and holds it harmless against, any Losses (including reasonable attorneys' fees and expenses and reasonable consulting and accountants' fees and expenses) incurred or paid (other than as a result of Trustee's negligence, willful misconduct or lack of good faith), arising out of or in connection with the performance of its duties and obligations under this Agreement, including, without limitation, any Loss arising out of or in connection with the status of the Trustee as the holder of record of any or all of the Assets. The Grantor hereby acknowledges that the foregoing indemnities shall survive the resignation of the Trustee or the termination of this Agreement and hereby grants the Trustee a lien, right of set-off and security interest in the funds in the Income Account for the payment of any claim for indemnity hereunder.

(c) No Assets shall be withdrawn from the Trust Account or used in any manner for paying compensation to, or reimbursement or indemnification of, the Trustee.

Section 9. Resignation or Removal of the Trustee. {tc \11 "Section 9. Resignation or Removal of the Trustee.}

(a) The Trustee may resign at any time by giving not less than 90 days' written notice thereof to the Beneficiary and to the Grantor. The Grantor or the Beneficiary also may remove the Trustee at any time, without assigning any reason therefore, on 90 days' prior written

notice thereof to the Trustee. Any such resignation or removal shall become effective on the acceptance of appointment by a successor trustee and the transfer to such successor trustee of all Assets in the Trust Account in accordance with paragraph (b) of this Section 9.

(b) Upon receipt of the Trustee's notice of resignation, the Grantor and the Beneficiary shall promptly appoint a successor trustee. Upon receipt by the Trustee of the notice of removal, the Trustee shall forward a copy of such notice to the Grantor and the Beneficiary and the Grantor and the Beneficiary shall promptly appoint a successor trustee. Any successor trustee shall be a Qualified United States Financial Institution. Upon the acceptance of the appointment as trustee hereunder by a successor trustee, such successor trustee shall succeed to and become vested with all the rights, powers, privileges and duties of the Trustee, and the Trustee shall be discharged from any future duties and obligations under this Agreement (other than the indemnification contained in Section 7(n)), but the Trustee shall continue after its resignation to be entitled to the benefits of the indemnities provided herein for a Trustee.

Section 10. Termination of the Trust Account. {tc \1 "Section 10. Termination of the Trust Account.}

(a) The Trust Account and this Agreement, except for the indemnities provided herein, which shall survive termination, may be terminated only after (i) the Grantor or the Beneficiary has given the Trustee written notice of its intention to terminate the Trust Account (the "Notice of Intention"), and (ii) the Trustee has given the Grantor and the Beneficiary the written notice specified in paragraph (b) of this Section 10. The Notice of Intention shall specify the date on which the notifying Party intends the Trust Account to terminate (the "Proposed Date").

(b) Within ten Business Days following receipt by the Trustee of the Notice of Intention, the Trustee shall give written notification (the "Termination Notice") to the Beneficiary and the Grantor of the date (the "Termination Date") on which the Trust Account shall terminate. The Termination Date shall be (i) the Proposed Date (or if not a Business Day, the next Business Day thereafter), if the Proposed Date is at least 30 days but no more than 45 days subsequent to the date the Termination Notice is given; (ii) 30 days subsequent to the date the Termination Notice is given (or if not a Business Day, the next Business Day thereafter), if the Proposed Date is less than 30 days subsequent to the date the Termination Notice is given; or (iii) 45 days subsequent to the date the Termination Notice is given (or if not a Business Day, the next Business Day thereafter), if the Proposed Date is more than 45 days subsequent to the date the Termination Notice is given.

(c) On the Termination Date, upon receipt of written approval of the Beneficiary, the Trustee shall transfer to the Grantor any Assets remaining in the Trust Account, at which time all duties and obligations of the Trustee with respect to such Assets shall cease. Until such Assets have been so transferred, the Beneficiary may withdraw Assets necessary to secure 102% of the Obligations and deposit the Assets into an account of the Beneficiary pending payment of the Obligations as they mature.

(d) The Grantor shall not terminate the Trust Account or this Agreement on the basis of the insolvency of the Beneficiary.

Section 11. Qualified United States Financial Institution. {tc \1 "Section 11. Qualified United States Financial Institution}

The Trustee represents and warrants to the Grantor and the Beneficiary that it is a Qualified United States Financial Institution.

Section 12. Definitions.{tc \1 "Section 12. Definitions.}

Except as the context shall otherwise require, the following terms shall have the following meanings for all purposes of this Agreement (the definitions to be applicable to both the singular and the plural forms of each term defined if both such forms of such term are used in this Agreement):

The term "Affiliate" shall mean a Person that, directly or indirectly through one or more Persons, controls or is controlled by, or is under common control with, another Person.

The term "Business Day" shall mean any day on which the office of the Trustee in New York, New York is open for business.

The term "control" (including the related terms "controlling," "controlled by" and "under common control with") shall mean the possession by a Person, directly or indirectly, of the power to direct or cause the direction of the management and policies of another Person, whether through the ownership of voting securities, by contract (other than a commercial contract for goods or non-management services), or otherwise, unless the power is the result of an official position with or corporate office held by such Person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of another Person; provided, that this presumption may be rebutted by a showing that control does not exist in fact.

The term "Eligible Trust Assets" shall mean cash (United States legal tender) and other investments that meet both of the following criteria: (a) the investments are of the types specified in PA. STAT. ANN. tit. 40 § 442.1(b); and (b) the investments have not been issued by a Parent, a Subsidiary or an Affiliate of the Grantor or the Beneficiary.

The term "Obligations" shall mean, with respect to the Reinsurance Agreement, (a) losses and allocated loss expenses paid by the Beneficiary, but not recovered from the Grantor, (b) reserves for losses reported and outstanding, (c) reserves for losses incurred but not reported, (d) reserves for allocated loss expenses and (e) reserves for unearned premiums.

The term "Parent" shall mean a Person that controls, directly or indirectly, another Person.

The term "Pennsylvania Insurance Law" shall mean The Insurance Company Law of 1921 of the Commonwealth of Pennsylvania, as amended (PA. STAT. ANN. tit. 40 §§ 341-991.1718), and the rules and regulations promulgated thereunder from time to time.

The term "Person" shall mean and include an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an unincorporated organization, or any similar entity or any combination of the foregoing acting in concert.

The term "Qualified United States Financial Institution" shall mean a Person that is a "qualified United States financial institution" under and as defined in 31 PA. CODE § 163.1 promulgated under the Pennsylvania Insurance Law, and (b) is not a Parent, a Subsidiary or an Affiliate of the Grantor or the Beneficiary.

The term "Subsidiary" shall mean a Person that is controlled, directly or indirectly, by another Person.

Section 13. Governing Law; Compliance with Regulations; Venue.{tc \11 "Section 13. Governing Law; Compliance with Regulations; Venue.}

This Agreement shall be governed by and construed in accordance with the laws of the State of New York. The Parties acknowledge that the Beneficiary is domiciled in the Commonwealth of Pennsylvania. The Parties desire that the terms of this Agreement and the operation of the Trust Account are at all times in compliance with the relevant provisions of the Pennsylvania Insurance Law (including, without limitation, Title 31, Chapter 163 of the Regulations of the Pennsylvania Insurance Department) and this Agreement shall be interpreted accordingly. The Trustee agrees, for the benefit of the other Parties (including, without limitation, any liquidator, rehabilitator, receiver or conservator and any successor, merged or consolidated entity), that the federal and state courts located in the State of New York, New York County, shall have exclusive jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement.

Section 14. Successors and Assigns.{tc \11 "Section 14. Successors and Assigns.}

No Party may assign this Agreement or any of its obligations hereunder without the prior written consent of the other Parties; provided, however, that this Agreement shall inure to the benefit of and bind those who, by operation of law, become successors to the Parties, including, without limitation, any liquidator, rehabilitator, receiver or conservator and any successor, merged or consolidated entity, and provided, further, that, in the case of the Trustee, the successor trustee is eligible to be a trustee under the terms hereof.

Section 15. Severability.{tc \l1 "Section 15. Severability.}

In the event that any provision of this Agreement shall be declared invalid or unenforceable by a court having jurisdiction, such invalidity or unenforceability shall not effect the validity or enforceability of the remaining portions of this Agreement.

Section 16. Entire Agreement.{tc \l1 "Section 16. Entire Agreement.}

This Agreement constitutes the entire agreement among the Parties, and there are no understandings or agreements, conditions or qualifications relative to this Agreement which are not fully expressed in this Agreement.

Section 17. Amendments.{tc \l1 "Section 17. Amendments.}

This Agreement may be modified or otherwise amended, and the observance of any term of this Agreement may be waived, only if such modification, amendment or waiver is in writing and signed by all of the Parties, and such modification is in compliance with all applicable law, including, without limitation, the Pennsylvania Insurance Law.

{tc \l1 "}Section 18. **Notices, etc.**{tc \l1 "Section 18. **Notices, etc.**}

Unless otherwise provided in this Agreement, all Communications (including, without limitation, any Investment Orders or Instructions) required or permitted to be given or made under the terms hereof shall be in writing and shall be deemed to have been duly given or made (a) (i) when delivered personally, (ii) when made or given by facsimile or electronic mail, or (iii) in the case of International Priority Mail or Federal Express, upon the expiration of three days after any Communication shall have been deposited in International Priority Mail or Federal Express for transmission or upon receipt thereof, whichever shall first occur and (b) when addressed as follows:

If the Grantor:

Capco Reinsurance Company Ltd.
Chelston Park, Building No.2
Collymore Rock, St Michael
Barbados
Attention: Mr. Martin Hole
Fax: (246) 429 8517

If the Beneficiary:

National Union Fire Insurance
Company of Pittsburgh, Pa.
70 Pine Street - 3rd Floor

New York, NY 10270
Attention: Jeff Schattin
Fax: (212) 509-7059

With a copy to (for all Communications
other than Investment Orders and Instructions):

American International Companies®
160 Water Street - 24th Floor
New York, NY 10038
Attention: General Counsel, Domestic Brokerage Group
Fax: (212) 820-4504

If to the Trustee:

[Citibank, N.A.
Insurance Trust Unit
111 Wall Street
14th Floor, Zone 20
New York, NY 10043
Attention: Peter von Kaufmann
Facsimile: (212) 657-2674]

Each Party may from time to time designate a different address for Communications (including, without limitation, Investment Orders) by giving written notice of such change to the other Parties; provided, however, that each Party shall at all times be entitled to give all Communications to the Trustee at its principal office in the United States. All Communications relating to the withdrawal, redemption, substitution or reinvestment of Assets and to the termination of the Trust Account shall be in writing.

