

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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AMERICAN INTERNATIONAL GROUP, INC.	:	Index No.
	:	
Petitioner,	:	
	:	
For an Order Pursuant to Article 75 of the	:	
CPLR Staying Arbitration Before the American	:	
Arbitration Association	:	
	:	
v.	:	
	:	
TRANSATLANTIC HOLDINGS, INC.,	:	
TRANSATLANTIC REINSURANCE	:	
COMPANY, AND TRANS RE ZURICH	:	
REINSURANCE COMPANY, LTD.	:	
	:	
Respondents.	:	
	:	
-----X	:	

**AFFIRMATION OF ANTHONY J. ALBANESE IN SUPPORT
OF AMERICAN INTERNATIONAL GROUP, INC.’S VERIFIED
PETITION AND APPLICATION FOR TEMPORARY RESTRAINING ORDER**

ANTHONY J. ALBANESE, an attorney duly admitted to practice law before the Courts of the State of New York, affirms, pursuant to CPLR 2106, the following to be true under the penalties of perjury:

1. I am a partner at Weil, Gotshal & Manges LLP, attorneys for petitioner American International Group, Inc. (“AIG”). I make this affirmation in support of AIG’s Verified Petition and Application for Temporary Restraining Order, seeking to permanently stay and temporarily enjoin, as against AIG, the arbitration captioned Transatlantic Holdings, Inc. et al. v. American International Group, Inc., et al., American Arbitration Association Docket No. 50 148 T 00376 10 (the “Arbitration”), brought by respondents Transatlantic Holdings, Inc.,

Transatlantic Reinsurance Company, and Trans Re Zurich Reinsurance Company, Ltd. (collectively, "Respondents"). There has been no prior application for the relief requested herein.

2. Pursuant to Rule 20 of the Statewide Standards and Rules for the Commercial Division of New York and Section 202.7(f) of the Uniform Civil Rules for the Supreme Court and the County Court, on June 28, 2010, I notified Joseph Meltzer, Esq., of Barroway Topaz Kessler Meltzer & Check, LLP, attorney for Respondents, that on June 29, 2010, AIG would be filing a verified petition seeking to stay the Arbitration and an application for a temporary restraining order ("TRO") against Respondents seeking a temporary stay of the Arbitration pending the hearing on the verified petition on the ground that AIG is not a party to the Securities Lending Agency Agreements ("SLAAs") under which Respondents have asserted their claims and right to arbitrate.

3. AIG's answer to the Statement of Claim in the Arbitration is currently due on July 26, 2010. Without interim relief, AIG will be required to immediately expend time and resources participating in an arbitration pursuant to agreements to which it is not a party or risk default by failing to answer.

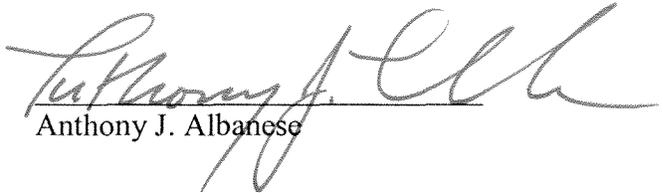
4. In support of the this application and the verified petition, I have attached the following exhibits to this affirmation:

- Exhibit A. Statement of Claim dated May 21, 2010, commencing the Arbitration (without attached exhibits);
- Exhibit B. SLAA dated May 31, 1999, between Transatlantic Reinsurance Company and AIG Global Securities Lending Corp.;
- Exhibit C. SLAA dated July 6, 1999, between Transatlantic Holdings, Inc. and AIG Global Securities Lending Corp.;

Exhibit D. SLAA dated October 22, 1999, between Trans Re Zurich Reinsurance Company and AIG Global Securities Lending Corp.;

Exhibit E. SLAA dated November 28, 2002, between Trans Re Zurich Reinsurance Company and AIG Global Securities Lending (Ireland) Ltd.; and

Dated: June 29, 2010
New York, New York



Anthony J. Albanese

EXHIBIT A

AMERICAN ARBITRATION ASSOCIATION

Transatlantic Holdings, Inc., Transatlantic
Reinsurance Company, and Trans Re
Zurich Reinsurance Company Ltd.,

Case No. _____

Claimants,

v.

American International Group, Inc., AIG
Securities Lending Corp. (f/k/a AIG Global
Securities Lending Corp.), and AIG
Securities Lending (Ireland) Ltd.(f/k/a AIG
Global Securities Lending (Ireland) Ltd.,

Respondents.

STATEMENT OF CLAIM

American Arbitration Association, Commercial Arbitration Rules

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(Additional Counsel appear in signature block)

I. SUMMARY OF THE CLAIM

1. This is a claim for losses in excess of \$350 million suffered by Transatlantic Holdings, Inc. and its subsidiaries (collectively, “TRH” or “Claimants”) arising from TRH’s participation in a securities lending program administered and managed by Respondents American International Group, Inc. (“AIG”) and AIG Global Securities Lending Corp. (“GSL”).¹ The program, described by AIG as “rigorous and risk controlled,” was purportedly designed to add modest, incremental returns to investment portfolios owned by TRH (the “Program”).

2. From 1999 when, under AIG’s direction and control, TRH began participating in AIG’s securities lending program, until late 2005 the Program was managed in accordance with its stated objectives:

The primary objective is to *protect principal value* of cash collateral received. Secondly, to *provide incremental income* to the portfolios of all Securities Lending Clients through prudent and risk-controlled investment practices. The Investment Policy is intended to *preserve principal value and maintain a high degree of liquidity* while providing current income, and to enhance the safety of funds and investments through the establishment of interest rate exposure restrictions and limitations on investments in derivatives. (Emphases added).

See AIG Securities Lending Cash Collateral Investment Policy (“2002 Securities Lending Investment Policy”), attached hereto as Ex. E.

¹ GSL refers to both AIG Global Securities Lending Corp. and AIG Global Securities Lending (Ireland) Ltd. Both GSL entities discontinued the use of “Global” in their names in November 2007, upon information and belief. Claimants reserve the right to name additional respondents as appropriate and necessary to seek redress for the claims stated herein. Such additional respondents may include, without limitation, AIG owned and/or controlled entities—e.g. AIG’s Investments, Asset Management and Investment Accounting units, as well as other AIG subsidiary units and/or successors and assigns that carried out AIG’s securities lending activity on TRH’s behalf. The exact contours of this activity are likely to become clear only through discovery in this matter.

3. The Program's objectives were consistent with the views of the erstwhile leadership of AIG who believed that AIG's investment policy should be low-risk. Specifically, Maurice R. "Hank" Greenberg, AIG's and TRH's former Chairman until his resignation in April 2005, often responded to proposals for AIG to take on more risk in its portfolio of investment securities as follows: "We don't take on risk with our investments; we do that in our insurance business." Likewise, these objectives were consistent with the conservative and prudent investment policies of TRH.

4. But in December 2005, AIG and GSL changed the rules of the game drastically, without informing Claimants, in an effort to convert the Program into a huge profit center for AIG.

5. At that time, senior executives from AIG's asset management unit proposed an amendment to the Program's collateral investment guidelines that would allow the investment of up to 75% of collateral in asset-backed securities ("ABS"), including residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS") (RMBS and CMBS are collectively referred to as "MBS"). The amendment was approved by the AIG Credit Risk Committee, which oversaw the supposedly "rigorous" risk controls for the Program. Along with new investment guidelines, AIG amended the objectives expressed in their 2002 Securities Lending Investment Policy as follows:

The primary objective is to protect principal value of cash collateral received and maintain adequate liquidity. Secondly, it is to provide incremental income to the portfolio of all AIG Global Securities Lending (GSL) clients through prudent and risk-controlled investment practices.

See 2005 AIG Global Securities Lending Cash Collateral Investment Policy, Ex. F.

6. Incredibly, AIG had surreptitiously abandoned one of the stated objectives in the 2002 Securities Lending Investment Policy by eliminating the following sentence: “The Investment Policy is intended to preserve principal value and maintain a high degree of liquidity while providing current income, and to enhance the safety of funds and investments through the establishment of interest rate exposure restrictions and limitations on investments in derivatives.” Not only did AIG modify these key elements of the objectives, it did so without informing TRH of the significance of this radical departure from prudent securities lending practices.

7. In pursuing a now high-risk securities lending policy, AIG bet big on MBS and ABS. AIG then compounded this risk by investing a vast majority of the Program’s cash collateral pool, including Claimants’ cash collateral, in variable rate securities with long maturity dates that failed to align with the terms under which AIG lent out TRH’s securities. This durational mismatch meant that TRH had to repay cash collateral (as when loans came due or a lender returned a borrowed security) *before* the securities purchased with the corresponding cash collateral had matured.

8. This sea change was not an accident. AIG’s decision to fundamentally alter the Program was deliberate and driven by greed. AIG increased the risk exposure of the Program participants including TRH by investing in MBS, ABS and other long-term securities in an ill-conceived effort to capture the greater yield that these securities would pay and therefore generate additional income for AIG.

9. Win Neuger, AIG’s Chief Investment Officer and architect of GSL’s new approach to investment risk, dubbed the plan “Ten-Cubed” (short for one billion dollars). This referred to his goal of AIG’s investment unit earning AIG \$1 billion

annually from its activities, including securities lending. It was an extraordinarily ambitious goal—to put the amount in perspective, in 2006 AIG earned \$391 million from its investment unit.

10. Undisclosed to TRH, Ten-Cubed involved adopting a highly risky and imprudent approach to securities lending. AIG’s new strategy for securities lending would expose the collateral investment pools to collateral shortfalls if the liquidity of the long-term securities in which AIG invested were to diminish. It was a risk that a prudently managed securities lending program is specifically designed to avoid.

11. Compounding this lapse in judgment, at the time AIG decided to pursue this strategy, there were considerable warnings in the marketplace that MBS of any duration posed a substantial investment risk inconsistent with the objectives of the Program to conserve principal, ensure liquidity and rigorously monitor risk. Indeed, the risks of MBS stemming from loose mortgage lending practices, among other things, *were recognized within AIG itself as early as 2005* when one of its own senior finance executives warned of the risks of excessive exposure to the United States mortgage market bubble through credit default swaps that referenced MBS.

12. GSL embraced assets shunned as too risky by other AIG divisions because AIG was greedily chasing its goal of earning “Ten-Cubed.”

13. Risky collateral investment practices were acceptable to AIG because the parameters of the securities lending agreements provided that AIG *shared equally in the income* earned through the reinvestment of cash collateral *but bore none of the risk of loss*. Indeed, lenders such as TRH had the obligation to contribute cash to the collateral accounts in amounts sufficient to cover any collateral shortfalls. Thus,

AIG could try to turn the Program into a huge profit center without assuming any risk of loss if its bets on long-maturing bonds and MBS did not pay off. Unfortunately for TRH, this is precisely what happened.

14. As part of the implementation of Ten-Cubed, AIG concentrated the bulk of TRH's invested collateral in bonds that would not mature for several years, including by investing a substantial portion of TRH's cash collateral in long-term ABS and MBS. For example, several bonds in which TRH was invested through the Program's collateral pools had maturity dates of *2054 or later*. This provided the potential for higher returns but exposed TRH alone to risk far in excess of that contemplated by the securities lending agreements. Moreover, this investment approach was in conflict with the conservative guidelines governing TRH's *overall* investment portfolio, of which AIG—as TRH's overall investment manager—was well aware.

15. But in order to reach its billion dollar annual goal, AIG needed to rely on more than just the improper concentration of collateral invested in long-term and/or risky securities. The second facet of AIG's Ten-Cubed plan was to substantially increase the volume of securities it lent to borrowers. Accordingly, AIG *nearly tripled* the size of TRH's exposure in the Program. In 2005, the amount of TRH's total investment portfolio invested through the cash collateral accounts was \$606.8 million, or 6.7% of total investments and cash. In 2006, that number jumped to \$1.6948 billion, or 14.9% of TRH's total investments and cash.

16. This sudden escalation in volume did not go unnoticed by TRH. In July 2006, George McCrae of TRH sent Peter Adamczyk (“Adamczyk”), the Managing Director of GSL, the following email: “Transatlantic has a large increase in security

lending activity for the 2nd Qtr 2006, from \$726 million (in US\$) to \$1.5 billion. We would appreciate your comments on this activity as soon as possible.” As was typical, AIG’s response was misleading and obfuscated the reality that the Program was pursuing an aggressive, high risk strategy consistent with AIG’s Ten-Cubed business plan. While attributing the surge in lending to an increased demand for TRH’s securities, AIG’s response also emphasized GSL’s supposed cautious approach to negotiating collateral from borrowers. In this manner, AIG was able to continue to conceal its imprudent management of the Program from TRH.

17. AIG also made affirmative misrepresentations regarding its objectives in managing the Program. Indeed, AIG repeatedly represented to TRH that its securities lending program offered a very low risk source of yield enhancement for TRH’s overall investment portfolio. For example, in an *October 2006* letter responding to a TRH executive, Adamczyk represented that, as of December 31, 2004, AIG’s approach to securities lending was especially safe, relative to the already conservative industry standard: “Securities lending in general is a very low-risk source of yield enhancement, and [AIG’s] program is particularly rigorous in this area.” Similarly, in a December 4, 2006 presentation to the Finance Committee of the THI board of directors, Adamczyk assured the committee members that the Program was “rigorous and risk controlled.”

18. Yet, beginning in late 2005 with the Ten-Cubed paradigm shift in the approach to securities lending, the Program was anything but “rigorous and risk controlled.”

19. Unfortunately, beginning in the summer of 2007, the risks associated with AIG's imprudent strategy of concentrating TRH's cash collateral in long-term instruments, including MBS and ABS, began to materialize.

20. As the liquidity of the securities in which the cash collateral pools were invested declined, the collateral pools faced cash shortfalls or the need to liquidate their assets at fire sale prices. Incredibly, AIG's response to this was to "double down" and further increase the volume of securities being lent out to generate cash to meet cash shortfalls, thereby exacerbating the risk to which Claimants were exposed.