Section 19. Headings.{tc \1 "Section 19. Headings.}

The headings of the sections and the Table of Contents have been inserted for convenience of reference only, and shall not be deemed to constitute a part of this Agreement.

Section 20. Counterparts.{tc \1 "Section 20. Counterparts.}

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original, but such counterparts together shall constitute one and the same Agreement.

[SIGNATURE PAGES FOLLOW]

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

CAPCO REINSURANCE COMPANY LTD.

By: _____
Name:
Title:

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA.

By: _____
Name:
Title:

CITIBANK, N.A.

By: _____
Name:
Title:

REINSURANCE AGREEMENT

Aggregate Loss Ratio Agreement, dated as of January 1st, 2000, by and between National Union Fire Insurance Company of Pittsburgh, PA. and Capco Reinsurance Company Ltd.

ASSETS DEPOSITED TO THE TRUST ACCOUNT

Amounts per Article XVIII of the Reinsurance Agreement.

INVESTMENT MANAGEMENT AGREEMENT

dated as of [August 25], 2000

by and among

CAPCO REINSURANCE COMPANY LTD.

as Grantor,

NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.,

as Beneficiary,

and

AIG GLOBAL INVESTMENT CORP. (IRELAND) LIMITED

INVESTMENT MANAGEMENT AGREEMENT

This investment management agreement (this "Agreement") is dated as of [August 14], 2000 by and between:

- (1) Capco Reinsurance Company Ltd., a corporation organized under the laws of Barbados (the "Grantor"),
- (2) National Union Fire Insurance Company of Pittsburgh, Pa., an insurance corporation organized under the laws of the Commonwealth of Pennsylvania, (the "Beneficiary"), and
- (3) AIG Global Investment Corp. (Ireland) Limited, a corporation organized under the laws of Ireland and having its registered office at AIG House, Merrion Road, Dublin 4, Ireland (the "Company").

WITNESSETH:

WHEREAS, Citibank, N.A. (the "Trustee") currently acts as a trustee to the 2000 Auto Warranty Aggregate Loss Ratio Trust pursuant to a Trust Agreement (the "Trust Agreement"), dated as of [August 25], 2000, by and among the Grantor, the Trustee and the Beneficiary.

WHEREAS, the Trust was created to provide collateral for the obligations of the Grantor under the reinsurance agreement listed in Exhibit A (the "Reinsurance Agreement"), specifically for the purpose of establishing a trust account (the "Trust Account") under New York Insurance Law and Pennsylvania Insurance Law securing the Grantor's obligations to the Beneficiary under the Reinsurance Agreement;

WHEREAS, the Company is engaged in the business of rendering investment advisory and management services and is willing to provide such services to the Trustee in respect of the Trust Account; and

WHEREAS, as provided for in the Trust Agreement, the Beneficiary, by letter dated [August 14], 2000, informed the Trustee that it retained the Company to provide investment and advisory management services to the Trustee in respect of the Trust Account and other assets from time to time contained in the Trust Account, subject to the terms and conditions set forth below.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound hereby, agree as follows:

1. Interpretation

In this Agreement, "Affiliate" means any holding company or subsidiary of the relevant party or any other subsidiary of such a holding company. For purposes of this Agreement, the

terms “subsidiary” and “holding company” shall have the respective meanings given to them by section 155 of the Companies Act of 1963.

2. Appointment

2.1. The Grantor and the Beneficiary hereby appoint the Company, and the Company hereby accepts the appointment, as investment manager to the Trust and as its agent and attorney in-fact to exercise the investment discretion described below with respect to the Trust Account and with respect to the cash, securities or other property as may from time to time be contained in the Trust Account. The Trust Account shall be held in the custody of the Trustee named in Exhibit B (the “Trustee”) or any successor Trustee appointed pursuant to the Trust Agreement.

2.2. The Company may appoint any person, firm or corporation to act as sub-investment manager to assist the Company in the performance of its obligations under this Agreement. Fees of any such sub-investment manager shall be paid by the Company.

2.3. Subject to the terms of the Trust Agreement, any cash, securities or other property transferred to the Company by the Grantor or the Beneficiary shall, in the absence of express instructions to the contrary, form part of the Trust Account. Any income derived from the Trust Account, any monies resulting from disposal or redemption of securities or other property forming part of the Trust Account and any securities or other property purchased out of any such proceeds shall be added to and thereafter form part of the Trust Account.

2.4. Subject to the other provisions of this Agreement, the Grantor warrants that it is and shall during the continuance of this Agreement remain the beneficial owner of the Trust Account free of all liens, charges, options and third party rights whatsoever, other than those arising under the Trust Agreement.

3. Custody

3.1. Subject to Section 3.2., all funds and assets arising hereunder, together with any securities or other property purchased or acquired pursuant to this Agreement, shall be deposited with the Trustee for safekeeping.

3.2. Notwithstanding the foregoing, subject to all necessary or desirable consents of any relevant authorities, the Company or the Trustee may give effect to their obligations hereunder by depositing securities or other investments held or acquired pursuant to this Agreement with U.S. Depositories such as the Depository Trust Company and the Participants Trust Company.

3.3. As the parties may request from time to time, registered securities will be registered in the name of the Trust or the Trustee.

4. Scope of Authorization

4.1. The Grantor and the Beneficiary hereby authorize the Company to invest and re-invest, and vary the investment of, the Trust Account and any part thereof in accordance with the guidelines specified in Exhibit B and as may be communicated by written instructions of the Beneficiary

to the Company from time to time, but otherwise at the complete and absolute discretion of the Company; provided, however, that the investment and disposition of the Trust's property shall at all times be in accordance with the terms of the Trust Agreement. The Beneficiary shall furnish the Company with a certified copy of any resolution authorizing any person to give instructions to the Company, and the Company shall be entitled to accept such resolution as conclusive evidence of that person's authority to give such instructions to the Company.

4.2 The Company shall make all decisions concerning any purchases, sales, conversion privileges, subscription rights or other options with respect to the Trust Account, in each case in accordance with the investment policy and/or investment guidelines set out in Exhibit B and in each case in accordance with the terms of the Trust Agreement.

4.3 The Company shall deliver securities or other property, make payments or otherwise transfer any part of the Trust Account only on the express instructions of the Beneficiary received in writing or by tested telex or facsimile.

4.4 The authorities herein contained are continuing ones and shall remain in full force and effect until revoked by termination of this Agreement, which termination will not affect any transaction entered into prior to the date on which such termination took effect.

4.5 The Company may sell or purchase investments which are included in, or intended to become part of, the Trust Account as part of a larger transaction or series of transactions in which other persons are interested only if the terms of such purchase or sale are, in the Company's reasonable opinion, fair and equitable, and where the Company deals on behalf of the Trust and other persons as part of a larger transaction, or in a transaction not specifically allocated to the Trust at the time of dealing, the transaction shall be identified in the Company's records on the day of dealing as being expressly, wholly or to a specified extent for the benefit of the Trust and is to be accordingly allocated to the Trust, and the price paid or received, being that price agreed in the original transaction, shall be recorded in the Company's records on the day of dealing.

4.6 Nothing contained in this Agreement shall prevent the Company or any of its Affiliates from engaging in other businesses or rendering services of any kind to any other person or entity. In connection therewith, the Company and its Affiliates may, without limitation:

(a) receive fees for services rendered to any of the issuers of securities held in the Trust Account;

(b) be retained to provide services to the Trustee, the Grantor, the Beneficiary or any of their respective Affiliates in addition to any services provided pursuant to this Agreement;

(c) transact in and/or hold the capital stock of the Trustee, the Grantor, the Beneficiary or any of their respective Affiliates; and

(d) transact in and/or hold the capital stock of any of the issuers of securities held in the Trust Account.

4.7. Trust Account investments and reinvestments may differ from those made or recommended with respect to other clients, including investment companies, even though the investment objectives may be the same or similar. The Company shall not be liable for such differences as exist between Trust Account investments or reinvestments and investments or reinvestments made or recommended with respect to other clients of the Company.

5. Reporting

At least once each month, the Company shall provide the Grantor with a report (with duplicate copies to the Trustee and the Beneficiary) as described in Exhibit B, paragraph III. 10. The Company shall maintain appropriate records of all its activities hereunder and shall make such records available to the Grantor, the Trustee, the Beneficiary and/or any of their respective agents as they may reasonably request.

6. Fees

As remuneration for the services provided under this Agreement, the Beneficiary shall pay or cause to be paid to the Company the fees set out in Exhibit B. The fees shall be paid each month in arrears. The book value of the invested assets of the Trust Account, on which the fees are based, shall be determined by the Company at the close of business on the last day of the preceding billing period.

7. Representations and Warranties

7.1 Each of the Grantor and the Beneficiary hereby individually and for itself represents and warrants to the Company as follows:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and corporate authority to own its assets and to transact the business in which it is now engaged;

(b) it has the corporate power and corporate authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of it enforceable against the it in accordance with its terms;

(c) No consent of any person, including, without limitation, any of its stockholders or creditors, and no licence, permit, approval or authorization of, exemption by, notice or report to or registration, filing or declaration with any governmental authority is required by it in connection with the execution, delivery and performance of this Agreement;

(d) the exercise, delivery and performance of this Agreement will not violate any provision of any existing law or regulation, or any order, judgment, award or decree of any court, arbitrator or government authority, or the Articles of Association or bye-laws, both as amended, of it, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which it is a party or by which it or any of its assets may be bound, or require the creation or imposition

of any lien on any of its property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking;

(e) it shall promptly deliver to the Company such information, papers and documents as may from time to time be required or reasonably requested by the Company in connection with the performance of its duties for the Trust Account; and

(f) it shall promptly notify the Company of any facts or circumstances or any change therein which may, directly or indirectly, affect the management of the Trust Account by the Company.

7.2 The Grantor hereby additionally represents and warrants to the Company as follows:

(a) the names and signatures contained in Exhibit C constitute the valid names and signatures of all officers of the Grantor authorized to take action with respect to the Trust Account, and the Company will be entitled to rely conclusively on any document executed by any such officer or officers; and

(b) subject to this Agreement, it is and will during the term of this Agreement remain as the beneficial owner of the Trust Account, free and clear of any and all liens, charges, options and encumbrances or other third party rights whatsoever.

7.3 The Beneficiary hereby additionally represents and warrants to the Company that the names and signatures contained in Exhibit C constitute the valid names and signatures of all officers of the Beneficiary authorized to take action with respect to the Trust Account, and the Company will be entitled to rely conclusively on any document executed by any such officer or officers.

8. Limits on Company Responsibility

8.1. The duties and obligations of the Company shall be determined solely by the express provisions of this Agreement, and the Company shall be responsible only for the good faith performance of such duties and obligations as are specifically set out in this Agreement. The Company shall not be bound in any way by any agreement or contract (including without limitation, the Reinsurance Agreement) among any of the parties hereto, or by any agreement or contract between any party hereto and any third party (whether or not the Company has knowledge thereof).

8.2. The Company shall not be responsible in any manner whatsoever for any failure or inability of the Trustee, the Grantor and/or the Beneficiary to honor any of the provisions of this Agreement.

8.3. The Company shall not be responsible for the solvency of or the due and proper performance of the obligations of any depository appointed or employed by the Company in good faith for the performance of its duties, but the Company shall make available to the Trust and the Grantor such rights (if any) as the Company may have against such person or institution in the event of the insolvency of said persons or institutions or their failure properly to perform such obligations, and

the Company shall give such assistance as the Trustee and/or the Grantor may reasonably require to exercise such rights.

8.4. The Company shall be fully protected in acting on and relying upon any written advice, certificate, notice, direction, instruction, request or other paper or document which the Company in good faith believes to be genuine and to have been signed or presented by the proper party or parties, and the Company may assume that any person purporting to give such advice, certificate, notice, direction, instruction or request or other paper or document has been duly authorized to do so.

8.5. The Company may seek legal advice in the event of any dispute or question as to the construction of any of the provisions of this Agreement or its duties hereunder, and it shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in reliance upon and in accordance with such legal advice.

8.6. The Company shall not be liable to the Grantor or the Trust (or any respective beneficiary thereof) for any acts or omissions by the Company, its employees and/or its agents under and in connection with this Agreement unless such acts or omissions constitute bad faith, negligence or wilful misconduct.

8.7. The Company hereby indemnifies the Grantor and the Beneficiary for, and holds them harmless against, any loss, liability or expense, including, without limitation, legal fees, incurred by them arising out of any action or inaction on the part of the Company constituting bad faith, negligence or wilful misconduct under this Agreement.

The Company hereby acknowledges that the foregoing indemnities shall survive the resignation of the Company and the termination of this Agreement.

8.8. The Grantor shall reimburse and indemnify the Company for, and hold it harmless against, any loss, liability or expense, including, without limitation, legal fees, incurred without bad faith, negligence or wilful misconduct on the part of the Company arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement, as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement.

8.9. The Company shall not be liable for any loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes or other conditions beyond the Company's control.

8.10. Any complaints by the Grantor should be addressed in the first instance to any Director of the Company. In the event of the Company's inability to meet any liabilities to the Grantor, the Grantor has recourse to their normal remedies in law and/or equity.

9. Confidentiality

Except as required by the provisions of any applicable laws, rules, regulations and/or by any court order, none of the parties hereto shall during the continuance of this Agreement or after its termination disclose any information relating to the business, investments, finances or other matters

of a confidential nature to any third party of which it may in the course of the performance of this Agreement have become possessed.

10. Termination and Amendment

10.1. This Agreement may be terminated by the Beneficiary or the Company at any time upon at least 30 days' prior written notice to the other parties.

10.2. Except for any commitments to purchase or dispose of securities or other property made prior to the date of notice of termination pursuant to sub-clause 10.1 above (which commitments shall be executed or completed even after such date), the Company shall not after the date of any notice of termination execute any further transactions on behalf of the Trust. Upon effectiveness of termination of this Agreement, no party shall have any obligation to any other party except for (a) those obligations existing, if any, under Section 9, (b) the indemnities provided for in Sections 8.7 and 8.8 and (c) the Company's obligation to provide a full account of all trades effected up to the date of termination.

11. Governing Law

11.1. This Agreement shall be governed by and construed in accordance with the laws of Republic of Ireland.

11.2. If any suit or arbitration is instituted by any party to enforce any of the terms or conditions of this Agreement, each party hereby submits to the jurisdiction of the courts of the Republic of Ireland.

12. Arbitration

12.1. In the event of any dispute arising out of or in relation to this Agreement, the same shall be decided by Arbitration in accordance with the provisions of the Arbitration Act of 1954 or any statutory modification or re-enactment thereof for the time being in force.

12.2. For the purpose of this Agreement, the Arbitrator will be chosen by the President for the time being of the Incorporated Law Society of Ireland.

13. Notices

13.1. All notices and other communications provided for or permitted hereunder shall be made in writing and delivered or dispatched by registered mail, or sent by facsimile, to the following respective addresses:

(i) if to the Trust or the Trustee:

Citibank, N.A.
Insurance Trust Unit
14th Floor Zone 20
111 Wall Street
New York, NY 10005 USA
Attn: Peter von Kaufmann
Fax: 212-657-2674

(ii) if to the Grantor:

Capco Reinsurance Company Ltd.
Chelston Park, Building No. 2
Collymore Rock
St Michaels, Barbados
West Indies
Attn: Mr. Martin Hole
Fax: 1 246 429 8517

(iii) if to the Beneficiary

National Union Fire Insurance
Company of Pittsburgh, Pa.
70 Pine Street, 3rd Floor
New York, NY 10270 USA
Attn: Jeff Schattin
Fax: 212-509-7059

with a copy to (for all Communications other than Investment Orders and Instructions):

American International Companies
160 Water Street, 24th Floor
New York, NY 10038 USA
Attn: General Counsel, Domestic Brokerage Group
Fax: (212) 820-4504

(iv) if to the Company

AIG Global Investment Corp. (Ireland) Ltd.,
AIG House,
Merrion Road,
Dublin 4, Ireland
Attn: Iwan Dätwiler
Fax: 353-1-2837820

Such notices will be deemed to have been properly delivered or given hereunder and will be effective on the date of delivery. Any party may from time to time designate a different address than that provided above by giving written notice of such different address to the other parties.

14. Rules

14.1. Where at any time compliance with any provision in this Agreement would be contrary to any bye-law, rule, regulation or code of conduct or practice in force from time to time and applying to any party, then the parties shall meet to discuss in good faith a method of amending this Agreement in light of such circumstances. If the parties cannot agree on a satisfactory amendment within 45 days of the parties becoming aware of such potential conflict, then any party may by notice to the other parties terminate this Agreement forthwith. Sub-clause 10.2 shall apply to such termination.

14.2. If any provision or condition of this Agreement shall be held to be invalid or unenforceable by any court or regulatory agency or body, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remaining provisions shall not be affected thereby, and this Agreement shall be carried out as if such invalid or unenforceable provision or conditions were not contained herein.

15. Entire Agreement and Amendments

15.1. This Agreement, including the Exhibits hereto, constitutes the entire agreement between the parties with respect to the management of the Trust Account and matters ancillary thereto, including all accounts which the Trustee may open or re-open with the Company, and supersedes and extinguishes any arrangement, representations and/or warranties previously given or made.

15.2. The express terms hereof control and supersede any course of performance and/or usage of the trade.

15.3. This Agreement may not be amended except by a notice in writing signed by all of the parties.

16. No Waiver

Neither the failure nor any delay on the part of any party in exercising any right, remedy, privilege or power under this Agreement will operate as a waiver thereof, nor will single or partial exercise of any right, remedy, privilege or power preclude any other or further exercise of the same or of any other right, remedy, privilege or power, nor will any waiver of any right, remedy, privilege or power relating to any occurrence be construed as a waiver of such right, remedy, privilege or power relating to any other occurrence. No waiver hereunder will be effective unless in writing and signed by the party asserted to have granted such waiver.

17. No Joint Venture

The Company, on the one hand, and the Trust, the Grantor and/or the Beneficiary, on the other, are not partners or joint venturers, and nothing herein is intended to or shall be construed to make them partners or joint venturers or to impose liability by reason thereof.

18. Successors and Assigns

The provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by each of the parties hereto and their permitted respective successors and assigns. Notwithstanding anything to the contrary contained herein, the Company will have the right, in its sole discretion, to assign all of its rights, powers and obligations hereunder to any of its affiliates. For the purpose of this Section 18, "affiliate" means any entity that, directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with the Company.

19. Counterparts

The Agreement may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument, and such counterparts when taken together shall constitute one and the same instrument.

20. Headings

The section headings contained herein are for convenience of reference only and are not intended to and shall not alter, limit or define the provisions hereof.

21. General

21.1. The Company may, whether for its own account or that of any other person, acquire, hold or deal in any investments of any kind, nature or description whatsoever, and nothing in this Agreement shall prevent the Company from contracting or entering into or being interested in any financial, banking, commercial, advisory or other transaction with any other person.

21.2. The Company shall at all times maintain and keep in full force and effect such insurance against such risks as is customary and appropriate for investment management activities similar to those of the Company.

22. Exhibits

This Agreement shall take effect subject to any matter specified in the Exhibits.

SIGNATURE PAGE FOLLOWS.

IN WITNESS WHEREOF, this Agreement has been signed on behalf of the parties hereto on the day and year first above written.

AIG GLOBAL INVESTMENT
CORP. (IRELAND) LIMITED

By: _____
Name:
Title:

CAPCO REINSURANCE COMPANY LTD.,
AS GRANTOR

By: _____
Name:
Title:

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA.,
AS BENEFICIARY

By: _____
Name:
Title:

EXHIBIT A

Reinsurance Agreements

2000 AGGREGATE LOSS RATIO AGREEMENT, effective 12:01 am Eastern Standard Time, January 1, 2000, National Union Fire Insurance Company of Pittsburgh, Pa.. as the reinsured and Capco Reinsurance Company Ltd. as the reinsurer.

EXHIBIT B

Investment Policy Guidelines

I TRUST ACCOUNT

1. The Client is Capco Reinsurance Company Ltd. The Portfolio shall be called 2000 Auto Warranty Aggregate Loss Ratio Agreement.
 - (a) The objective of the Portfolio is preservation of capital followed by increases in the value of the investments.
 - (b) The net realized capital gains and losses should be minimized.

2. The Portfolio is to be invested in Eligible Trust Assets. The term "Eligible Trust Assets" shall mean cash (United States legal tender) and other investments that meet each of the following criteria.
 - (a) the investments are of the types specified in subsections (1), (2), (3), (8) or (10) of Section 1404(a) of the New York Insurance Law;
 - (b) the investments are of the types specified in 40 P.S. 422.1 (b) of the Pennsylvania Insurance Law; and
 - (c) the investments have not been issued by a Parent, a Subsidiary or an Affiliate of any Grantor or any Beneficiary.

For the purpose of this Section I.2, the terms Parent, Subsidiary and Affiliate shall have the meanings as defined in the Trust Agreement.