21. TRH did not begin to discover the imprudent risks that AIG had taken with its cash collateral until August 2007. Specifically, in his email dated July 12, 2007 sent in response to an inquiry regarding subprime investments, Craig Mitchell at AIG wrote to George McCrae that "*Transatlantic has no exposure to subprime in MBS/ABS/CDO securities.*" (Emphasis added). But just one month later, TRH learned from AIG that "no exposure," in truth, amounted to over \$430 million of subprime MBS exposure, equivalent to approximately *80% of the value of TRH's cash collateral in AIG's domestic collateral pool.*

22. Upon learning the truth, TRH questioned AIG about these immense subprime holdings, particularly in light of AIG's repeated representations that TRH had no such exposure (including Mr. Mitchell's representation made just weeks prior). In response, AIG and GSL then unilaterally carved TRH out of the commingled domestic pool, created a dedicated TRH collateral pool and allocated to it "non-subprime" collateral investments commensurate with TRH's pro-rata share of the commingled pool. Far from a positive development, the non-subprime assets allocated to

TRH turned out to be as toxic as the subprime investments. The assets included securities backed by risky Alternative-A (“Alt-A”) residential mortgages (often called “liar’s loans” in the lending industry due to their unsavory nature and bad performance history), home equity loans and home equity lines of credit (“HELOCs”) and commercial mortgages. That these non-subprime assets were as toxic as the remaining cash collateral investments speaks volumes about the imprudent approach taken by AIG and GSL.

23. Moreover, AIG allocated to TRH’s dedicated collateral pool a severely deficient amount of cash, cash equivalents or money market funds—*i.e.*, liquidity—to cover the ordinary and foreseeable liabilities of the pool.

24. By the time TRH learned of the true risks it faced, the value of the MBS, ABS and other long-term bonds that comprised the bulk of TRH’s cash collateral investment portfolio was in free-fall, rendering many of these investments illiquid. Indeed, as of August 2007, AIG had responded to the liquidity crisis in its securities lending collateral pools by implementing radical measures to generate cash including by selling any long-term investments that were liquid at a loss. But AIG did not inform TRH of either these “triage” measures or the liquidity issues in the collateral pools that necessitated them.

25. Over the next seventeen months, as the credit markets seized, TRH attempted to unwind the risky long-term positions that AIG had accumulated in the securities lending program. But as a consequence of the imprudent risks that AIG had taken and the inadequate liquidity in the pools, TRH was unable to cover mounting collateral calls without either selling those securities that were still liquid at large losses or depositing its own cash into the collateral pools to provide liquidity. To raise the cash

necessary to fund the pools, TRH was required use its own operating cash and to sell its safest long-term assets, including Treasuries and tax-exempt municipal bonds that promised steady returns and tax benefits throughout their lives. The opportunity costs from allocating its cash and like-cash resources to cover cash shortfalls in the collateral pools further contributed to TRH's losses from the securities lending program.

26. The Program represented the only exposure that TRH had to high risk, long-term MBS and ABS securities, and it caused extraordinary harm to TRH's balance sheet. Tellingly, in 2008 TRH's portfolio of fixed maturities not subject to securities lending lost less than 2% of its value, while TRH's securities lending portfolio lost approximately 50% of its value.

27. As a consequence of AIG's bad faith, imprudent investment practices and fraudulent concealment of its activities, TRH has suffered losses in excess of \$350 million to date. TRH brings the instant suit for breach of contract, breach of fiduciary duty and fraud for the recovery of these losses.

II. PARTIES & ARBITRABILITY

A. Claimants

28. Transatlantic Holdings Inc. ("THI") is a publicly traded holding company organized under the laws of Delaware with its executive offices at 80 Pine Street, New York, New York.

29. Transatlantic Reinsurance Company ("TRC") and Trans Re Zurich Reinsurance Company Ltd. ("TRZ") are wholly owned operating subsidiaries of THI. TRC is located at 80 Pine Street, New York, New York and TRZ is located at

Nüscherstrasse 32, P.O. Box 1475, 8021 Zurich, Switzerland. THI, TRC and TRZ are collectively referred to herein as “Claimants” or “TRH.”

30. Through its subsidiaries’ operations on six continents, TRH offers property and casualty reinsurance products, including medical malpractice, general liability, and automobile liability. TRH is regulated under the laws of New York State and subject to the regulatory authority of the office of the New York State Insurance Commissioner by the fact that TRC, TRH’s primary operating subsidiary is a New York domiciled insurance company.

31. Until early June 2009, AIG owned 59% of the outstanding shares of THI and exercised control over THI through a control charter. In early June 2009, pursuant to a separation agreement (the “Separation Agreement”), AIG sold its majority interest in THI and, in connection therewith, the THI board and AIG approved and adopted a new charter that reflected THI’s status as an independent public company.

B. Respondents²

32. AIG is an insurance and financial services holding company organized under the laws of Delaware with its principal place of business at 70 Pine Street, New York, New York.

33. GSL is a wholly owned subsidiary of AIG, incorporated under the laws of Delaware and having its principal operations at 175 Water Street, New York, New York. GSL also operates through AIG Global Securities Lending (Ireland) Ltd. which has its principal place of business at 30 North Wall Quay, IFSC, Dublin 1, Ireland.

² As noted above in n.1, Claimants reserve the right to name additional respondents as appropriate and necessary to seek redress for the claims stated herein.

C. Arbitrability

34. This dispute arises out of and relates to the Securities Lending Agreements between the parties, as preserved in the Separation Agreement. An arbitration provision in the Securities Lending Agreements makes this dispute subject to arbitration before the American Arbitration Association. Specifically, the arbitration provisions provide:

In the case of any dispute or controversy arising out of or in connection with this Agreement, the parties hereto agree to submit said dispute or controversy to the American Arbitration Association in New York City for a resolution within 120 days after submission thereof by three arbitrators to be designated in accordance with the rules then in effect of the American Arbitration Association. Any decision or award by said arbitrators shall be binding on the parties hereto and, except in cases of gross fraud or misconduct by one or more of the arbitrators, the decision or award rendered with respect to such dispute shall not be appealable. Each party shall bear its own costs arising from such arbitration and the fees of the arbitrators shall be paid one half by AIG and one by the Lender. In connection with the enforcement of any arbitration award rendered hereunder, each party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, and waives any objection which it may have at any time to the laying of venue of any action brought in such court.

The relevant agreements are attached hereto as Exhibits A-D.

35. In the Separation Agreement entered into by AIG, AIG subsidiary American Home Assurance Corp. (“AHAC”) (which nominally owned the majority of AIG’s THI common stock), and THI, the parties expressly designated certain “Intercompany Agreements” that would remain in place post-separation, including the Securities Lending Agreements between AIG and THI, TRC and TRZ, as well as certain related investment management agreements between AIG and TRH. *See* Separation Agreement, Schedule 3.05(a), attached hereto as Exhibit G. The Separation Agreement

between TRH and AIG expressly preserves the claims asserted herein. *See* Separation Agreement, § 3.06.

36. New York law governs the construction of the Securities Lending Agreements and Delaware law governs the construction of the Separation Agreement.

III. STATEMENT OF THE CASE

A. Background

37. THI and its subsidiaries TRC and TRZ each entered into a Securities Lending Agreement with AIG and its wholly owned subsidiary, GSL. The Securities Lending Agreements were entered into in May, July, and October 1999, respectively and are attached hereto as Exhibits A - C.

38. TRH participated in the Program along with AIG's wholly-owned insurance operating subsidiaries.

39. At the time TRH entered into the Securities Lending Agreements with AIG, it was a majority-owned AIG subsidiary and was substantially controlled by AIG. This substantial control continued to a significant degree until 2009.

1. Majority Ownership and a Control Charter Gave AIG Power Over TRH Until 2009

40. The primary source of AIG's control was AIG's beneficial ownership, until June 2009, of approximately 59% of THI's outstanding common, voting stock (as noted, THI wholly owns TRC and TRZ).

41. Prior to June 2009, THI operated under a "Control Charter," set forth in its certificate of incorporation, which gave controlling power to a majority owner by allowing a majority of voting shares to approve any fundamental action or change in THI, including board or charter changes.

42. AIG's 59% ownership stake, in combination with THI's Control Charter, effectively vested in AIG the power to control TRH.

43. Thus, while THI was a public company throughout the relevant time period, it operated as a majority owned, controlled subsidiary of AIG.

44. This relationship fundamentally changed in June 2009, when AIG sold the bulk of its THI shares and AIG and the THI board approved and adopted a new charter that reflected THI's status as an independent public company, no longer controlled by AIG.

2. AIG Exerted its Influence Over TRH Through Its Presence on THI's Board

45. AIG exercised its control of TRH in several ways, including by effectively dominating THI's board of directors.

46. AIG's domination of THI's board of directors occurred through the heavy presence of AIG directors and senior executives on THI's board.

47. Between 1999 and June 2008 (except for one interim year in which THI's CEO held the position), the chairman of the THI board of directors was AIG's board chairman and/or CEO.

48. Thus, Hank Greenberg was the THI board chairman between 1999 and April 2005, and Martin J. Sullivan was the THI board chairman between May 2006 and June 2008. Other than the period from April 2005 through May 2006, when THI's CEO served as interim Chairman, only after June 2008 was the chairman of the board of directors of THI independent of AIG.

49. Moreover, during the relevant time period, AIG executives and/or directors comprised as much as 45% of THI's overall board membership and populated

THI's significant board committees (collectively, these AIG personnel are referred to hereinafter as the "AIG Directors").

50. From 1999 through April 2005, four of the nine THI directors including the board chairman were AIG Directors. From May 2005 through June 2008, three THI board members were AIG Directors and AIG's CEO served as board chairman from May 2006 through June 2008. From July 2008 through October 2008, two THI board members were AIG Directors, and one THI board member was an AIG Director as of June 2009.

51. Also, until October 2008, an AIG Director held at least one spot on the four- to six-member THI Finance and Investment Committee, which oversaw the financial affairs and investments of THI and its subsidiaries, including with respect to securities lending activities.

52. As THI's controlling shareholder, AIG owed TRH fiduciary duties of loyalty, good faith and due care.

B. AIG Controlled TRH's Participation in the Program

53. The Securities Lending Agreements are identical in all material respects; they provide for AIG to serve as a securities lending agent to TRH and for AIG and GSL to invest the cash collateral received from borrowers of TRH's securities. In carrying out its duties under the Securities Lending Agreements, AIG contracted to: (i) "exercise good faith and due care in the performance of its obligations hereunder[;]" (ii) "act at all times in the best interests of [TRH] in connection herewith[;]" and (iii) not to "provide services to [TRH] hereunder which it knows or has reason to know are inferior to any those [sic] provided to any other person for which AIG provides similar services

or performs similar functions.” *See* Ex. A (THI July 1999 Sec. Lending Agency Agreement, § 3.1(c)).

54. AIG and GSL controlled all aspects of TRH’s participation in the Program. Pursuant to the Securities Lending Agreements and at AIG’s direction, GSL loaned TRH’s securities and managed the investment of TRH’s cash collateral from 1999 to 2008. GSL deposited TRH’s cash collateral into two separate cash collateral pools: (1) a “domestic” pool which consisted of cash collateral received from lending U.S dollar denominated securities; and (2) a “foreign” pool which consisted of cash collateral received from lending Euro or Sterling denominated securities. GSL delegated the function of reinvesting TRH’s collateral to AIG Investments Corp. (“AIG Investments”). The AIG Investment Accounting division was responsible for accounting for TRH’s participation in the securities lending program.

55. GSL commingled TRH’s cash collateral with the cash collateral of other participants in the Program, including AIG’s wholly-owned insurance subsidiaries.

56. A unit of AIG called the AIG Credit Risk Committee determined the guidelines that governed the investment of cash collateral in the various accounts in which TRH participated.

57. TRH did not receive regular statements or communications detailing the exact nature of its collateral investments from Respondents until late 2007. However, Respondents repeatedly assured TRH that the Program was being managed in a conservative manner consistent with the objectives of the collateral investment guidelines and offered a very low-risk source of yield enhancement for TRH’s overall investment portfolio. For example, in an October 2006 letter to a TRH executive, Adamczyk

represented that, as of December 31, 2004, GSL's approach to securities lending was especially safe, relative to the already conservative industry standard: "Securities lending in general is a very low-risk source of yield enhancement, and GSL's program is particularly rigorous in this area."

58. Similarly, in a December 4, 2006 presentation to the Finance Committee of the THI board of directors, Adamczyk assured the committee members that the Program was "rigorous and risk controlled."

C. The Securities Lending Agreements

59. With their execution in 1999, the Securities Lending Agreements called for GSL to act as a securities lending agent for TRH's portfolio of lendable investment securities in TRH's investment portfolio.³

60. The Securities Lending Agreements provide that GSL is TRH's "exclusive agent and attorney in fact, with full power, discretion and authority to act on behalf of [TRH] in connection with" securities lending transactions. Exs. A-C, § 1.1.⁴

61. The securities to be loaned were those "held from time to time in [TRH's] portfolio." *Id.*, § 1.1(d). TRH's investment portfolio constituted those investment securities owned by TRH that AIG Investments managed for the benefit of TRH.

62. The investment guidelines applicable to TRH's *overall* investment portfolio were quite conservative, befitting TRH's status as an insurer, and should have served to limit any guidelines for the investment of TRH's securities lending collateral.

³ The 1999 Securities Lending Agency Agreement between TRZ and AIG was made subject to an amendment in 2002, which is attached as Exhibit D.

⁴ All references to Sections ("§") in Section III.C are to the numbered sections in the three Securities Lending Agreements, the numbering and text of which are identical.

63. The Securities Lending Agreements authorized GSL to take a wide variety of action on TRH's behalf, including to:

- (i) identify borrowers and negotiate terms and conditions of lending agreements and transactions entered into with them, including as to collateral requirements;
- (ii) "take such action as may be necessary in order to satisfy the obligations of [TRH] in connection with" securities lending transactions, including by transferring TRH's cash or securities and receiving cash or securities on its behalf; and
- (iii) manage TRH's relationships with banks, brokers and counterparties, including by monitoring their activities and verifying the accuracy of their reports or statements with respect to TRH. *Id.*, § 1.1(a)-(c).