The term "New York Insurance Law" shall mean Chapter 28 of the Consolidated Laws of the State of New York, as amended, and the rules and regulations promulgated thereunder from time to time.

The term "Pennsylvania Insurance Law" shall mean The Insurance Company Law of 1921 of the Commonwealth of Pennsylvania, as amended, and the rules and regulations promulgated thereunder from time to time.

(a)	<u>Asset Class</u>	<u>Maximum % of Portfolio</u>
<input checked="" type="checkbox"/>	Fixed Income Securities	100%
<input checked="" type="checkbox"/>	Money Market Instruments	100%
<input type="checkbox"/>	Convertible Bonds	
<input type="checkbox"/>	Equity Securities	

- Bond/Note Warrants
- Equity Warrants
- Financial Futures
- Financial Options
- Equity Options
- Equity Index Futures
- Equity Index Options
- Foreign Exchange Contracts
- Foreign Exchange Futures
- Foreign Exchange Options

Other asset classes shall not be permitted without the express written approval of the Clients.

Additional detail is attached as Asset Class Schedule.

a. The Portfolio shall be denominated in US dollars, hereinafter referred to as the Base Currency.

- b. The Portfolio is a
- Single Currency Account
 - Hedged Currency Account
 - Multi-Currency Account

as hereinafter defined.

- c. The Portfolio is a
- Diversified Country Risk Account
 - Regional Country Risk Account
 - Targeted Country Risk Account

as hereinafter defined.

II TRUSTEE

1. The Trustee is Citibank, N.A..

III GENERAL INVESTMENT GUIDELINES

1. **Currency**

- (a) A Single Currency Account shall be invested 100% in the Base Currency as defined in Section I.2.a. Securities denominated in or linked to other currencies are permitted only at the direction of the Clients.
- (b) A Hedged Currency Account shall be invested in securities denominated in or linked to any currency; provided, however, that foreign exchange contracts, futures and/or options are executed to reduce the net non-Base Currency exposure to less than 5% of the Portfolio Market Value.
- (c) A Multi-Currency Account shall be invested in securities denominated in or linked to any currency. Whether or not foreign exchange contracts, futures and/or options are permitted in Section I.2, the net non-Base Currency exposure of the Portfolio shall not exceed _____% of the Portfolio Market Value.

Unless permitted in Section I.2, Foreign Exchange Contracts shall not be executed for a Multi-Currency Account except for the acquisition or disposition of securities or for the conversion of coupon/dividend receipts to the Portfolio Base Currency; no hedging or speculative currency transactions are permitted.

2. **Sovereign Risk**

All country limits are percentage of Portfolio Market Value on date of purchase and refer to the country of issuer or guarantor.

A Targeted Country Risk Account specifically targets the investment opportunities in one or more particular countries as detailed below:

- a. United States 100%

[] Additional detail attached as Country Risk Schedule.

3. **Issuer Limits**

Except in the case of Supranational, Sovereign and Sovereign-supported issues, where the limits under III.2.a above apply, the securities of one issuer should not account for more than 7.5% of the market value of the Portfolio at the time of purchase.

4. **Issue Limits**

In the case of fixed income securities, no holding should exceed the greater of 7.5% of the amount outstanding or USD 5,000,000 nominal at the time of purchase.

[] Additional detail is attached as Equity Exposure Schedule.

5. **U.S. Property**

The purchase of U.S. Property is permitted.

6. **Credit Ratings**

- (a) All securities purchased for the Portfolio which are rated by either Moody's or Standard & Poor's shall carry a rating with the equivalent of AA- or AA3 or better at the time of purchase.

Notwithstanding the foregoing, securities may be purchased for the Portfolio which have ratings of A- or A3 or better provided that they do not constitute more than 25% of the Portfolio Market Value. (Securities which are not so rated at the time of intended purchase shall not be permitted except if approved by the Clients on a case by case.)

- (b) Unrated securities are permitted. The unrated securities shall have credit quality at the time of purchase, as determined in good faith by the Company, equivalent to other permitted securities which are rated as in Section III.6.a.
- (c) A security purchased either in accordance with Section III.6.a. which receives a downwardly revised rating or in accordance with Section III.6.b which receives a newly established rating that in either case would make such security ineligible for further purchase remains a permitted security to the extent of the then current holdings.
- (d) Private placements are permitted.

[] Additional detail is attached as Credit Risk Schedule.

7. **Counterparty Risk**

- (a) Wherever possible, all securities transactions shall be executed "delivery versus payment".
- (b) All securities transactions shall be executed with commercial banks, investment banks, brokers and trading firms

("Counterparties") of recognised standing in the financial markets.

- (c) To the extent that OTC Options, Swaps and/or Foreign Exchange Contracts are permitted in Section I.2, they shall be executed with Counterparties of recognised standing in the financial markets. Further, such Counterparties shall carry minimum ratings of AA/aa, as defined by Moody's or Standard & Poor's.

8. **Fees**

The fees shall be 0.15% per annum based on the market value of the invested assets of the Trust Account. The fees shall be paid each month in arrears. The Beneficiary upon receipt of invoice and without offset to Beneficiary's interest shall pay the Portfolio management fees under this Agreement.

9. **AUTHORISED PERSONS**

Name(s) and address(es) of persons authorised to give and receive notices, consents or other communications:

For **AIG Global Investment Corp. (Ireland) Limited:**

Iwan Dätwiler
AIG House,
Merrion Road,
Dublin 4
Ireland
Tel No: 353-1-283 7766
Fax No: 353-1-283 7820
Telex No: 91965

For **Capco Reinsurance Company Ltd.:**

Mr. Martin Hole
Chelston Park
Building No.2, Collymore Rock
St. Michaels, Barbados
West Indies
Fax No: 246-429-8517

For **National Union Fire Insurance Company of Pittsburgh, Pa.:**

Jeff Schattin
National Union Fire Insurance Company of Pittsburgh, Pa.
70 Pine Street, 3rd Floor
New York, NY 10270
Tel No:

Fax No: 212-509-7059

10. **Reporting Requirements**

The Company shall supply the Clients with a monthly report (with duplicate copies to the Trustee and the Beneficiary) detailing the following:

10.1. Securities Purchases/ Sales

- (a) Security description (e.g. issuer name, coupon, maturity date, frequency of income payments, yield to maturity).
- (b) Quantity purchased/sold.
- (c) Trade and settlement dates.
- (d) Settlement amount and bank account.
- (e) Unit purchase price, fees, accrued interest and all other items included in the settlement amount.
- (f) Name of Broker/Counterparty.

10.2. Monthly Performance Reports

- (a) List of securities in the Portfolio, showing description, original cost, yield to maturity at cost, market value and unrealised gain or loss for each.
- (b) Realized gain or loss for the Portfolio for the month and for year to date.
- (c) Income report should include all income and expenses on a monthly basis and year to date.

EXHIBIT C

Valid signatures of all officers authorized to take action with respect to the Account:

Please complete and return to the Company.

For Capco Reinsurance Company Ltd., as Grantor

NAME

SIGNATURE

Martin Hole

For National Union Fire Insurance Company of Pittsburgh, Pa.,
as Beneficiary

NAME

SIGNATURE

Jeff Schattin

INVESTMENT CUSTODIAN AGREEMENT

Investment Custodian Agreement, dated as of [August 25], 2000, between AIG Global Investment Trust Services Limited (the "Custodian") and Capco Reinsurance Company Ltd., (the "Customer"). {PRIVATE }

1. Customer Accounts

The Custodian agrees to cause the following accounts (each, an "Account") to be established and maintained for and on behalf of the Customer.

(a) a custody account in the name of the Customer ("Custody Account") for any and all stocks, shares, bonds, debentures, notes, mortgages or other obligations for the payment of money, bullion, coin and any certificates, receipts, warrants, or other instruments representing rights to receive, purchase or subscribe for the same or evidencing or representing any other rights of interests therein and other similar property whether certificated or uncertificated as may be received by the Custodian or its Subcustodian (as defined in Section 3) for the account of the Customer ("Securities"); and

(b) a deposit account in the name of the Customer ("Deposit Account") for any and all cash in any currency received by the Custodian or its Subcustodian for the account of the Customer, which cash shall not be subject to withdrawal by draft or check.

The Customer warrants its authority to 1) deposit the cash and Securities ("Assets") received in the Accounts and 2) give Instructions (as defined in Section 11) concerning the Accounts. The Custodian may deliver securities of the same class in place of those deposited in the Custody Account.

Upon written agreement between the Custodian and the Customer, additional Accounts may be established and separately accounted for as additional Accounts under the terms of this Agreement.

2. Maintenance of Securities and Cash at Custodian and Subcustodian Locations

Unless Instructions specifically require another location acceptable to the Custodian:

(a) Securities will be held in the country or other jurisdiction in which the principal trading market for such Securities is located where such Securities are to be presented for payment or where such Securities are acquired; and

(b) cash will be deposited in an account in a country or other jurisdiction in which such cash may be legally deposited or is the legal currency for the payment of public or private debts.

Cash may be held pursuant to Instructions in either interest or non-interest bearing accounts as may be available for the particular currency. To the extent Instructions are issued and the Custodian can comply with such Instructions, the Custodian is authorized to maintain cash balances on deposit for the Customer with one of its affiliates at such reasonable rates of interest as

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may from time to time be paid on such accounts, or in non-interest bearing accounts as the Customer may direct, if acceptable to the Custodian.

If the Customer wishes to have any of its Assets held in the custody of an institution other than the established Subcustodians or their securities depositories, such arrangement must be authorised by a written agreement, signed by the Custodian and the Customer.

The Customer assumes full responsibility for all credit risks involved in connection with the Custodian's acceptance or delivery of Securities pursuant to the Instructions of the Customer.

3. Subcustodians and Securities Depositories

The Custodian may act under this Agreement through the subcustodians listed in Schedule A of this Agreement with which the Custodian has entered into subcustodial agreements ("Subcustodians"). The Customer authorises the Custodian to hold Assets in the Accounts which the Custodian has established with one or more of its Subcustodians. The Custodian and Subcustodians are authorised to hold any of the Securities in their account with any securities depository in which they participate.

The Custodian reserves the right to add new, replace, or remove Subcustodians. The Customer will be given reasonable notice by the Custodian of any amendment to Schedule A. Upon request by the Customer, the Custodian will identify the name, address, and principal place of business of any Subcustodian.

4. Use of Subcustodian

(a) The Custodian will identify Assets on its books as belonging to the Customers.

(b) A Subcustodian will hold Assets together with assets belonging to other customers of the Custodian in accounts identified on such Subcustodian's books as special custody accounts for the exclusive benefit of customers of the Custodian.

(c) Any Assets in the Accounts held by a Subcustodian will be subject only to the instructions of the Custodian or its agent. Any Securities held in a securities depository for the account of a Subcustodian will be subject only to the instructions of such Subcustodian.

(d) Any agreement the Custodian enters into with a Subcustodian for holding its customer's assets shall provide that such assets will not be subject to any right, charge, security interest, lien or claim of any kind in favour of such Subcustodian except for safe custody or administration, and that the beneficial ownership of such assets will be freely transferable without the payment of money or value other than for safe custody or administration. The foregoing shall not apply to the extent of any special agreement or arrangement made by the Customer with any particular Subcustodian.

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5. **Deposit Account Transactions**

(a) The Custodian or its Subcustodian will cause payments to be made from the Deposit Account upon receipt of Instructions which include all information required by the Custodian.

(b) In the event that any payment to be made under this Section 5 exceeds the funds available in the Deposit Account, the Custodian, in its discretion, may advance the Customer such excess amount which shall be deemed a loan payable on demand, bearing interest at the rate customarily charged by the Custodian on similar loans. The rate applicable for the loan will be at a percentage above Libor as agreed between the Customer and the Custodian.

(c) If the Custodian causes the Deposit Account to be credited on a payable date, or at any time prior to actual collection and reconciliation to the Deposit Account, with interest, dividends, redemptions or any other amount due, the Customer will promptly return any such amount upon written notification: (i) that such amount has not been received in the ordinary course of business or (ii) that such amount was incorrectly credited. If the Customer does not promptly return any amount upon such notification, the Custodian shall be entitled, upon written notification to the Customer, to cause such credit to be reversed for the amount previously credited. The Custodian or its Subcustodian shall have no duty or obligation to institute legal proceedings, file a claim or a proof in any insolvency proceeding or take any other action with respect to the collection of such amount, but may act for the Customer upon instructions after consultation with the Customer.

6. **Custody Account Transactions**

(a) Securities will be transferred, exchanged or delivered by the Custodian or its Subcustodian upon receipt by the Custodian of Instructions which include all information required by the Custodian. Settlement and payment for Securities received for, and delivery of Securities out of, the Custody Account may be made in accordance with the customary or established securities trading or securities processing practices and procedures in the jurisdiction or market in which the transaction occurs, including, without limitation, delivery of Securities to a purchaser, dealer or their agents against a receipt with the expectation of receiving later payment and free delivery. Delivery of Securities out of the Custody Account may also be made in any manner specifically required by Instructions acceptable to the Custodian.

(b) With respect to any sale, exchange or purchase of Securities, the Custodian will cause such transactions to be credited or debited to the Accounts on the date cash or Securities are actually received and reconciled to the Accounts.

If any Securities delivered pursuant to this Section 6 are returned by the recipient thereof, the Custodian may thereupon cause the credits and debits of the particular transaction to be accordingly reversed.

7. **Actions of the Custodian**

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The Custodian shall follow Instructions received regarding Assets held in the Accounts. However, until it receives Instructions to the contrary, the Custodian will perform the following functions.

- (a) Present for payment any Securities which are called, redeemed, or retired or otherwise become payable and all coupons and other income items which call for payment upon presentation, to the extent that the Custodian or Subcustodian is actually aware of such opportunities.
- (b) Execute in the name of the Customer such ownership and other certificates as may be required to obtain payments in respect of Securities.
- (c) Exchange interim receipts or temporary Securities for definitive Securities.
- (d) Appoint brokers and agents for any transaction involving the Securities, including, without limitation, affiliates of the Custodian or any Subcustodian.
- (e) Issue statements to the Customer, with copies to the Pledgee (as defined below), at times mutually agreed upon, identifying the Assets in the Accounts.

The Custodian will send the Customer, with a copy to the Pledgee, an advice or notification of any transfers of Assets to or from the Accounts. Such statements advices or notifications shall indicate the identity of the entity having custody of the Assets. Unless the Customer sends the Custodian a written exception or objection to any Custodian statement within thirty days of receipt, the Customer shall be deemed to have approved such statement. In such event, or where the Customer has otherwise approved any such statement, the Custodian shall, to the extent permitted by law, be released, relieved and discharged with respect to all matters set forth in such statement or reasonably implied there from as though it had been settled by the decree of a court of competent jurisdiction in an action where the Customer and all persons having or claiming an interest in the Customer or the Customer's Accounts were parties.

All collections of funds or other property paid or distributed in respect of Securities in the Custody Account shall be made at the risk of the Customer. The Custodian shall have no liability for any loss occasioned by delay in the actual receipt of notice by the Custodian or by its Subcustodians of any payment, redemption or other transaction regarding Securities in the Custody Account in respect of which the Custodian has agreed to take any action under this Agreement.

8. Corporate Actions; Proxies

Whenever the Custodian receives information concerning the Securities which requires discretionary action by the beneficial owner of the Securities (other than a proxy) such as subscription rights, bonus issues, stock repurchase plans and rights offerings, or legal notices or other material intended to be transmitted to securities holders ("Corporate Actions"), the Custodian will give the Customer notice of such Corporate Actions to the extent that the Custodian has actual knowledge of a Corporate Action in time to notify the Customer.

When a rights entitlement or a fractional interest resulting from a rights issue, stock dividend, stock split or similar Corporate Action is received which bears an expiration date, the

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Custodian will endeavour to obtain Instructions from the Customer or its Authorised Person, as defined in Section 10, but if Instructions are not received in time for the Custodian to take timely action, or actual notice of such Corporate Action was received too late to seek Instructions, the Custodian is authorised to sell such rights entitlement or fractional interest and to cause the Deposit Account to be credited with the proceeds or take any other action it deems, in good faith, to be appropriate in which case it shall be held harmless for any such action.

The Custodian will deliver proxies to the Customer or its designated agent pursuant to special arrangements which may have been agreed to in writing. Such proxies shall be executed in the appropriate nominee name relating to Securities in the Custody Account registered in the name of such nominee but without indicating the manner in which such proxies are to be voted, and where bearer Securities are involved, proxies will be delivered in accordance with instructions.

9. **Nominees**

Securities which are ordinarily held in registered form may be registered in a nominee name of the Custodian, Subcustodian or securities depository, as the case may be. The Custodian may, without notice to the Customer, cause any such Securities to cease to be registered in the name of any such nominee and to be registered in the name of the Customer. In the event that any Securities registered in a nominee name are called for partial redemption by the issuer, the Custodian may allot the called portion to the respective beneficial holders of such class of security in any manner the Custodian deems to be fair and equitable. The Customer agrees to hold the Custodian, Subcustodians, and their respective nominees harmless from any liability arising directly or indirectly from their status as a mere record holder of Securities in the Custody Account.

10. **Authorised Persons**

As used in this Agreement, the term "Authorised Person" means employees or agents including investment managers as have been designated by written notice from the Customer or its designated agent to act on behalf of the Customer under this Agreement. Such persons shall continue to be Authorised Persons until such time as the Custodian receives Instructions from the Customer or its designated agent that any such employee or agents are no longer an Authorised Person.

11. **Instructions**

The term "Instructions" means instructions of any Authorised Person received by the Custodian, via telephone, telex, TWX, facsimile transmission, bank wire or other teleprocess or electronic instruction or trade information system acceptable to the Custodian which the Custodian believes in good faith to have been given by Authorised Persons or which are transmitted with proper testing or authentication pursuant to terms and conditions which the Custodian may specify. Unless otherwise expressly provided, all Instructions shall continue in full force and effect until cancelled or superseded.

Any Instructions delivered to the Custodian by telephone shall promptly thereafter be confirmed in writing by an Authorised Person (which confirmation may bear the facsimile signature of such Person), but the Customer will hold the Custodian harmless for the failure of an Authorised Person to send such confirmation in writing, the failure of such confirmation to conform to the

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telephone instructions received or the Custodian's failure to produce such confirmation at any subsequent time. Either Party may electronically record any Instructions given by telephone, and any other telephone discussions with respect to the Custody Account. The Customer shall be responsible for safeguarding any test keys, identification codes or other security devices which the Custodian shall make available to the Customer or its Authorised Persons.

12. Pledge Agreement

The Custodian hereby acknowledges that the Customer is party to a Pledge and Security Agreement, dated as of [August 14], 2000, in favor of National Union Fire Insurance Company of Pittsburgh, Pa. (the "Pledgee"), pursuant to which the Customer has pledged all Assets held by the Custodian pursuant to this Agreement as collateral for certain reinsurance obligations (the "Obligations"). The Custodian agrees that notwithstanding anything to the contrary contained herein, it will not accept Instructions from the Customer absent the written consent of the Pledgee to such Instructions. The foregoing provision shall not apply to any Instructions received from AIG Global Investment Corp. (Ireland) Ltd. ("AIG Global"), acting in its capacity as investment manager pursuant to the Investment Management Agreement, dated as of [August 14], 2000, by and between the Customer and AIG Global.

In the event the Pledgee notifies the Custodian of a default by the Customer relating to the Obligations, the Custodian shall treat the Pledgee as the party to whom all notices should be delivered, and from whom all Instructions should be received, for purposes of this Agreement and will no longer accept Instructions from the Customer.

13. Standard of Care; Liabilities

(a) The Custodian shall be responsible for the performance of only such duties as are set forth in this Agreement or expressly contained in Instructions which are consistent with the provisions of this Agreement.

(i) The Custodian will use reasonable care with respect to its obligations under this Agreement and the safekeeping of Assets. The Custodian shall be liable to the Customer for any loss which shall occur as the result of the failure of a Subcustodian to exercise reasonable care with respect to safekeeping of such Assets to the same extent that the Custodian would be liable to the Customer if the Custodian were holding such Assets in Dublin.

In the event of any loss to the Customer by reason of the failure of the Custodian or its Subcustodian to utilize reasonable care, the Custodian shall be liable to the Customer only to the extent of the Customer's direct damages, to be determined based on the market value of the property which is the subject of the loss at the date of discovery of such loss and without reference to any special conditions or circumstances.

(ii) The Custodian will not be responsible for any act, omission, default or for the solvency of any broker or agent which it or a Subcustodian appoints unless such appointment was made as a result of the Custodian's gross negligence or bad faith.

(iii) The Custodian shall be indemnified by, and without liability to the Customer for any action taken or omitted by the Custodian whether pursuant to Instructions or

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otherwise within the scope of this Agreement if such act or omission was in good faith, and was performed by the Custodian in a manner that was not grossly negligent. In performing its obligations under this Agreement, the Custodian may rely on the genuineness of any document which it believes in good faith to have been validly executed.