64. The Securities Lending Agreements imposed a stringent standard of care upon GSL with respect to TRH, one of good faith, due care, and to act at all times in TRH's best interests. *Id.*, § 3.1(c). GSL was also obligated not to "provide services to [TRH] . . . which it knows or has reason to know are inferior to any those [sic] provided to any other person for which [GSL] provides similar services or performs similar functions." *Id.*

65. The Securities Lending Agreements established a fiduciary relationship between GSL and TRH with respect to securities lending.

66. Moreover, § 6.2 of the Securities Lending Agreements provided that GSL:

shall indemnify [TRH] . . . and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees of their legal counsel) arising out of or related to any act or omission by AIG which constitutes . . . a breach of this Agreement.

67. The Securities Lending Agreements required GSL to obtain collateral for loaned securities in line with the prevailing industry standard percentages, “such industry standard currently being 102% for domestic transactions and 105% for cross border transactions.” Exs. A-C, § 3.1(f).

68. The Securities Lending Agreements entitled GSL to a monthly fee “in an amount equal to 50% of all fees or other compensation or income received or earned by or on behalf of [TRH]” in connection with securities lending during the given calendar month,⁵ (*Id.*, § 4.1), with GSL’s fee to be deducted from TRH’s monthly fees. *Id.*, § 4.2.

69. The Securities Lending Agreements made GSL subject to investment guidelines, (*Id.*, § 1.3), which in practice were promulgated by AIG’s Credit Risk Committee and applicable to all GSL participants. While the Agreements allowed GSL to delegate any of its prescribed duties and responsibilities, they subjected any company to which GSL delegated its duties to the same investment guidelines.

70. The Program’s collateral investment guidelines were developed by AIG and explicitly stated that TRH’s cash collateral was safe because the investment parameters were prudent and risk averse.

⁵ At a later point in time, AIG modified this provision such that income from the foreign collateral pools was split 50/50 (AIG/TRH), but income from the domestic pools was split 30/70.

**D. AIG’s Ten-Cubed Strategy—an Ill-Conceived Quest for Profits—
Results in a Breach of the Securities Lending Agreements**

71. For several years, the Program served its intended purpose – *i.e.*, it provided a low-risk source of yield enhancement. No party to the Securities Lending Agreements made a lot of money but no money was lost.

72. While far from exciting, the mundane way the Program operated from 1999 until 2005 was by design, in accordance with its stated objectives and consistent with how a securities lending program should operate. In securities lending, an owner of securities allows counterparties to borrow securities in exchange for collateral, typically cash, which exceeds by 2 to 5 percent the value of the security being lent. If cash collateral is received (as it was here), the lender must pay the borrower interest, or a “rebate.” Therefore the lender must invest the cash collateral and earn a return in excess of the amount paid to the borrower in order to earn a net spread on the lending transaction. As such, securities lending programs are not vehicles for chasing high yields – they are designed to provide incremental income streams with little or no risk.

73. But starting in late 2005, AIG and GSL breached the Securities Lending Agreements by embarking on a bold and risky strategy that ultimately proved catastrophic. In dereliction of their responsibilities, AIG and GSL implemented a plan, known within AIG as “Ten-Cubed,” to earn \$1 billion annually from AIG’s investment activities including securities lending. AIG and GSL implemented the Ten-Cubed strategy in disregard of the risks to which it exposed participants in the Program.

1. AIG Adopts More Aggressive Investment Guidelines for the Securities Lending Program and Pursues Investments in Long-Term Securities, MBS and ABS

74. In December 2005, senior executives from AIG Investments proposed to the AIG Credit Risk Committee an amendment to the Program's collateral investment guidelines that would allow the investment of up to 75% of collateral in MBS and ABS.

75. This proposal to allow heavy concentration in what were often long-term instruments with heightened risk was starkly at odds with the traditional, conservative approach to investing securities lending collateral—which concentrated on short-term instruments with minimal risk, such as U.S. Treasury Bonds or commercial paper. It also deviated starkly from TRH's overall investment guidelines applicable to its entire investment portfolio, as managed by AIG Investments.

76. AIG's Credit Risk Committee approved the proposal to invest up to three-quarters of the Program's cash collateral in MBS and ABS as of December 2005, and accordingly changed the collateral investment guidelines in this and other respects. See AIG Global Securities Lending Cash Collateral Investment Policy dated December 6, 2005 (the "Guidelines"), Ex. F at § III.B.5.

77. The revised Guidelines were a central part of the Ten-Cubed plan.

78. AIG Investments senior executive and then-AIG Chief Investment Officer Win Neuger was instrumental in the decision. As reported by the *Wall Street Journal* on February 5, 2009, "Mr. Neuger and Kevin McGinn, who has been AIG's chief credit officer since 2004, signed off on the proposal, agreeing in a memo that the guidelines didn't subject the [Program] portfolio to undue risk."

79. Ironically, the Guidelines specifically provide that: “The primary objective is to protect principal value of cash collateral received and maintain adequate liquidity. Secondly, it is to provide incremental income to the portfolio of all AIG Global Securities Lending (GSL) clients through prudent and risk-controlled investment practices.” Ex. F at § I.

80. Additionally, the Guidelines limit the investment of collateral in ABS. Specifically, the Guidelines provide: “The expected average life of an ABS may not exceed 5 years and its expected final maturity may not exceed 6 years, except that: Up to 10% of the Portfolio may be invested in ABS having an expected average life not to exceed 10 years and an expected final maturity not to exceed 12 years” *Id.* at § III.A.5.

81. Through the Guidelines, AIG sought to exploit the higher yields that ABS, and especially certain higher-risk MBS, offered compared to conventional fixed or floating rate bonds in which GSL (and other securities lending agents) typically invest collateral. AIG also chased higher yields by investing heavily in bonds of lengthy maturity. As a consequence, AIG grossly mismatched the maturity dates of the collateral investments and the underlying securities loans, which rarely had terms exceeding thirty days. A June 27, 2008 *Bloomberg* article reported that, “state officials said AIG invested more than half the collateral in debt securities that on average would pay off in three to ten years. Because AIG loaned bonds for periods ranging from overnight to 60 days, the insurance units could be exposed to a cash crunch if borrowers suddenly returned securities and demanded their collateral back. ‘We were surprised at the length of the

paper,' said Joseph Fritsch, director of insurance-accounting policy at the New York State Insurance Department in Manhattan.”

82. In 2006 and 2007, Respondents applied the new Guidelines and invested over 60% of all Program domestic cash collateral in RMBS backed by subprime and Alt-A mortgages, home equity loans and lines of credit.

83. RMBS backed by subprime mortgages—loans to borrowers with low creditworthiness and historically high rates of default—are much riskier than RMBS backed by prime mortgages to borrowers who have satisfied all standard traditional mortgage lending criteria. Similarly risky are RMBS backed by Alt-A mortgages—loans to borrowers who often times do not have the ability to document key creditworthiness factors, *e.g.*, income, or possess a debt-to-income ratio in excess of conventional limits. Given the lower creditworthiness of these borrowers and the lack of accurate documentation, subprime and Alt-A borrowers were more likely to default on their mortgages than borrowers who qualified for prime mortgages.

84. Additionally, RMBS backed by home equity loans or lines of credit—second lien loans that allowed a homeowner to remove any equity from his or her home—were also high risk given that home prices had to continually rise in order to prevent the homeowner from becoming “upside down” relative to the value of their home.

85. Given the characteristics of the subprime and Alt-A mortgages, home equity loans and lines of credit underlying the RMBS, these securities essentially offer a gamble that homeowners whose loans are in the reference pool of assets will not default in any significant numbers. To the extent mortgage defaults occur in the

underlying pool, an RMBS loses value, eventually becoming illiquid if default is pervasive.

86. In concentrating Program participants' securities lending cash collateral in mortgage-related assets, AIG ignored the axiomatic investment principle that diversification reduces risk. Moreover, the fact that AIG concentrated participants' cash collateral in mortgage-related assets whose value and liquidity were tied to a single macroeconomic contingency—the continued existence of the U.S. real estate bubble—significantly compounded the inherent risk from concentration.

87. AIG did not inform TRH of the highly aggressive approach it had implemented for the investment of securities lending collateral or of the specific nature of the assets in which TRH's collateral was invested via the Program.

2. AIG knew of risks presented by MBS investments

88. By December 2005, when AIG's Credit Risk Committee adopted AIG's risky investment strategy for the Program's cash collateral pools, the risks of investing in MBS were apparent. AIG itself recognized the risks of MBS stemming from loose mortgage lending practices when, among other things, one of its own senior finance executives warned of the risks of excessive exposure to the United States mortgage market bubble. Heeding this warning, another division of AIG, AIG Financial Products, stopped issuing credit derivatives backed by these securities.

89. AIG heeded this warning in seeking to limit its own exposure to MBS at its Financial Products division but ignored the warning with respect to collateral investments at GSL. As reported by the *Wall Street Journal* on February 5, 2009, “[a]round [December 2005], worries about loose lending standards in the subprime

market led managers of a separate AIG division—AIG Financial Products—to stop committing to writing credit derivatives on securities backed by subprime collateral.”

3. Despite the warning signs, AIG deliberately placed TRH and other securities lending participants at risk

90. AIG began ramping up collateral investments in MBS at GSL in 2006 despite the fact that *at the same time* AIG Financial Products had stopped offering—as too risky—credit default swap contracts related to subprime-backed securities, which in effect insured investors in such MBS against loss.

91. Assets shunned as too risky to insure at AIG Financial Products were embraced at GSL because GSL and its parent AIG Asset Management were greedily chasing a goal of “Ten-Cubed”—earning \$1 billion annually at the asset management unit. “[I]n its pursuit of that goal over the past few years, said current and former employees, the unit took on additional risks in a sideline business known as [GSL],” according to a February 5, 2009 article in the *Wall Street Journal*.

92. Of course, the downside risk of “Ten-Cubed” fell not on AIG but rather squarely on the shoulders of TRH and the other Program participants, who alone had the obligation to contribute cash to the collateral accounts in amounts sufficient to cover any collateral shortfalls.

93. Because Respondents only shared in the “upside” of the Program’s collateral investments, they were incentivized to aggressively seek investment yield regardless of risk. No bet was a bad bet for GSL.

E. TRH Learns of its Broad Exposure to Imprudent Investments When It Discovers That AIG Has Exposed 80% of the Domestic Pool to Subprime Mortgage Backed Securities

94. By mid-2007, a marked increase in delinquencies on subprime and Alt-A mortgages and HELOCs across the United States had occurred triggering a significant fall in the value of subprime RMBS. Ultimately, all classes of MBS, including CMBS, were negatively impacted.

95. TRH's investment goals and objectives were inconsistent with an investment in high-risk subprime mortgage backed securities. Indeed, based on repeated assertions by AIG, TRH relied on the fact that it had no exposure to subprime securities in its investment portfolio.

96. In July 2007, rating agencies asked TRH whether it too was subject to the losses then being seen in subprime MBS. TRH, confident that it had zero subprime exposure, asked AIG Investments to re-confirm that it had no subprime securities in its investment portfolio, which AIG Investments managed, and from which GSL lent securities.

97. At first, Respondents assured TRH that it had no exposure to subprime MBS as there were no such holdings in its investment portfolio.

98. In August 2007, however, Respondents delivered the astounding news that despite their representation just weeks earlier, TRH was exposed to over \$430 million of subprime MBS through the Program's domestic collateral investments as of June 30, 2007. Given TRH's pro-rata interest in the Program's domestic collateral pool of approximately \$500 million, this exposure reflected that, in managing TRH's domestic securities lending cash collateral, AIG had invested approximately 80% in high-risk subprime MBS.

99. TRH immediately requested that AIG explain the discrepancy between its prior representations as to TRH's subprime exposure and the new, enormous figure.

1. TRH is carved out of the commingled domestic and foreign pools

100. In response, on August 13, 2007, AIG unilaterally "carved out" TRH from the Program's commingled domestic collateral pool and created a dedicated TRH domestic securities lending account ("TRH Domestic"). In carving out TRH, AIG took cash and selected assets from the commingled domestic pool (purportedly not "subprime" assets) that equaled the value of TRH's cash collateral and deposited them into TRH Domestic.

101. The result of the carve-out was that TRH Domestic received from AIG a variety of CMBS and RMBS, including a concentration of Alt-A and HELOC-backed MBS. It also received an inadequate amount of liquidity—cash or cash equivalents—given the size of the pool.

102. In December 2007, in an action taken without notice or explanation to TRH, AIG likewise carved TRH out of the Program's foreign collateral pools in which it had participated and established dedicated TRH foreign securities lending accounts ("TRH Foreign").

103. The TRH Foreign accounts also contained substantial amounts of RMBS and CMBS, as well as corporate bonds of financial institutions and like the domestic pool, were composed largely of long-term securities.

2. TRH requests that an orderly wind-down commence immediately

104. In January 2008, within months of learning about the Program's heavy concentration in risky MBS, THI's Board Finance and Investment Committee resolved to conclude TRH's participation in the Program in an orderly fashion and immediately communicated the decision to AIG.

105. After requesting information from AIG in January 2008, TRH learned that \$2.05 billion of its securities were on loan as of December 31, 2007.

106. Despite this TRH board resolution and directive, AIG proceeded to *increase* the amount of TRH's securities on loan through the Program in the first quarter of 2008 by tens of millions of dollars such that as of March 31, 2008, TRH had \$2.09 billion worth of securities on loan.

107. For TRH, the losses caused by Respondents' various breaches were unavoidable.

3. TRH sustained significant losses as a result of AIG's imprudence

108. AIG had concentrated too many collateral investments in MBS and ABS that were rapidly losing value and had built up too large of a durational mismatch between the Program's collateral investments and corresponding securities loans. Losses became a *fait accompli*.