(iv) The Customer agrees to pay for and hold the Custodian harmless from any liability or loss resulting from the imposition or assessment of any taxes or other governmental charges, and any related expenses with respect to income from or Assets in the Accounts.

(v) The Custodian shall be entitled to rely, and may act upon the advice of counsel (who may be counsel for the Customer) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice.

(vi) The Custodian need not maintain any insurance for the benefit of the Customer.

(vii) Without limiting the foregoing, the Custodian shall not be liable for any loss which results from: 1) the general risk of investing or 2) investing or holding Assets in a particular country including, but not limited to, losses resulting from nationalization, expropriation or other governmental actions; regulation of the Banking or securities industry; currency restrictions, devaluations or fluctuations; and market conditions which prevent the orderly execution of securities transactions or affect the value of Assets.

(viii) Neither party shall be liable to the other for any loss due to forces beyond their control including, but not limited to strikes or work stoppages, acts of war or terrorism, insurrection, revolution, nuclear fusion, fission or radiation, or acts of God.

(b) Consistent with and without limiting the first paragraph of this Section 13, it is specifically acknowledged that the Custodians shall have no duty or responsibility to:

(i) question Instructions or make any suggestions to the Customer or an Authorised Person regarding such Instructions;

(ii) supervise or make recommendations with respect to investments or the retention of Securities;

(iii) advise the Customer or an Authorised Person regarding any default in the payment of principal or income of any security other than as provided in Section 5(c) of this Agreement;

(iv) evaluate or report to the Customer or an Authorised Person regarding the financial condition of any broker, agent or other party to which Securities are delivered or payments are made pursuant to this Agreement: or

(v) review or reconcile trade confirmations received from brokers. The Customer or its Authorised Persons issuing Instructions shall bear any responsibility to review such confirmations against Instructions issued to and statements issued by the Custodian.

(c) The Customer authorises the Custodian to act under this Agreement notwithstanding that the Custodian or any of its affiliates may have a material interest in a transaction, or circumstances are such that the Custodian may have a potential conflict of duty or interest including the fact that the Custodian or any of its affiliates may provide brokerage services to other customers, act as financial advisor to the issuer of Securities, act as a lender to the issuer of Securities, act in the same transaction as agent for more than one customer, have a material interest in the issue of Securities, or earn profits from any of the activities listed herein.

14. Fees and Expenses

The Customer agrees to pay the Custodian for its services under this Agreement such amount as may be agreed upon in writing, (Schedule B), together with the Custodian's reasonable out-of-pocket or incidental expenses, including, but not limited to legal fees. The Custodian is hereby authorized to charge any Accounts of the Customer for any amount owing to the Custodian under any provision of this Agreement.

15. Miscellaneous

(a) *Foreign Exchange Transactions.* To facilitate the administration of the Customer's trading and investment activity, the Custodian is authorised to enter into spot or forward foreign exchange contracts with the Customer or an Authorized Person or the Customer and may also provide foreign exchange through its subsidiaries, affiliates or Subcustodians. Instructions, including standing instructions, may be issued with respect to such contracts but the Custodian may establish rules or limitations concerning any foreign exchange facility made available. In all cases where the Custodian, its subsidiaries, affiliates or Subcustodians enter into a foreign exchange contract related to Accounts, the terms and conditions of the then current foreign exchange contract of the Custodian, its subsidiary, affiliate or Subcustodian and to the extent not inconsistent, this Agreement, shall apply to such transaction.

(b) *Certification of Residency, etc.* The Customer certifies that it is a resident of Barbados and agrees to notify the Custodian of any changes in residency. The Custodian may rely upon this certification or the certification of such other facts as may be required to administer the Custodian's obligations under this Agreement. The Customer will indemnify the Custodian against all losses, liability, claims or demands arising directly or indirectly from any such certifications.

(c) *Access to Records.* The Custodian shall allow the Customer's independent public accountants reasonable access to the records of the Custodian relating to the Assets as is required in connection with their examination of books and records pertaining to the Customer's affairs. Subject to restrictions under applicable law, the Custodian shall also obtain an undertaking to permit the Customer's independent public accountants reasonable access to the records of any Subcustodian which has physical possession of any Assets as may be required in connection with the examination of the Customer's books and records.

(d) *Governing Law. Successors and Assigns.* This Agreement shall be governed by the laws of the Republic of Ireland and shall not be assignable by either party, but shall bind the successors in interest of the Customer and the Custodian.

(e) *Entire Agreement.* There are no other provisions of this Agreement and this Agreement supersedes any other agreements, whether written or oral, between the parties. Any amendment to this Agreement must be in writing, executed by both parties hereto.

(f) *Severability.* In the event that one or more provisions of this Agreement are held invalid, illegal or unenforceable in any respect on the basis of any particular circumstances or in any jurisdiction, the validity, legality and enforceability of any such provision and the remaining provisions, under other circumstances or in other jurisdictions will not in any way be affected or impaired.

(g) *Waiver.* Each and every right granted to either party hereunder or under any other document delivered hereunder or in connection herewith, or allowed it by law or at equity, shall be cumulative any may be exercised from time to time. Except as otherwise provided in this Agreement, no failure or delay on the part of either party in exercising any power or right under this Agreement operates as a waiver, nor does any single or partial exercise of any power or right preclude any other further exercise thereof, or the exercise of any other power or right. No waiver by a party of any provision of this Agreement, or waiver, of any breach or default, is effective unless in writing and signed by the party against whom the waiver is to be enforced.

(h) *Notices.* All notices under this Agreement shall be effective when actually received. Any notices or other communications which may be required under this Agreement are to be sent to the parties at the following addresses or such other addresses as may subsequently be given to the other party in writing.

Custodian AIG Global Investment Trust Services Limited
AIG Centre
IFSC, North Wall Quay, Dublin 1
Attention: Ms. Frances Torsney
Director

Customer Capco Reinsurance Company Ltd.
Chelston Park, Building No. 2
Collymore Rock, St. Michael
Barbados, West Indies
Attention: Mr. Martin Hole

Pledgee National Union Fire Insurance Company of
Pittsburgh, Pa.
70 Pine Street
New York, NY 10270
Attention: Joseph Umansky

(i) *Termination.* This Agreement may be terminated by the Customer or the Custodian by giving ninety days' written notice to the other, provided that such notice to the Custodian shall specify the names of the persons to whom the Custodian shall deliver the Assets in the Accounts. If notice of termination is given by the Custodian, the Customer shall, within forty-five days following receipt of the notice, deliver to the Custodian Instructions specifying the names

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of the persons to whom the Custodian shall deliver the Assets. In either case, the Custodian will deliver the Assets to the persons so specified, after deducting any amounts which the Custodian determines in good faith to be owed to it under Section 14. If within forty-five days following receipt of a notice of termination by the Custodian, the Custodian does not receive Instructions from the Customer specifying the names of the persons to whom the Custodian shall deliver the Assets, the Custodian, at its election, may deliver the Assets to a Bank or trust company doing business in Dublin, to be held and disposed of pursuant to the provisions of this Agreement, or to Authorised Persons, or may continue to hold the Assets until Instructions are provided to the Custodian.

(j) *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall together constitute only one instrument.

IN WITNESS WHEREOF, the Customer and the Custodian have caused this Agreement to be executed by their respective officers, thereunto duly authorised, as of the date and year first written above.

CAPCO REINSURANCE COMPANY LTD.

By: _____
Name:
Title:

**AIG GLOBAL INVESTMENT TRUST
SERVICES LIMITED**

By: _____
Name:
Title:

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SCHEDULE A

Depository:

Euroclear Account Number 98454

Subcustodian:

Morgan Stanley Trust Company

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SCHEDULE B

FEE STRUCTURE

For the provision of Custody services:

.04% (Four Basis Points)

This fee to be calculated and charged Monthly on the market value including accrued interest of assets held under custody on the last business day of the month.

All out of pocket expenses including but not limited to fax, telex, telephone, courier.

All transaction charges incurred by the Custodian for banking transactions undertaken by the Custodian on behalf of the Customer.

All Sub-Custodian charges to include safekeeping, transaction charges and any out of pocket charges, billed to The Custodian by the Sub-Custodian, incurred on behalf of the Customer.

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PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of [August 25], 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").

W I T N E S S E T H:

WHEREAS, the Pledgor has entered into an Aggregate Loss Ratio Agreement, dated as of [August 25], 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 [August 25], 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 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 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.
Chelston park, Building No.2
Collymore Rock, St Michael
Barbados
Attention: Mr. Martin Hole
Facsimile: 1 246 429 8517

If to the Pledgee, to:

National Union Fire Insurance Company of Pittsburgh, Pa.
70 Pine Street
New York, NY 10270 USA
Attention: Jeff Schattin
Facsimile: 212 509 7059

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 thereto 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:

INVESTMENT MANAGEMENT AGREEMENT {PRIVATE }

THIS AGREEMENT is made on the [25th] day of [August], 2000

BETWEEN:

- (1) **CAPCO REINSURANCE COMPANY LTD.**, having its registered office at Chelston Park, Building No.2, Collymore Rock, St. Michael, Barbados, West Indies (the "Client") of the one part; and
- (2) **AIG GLOBAL INVESTMENT CORP. (IRELAND) LTD.**, having its registered office at AIG Centre, IFSC, North Wall Quay, Dublin 1, Ireland (the "Company") of the other part.

WHEREAS:

The Company is authorised by the Central Bank of Ireland under the Investment Intermediaries Act, 1995, to provide investment management services.

The Client wishes to obtain investment management services in respect of certain assets and the Company is willing to provide such services subject to the terms and conditions set out in this Agreement.

IT IS AGREED as follows:

1. **Prior Agreements Superseded**

From and after the date hereof, this Agreement shall supersede any prior agreement pertaining to the provision of investment advisory/management services, and any amendments thereto, between the parties hereto.

2. **Appointment**

- 2.1 The Client hereby appoints the Company, and the Company hereby accepts the appointment, as investment manager for the Client of such cash, securities or other property as shall from time to time be comprised in the portfolio, described in the Schedule hereto (the "Portfolio").
- 2.2 Any cash, securities or other property relating to the Portfolio transferred to the Custodian (as defined in sub-clause 3.1) by the Client shall in the absence of express instructions to the contrary form part of the Portfolio. Any income derived from the Portfolio, any moneys resulting from disposal or

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redemption of securities or other property forming part of the Portfolio, and any securities or other property purchased out of any such proceeds, shall be added to such Portfolio.