109. In 2007, TRH's pre-tax, net unrealized loss on its overall Program portfolio was \$41.2 million. Its losses in the Program accelerated from there. In the first half of 2008, TRH's pre-tax realized net capital losses, including write-downs to fair value for securities considered to be "other than temporarily impaired," totaled \$78.2 million. These write-downs principally related to long-term RMBS included in TRH's

domestic invested collateral in the Program and, to a much lesser extent, to certain equity securities. TRH also suffered pre-tax net unrealized depreciation on the Program portfolio totaling \$68.5 million, \$48.4 million of which related to ABS.

110. Also, in the fourth quarter of 2008, GSL began accepting initial collateral from borrowers at *less than 100% of the value of the loaned security*, in a desperate effort to keep the Program afloat beneath the weight of its illiquid, long-term collateral investments. TRH was required to account for such exchanges as sales.

111. In essence, TRH's assets were being pawned for less than market value so that the Program might survive long enough to recoup the losses incurred on the risky collateral investments. GSL placed TRH in further risk by "doubling down" in this manner.

112. Notably, the initial acceptance of collateral at this low level breached another express term of the Securities Lending Agreements, which called for AIG to obtain collateral amounting to at least the industry standard rate of 102% of the fair value of the loaned security.

113. TRH terminated TRH Domestic as of September 30, 2008.

114. TRH also terminated TRH Foreign by December 31, 2008. Thus, TRH's participation in the Program was effectively ended by the close of 2008.

115. In endeavoring to wind down its participation in the Program in 2008, TRH was required to take losses in the hundreds of millions of dollars. The losses took several forms:

- (i) TRH sold collateral investments (that were not severely impaired or illiquid) at a loss. TRH was required to compensate GSL for any deficiencies resulting from the sale of collateral investments and it did so;
- (ii) TRH absorbed spread losses, sustained when the yield on collateral investments did not cover the rebate rate owed to the related borrower, after Respondents abruptly stopped covering spread losses in the third quarter of 2008; and
- (iii) TRH took onto its books those collateral investments that were effectively illiquid and funded the related TRH collateral pools in full, so that the counterparty borrower could be made whole and TRH's loaned securities could be returned. Assets acquired in this way were almost always subject to substantial write-downs as investments classified as "other than temporarily impaired." To fund the collateral pools, TRH expended its operating cash and also sold its "safest" securities, including U.S. Treasuries and tax-exempt municipal bonds. In this way, it lost assets that would have appreciated and/or conferred tax benefits on TRH in the future.

116. In sum, TRH's losses to date as a consequence of AIG's and GSL's contractual breaches exceed \$350 million, of which more than two-thirds represent realized losses.

4. Wholly owned AIG subsidiaries receive over \$5 billion in capital contributions from AIG to offset losses in the Program, but TRH receives nothing

117. As a result of Respondents' imprudent and disloyal management of the Program, AIG insurance subsidiaries that participated therein also suffered losses on a scale similar to those of TRH.

118. Yet these subsidiaries benefited from a substantial offsetting of their losses by the AIG parent company.

119. In particular, as of 2007, AIG agreed to make up to \$500 million of capital contributions to offset losses sustained by its wholly-owned subsidiaries resulting from the sale of collateral investments at below par.

120. AIG contributed hundreds of millions of dollars in this regard to the non-TRH AIG domestic and foreign collateral accounts in 2007 after the TRH carve-outs.

121. In 2008, AIG contributed approximately \$5 billion to the Program's non-TRH collateral pools to cover losses allocable to its wholly-owned subsidiaries.

122. While TRH suffered similar losses to these AIG subsidiaries' through the Program at the same time, it did not receive similar support from AIG.

123. AIG did not make any capital contributions to cover losses in the TRH Domestic or TRH Foreign collateral pools at any time. TRH absorbed all such losses itself.

F. Illiquidity of GSL Collateral Investments on a Massive Scale Contributes to a Near-Collapse of AIG

124. AIG's liquidity crisis and near-collapse, beginning in September 2008, is well documented.

125. Also well documented is the fact that the illiquidity of tens of billions of dollars of MBS collateral investments at GSL, acquired through the imprudent and highly reckless management of AIG's securities lending program, was one of two main drivers of AIG's liquidity crisis.

126. Approximately one month before AIG's cresting liquidity crisis prompted a rescue by the federal government, on AIG's August 7, 2008 earnings call for the second quarter of 2008, AIG's then-chairman and CEO, Robert Willumstad, admitted that "much of the problems that have come about have been a concentration of risk in the U.S. housing market both in the investment portfolio and the credit default swap book."

127. The government rescue of AIG launched in September 2008 involved substantial components dedicated to ending the GSL domestic program and extinguishing the massive collateral shortfalls faced by AIG's wholly-owned insurance subsidiaries therein.

128. The most significant element of the rescue with respect to GSL was the creation of Maiden Lane II, a limited liability company whose sole member is the Federal Reserve Bank of New York.

129. The Federal Reserve created Maiden Lane II for one reason: to acquire impaired RMBS from the GSL domestic collateral pool—populated exclusively by AIG wholly-owned subsidiaries after the carve-out of TRH in August 2007—so as to eliminate these subsidiaries' exposure to the illiquidity of the RMBS in the pool.

130. In December 2008, Maiden Lane II purchased RMBS *with approximate par value of \$40 billion for a “fair value” of approximately \$20 billion.*

131. Maiden Lane II followed an initial multibillion dollar capital infusion to GSL from the federal government in September 2008.

132. As summarized by former New York state insurance commissioner Eric Dinallo in his testimony before the U.S. Senate in March 2009:

As with some other holding company activities, [securities lending at AIG] was pursued aggressively rather than prudently. . . . [AIG] had invested the borrowers’ cash collateral in mortgage-backed securities that had become hard to sell. To avoid massive losses from sudden forced sales, the federal government, as part of its rescue, provided liquidity [sic] the securities lending program. In the early weeks of the rescue, holding company rescue funds were used to meet the collateral needs of the program. Eventually the Federal Reserve Bank of New York created Maiden Lane II, a fund that purchased the life insurance companies’ collateral at market value for cash.

133. TRH is not a participant in Maiden Lane II, which still exists, nor was it a direct beneficiary of any governmental support through the AIG rescue.

G. Post-Rescue Events: AIG Divests of TRH and AIG Investments, and Winds Down GSL

134. On information and belief, AIG wound down the GSL domestic securities lending program in 2008.

135. On information and belief, AIG wound down the GSL foreign securities lending program in 2009.

136. On information and belief, AIG sold AIG Investments or otherwise wound it down in 2010.

137. Pursuant to a Master Separation Agreement, AIG and its wholly owned subsidiary AHAC made a secondary public offering of most of their shares of THI

common stock, constituting approximately 59% of THI common stock then outstanding, in June 2009.

138. After the offering, AIG, through AHAC, continued to own approximately 13.8% of THI's outstanding common stock.

139. In another secondary public offering in March 2010, AIG and AHAC sold substantially all of the remainder of their THI common stock.

140. As noted above, the Master Separation Agreement between TRH and AIG expressly provides that the Securities Lending Agreements from which this matter arises survive the separation.

141. Respondents' actions vis-à-vis Claimants constitute a breach of Respondents' fiduciary duties owed to Claimants, and a breach of Respondents' obligations under the common law and under the Securities Lending Agreements. As a direct result of Respondents' breaches, Claimants suffered significant financial losses.

IV. CAUSES OF ACTION

Count I **Breach of Fiduciary Duty** **(Against All Respondents)**

142. Claimants incorporate by reference and re-allege each and every allegation above as though fully set forth herein.

143. Respondents owed fiduciary duties to Claimants by virtue of their relationship with Claimants. By reason of their fiduciary relationship, Respondents specifically owed to Claimants the highest obligation of due care, good faith and loyalty in the administration of the securities lending program and the management of the collateral pools.

144. These fiduciary duties required Respondents to discharge their obligations with respect to the Claimants (a) solely in the interest of Claimants, (b) for the exclusive purpose of providing benefits to Claimants, (c) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and (d) in accordance with the documents and governing instruments.

145. Specifically, as the investment manager charged with managing the investment of the collateral pools for the benefit of Claimants, Respondents had a fiduciary duty to manage those investments prudently and within the narrow purpose for which the collateral pools were established: the conservative investment of cash collateral in short-term, low-risk and highly liquid securities with the objective of maintaining principal.

146. Respondents also had a fiduciary duty to manage the investments in the collateral pools with an “eye single” toward what was best for TRH.

147. Respondents acknowledged and reinforced their fiduciary status with respect to Claimants by the terms of the Securities Lending Agreements they entered into with Claimants.

148. As fiduciaries, Respondents were not only obligated to ensure that all investments of the cash collateral were initially consistent with the conservative investment objectives established under the Securities Lending Agreements for the investment of cash collateral, but were also required to continuously monitor all such

investments to ensure that such investments remained prudent throughout the period of investment.

149. By the express terms of the Securities Lending Agreements, Respondents had full and absolute discretion to manage the collateral pools within the confines of the narrow purpose and objectives of those collateral pools. That duty required Respondents to prudently manage the collateral pools and to act in the interest of and for the benefit of Claimants.

150. Thus, if an investment became imprudent due to its excessive risk, illiquidity, durational mismatch and/or the inadequate level of diversification within the portfolio or for any other reason, Respondents were obligated to take action to protect the assets of Claimants.

151. Respondents breached their fiduciary duties to Claimants by imprudently investing the collateral pools in securities that were high-risk and carried long maturities, which became largely illiquid. Respondents further breached their fiduciary duties by failing to prudently manage the collateral pools in response to the clear evidence of a growing financial crisis, especially to the extent it affected the ABS and MBS markets in the U.S. and Europe.

152. Respondents further breached their duties to Claimants by treating Claimants in an inferior manner to the manner in which Respondents treated AIG's wholly owned subsidiaries in the Program, in particular, by covering in excess of \$5 billion in losses on sales of collateral investments allocable to these subsidiaries, but not covering parallel losses by TRH.

153. Respondents further breached their fiduciary duties to Claimants by putting their own pecuniary interests ahead of Claimants' interests.

154. Respondents should have known that the concentrated investment in ABS and MBS was not a proper investment for the collateral pools; notwithstanding this, Respondents failed to adequately protect the Claimants from the inevitable losses that they knew or should have known would ensue due to Respondents' imprudent management of the cash collateral.

155. As set forth above, Respondents' management of the collateral pools was influenced by conflicts of interest that prevented Respondents from managing the pools solely in the interests of Claimants. Specifically, the structure of Respondents' compensation system for managing the collateral pools motivated Respondents to invest the pools in higher-risk and longer-term securities in order to increase their profits without regard for the increased risk that would be borne solely by Claimants. Additionally, because Claimants were the only participant not wholly owned by AIG, Respondents were motivated to treat Claimants differently from the other participants in the Program. These conflicts of interest caused Respondents to breach their duties of good faith and fair dealing and caused harm to Claimants.

156. Respondents breached the fiduciary duties they owed to Claimants by, *inter alia*, (a) engaging in a concerted plan (Ten-Cubed) to utilize Claimants' resources in order to enrich themselves at the expense of Claimants; (b) imprudently investing the collateral received for Claimants' securities in high-risk asset-backed securities, which were inappropriate and unsuitable investments for investment of the cash collateral; (c) failing to monitor the investments which, if prudently performed,

would have revealed by 2006 (if not sooner) the excessive risk associated with such investments; (d) imprudently maintaining the investments in asset-backed securities despite numerous public warnings of the coming meltdown of such instruments – as well as all other information they possessed by virtue of the breadth of AIG’s global organization; (e) disloyally placing their own interests above the interests of Claimants by refusing to liquidate and even increasing the investments in an effort to increase revenues from the Program notwithstanding the ever-increasing risk of principal losses; and (f) disloyally placing their interests and the interests of AIG’s wholly-owned subsidiaries above the interests of Claimants with respect to capital contributions for losses in 2007 and 2008.

157. Respondents’ breaches of their fiduciary duties were the direct and proximate cause of damages to Claimants. As a direct and proximate result of Respondents’ breaches of fiduciary duty, Claimants have sustained, and will continue to sustain, substantial harm, including the damages set forth herein.

158. Accordingly, Claimants seek the relief described below.

Count II
Breach of Fiduciary Duty
(Against AIG)

159. Claimants incorporate by reference and re-allege each and every allegation above as though fully set forth therein

160. Respondent AIG owed fiduciary duties to Claimants by virtue of its position as parent and controlling shareholder of THI. By reason of this fiduciary relationship, Respondent AIG specifically owed to Claimants the highest duty of loyalty and fair dealing in connection with its dealings with Claimants.

161. Respondent AIG breached its fiduciary duties to Claimants as both parent and controlling shareholder of THI by, among other things:

- a. Engaging in a concerted plan (Ten-Cubed) to utilize Claimants' resources in order to benefit AIG at the expense of Claimants;
- b. Using its control of Claimants to unilaterally impose investment guidelines that were in no way prudent in order to benefit AIG at the expense of Claimants;
- c. Using the cash collateral generated from loans of Claimants' investments to invest in assets that provided a higher rate of return to Respondents but were in no way prudent, to the detriment of Claimants;
- d. Depriving Claimants of the opportunity to pursue other investment strategies by, *inter alia*, failing to provide Claimants with the same treatment provided to other AIG-wholly controlled entities that participated in the securities lending pools; and
- e. Exploiting its fiduciary status in order to utilize THI's investment portfolio to create a profit for AIG.

162. Respondent AIG's breaches of its fiduciary duties were the direct and proximate cause of damages to Claimants. As a direct and proximate result of Respondent AIG's breaches of fiduciary duty, Claimants have sustained, and will continue to sustain, substantial harm, including the damages set forth herein.

163. Accordingly, Claimants seek the relief described below.

Count III
Breach of Contract
(Against All Respondents)

164. Claimants incorporate by reference and re-allege each and every allegation above as though fully set forth herein.

165. During the relevant times to the allegations made herein, Respondents were parties to the Securities Lending Agreements.

166. The Securities Lending Agreements required Respondents, *inter alia*, to (a) comply with the governing investment guidelines (including the need to safeguard principal and maintain adequate liquidity); (b) discharge their fiduciary duties to Claimants and act in the best interests of Claimants; (c) provide services to Claimants that were not inferior to services provided to any other person, including other participants in the securities lending program; and (d) to assume liability for any losses resulting from their breach of the Securities Lending Agreements in managing the securities lending program.

167. Respondents breached their contractual duties by, *inter alia*:
- a. Failing to discharge their duties under the Securities Lending Agreements in good faith and with due care by imprudently investing the collateral pools;
 - b. Subordinating the interests of TRH to those of AIG in pursuing its “Ten-Cubed” business plan, which called for exposing TRH to increased risk of loss in the Program so that AIG and GSL could pursue risk-free profits from it; and
 - c. Providing AIG’s wholly-owned subsidiaries that participated in the Program with loss-mitigation solutions, such as

make-whole agreements, to reduce their losses flowing from AIG's imprudent management of the Program, while failing to provide TRH with like benefits and services.

168. Respondents were also required to comply with the duty of good faith and fair dealing that is implied by law into all contracts but, by virtue of their actions described above, failed to do so.

169. Claimants sustained actual damages as a direct and proximate result of the breaches described above, including the damages set forth herein.

170. Accordingly, Claimants seek the relief described below.

Count IV
Fraud
(Against All Respondents)

171. Claimants incorporate by reference and re-allege each and every allegation above as though fully set forth herein.

172. Claimants in reasonable and justifiable reliance upon the statements, misrepresentations and omissions made by Respondents, as previously set forth herein, continued to participate in AIG's securities lending program. Throughout the life of the Securities Lending Agreements, AIG represented to TRH that the Program offered a very low-risk source of yield enhancement for TRH's overall investment portfolio. For example, in an October 2006 letter to a TRH executive, GSL's Adamczyk represented that, as of December 31, 2004, GSL's approach to securities lending was especially safe, relative to the already conservative industry standard: "Securities lending in general is a very low-risk source of yield enhancement, and GSL's program is particularly rigorous in this area." Similarly, in a December 4, 2006 presentation to the

Finance Committee of the TRH board of directors, Adamczyk assured the committee members that the Program was “rigorous and risk controlled.” Such statements assuring Claimants of AIG’s and GSL’s prudent and risk-averse approach to the management of TRH’s cash collateral were made repeatedly by AIG and GSL to Claimants.

173. Claimants would not have continued to participate in AIG’s securities lending program except for their reliance upon the representations made by AIG regarding the design and risk parameters of the program, and would not have done so had they been aware of the material omissions and concealment by AIG that AIG was actually investing a significant majority of the collateral for TRH’s lent securities in long-term, risky MBS and ABS.

174. At the time of these statements, misrepresentations and omissions, Respondents knew or should have known them to be false and intended to deceive TRH by making such statements, misrepresentations and omissions.

175. At the time of these statements, misrepresentations and omissions, Respondents intended that TRH would rely on the basis of the statements, misrepresentations and omissions in determining whether to continue to participate in AIG’s securities lending program. Claimants reasonably relied thereon to their detriment in making such decisions.

176. Had Claimants known of the material facts that AIG wrongfully concealed and misrepresented, and of the falsity of AIG’s representations, Claimants would not have continued to participate in the Program.

177. Claimants, as a result of their participation in AIG's securities lending program and by reason of the Respondents' material misrepresentations and omissions, have sustained damages and have lost a substantial part of their investments.

178. By reason of the foregoing, Respondents are liable to Claimants for those damages.

179. Respondents' fraudulent acts were willful and wanton and Claimants are entitled to punitive damages.

180. Accordingly, Claimants seek the relief described below.

V. PRAYER FOR RELIEF

WHEREFORE, Claimants pray for:

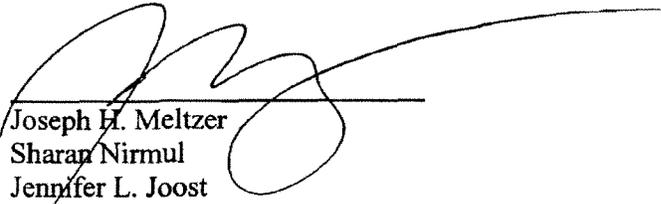
- A. A Declaration that Respondents have breached their fiduciary, common law and contractual duties to Claimants;
- B. An Order compelling Respondents to make good to Claimants all losses resulting from Respondents' breaches of their fiduciary, common law and contractual duties, including losses resulting from Respondents' imprudent investment of the cash collateral, and to restore all profits Respondents made through use of the cash collateral, and to restore all profits Claimants would have made if Respondents had fulfilled their legal obligations;
- C. Actual damages in the amount of any losses suffered by Claimants;
- D. An Order awarding pre-judgment and post-judgment interest at the maximum allowable rates, along with an award of attorneys' fees and costs; and

E. An Order awarding punitive damages and such other and further relief as the Arbitrators deem just and proper.

Dated: May 21, 2010

Respectfully submitted,

**BARROWAY TOPAZ KESSLER
MELTZER & CHECK, LLP**



Joseph H. Meltzer
Sharap Nirmul
Jennifer L. Joost
Joshua D'Ancona
280 King of Prussia Road
Radnor, PA 19087
(610) 667-7706 (tel)
(610) 667-7056 (fax)

NIX PATTERSON & ROACH, LLP

Jeffrey J. Angelovich
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Brad Seidel
205 Linda Drive
Daingerfield, TX 75638
(903) 645-7333 (tel)
(903) 645-5389 (fax)

DEALY SILBERSTEIN, LLP

Milo Silberstein
225 Broadway
14th Floor, Suite 1405
New York, New York 10006
(212) 385-0066 (tel)
(212) 385-2117 (fax)

Counsel for Claimants

EXHIBIT B

SECURITIES LENDING AGENCY AGREEMENT

THIS SECURITIES LENDING AGENCY AGREEMENT is made as of May 31, 1999 by and between AIG GLOBAL SECURITIES LENDING CORPORATION, a Delaware corporation ("AIG"), and TRANSATLANTIC REINSURANCE COMPANY, a New York corporation (the "Lender").

RECITALS:

WHEREAS, the Lender has entered into certain agreements and desires to enter into further such agreements (the "Securities Lending Agreements") with third parties (the "Borrowers") pursuant to which the Lender has agreed or will agree to lend the Borrowers Securities (hereinafter defined in Section 1.1); and

WHEREAS, the Lender wishes to retain the services of AIG as its agent in connection with any loans of the Securities to the Borrowers pursuant to the Securities Lending Agreements and any related transactions (collectively, the "Transactions") and the performance of the obligations of the Lender thereunder, and AIG wishes to provide such services to the Lender.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties hereto agree as follows:

1. Appointment and Duties of AIG

1.1 Commencing on the date hereof, the Lender hereby appoints AIG, and AIG hereby accepts such appointment, as the Lender's exclusive agent and attorney-in-fact, with full power, discretion and authority to act on behalf of the Lender in connection with the Transactions and the performance of the obligations of the Lender under the Securities Lending Agreements and without limitation, to:

(a) identify Borrowers of the Securities and negotiate the terms and conditions of the Securities Lending Agreements and the Transactions entered into with such Borrowers (including but not limited to any related fees, expenses and collateral or margin requirements);

(b) take such action as may be necessary in order to satisfy the obligations of the Lender in connection with the Transactions, including but not limited to effecting transfers of cash, Securities and other property to and from accounts maintained by the Lender with banks, brokers or counterparties and assuring proper receipt on behalf of the Lender, of all cash, securities or other property due to the Lender in connection with the Transactions;

(c) manage the Lender's relationship with banks, brokers and counterparties (including but not limited to the Borrowers) in connection with the Transactions. Without limitation of the foregoing, AIG shall monitor the activities of such banks, brokers and counterparties in connection with the Transactions, review and determine the accuracy of all reports provided to the Lender by such banks, brokers, and counterparties and use reasonable efforts to assure that any errors contained therein are promptly rectified; and

(d) provide such other services to the Lender in connection with the Transactions and the Securities Lending Agreements as may reasonably be requested by the Lender, provided that such services can reasonably be provided by the Agent.

For purposes of this Agreement, "Securities" shall mean securities held from time to time in the Lender's portfolio, other than those securities that are then subject to the Custody and Securities Lending Agreement dated February 14, 1997, as amended, between the Lender and the Bank of New York, as assignee to the Swiss Bank Corporation.

1.2 The Lender shall notify the Borrowers, as well as any banks, brokers or counterparties involved in the Transactions or the Securities Lending Agreements on behalf of the Lender, of the authority granted to AIG hereunder, and shall authorize such persons to receive and act upon the instructions of AIG to the same extent, and with the same force and effect, as if provided by the Lender directly. Without limitation of the foregoing, the Lender shall execute such additional documents or instruments as may be necessary in order to effectuate the provisions of this Section.

1.3 The Lender hereby agrees that the authorization granted to AIG hereunder shall be exclusive during the term of this Agreement and that the Lender shall not grant to any other person the authority to act on behalf of the Lender in connection with the Transactions under the Securities Lending Agreements provided that the Lender may revoke or limit all or a portion of the authority granted to AIG hereunder by written notice to AIG and provided further that the Lender shall remain responsible for the satisfaction of all financial obligations arising out of Transactions entered into or other actions taken by the Agent subject to and in accordance with the terms and conditions of this Agreement prior to the effective date of any such revocation or limitation of the Agent's authority hereunder. AIG will be subject to the written investment guidelines of the Lender as duly adopted by a resolution of its Board of Directors.

1.4 The Lender acknowledges and agrees that AIG may delegate any of its duties and responsibilities hereunder to any person or entity (regardless of whether such person or entity is affiliated with AIG), with prior approval of the Lender. Any company that AIG delegates its authority to will be subject to all the guidelines of the Lender which AIG is subject to, including the Lender's investment guidelines.

1.5 AIG will deposit interest earned and other collections for the Lender's Securities into the Lender's account within ten (10) business days of receipt.

2. Representations and Warranties

2.1 Each party hereby represents and warrants to the other party that:

(a) It is duly organized and validly existing under the laws of the jurisdiction in which it is organized and is qualified to do business and is in good standing in each other jurisdiction in which the nature or conduct of its business requires such qualification and in which the failure to so qualify would materially adversely affect its ability to conduct its business activities.

(b) It has full power and authority to enter into and perform its obligations under this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered on behalf of such party and is a valid and binding agreement of such party enforceable in accordance with its terms.

(d) The execution and delivery of this Agreement, the incurrence of the obligations set forth in this Agreement and the performance of such obligations will not violate, or constitute a breach of or default under, the governing documents of such party or any agreement or instruments by which it is bound or, to the best of such party's knowledge, any order, rule, law or regulation applicable to such party of any court or any governmental body or administrative agency or self-regulatory authority have jurisdiction over such party.

(e) There is not pending nor, to the best of such party's knowledge, threatened, any action, suit or proceeding before or by any court or other governmental or self-regulatory authority to which such party is a party which might reasonably be expected to result in any material adverse change in the financial condition or regulatory qualifications of such party or which might reasonably be expected to affect the ability of such party to perform its obligations hereunder, nor has any such action been pending, initiated or completed within the five years preceding the date of this Agreement.

(f) It, and each of its principals and employees is, and throughout the term of this Agreement will remain, in compliance, in every material respect, with any and all applicable laws and regulations material to the Transactions to be entered into, and other performance required, under the Securities Lending Agreements.

2.2 The Lender further represents and warrants that it has and will have full power and authority to enter into the Transactions pursuant to the Securities Lending Agreement and that it has and will have valid legal and beneficial ownership of all Securities which are the subject of such Transactions, free and clear of any and all liens, security interests and other encumbrances of any kind, with the exception of those created pursuant to the Transactions and the Securities Lending Agreements.

2.3 Each party will promptly notify the other of any material changes in any of the foregoing representations and warranties, or of any material change in its financial condition, business prospects or personnel.

3. Covenants

3.1 AIG hereby covenants and agrees as follows:

(a) In connection with its activities on behalf of the Lender, AIG will comply in all material respects with all applicable rules and regulations relating to the performance of its obligations hereunder.

(b) AIG will promptly notify the Lender of the commencement of any material suit, action, investigation or other proceeding involving it or its principals, whether or not any such suits, action or proceeding also involves the Lender or the activities of AIG hereunder.

(c) AIG will exercise good faith and due care in the performance of its obligations hereunder, will act at all times in the best interests of the Lender in

connection therewith, and will not provide services to the Lender hereunder which it knows or has reason to know are inferior to any those provided to any other person for which AIG provides similar services or performs similar functions.

(d) AIG hereby agrees to provide the Lender, upon its reasonable request, with any and all material information and documentation regarding the services to be provided by AIG hereunder or any other matters related to this Agreement or the performance of AIG's obligations hereunder.

(e) AIG shall furnish the Lender with prompt reports of all Transactions entered into by AIG hereunder and with such other information and reports regarding the services and activities of AIG hereunder as may be reasonably requested by the Lender. The Lender may at any time, upon reasonable notice, inspect the books and records of AIG in connection with the lending of the Lender's Securities and may request reports in connection therewith from AIG. In addition, no later than the tenth business day of each month, AIG will provide a report to the Lender, summarizing the lending transactions engaged in on its behalf in the preceding month.

(f) AIG shall in connection with each loan of securities receive collateral with a market value equal to at least a percentage of the market value of the securities lent, which percentage shall not be less than the then prevailing industry standard for such transactions (such industry standard currently being 102% for domestic transactions and 105% for cross border transactions).

3.2 The Lender hereby covenants and agrees as follows:

(a) Upon the reasonable request of AIG, the Lender shall take any and all actions, and execute any and all documents or instruments, which are reasonably necessary in order to effectuate the Transactions entered into pursuant to the Securities Lending Agreements; and

(b) Upon the reasonable request of AIG, the Lender shall provide AIG (and/or its designated agent) with any and all data, information and documentation which are reasonably necessary to AIG's performance of its obligations hereunder (and to the performance by AIG of the Lender's obligations under the Securities Lending Agreements), in such form and manner and at such times as may be reasonably specified by AIG (and/or its designated agent).