- 2.3 Except as scheduled in Exhibit D, the Client warrants that it is and shall during the continuance of this Agreement remain the beneficial owner of the Portfolio, free of all liens, charges, options and third party rights whatsoever.
- 2.4 The Company may appoint any person, firm or corporation to act as sub-investment adviser or sub-investment manager to assist the Company in the performance of its obligations under this Agreement. The Company shall notify the Client in writing of any such appointment. Fees of any such sub-investment adviser or sub-investment manager shall be paid by the Company and shall not be paid by the Client.

3. Custody

- 3.1 Subject to Section 3.2 below, the Portfolios shall be held in the custody of the custodian(s) named in the Schedule hereto (the "Custodian") or such other custodian(s) as the parties shall from time to time agree in writing (the "Additional Custodians"). All funds and assets comprising the Portfolio, plus any securities or other property purchased or acquired on behalf of such Portfolio pursuant hereto, shall be deposited with the Custodians or Additional Custodians (hereinafter collectively referred to as the "Related Custodians") for safekeeping.
- 3.2 Notwithstanding the foregoing, the Company or the Related Custodians may give effect to their obligations hereunder by depositing securities or other investments held in a Portfolio, or acquired on behalf of such Portfolio pursuant hereto, with any eligible custodian (as described in sub-clause 3.1) or with Euroclear, CEDEL or other internationally recognized securities clearing houses or by employing sub-custodians or other agents.
- 3.3 If the Client shall so request, registered securities will be registered in the name of the Client, the Related Custodians or any trustee or nominee company specified in the Schedule or notified by the Client to the Company from time to time, which trustee or nominee company will hold them as nominee for the Client.

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4. Scope of Authorisation

- 4.1 The Client hereby authorises the Company on the Client's behalf to invest and re-invest, and vary the investment of, the Portfolio and any part thereof, in accordance with the guidelines specified in the Schedule hereto and as the Client may communicate by written instructions to the Company from one or more persons authorised by the Board of Directors of the Client from time to time (the "Authorised Persons") but otherwise at the complete and absolute discretion of the Company; provided, however, that the disposition of the Client's property shall at all times be and remain within the Client's control. The Client shall furnish the Company with a certified copy of any resolution of the Board of Directors of the Client authorising any person to give instructions to the Company on the Client's behalf and the Company shall be entitled to accept such resolution as conclusive evidence of that person's authority to give such instructions to the Company.
- 4.2 The Company, or its delegate, shall make all decisions concerning any purchases, sales, conversion privileges, voting or subscription rights or other decisions appertaining to the securities held as part of the Portfolio of which the Company has written notice, in each case in accordance with the Company's understanding of any investment policy and/or investment guidelines set out in the Schedule hereto or communicated by an Authorised Person of the Client in writing to the Company.
- 4.3 The Company shall cause the Related Custodians to deliver securities or other property, make payments or otherwise move any part of the Portfolios on the Client's behalf on the express instructions of an Authorised Person of the Client in writing or by tested telex or facsimile.
- 4.4 The Company acknowledges that the Client is party to a Pledge and Security Agreement, dated as of [August 14], 2000, in favor of National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union") relating to the Client's obligations under the Reinsurance Agreement (as defined below). Notwithstanding anything to the contrary contained herein, the Company agrees that it will not permit any withdrawal of cash, securities or other property from the Portfolio absent the express written consent of National Union. The Company further agrees that in the event it receives notice from National Union of a default by the Client under the Reinsurance Agreement, it will treat National Union as the party to whom all

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notices should be delivered, and from whom all instructions should be received, for purposes of this Agreement and will no longer accept instructions from the Client.

- 4.5 The Company may appoint brokers, clearing organisations, agents or other parties or intermediaries as the Client may agree from time to time for the performance of any of its duties relating to the investment and management of the Portfolio hereunder. With respect to the Portfolio, fees of brokers and such other intermediaries and of the Custodian shall be paid by the Custodian out of the Portfolio and all such payments shall be reported directly to the Client.
- 4.6 The authorities herein contained are continuing ones and shall remain in full force and effect until revoked by termination of this Agreement, which termination will not affect any transaction entered into prior to the date on which such termination took effect.
- 4.7 The Company may sell or purchase investments which are included in, or are intended to become part of, the Portfolio as part of a larger transaction or series of transactions in which other persons are interested PROVIDED THAT the terms of such purchase or sale are in the Company's reasonable opinion fair and equitable and, where the Company deals on behalf of the Client and other persons as part of a larger transaction, or in a transaction not specifically allocated to the Client at the time of dealing, (a) the transaction is to be identified in the Company's records on the day of dealing as being expressly, wholly or to a specified extent for the benefit of the Client and is to be allocated to the Client and (b) the price paid or received in the original transaction is to be identified in the Company's records on the day of dealing.
- 4.8 Nothing contained in this Agreement shall prevent the Company or any of its Affiliates from engaging in other businesses or rendering services of any kind to any other person or entity. In connection therewith, the Company and its Affiliates may, without limitation:
- (a) provide services to other third parties that are similar to the services provided to the Client;
 - (b) receive fees for services rendered to any of the issuers of securities held in the Portfolio;

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- (c) be retained to provide services to the Client or its Affiliates (in addition to the services provided to the Client hereunder);
- (d) hold the capital stock of the Client or any of its Affiliates; and
- (e) hold the capital stock of any of the issuers of securities held in the Portfolios.

In this Agreement "Affiliate" means any holding company or subsidiary of the relevant party or any other subsidiary of such holding company ("subsidiary" and "holding company" having the meanings given to them by Section 155 of the Companies Act 1963).

- 4.9 Portfolio investments and reinvestments may differ from those made or recommended with respect to other clients of the Company, including investment companies, even though the investment objectives may be the same or similar. The Company shall not be liable for such differences as may exist between Portfolio investments or reinvestments and investments or reinvestments made or recommended with respect to other clients of the Company.
- 4.10 Movements in currency exchange rates may have a separate effect, unfavorable as well as favorable, on the gain or loss otherwise experienced on a Portfolio investment. The Company shall not be liable for any losses experienced on a Portfolio investment due to movements in currency exchange rates.

5. Reporting

The Company shall at least once a month provide the Client and National Union with statements containing information set out in Exhibit B hereto, and such other reports or data as may be reasonably requested or required by applicable law. The Company shall maintain appropriate records of all its activities hereunder and shall make such records available to the Client or its agents as the Client shall reasonably request.

6. Fees

As remuneration for the services provided under this Agreement, with respect to the Portfolio the Client shall pay or cause to be paid to the Company the monthly fees set out in the Schedule hereto.

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7. **Representations and Warranties**

7.1 The Client hereby represents and warrants to the Company as follows:

- (a) the Client is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and corporate authority to own its assets and to transact the business in which it is now engaged;
- (b) the Client has the corporate power and corporate authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized, executed and delivered by the Client and constitutes a legal, valid and binding obligation of the Client enforceable against the Client in accordance with its terms;
- (c) no consent of any person, including without limit the stockholders or creditors of the Client, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by the Client in connection with this Agreement;
- (d) the exercise, delivery and performance of this Agreement will not violate any provision of any existing law or regulation binding on the Client, or any order, judgment, award or decree of any court, arbitrator or government authority binding on the Client, or the Memorandum of Association or Bye-Laws, both as amended, of the Client, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which the Client is a party or by which the Client or any of its assets may be bound, or require the creation or imposition of any lien on any of the Client's property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking;
- (e) the Client shall promptly deliver to the Company such information papers and documents required or reasonably requested by the Company in connection with the performance of its duties for the Portfolios;

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- (f) the Client shall promptly notify the Company of any facts or circumstances or any change therein which may, directly or indirectly, affect the management by the Company of any one or all of the Portfolios;
- (g) the list of signatures shown in Exhibit C hereto constitutes the valid signatures of all Authorised Persons of the Client authorised to take any action with respect to the Portfolio and the Company shall be entitled to rely conclusively on any document executed by any one of them until notified to the contrary; and
- (h) Except as scheduled in Exhibit D, the Client is and shall during the term of this Agreement remain as the beneficial owner of the Portfolio, free and clear of any and all liens, charges, options and encumbrances or other third party rights whatsoever.

7.2 The Company hereby represents and warrants to the Client as follows:

- (a) the Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and corporate authority to own its assets and to transact the business in which it is now engaged;
- (b) the Company has the corporate power and corporate authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms;
- (c) no consent of any person, including without limit the stockholders or creditors of the Company, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by the Company in connection with this Agreement;
- (d) the exercise, delivery and performance of this Agreement will not violate any provision of any existing law or regulation binding on the Company, or any order, judgment, award or decree of any court, arbitrator or government authority binding on the

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Company, or the Memorandum of Association or Bye-Laws, both as amended, of the Company, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which the Company is a party or by which the Company or any of its assets may be bound, or require the creation or imposition of any lien on any of the Company's property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking; and

- (e) the Company is authorised to carry on its activities by the Central Bank of Ireland under the Investment Intermediaries Act, 1995.

8. Limits on Company Responsibility

- 8.1 The duties and obligations of the Company shall be determined solely by the express provisions of this Agreement and the Company shall be responsible only for the good faith performance of such duties and obligations as are specifically set out in this Agreement. The Company shall not be bound in any way by any agreement or contract between the Client and any other third party (whether or not the Company has knowledge thereof), other than the Pledge and Security Agreement described in Exhibit D.
- 8.2 The Company shall not be responsible in any manner whatsoever for any failure or inability of the Client to honor any of the provisions of this Agreement.
- 8.3 The Company shall not be responsible for the solvency of or the due and proper performance of the obligations of any third party bank, clearing organization, broker, intermediary, nominee or agent appointed or employed by the Company in good faith for the performance of its duties but the Company shall make available to the Client such rights (if any) as the Company may have against such person in the event of the insolvency of any of the above or its failure properly to perform such obligations and shall give such assistance as the Client may reasonably require to exercise such rights.
- 8.4 The Company shall be fully protected in acting on and relying upon any written advice, certificate, notice, direction, instruction, request or other paper or document which the Company in good faith believes to be genuine and to have been signed or presented by the proper party or parties, and may

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assume that any person purporting to give such advice, certificate, notice, direction, instruction or request or other paper or document has been duly authorised to do so.