4. Compensation and Other Payments

4.1 In consideration of, and as compensation for, all of the services to be rendered by AIG under this Agreement, the Lender shall pay to AIG, or arrange for the Borrowers or other third parties to pay to AIG (in such manner and on such terms as may be acceptable to AIG) a monthly fee, for each calendar month in which this Agreement remains in effect, in an amount equal to 50% of all fees or other compensation or income received or earned by or on behalf of the Lender (including but not limited to securities lending fees and net interest income, if applicable) during such calendar month in connection with Transactions entered into under the Securities Lending Agreements.

4.2 Without limitation of the foregoing, it is understood that the fees payable to AIG hereunder shall, unless AIG and the Lender otherwise agree, be deducted by AIG from the fees received by AIG on behalf of the Lender under the Securities Lending Agreements, and the remainder of any such fees shall be remitted or credited to the account of the Lender, in accordance with the Lender's instructions.

4.3 The amount of the fees due to AIG hereunder shall be calculated and determined by AIG, and the determination of AIG with respect to the amount of such fees shall be conclusive and binding absent manifest error. The fee to be paid by the Lender to AIG will not exceed that which the Lender would have to pay if it were to perform such services itself.

4.4 To the extent that under the terms of a securities loan pursuant to any Securities Lending Agreement, the Borrower is required to pay to the Lender any amount in respect of any withholding tax, AIG shall collect such amount from the Borrower on behalf of the Lender and, promptly upon receipt thereof, shall pay such amount to the U.S. branch of the Lender.

5. Services Not Exclusive: The services provided by AIG hereunder shall not be deemed to be exclusive and, subject to the terms of this Agreement (including but not limited to the terms of Section 3.1(c) hereof), AIG may engage in other business activities and provide services (including the services to be provided hereunder) to other persons provided that such other activities, and the provision of such other services does not materially adversely affect the capacity or the ability of AIG to continue to render the services required to be provided by it hereunder.

6. Indemnification

6.1 The Lender shall indemnify AIG, its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to AIG's performance of its obligations hereunder, provided that such loss, liability, damage, claim, cost of expense did not occur as a result of or in connection with the negligence, bad faith or willful misconduct of AIG or any breach this Agreement by AIG.

6.2 AIG shall indemnify the Lender and its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to any act or omission by AIG which constitutes gross negligence, bad faith or willful misconduct, or a breach of this Agreement.

6.3 The provisions of this Section 6 shall survive the termination of this Agreement.

7. Term

7.1 Except as otherwise provided in Section 7.2 hereof, this Agreement shall continue in full force and effect until terminated by either party upon six months' written notice to the other party.

7.2 Notwithstanding the provisions of Section 7.1 hereof, the Lender may terminate this Agreement immediately upon the occurrence of an Event of Default, as defined herein, or, if such Event of Default is curable, thirty days following the Lender's provision of written notice to AIG of such Event of Default, if such Event of Default is not cured within such thirty day period.

7.3 Any of the following events shall constitute an Event of Default hereunder:

(a) AIG shall fail to comply with the terms of this Agreement or any representation or warranty made by AIG hereunder ceases to be accurate and complete in any material respect;

(b) AIG merges with or is consolidated into another person or entity or enters into a joint venture or partnership with another person or entity which has the effect of a change in the control of AIG;

(c) AIG shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a trustee, receiver, liquidator, conservator, administrator, custodian or other similar official (each a "Custodian") of it or any substantial part of its assets, (ii) take any corporate action to

authorize any of the foregoing, or (iii) have an involuntary case or other proceeding commenced against it seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a Custodian of it or any substantial part of its assets, and such involuntary case or other proceeding is not dismissed within sixty days of its institution or presentation; or

(d) AIG shall become bankrupt or insolvent, as defined under any applicable bankruptcy or insolvency law, or shall otherwise be unable to pay its debts as they become due.

7.4 Except as otherwise provided herein, any termination of this Agreement in accordance with this Section 7 shall be without penalty or liability to any party, except for any fees due to AIG pursuant to Section 4 hereof.

8. Confidentiality: Each of the parties shall maintain in strict confidence any and all information and documentation it may obtain concerning any other party (including, without limitation, any information and/or documentation provided to the Lender by AIG pursuant to the terms of Section 3.1(d) of this Agreement), or concerning advice rendered or Transactions entered into by AIG or on behalf of the Lender, as a result of the services to be provided under this Agreement, and shall not disclose any such information or documentation to any third parties without the prior written consent of the party from which such information or documentation was received, except as may be required by applicable law or regulation or by order of a court of competent jurisdiction, or as may be necessary or appropriate in connection with the performance of such party's obligations hereunder.

9. Complete Agreement: This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof.

10. Assignment: This Agreement may not be assigned by either party without the express prior written consent of the other party.

11. Amendment: This Agreement may not be amended except by the written consent of the parties, provided that no amendment may be made to this Agreement without the prior written approval of the Superintendent of the Department of Insurance of The State of New York.

12. Notices: All notices, demands or requests required to be made or delivered under this Agreement shall be in writing and delivered personally, by facsimile or by registered or certified mail, return receipt requested, postage prepaid, to the addresses below or to such other addresses as may be designated by the party entitled to receive the same by notice similarly given:

If to AIG:

AIG Global Securities Lending Corp.
175 Water Street
26th Floor
New York, New York 10038
Phone: (212) 458-2147
Fax: (212) 458-2244
Attention: Vice President
Securities Lending

If to the Lender, to it at:

70 Pine Street
New York, NY 10270
Phone: 212-770-7000

13. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America, without regard to principles of choice of law.

14. Arbitration: In the case of any dispute or controversy arising out of or in connection with this Agreement, the parties hereto hereby agree to submit said dispute

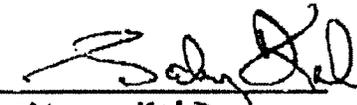
or controversy to the American Arbitration Association in New York City for a resolution within 120 days after submission thereof by three arbitrators to be designated in accordance with the rules then in effect of the American Arbitration Association. Any decision or award by said arbitrators shall be binding on the parties hereto and, except in cases of gross fraud or misconduct by one or more of the arbitrators, the decision or award rendered with respect to such dispute shall not be appealable. Each party shall bear its own costs arising from any such arbitration and the fees of the arbitrators shall be paid one half by AIG and one half by the Lender. In connection with the enforcement of any arbitration award rendered hereunder, each party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, and waives any objection which it may have at any time to the laying of venue of any action brought in such court.

15. Severability: In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect under the law of jurisdiction, the validity, legality and enforceability of the remaining provisions under the law of such jurisdiction, and the validity, legality and enforceability of such and any other provisions under the law of any other jurisdiction, shall not be in any way affected or impaired thereby.

16. Status of AIG: It is understood and agreed that AIG shall act as the agent of the Lender solely for the purposes and in accordance with the terms and conditions set forth herein, that the status of AIG shall be that of an independent contractor and that nothing set forth herein shall be deemed to constitute any partnership, joint venture, association or other separate entity between AIG and the Lender. AIG shall not represent to any person that any such partnership, joint venture, association or other separate entity between AIG and the Lender exists, or that AIG is acting on behalf of the Lender in any capacity other than that of agent and independent contractor.

IN WITNESS WHEREOF, this agreement has been executed for and on behalf of the undersigned as of the day and year first above written.

TRANSATLANTIC REINSURANCE COMPANY

By: 
Sidney Kahn
VP Treasurer

AIG GLOBAL SECURITIES LENDING CORP.

By: 
Title: Vice President

CONSENT

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. under each of its agreements identified below:

Affiliate Services Agreement dated March 2, 1998 with AIG Global Investment Corp. (Europe) Ltd.

Services Agreement dated October 8, 1998 with AIG Global Investment Trust Service Ltd.

Affiliate Services Agreement dated February 5, 1999 with AIG Equity Sales Corp.

Services Agreement dated March 31, 1999 with AIG Investment Corporation (Asia) Ltd.

This consent will be effective as of the date of the Agreement.

Dated: May 31, 1999

Transatlantic Reinsurance Company

By 
Name: SIDNEY KAHN
Title: U. P. TREASURER

Securities Lending Agency Agreement

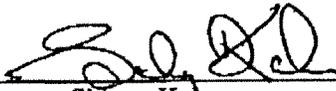
Date: May 31, 1999

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. ("AIGGSL") under the Custody Agreement dated the date hereof with Mellon Bank N.A. (the "Custodian").

The undersigned confirms to the Custodian that: (i) it has appointed AIGGSL as its lending agent and, as such, AIGGSL is authorized to act on the undersigned's behalf in accordance with and pursuant to the Custody Agreement, and (ii) the Custodian shall be entitled to rely on and shall be fully protected in acting upon direction from AIGGSL until notified in writing by the undersigned of a change of such authorized party.

Dated: July 30, 1999

Transatlantic Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President Treasurer

Securities Lending Agency Agreement

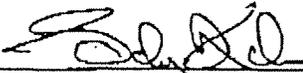
Date: May 31, 1999

Each of the undersigned Lenders refers to its Securities Lending Agency Agreement with AIG Global Securities Lending Corp. (the "Agent"), and to its previous consents to the delegation, if any, by the Agent of any responsibilities thereunder to (i) AIG Equity Sales Corp. pursuant to the Affiliate Services Agreement dated February 5, 1999 and (ii) Mellon Bank, N.A. pursuant to the Custody Agreement dated July 30, 1999.

Without in any way limiting the provisions of such Securities Lending Agency Agreement or such consents, the undersigned Lenders each acknowledges that the Agent acts as securities lending agent for each other and for other lenders, that the assets of each Lender will be lent together with those of others, and that any cash collateral received in connection with such loans will be invested together with those of others.

September 29
August __, 1999

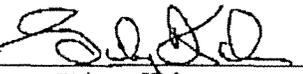
Transatlantic Holdings, Inc.

By 
Name: Sidney Kahn
Title: ~~Vice President and Treasurer~~ ASS'T SECRETARY

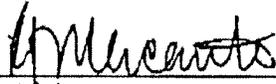
Transatlantic Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer

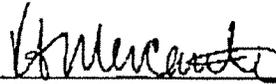
Putnam Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer

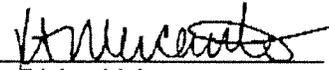
American International Life Assurance Company of New York

By 
Name: Richard Mercante
Title: Vice President

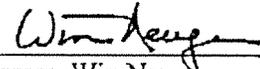
Delaware American Life Insurance Company

By 
Name: Richard Mercante
Title: Vice President

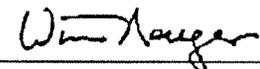
AIG Life Insurance Company

By 
Name: Richard Mercante
Title: Vice President

American Home Assurance Company

By 
Name: Win Neuger
Title: Vice President

National Union Fire Insurance Company of Pittsburgh, Pennsylvania

By 
Name: Win Neuger
Title: Vice President

CONSENT

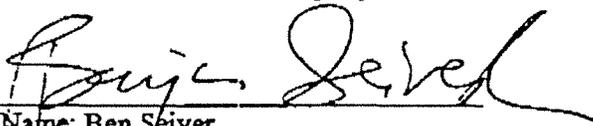
The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. ("AIGGSL or the Agent") under each of its agreements identified below:

- Investment Advisory Agreement with AIG Global Investment Corp. dated October 6, 1999.
- Investment Advisory Agreement with AIG Capital Management Corp. dated October 6, 1999.

Without in any way limiting the provisions of the Agreement or the foregoing consent, the undersigned Lender acknowledges that the Agent acts as securities lending agent for each other and for other lenders, that the assets of the Lender will be lent together with those of each other and such others, and that any cash collateral received in connection with such loans will be invested together with those of each other and such others.

Dated: October 6, 1999

American Life Insurance Company

By 
Name: Ben Seiver

Title: Chief Investment Officer
Securities Lending Agency Agreement
Date: September 30, 1999

American Home Assurance Company

By _____
Name: Win Neuger
Title: Vice President

Securities Lending Agency Agreement
Date: July 6, 1998

National Union Fire Insurance Company of Pittsburgh, PA

By _____
Name: Win Neuger
Title: Vice President

Securities Lending Agency Agreement
Date: April 9, 1999

CONSENT

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. ("AIGGSL or the Agent") under each of its agreements identified below:

- Investment Advisory Agreement with AIG Global Investment Corp. dated October 6, 1999.
- Investment Advisory Agreement with AIG Capital Management Corp. dated October 6, 1999.

Without in any way limiting the provisions of the Agreement or the foregoing consent, the undersigned Lender acknowledges that the Agent acts as securities lending agent for each other and for other lenders, that the assets of the Lender will be lent together with those of each other and such others, and that any cash collateral received in connection with such loans will be invested together with those of each other and such others.

Dated: October 6, 1999

American Life Insurance Company

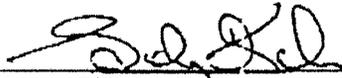
By _____
Name: Ben Seiver
Title: Chief Investment Officer
Securities Lending Agency Agreement
Date: September 30, 1999

American Home Assurance Company

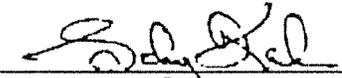
By Win Neuger
Name: Win Neuger
Title: Vice President
Securities Lending Agency Agreement
Date: July 6, 1998

National Union Fire Insurance Company of Pittsburgh, PA

By Win Neuger
Name: Win Neuger
Title: Vice President
Securities Lending Agency Agreement
Date: April 9, 1999

By 
Name: Sidney Kahn
Title: Assistant Secretary
Securities Lending Agency Agreement
Date: July 6, 1999

Transatlantic Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

Putnam Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

American International Life Assurance Company
of New York

By _____
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: May 31, 1999

Delaware American Life Insurance Company

By _____
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

Transatlantic Holdings, Inc.

By _____
Name: Sidney Kahn
Title: Assistant Secretary
Securities Lending Agency Agreement
Date: July 6, 1999

Transatlantic Reinsurance Company

By _____
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

Putnam Reinsurance Company

By _____
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

American International Life Assurance Company
of New York

By *R. Mercante*
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: May 31, 1999

Delaware American Life Insurance Company

By *R. Mercante*
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

AIG Life Insurance Company

By Richard Mercante

Name: Richard Mercante

Title: Vice President

Securities Lending Agency Agreement

Date: July 1, 1999

Birmingham Fire Insurance Company of PA

By _____

Name: Hans Danielsson

Title: Vice President

Securities Lending Agency Agreement

Date: October 1, 1999

New Hampshire Insurance Company

By _____

Name: Hans Danielsson

Title: Vice President

Securities Lending Agency Agreement

Date: October 1, 1999

Insurance Company of the State of Pennsylvania

By _____

Name: Hans Danielsson

Title: Vice President

Securities Lending Agency Agreement

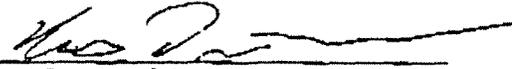
Date: October 1, 1999

By _____
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

Birmingham Fire Insurance Company of PA

By 
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

New Hampshire Insurance Company

By 
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

Insurance Company of the State of Pennsylvania

By 
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

EXHIBIT C

SECURITIES LENDING AGENCY AGREEMENT

THIS SECURITIES LENDING AGENCY AGREEMENT is made as of July 6, 1999 by and between AIG GLOBAL SECURITIES LENDING CORPORATION, a Delaware corporation ("AIG"), and TRANSATLANTIC HOLDINGS, INC., a Delaware corporation (the "Lender").

RECITALS:

WHEREAS, the Lender has entered into certain agreements and desires to enter into further such agreements (the "Securities Lending Agreements") with third parties (the "Borrowers") pursuant to which the Lender has agreed or will agree to lend the Borrowers Securities (hereinafter defined in Section 1.1); and

WHEREAS, the Lender wishes to retain the services of AIG as its agent in connection with any loans of the Securities to the Borrowers pursuant to the Securities Lending Agreements and any related transactions (collectively, the "Transactions") and the performance of the obligations of the Lender thereunder, and AIG wishes to provide such services to the Lender.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties hereto agree as follows:

1. Appointment and Duties of AIG

1.1 Commencing on the date hereof, the Lender hereby appoints AIG, and AIG hereby accepts such appointment, as the Lender's exclusive agent and attorney-in-fact, with full power, discretion and authority to act on behalf of the Lender in connection with the Transactions and the performance of the obligations of the Lender under the Securities Lending Agreements and without limitation, to:

(a) identify Borrowers of the Securities and negotiate the terms and conditions of the Securities Lending Agreements and the Transactions entered into with such Borrowers (including but not limited to any related fees, expenses and collateral or margin requirements);

(b) take such action as may be necessary in order to satisfy the obligations of the Lender in connection with the Transactions, including but not limited to effecting transfers of cash, Securities and other property to and from accounts maintained by the Lender with banks, brokers or counterparties and assuring proper receipt on behalf of the Lender, of all cash, securities or other property due to the Lender in connection with the Transactions;

(c) manage the Lender's relationship with banks, brokers and counterparties (including but not limited to the Borrowers) in connection with the Transactions. Without limitation of the foregoing, AIG shall monitor the activities or such banks, brokers and counterparties in connection with the Transactions, review and determine the accuracy of all reports provided to the Lender by such banks, brokers, and counterparties and use reasonable efforts to assure that any errors contained therein are promptly rectified; and

(d) provide such other services to the Lender in connection with the Transactions and the Securities Lending Agreements as may reasonably be requested by the Lender, provided that such services can reasonably be provided by the Agent.

For purposes of this Agreement, "Securities" shall mean securities held from time to time in the Lender's portfolio.

1.2 The Lender shall notify the Borrowers, as well as any banks, brokers or counterparties involved in the Transactions or the Securities Lending Agreements on behalf of the Lender, of the authority granted to AIG hereunder, and shall authorize such persons to receive and act upon the instructions of AIG to the same extent, and with the

same force and effect, as if provided by the Lender directly. Without limitation of the foregoing, the Lender shall execute such additional documents or instruments as may be necessary in order to effectuate the provisions of this Section.

1.3 The Lender hereby agrees that the authorization granted to AIG hereunder shall be exclusive during the term of this Agreement and that the Lender shall not grant to any other person the authority to act on behalf of the Lender in connection with the Transactions under the Securities Lending Agreements provided that the Lender may revoke or limit all or a portion of the authority granted to AIG hereunder by written notice to AIG and provided further that the Lender shall remain responsible for the satisfaction of all financial obligations arising out of Transactions entered into or other actions taken by the Agent subject to and in accordance with the terms and conditions of this Agreement prior to the effective date of any such revocation or limitation of the Agent's authority hereunder. AIG will be subject to the written investment guidelines of the Lender as duly adopted by a resolution of its Board of Directors.

1.4 The Lender acknowledges and agrees that AIG may delegate any of its duties and responsibilities hereunder to any person or entity (regardless of whether such person or entity is affiliated with AIG), with prior approval of the Lender. Any company that AIG delegates its authority to will be subject to all the guidelines of the Lender which AIG is subject to, including the Lender's investment guidelines.

1.5 AIG will deposit interest earned and other collections for the Lender's Securities into the Lender's account within ten (10) business days of receipt.

2. Representations and Warranties

2.1 Each party hereby represents and warrants to the other party that:

(a) It is duly organized and validly existing under the laws of the jurisdiction in which it is organized and is qualified to do business and is in good

standing in each other jurisdiction in which the nature or conduct of its business requires such qualification and in which the failure to so qualify would materially adversely affect its ability to conduct its business activities.

(b) It has full power and authority to enter into and perform its obligations under this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered on behalf of such party and is a valid and binding agreement of such party enforceable in accordance with its terms.

(d) The execution and delivery of this Agreement, the incurrence of the obligations set forth in this Agreement and the performance of such obligations will not violate, or constitute a breach of or default under, the governing documents of such party or any agreement or instruments by which it is bound or, to the best of such party's knowledge, any order, rule, law or regulation applicable to such party of any court or any governmental body or administrative agency or self-regulatory authority have jurisdiction over such party.

(e) There is not pending nor, to the best of such party's knowledge, threatened, any action, suit or proceeding before or by any court or other governmental or self-regulatory authority to which such party is a party which might reasonably be expected to result in any material adverse change in the financial condition or regulatory qualifications of such party or which might reasonably be expected to affect the ability of such party to perform its obligations hereunder, nor has any such action been pending, initiated or completed within the five years preceding the date of this Agreement.

(f) It, and each of its principals and employees is, and throughout the term of this Agreement will remain, in compliance, in every material respect, with any and all applicable laws and regulations material to the Transactions to be entered into, and other performance required, under the Securities Lending Agreements.

2.2 The Lender further represents and warrants that it has and will have full power and authority to enter into the Transactions pursuant to the Securities Lending Agreement and that it has and will have valid legal and beneficial ownership of all Securities which are the subject of such Transactions, free and clear of any and all liens, security interests and other encumbrances of any kind, with the exception of those created pursuant to the Transactions and the Securities Lending Agreements.

2.3 Each party will promptly notify the other of any material changes in any of the foregoing representations and warranties, or of any material change in its financial condition, business prospects or personnel.

3. Covenants

3.1 AIG hereby covenants and agrees as follows:

(a) In connection with its activities on behalf of the Lender, AIG will comply in all material respects with all applicable rules and regulations relating to the performance of its obligations hereunder.

(b) AIG will promptly notify the Lender of the commencement of any material suit, action, investigation or other proceeding involving it or its principals, whether or not any such suits, action or proceeding also involves the Lender or the activities of AIG hereunder.

(c) AIG will exercise good faith and due care in the performance of its obligations hereunder, will act at all times in the best interests of the Lender in connection therewith, and will not provide services to the Lender hereunder which it knows or has reason to know are inferior to any those provided to any other person for which AIG provides similar services or performs similar functions.

(d) AIG hereby agrees to provide the Lender, upon its reasonable request, with any and all material information and documentation regarding the services to be provided by AIG hereunder or any other matters related to this Agreement or the performance of AIG's obligations hereunder.

(e) AIG shall furnish the Lender with prompt reports of all Transactions entered into by AIG hereunder and with such other information and reports regarding the services and activities of AIG hereunder as may be reasonably requested by the Lender. The Lender may at any time, upon reasonable notice, inspect the books and records of AIG in connection with the lending of the Lender's Securities and may request reports in connection therewith from AIG. In addition, no later than the tenth business day of each month, AIG will provide a report to the Lender, summarizing the lending transactions engaged in on its behalf in the preceding month.

(f) AIG shall in connection with each loan of securities receive collateral with a market value equal to at least a percentage of the market value of the securities lent, which percentage shall not be less than the then prevailing industry standard for such transactions (such industry standard currently being 102% for domestic transactions and 105% for cross border transactions).

3.2 The Lender hereby covenants and agrees as follows:

(a) Upon the reasonable request of AIG, the Lender shall take any and all actions, and execute any and all documents or instruments, which are reasonably necessary in order to effectuate the Transactions entered into pursuant to the Securities Lending Agreements; and

(b) Upon the reasonable request of AIG, the Lender shall provide AIG (and/or its designated agent) with any and all data, information and documentation which are reasonably necessary to AIG's performance of its obligations hereunder (and to the performance by AIG of the Lender's obligations under the Securities Lending

Agreements), in such form and manner and at such times as may be reasonably specified by AIG (and/or its designated agent).

4. Compensation and Other Payments

4.1 In consideration of, and as compensation for, all of the services to be rendered by AIG under this Agreement, the Lender shall pay to AIG, or arrange for the Borrowers or other third parties to pay to AIG (in such manner and on such terms as may be acceptable to AIG) a monthly fee, for each calendar month in which this Agreement remains in effect, in an amount equal to 50% of all fees or other compensation or income received or earned by or on behalf of the Lender (including but not limited to securities lending fees and net interest income, if applicable) during such calendar month in connection with Transactions entered into under the Securities Lending Agreements.

4.2 Without limitation of the foregoing, it is understood that the fees payable to AIG hereunder shall, unless AIG and the Lender otherwise agree, be deducted by AIG from the fees received by AIG on behalf of the Lender under the Securities Lending Agreements, and the remainder of any such fees shall be remitted or credited to the account of the Lender, in accordance with the Lender's instructions.

4.3 The amount of the fees due to AIG hereunder shall be calculated and determined by AIG, and the determination of AIG with respect to the amount of such fees shall be conclusive and binding absent manifest error. The fee to be paid by the Lender to AIG will not exceed that which the Lender would have to pay if it were to perform such services itself.

4.4 To the extent that under the terms of a securities loan pursuant to any Securities Lending Agreement, the Borrower is required to pay to the Lender any amount in respect of any withholding tax, AIG shall collect such amount from the Borrower on behalf of the Lender and, promptly upon receipt thereof, shall pay such amount to the U.S. branch of the Lender.

5. Services Not Exclusive: The services provided by AIG hereunder shall not be deemed to be exclusive and, subject to the terms of this Agreement (including but not limited to the terms of Section 3.1(c) hereof), AIG may engage in other business activities and provide services (including the services to be provided hereunder) to other persons provided that such other activities, and the provision of such other services does not materially adversely affect the capacity or the ability of AIG to continue to render the services required to be provided by it hereunder.

6. Indemnification

6.1 The Lender shall indemnify AIG, its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to AIG's performance of its obligations hereunder, provided that such loss, liability, damage, claim, cost of expense did not occur as a result of or in connection with the negligence, bad faith or willful misconduct of AIG or any breach this Agreement by AIG.

6.2 AIG shall indemnify the Lender and its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to any act or omission by AIG which constitutes gross negligence, bad faith or willful misconduct, or a breach of this Agreement.

6.3 The provisions of this Section 6 shall survive the termination of this Agreement.

7. Term

7.1 Except as otherwise provided in Section 7.2 hereof, this Agreement shall continue in full force and effect until terminated by either party upon six months' written notice to the other party.

7.2 Notwithstanding the provisions of Section 7.1 hereof, the Lender may terminate this Agreement immediately upon the occurrence of an Event of Default, as defined herein, or, if such Event of Default is curable, thirty days following the Lender's provision of written notice to AIG of such Event of Default, if such Event of Default is not cured within such thirty day period.

7.3 Any of the following events shall constitute an Event of Default hereunder:

(a) AIG shall fail to comply with the terms of this Agreement or any representation or warranty made by AIG hereunder ceases to be accurate and complete in any material respect;

(b) AIG merges with or is consolidated into another person or entity or enters into a joint venture or partnership with another person or entity which has the effect of a change in the control of AIG;

(c) AIG shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a trustee, receiver, liquidator, conservator, administrator, custodian or other similar official (each a "Custodian") of it or any substantial part of its assets, (ii) take any corporate action to authorize any of the foregoing, or (iii) have an involuntary case or other proceeding commenced against it seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a Custodian of it or any substantial part of its assets, and such

involuntary case or other proceeding is not dismissed within sixty days of its institution or presentation; or

(d) AIG shall become bankrupt or insolvent, as defined under any applicable bankruptcy or insolvency law, or shall otherwise be unable to pay its debts as they become due.

7.4 Except as otherwise provided herein, any termination of this Agreement in accordance with this Section 7 shall be without penalty or liability to any party, except for any fees due to AIG pursuant to Section 4 hereof.

8. Confidentiality: Each of the parties shall maintain in strict confidence any and all information and documentation it may obtain concerning any other party (including, without limitation, any information and/or documentation provided to the Lender by AIG pursuant to the terms of Section 3.1(d) of this Agreement), or concerning advice rendered or Transactions entered into by AIG or on behalf of the Lender, as a result of the services to be provided under this Agreement, and shall not disclose any such information or documentation to any third parties without the prior written consent of the party from which such information or documentation was received, except as may be required by applicable law or regulation or by order of a court of competent jurisdiction, or as may be necessary or appropriate in connection with the performance of such party's obligations hereunder.