- 8.5 The Company may seek the advice of legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Agreement or its duties hereunder, and it shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in reliance upon and in accordance with the opinion of such counsel.
- 8.6 The Company shall not be liable to the Client for any acts or omissions by the Company, its employees and agents under and in connection with this Agreement, except by reason of acts or omissions constituting bad faith, gross negligence or willful misconduct.
- 8.7 The Client shall reimburse and indemnify the Company for, and hold it harmless against, any loss, liability or expense, including without limit counsel fees, incurred without bad faith, willful misconduct or gross negligence on the part of the Company arising out of or in connection with its acceptance of, or the performance of its duties and obligations under, this Agreement as well as the costs and expenses of defending against any claim or liability arising out of or relating to this Agreement.
- 8.8 While the Company will endeavor to obtain the best price in any transaction effected for the Client in accordance with the terms of this Agreement, neither the Company nor any sub-investment manager or sub-investment adviser appointed pursuant to clause 2.4 of this Agreement, will owe the Client the duty of "Best Execution" as defined in the IMRO Rules or elsewhere, other than as may be agreed in writing between the Client and the Company from time to time in accordance with applicable law.
- 8.9 Any complaints by the Client should be addressed in the first instance to any Director of the Company.

9. **Liability For Losses**

The Company shall not be liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes or other conditions beyond the Company's control.

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10. Confidentiality

Except as required by the provisions of any applicable laws, rules, and regulations or by any court order, neither party hereto shall during the continuance of this Agreement or after its termination disclose any information relating to the business, investments, finances or other matters of a confidential nature to any third party of which it may in the course of the performance of the Agreement have become possessed.

11. Termination of Agreement

- 11.1 This Agreement may be terminated by either party with respect to any one or all of the Portfolios at any time from the date of this Agreement upon giving at least 30 days' written notice to the other party.
- 11.2 Subject to any commitments made prior to the date of a notice of termination pursuant to sub-clause 11.1. above to purchase or dispose of securities or other property (which shall be executed or completed even after such date), the Company shall not after the date of said notice of termination execute any further transactions on behalf of those Portfolio(s) which are the subject of such termination. Upon termination, neither of the parties shall have any obligation to the other with respect to the Portfolio which are the subject of such termination except for the parties obligations under this clause 11 and the Company's obligation to return to the Client (as promptly as practicable in such forms as it may then exist) such funds and assets comprising such Portfolio, after deduction of management fees and other sums properly due to the Company under this Agreement to the date of termination, together with a full account of all transactions effected up to such date.

12. Withdrawal

- 12.1 The Client may withdraw any portion of the Portfolio from management at any time by giving 30 day's notice to the Company in writing. Any funds and assets comprising such Portfolio which are withdrawn will be delivered to the Client as soon as practicable thereafter.
- 12.2 A notice to withdraw the whole of the Portfolio will constitute a notice to terminate this Agreement as if it were a notice given

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under clause 11, provided that such notice may only be given in accordance with clause 11.

13. Governing Law

- 13.1 This Agreement shall be governed by and construed in accordance with the laws of the Republic of Ireland.
- 13.2 If any suit or arbitration is instituted by any of the parties hereto to enforce any of the terms or conditions of this Agreement, each of the parties hereto hereby submits to the jurisdiction of the courts in the Republic of Ireland.

14. Arbitration

- 14.1 In the event of any dispute arising out of or in relation to this Agreement the same shall be decided by Arbitration in accordance with the provisions of the Arbitration Act 1954, or any statutory modification or re-enactment thereof for the time being in force.
- 14.2 For the purposes of this Agreement, the Arbitrator shall be chosen by the President for the time being of the Incorporated Law Society of Ireland.

15. Notices

- 15.1 Notices to the Company may be hand-delivered or dispatched by registered mail, or may be faxed or telexed to the Company's address in Dublin, and to such other addresses (and in the case of telex or fax to such telex or fax addresses) as the Company may have designated in writing to the Client. Such notices shall be deemed to have been properly delivered or given hereunder and shall be effective on the date of delivery.
- 15.2 Notices to the Client may be hand-delivered or dispatched by registered mail, or may be telexed or faxed to the Client's address in Barbados or such other address as may be notified in writing by the Client to the Company (and in the case of telex or fax to such telex or fax addresses). Such notices shall be deemed to have been properly delivered or given hereunder and shall be effective on the date of delivery.

16. Rules

- 16.1 Where at any time compliance with any provision in this Agreement would be contrary to any bye-law, rule, regulation

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or code of conduct or practice in force from time to time and applying to either party, then the parties shall meet to discuss in good faith a method of amending this Agreement in light of the circumstances. If the parties cannot agree on a satisfactory amendment within 45 days of the parties' becoming aware of such potential conflict, then either party may by notice to the other terminate this Agreement forthwith. Sub-clause 11.2 shall apply to such termination.

- 16.2 If any provision or condition of this Agreement shall be held to be invalid or unenforceable by any court, or regulatory agency or body, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remaining provisions shall not be affected thereby and this Agreement shall be carried out as if such invalid or unenforceable provision or condition were not contained herein.

17. Entire Agreement and Amendments

- 17.1 This Agreement, together with the Schedules and Exhibits hereto, constitutes the entire agreement among the parties with respect to the management of the Portfolio and matters ancillary thereto (including all accounts which the Client may open or re-open with the Company), and supersedes and extinguishes any arrangement, representations and/or warranties previously given or made other than those expressly set out in this Agreement.
- 17.2 The express terms hereof control and supersede any course of performance and/or usage of the trade.
- 17.3 This Agreement may not be amended except by a notice in writing signed by both of the parties hereto.

18. No Waiver

Neither the failure nor any delay on the part of any party in exercising any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof. No single or partial exercise of any right, remedy, power or privilege shall preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other

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occurrence. No waiver hereunder shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

19. No Joint Venture

The Company and the Client are not partners or joint venturers and nothing herein shall be construed to make them such partners or joint venturers or impose liability as such by reason thereof.

20. Successors and Assigns

No assignment of this Agreement may be made by any party without the consent of the other party hereto, and any such assignment made without such consent shall be null and void for all purposes. Subject to the foregoing, the provisions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by each of the parties hereto and their respective successors and assigns.

21. Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument, and such counterparts together shall constitute one and the same instrument.

22. General

- 22.1 The Company may whether for its own account or that of any other person acquire, hold or deal in any investments of any kind, nature or description whatsoever, and nothing in this Agreement shall prevent the Company from contracting or entering into or being interested in any financial, banking, commercial, advisory or other transaction with any other person.
- 22.2 The Company shall at all times maintain and keep in full force and effect such insurance against such risks as is customary and appropriate for investment management activities similar to those of the Company.

23. Effective Date and Schedules

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This Agreement shall take effect on [August 14], 2000, subject to any matter specified in the Schedule, the effective date of which shall be as specified in such Schedule.

24. Headings

The section headings contained herein are for convenience only and shall not alter or limit or define the provisions hereof.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SIGNED BY: _____

**for and on behalf of
CAPCO REINSURANCE COMPANY LTD.**

SIGNED BY: _____

**for and on behalf of
AIG GLOBAL INVESTMENT CORP. (IRELAND) LTD.**

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**FORM OF SCHEDULE TO
INVESTMENT MANAGEMENT AGREEMENT (PRIVATE)**

made on the [14th] day of [August], 2000

I. PORTFOLIO

1. The Client is Capco Reinsurance Company Ltd.
2. The Portfolio is to be invested in fixed income securities; together with all subsequent additions thereto of which the Company is given notice, and all other property acquired as arranging thereon, proceeds therefrom, or in substitution therefor, less authorised payment by the Custodian.

The Portfolio will be held to meet the operating requirements of the Client.

3. The Portfolio represents the capital for solvency purposes of the Client.
4. Net gains and losses should be minimised. Also, whole bond swapping activity to enhance returns is encouraged, this should not become excessive and it should be undertaken in the context of minimising net gains and losses.
5. Preservation of capital followed by increases in value of the investment are the priorities for the Portfolio.

II. CUSTODIAN

1. The main Custodian is AIG Global Investment Trust Services Ltd.
2. Additional Custodian accounts can be opened with the approval of the Client.

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III. GENERAL INVESTMENT GUIDELINES

1. Credit

All credits to be AA- or better (selected [single A] issues may be permitted subject to a case by case approval by the Client).

2. Currency

The Portfolio's currency composition will be 100% US Dollars. No other currencies are permitted.

3. Sovereign Risk

The following per country limits are permitted:

(a) US Up to 100%

(b) UK Up to 30%
Canada
Germany
Japan

All country limits are percent of Portfolio market value on date of purchase and refer to the country of issuer or guarantor.

4. Issuer Limits

Except in the case of Sovereign/Sovereign guarantee issues, where the limits under 3 (Sovereign Risks) above apply, no issuer should account for more than 5% of the market value Or the Portfolio at the date of purchase.

5. Issue Limits

No holding should exceed the greater of 10% of the amount outstanding or US \$10,000,000 nominal at the date of purchase.

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6. **US Property**
No US property is permitted.
7. **Financial Futures and Options**
No such instruments are permitted.
8. **Convertibles**
No convertible securities are permitted in the Portfolio.
9. **Short Positions**
The Company will not take any short positions.
10. **Hedging**
No hedging of currency risk is permitted.

IV. **FEES**

The monthly fees referred to in clause 6 of the Agreement shall be 15 basis points per annum of the book value of the invested assets and cash balances.

V. **BOOK VALUE OF THE INVESTED ASSETS**

The book value of any asset shall be its amortised value.

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**FORM OF SCHEDULE TO
INVESTMENT MANAGEMENT AGREEMENT {PRIVATE }**

made on the [14th] day of [August], 2000

REPORTING REQUIREMENTS

The Company shall supply the Client and National Union with a monthly report detailing the following:

1. Security Purchases - Security Sales
 - (a) Full description of security (name, coupon rate, and maturity date)
 - (b) Quantity purchased/sold
 - (c) Trade and settlement dates
 - (d) Unit purchase price, fees and purchase accrued interest included in settlement amount
 - (e) Name of broker
 - (f) Settlement amount and bank account
 - (g) Frequency of income payments
2. Monthly Performance Reports
 - (a) List of securities in the Portfolio, showing description, original cost, market value at month end, and gain or loss for each.
 - (b) Realized gain or loss for the Portfolio for the month and for year to date.
 - (c) Income report should include all income and expense on a monthly basis and year to date.

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EXHIBIT D

**FORM OF SCHEDULE TO
INVESTMENT MANAGEMENT AGREEMENT{PRIVATE }**

made on the [14th] day of [August], 2000

**SCHEDULE OF LIENS, CHARGES, OPTIONS AND THIRD
PARTY RIGHTS**

The Company is party to a Pledge and Security Agreement, dated as of [August 14], 2000, in favor of National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union"), pursuant to which the Company has pledged certain assets held by AIG Global Investment Trust Services Limited, as Custodian, to National Union to support the Company's obligations under an Aggregate Loss Ratio Agreement, dated as of [August 14], 2000, by and between the Company and National Union (the "Reinsurance Agreement").

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