9. Complete Agreement: This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof.

10. Assignment: This Agreement may not be assigned by either party without the express prior written consent of the other party.

11. Amendment: This Agreement may not be amended except by the written consent of the parties.

12. Notices: All notices, demands or requests required to be made or delivered under this Agreement shall be in writing and delivered personally, by facsimile or by registered or certified mail, return receipt requested, postage prepaid, to the addresses below or to such other addresses as may be designated by the party entitled to receive the same by notice similarly given:

If to AIG:

AIG Global Securities Lending Corp.
175 Water Street
26th Floor
New York, New York 10038
Phone: (212) 458-2147
Fax: (212) 458-2244
Attention: Vice President
Securities Lending

If to the Lender, to it at:

70 Pine Street
New York, NY 10270
Phone: 212-770-7000

13. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America, without regard to principles of choice of law.

14. Arbitration: In the case of any dispute or controversy arising out of or in connection with this Agreement, the parties hereto hereby agree to submit said dispute or controversy to the American Arbitration Association in New York City for a resolution within 120 days after submission thereof by three arbitrators to be designated in accordance with the rules then in effect of the American Arbitration Association. Any decision or award by said arbitrators shall be binding on the parties hereto and, except in cases of gross fraud or misconduct by one or more of the arbitrators, the decision or award rendered with respect to such dispute shall not be appealable. Each party shall bear its own costs arising from any such arbitration and the fees of the arbitrators shall be

paid one half by AIG and one half by the Lender. In connection with the enforcement of any arbitration award rendered hereunder, each party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, and waives any objection which it may have at any time to the laying of venue of any action brought in such court.

15. Severability: In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect under the law of jurisdiction, the validity, legality and enforceability of the remaining provisions under the law of such jurisdiction, and the validity, legality and enforceability of such and any other provisions under the law of any other jurisdiction, shall not be in any way affected or impaired thereby.

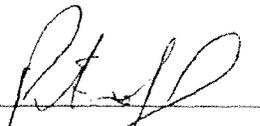
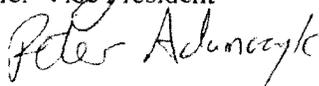
16. Status of AIG: It is understood and agreed that AIG shall act as the agent of the Lender solely for the purposes and in accordance with the terms and conditions set forth herein, that the status of AIG shall be that of an independent contractor and that nothing set forth herein shall be deemed to constitute any partnership, joint venture, association or other separate entity between AIG and the Lender. AIG shall not represent to any person that any such partnership, joint venture, association or other separate entity between AIG and the Lender exists, or that AIG is acting on behalf of the Lender in any capacity other than that of agent and independent contractor.

IN WITNESS WHEREOF, this agreement has been executed for and on behalf of the undersigned as of the day and year first above written.

TRANSATLANTIC HOLDINGS, INC.

By: 

AIG GLOBAL SECURITIES LENDING CORP.

By: 
Title: Vice President


CONSENT

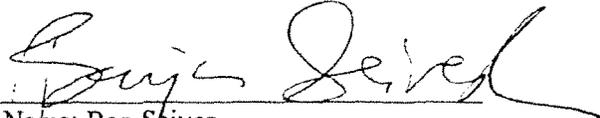
The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. ("AIGGSL or the Agent") under each of its agreements identified below:

- Investment Advisory Agreement with AIG Global Investment Corp. dated October 6, 1999.
- Investment Advisory Agreement with AIG Capital Management Corp. dated October 6, 1999.

Without in any way limiting the provisions of the Agreement or the foregoing consent, the undersigned Lender acknowledges that the Agent acts as securities lending agent for each other and for other lenders, that the assets of the Lender will be lent together with those of each other and such others, and that any cash collateral received in connection with such loans will be invested together with those of each other and such others.

Dated: October 6, 1999

American Life Insurance Company

By 

Name: Ben Seiver

Title: Chief Investment Officer

Securities Lending Agency Agreement

Date: September 30, 1999

American Home Assurance Company

By _____

Name: Win Neuger

Title: Vice President

Securities Lending Agency Agreement

Date: July 6, 1998

National Union Fire Insurance Company of Pittsburgh, PA

By _____

Name: Win Neuger

Title: Vice President

Securities Lending Agency Agreement

Date: April 9, 1999

CONSENT

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. ("AIGGSL or the Agent") under each of its agreements identified below:

Investment Advisory Agreement with AIG Global Investment Corp. dated October 6, 1999.
Investment Advisory Agreement with AIG Capital Management Corp. dated October 6, 1999.

Without in any way limiting the provisions of the Agreement or the foregoing consent, the undersigned Lender acknowledges that the Agent acts as securities lending agent for each other and for other lenders, that the assets of the Lender will be lent together with those of each other and such others, and that any cash collateral received in connection with such loans will be invested together with those of each other and such others.

Dated: October 6, 1999

American Life Insurance Company

By _____
Name: Ben Seiver
Title: Chief Investment Officer
Securities Lending Agency Agreement
Date: September 30, 1999

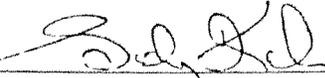
American Home Assurance Company

By Win Neuger
Name: Win Neuger
Title: Vice President
Securities Lending Agency Agreement
Date: July 6, 1998

National Union Fire Insurance Company of Pittsburgh, PA

By Win Neuger
Name: Win Neuger
Title: Vice President
Securities Lending Agency Agreement
Date: April 9, 1999

Transatlantic Holdings, Inc.

By 
Name: Sidney Kahn
Title: Assistant Secretary
Securities Lending Agency Agreement
Date: July 6, 1999

Transatlantic Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

Putnam Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

American International Life Assurance Company
of New York

By _____
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: May 31, 1999

Delaware American Life Insurance Company

By _____
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

Transatlantic Holdings, Inc.

By _____
Name: Sidney Kahn
Title: Assistant Secretary
Securities Lending Agency Agreement
Date: July 6, 1999

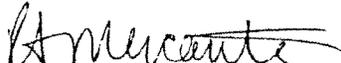
Transatlantic Reinsurance Company

By _____
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

Putnam Reinsurance Company

By _____
Name: Sidney Kahn
Title: Vice President and Treasurer
Securities Lending Agency Agreement
Date: May 31, 1999

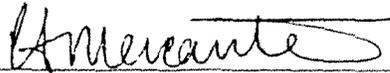
American International Life Assurance Company
of New York

By 
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: May 31, 1999

Delaware American Life Insurance Company

By 
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

AIG Life Insurance Company

By 
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

Birmingham Fire Insurance Company of PA

By _____
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

New Hampshire Insurance Company

By _____
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

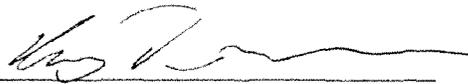
Insurance Company of the State of Pennsylvania

By _____
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

AIG Life Insurance Company

By _____
Name: Richard Mercante
Title: Vice President
Securities Lending Agency Agreement
Date: July 1, 1999

Birmingham Fire Insurance Company of PA

By  _____
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

New Hampshire Insurance Company

By  _____
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

Insurance Company of the State of Pennsylvania

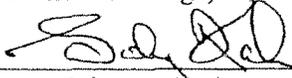
By  _____
Name: Hans Danielsson
Title: Vice President
Securities Lending Agency Agreement
Date: October 1, 1999

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. ("AIGGSL") under the Custody Agreement dated the date hereof with Mellon Bank N.A. (the "Custodian").

The undersigned confirms to the Custodian that: (i) it has appointed AIGGSL as its lending agent and, as such, AIGGSL is authorized to act on the undersigned's behalf in accordance with and pursuant to the Custody Agreement, and (ii) the Custodian shall be entitled to rely on and shall be fully protected in acting upon direction from AIGGSL until notified in writing by the undersigned of a change of such authorized party.

Dated: July 30, 1999

Transatlantic Holdings, Inc.

By 
Name: Sidney Kahn
Title: Assistant Secretary

Securities Lending Agency Agreement

Date: July 6, 1999

CONSENT

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. under each of its agreements identified below:

Affiliate Services Agreement dated March 2, 1998 with AIG Global Investment Corp. (Europe) Ltd.

Services Agreement dated October 8, 1998 with AIG Global Investment Trust Service Ltd.

Affiliate Services Agreement dated February 5, 1999 with AIG Equity Sales Corp.

Services Agreement dated March 31, 1999 with AIG Investment Corporation (Asia) Ltd.

This consent will be effective as of the date of the Agreement.

Dated: July 6, 1999

Transatlantic Holdings, Inc.

By  _____

Name: SIDNEY KAHN

Title: ASST SECRETARY

Securities Lending Agency Agreement

Date: July 6, 1999

Each of the undersigned Lenders refers to its Securities Lending Agency Agreement with AIG Global Securities Lending Corp. (the "Agent"), and to its previous consents to the delegation, if any, by the Agent of any responsibilities thereunder to (i) AIG Equity Sales Corp. pursuant to the Affiliate Services Agreement dated February 5, 1999 and (ii) Mellon Bank, N.A. pursuant to the Custody Agreement dated July 30, 1999.

Without in any way limiting the provisions of such Securities Lending Agency Agreement or such consents, the undersigned Lenders each acknowledges that the Agent acts as securities lending agent for each other and for other lenders, that the assets of each Lender will be lent together with those of others, and that any cash collateral received in connection with such loans will be invested together with those of others.

September 29
August __, 1999

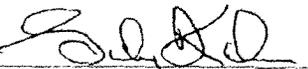
Transatlantic Holdings, Inc.

By 
Name: Sidney Kahn
Title: ~~Vice President and Treasurer~~ ASST SECRETARY

Transatlantic Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer

Putnam Reinsurance Company

By 
Name: Sidney Kahn
Title: Vice President and Treasurer

American International Life Assurance Company of New York

By 
Name: Richard Mercante
Title: Vice President

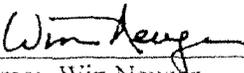
Delaware American Life Insurance Company

By 
Name: Richard Mercante
Title: Vice President

AIG Life Insurance Company

By 
Name: Richard Mercante
Title: Vice President

American Home Assurance Company

By 
Name: Win Neuger
Title: Vice President

National Union Fire Insurance Company of Pittsburgh, Pennsylvania

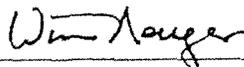
By 
Name: Win Neuger
Title: Vice President

EXHIBIT D

SECURITIES LENDING AGENCY AGREEMENT

THIS SECURITIES LENDING AGENCY AGREEMENT is made as of October 22, 1999 by and between AIG GLOBAL SECURITIES LENDING CORPORATION ("AIG"), and TRANS RE ZURICH REINSURANCE COMPANY (the "Lender").

RECITALS:

WHEREAS, the Lender has entered into certain agreements and desires to enter into further such agreements (the "Securities Lending Agreements") with third parties (the "Borrowers") pursuant to which the Lender has agreed or will agree to lend the Borrowers Securities (hereinafter defined in Section 1.1); and

WHEREAS, the Lender wishes to retain the services of AIG as its agent in connection with any loans of the Securities to the Borrowers pursuant to the Securities Lending Agreements and any related transactions (collectively, the "Transactions") and the performance of the obligations of the Lender thereunder, and AIG wishes to provide such services to the Lender.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties hereto agree as follows:

1. Appointment and Duties of AIG

1.1 Commencing on the date hereof, the Lender hereby appoints AIG, and AIG hereby accepts such appointment, as the Lender's exclusive agent and attorney-in-fact, with full power, discretion and authority to act on behalf of the Lender in connection with the Transactions and the performance of the obligations of the Lender under the Securities Lending Agreements and without limitation, to:

(a) identify Borrowers of the Securities and negotiate the terms and conditions of the Securities Lending Agreements and the Transactions entered into with such Borrowers (including but not limited to any related fees, expenses and collateral or margin requirements);

(b) take such action as may be necessary in order to satisfy the obligations of the Lender in connection with the Transactions, including but not limited to effecting transfers of cash, Securities and other property to and from accounts maintained by the Lender with banks, brokers or counterparties and assuring proper receipt on behalf of the Lender, of all cash, securities or other property due to the Lender in connection with the Transactions;

(c) manage the Lender's relationship with banks, brokers and counterparties (including but not limited to the Borrowers) in connection with the Transactions. Without limitation of the foregoing, AIG shall monitor the activities of such banks, brokers and counterparties in connection with the Transactions, review and determine the accuracy of all reports provided to the Lender by such banks, brokers, and counterparties and use reasonable efforts to assure that any errors contained therein are promptly rectified; and

(d) provide such other services to the Lender in connection with the Transactions and the Securities Lending Agreements as may reasonably be requested by the Lender, provided that such services can reasonably be provided by the Agent.

For purposes of this Agreement, "Securities" shall mean securities held from time to time in the Lender's portfolio.

1.2 The Lender shall notify the Borrowers, as well as any banks, brokers or counterparties involved in the Transactions or the Securities Lending Agreements on behalf of the Lender, of the authority granted to AIG hereunder, and shall authorize such persons to receive and act upon the instructions of AIG to the same extent, and with the same force and effect, as if provided by the Lender directly. Without limitation of the foregoing, the Lender shall execute such additional documents or instruments as may be necessary in order to effectuate the provisions of this Section.

1.3 The Lender hereby agrees that the authorization granted to AIG hereunder shall be exclusive during the term of this Agreement and that the Lender shall not grant to any other person the authority to act on behalf of the Lender in connection with the Transactions under the Securities Lending Agreements provided that the Lender may revoke or limit all or a portion of the authority granted to AIG hereunder by written notice to AIG and provided further that the Lender shall remain responsible for the satisfaction of all financial obligations arising out of Transactions entered into or other actions taken by the Agent subject to and in accordance with the terms and conditions of this Agreement prior to the effective date of any such revocation or limitation of the Agent's authority hereunder. AIG will be subject to the written investment guidelines of the Lender as duly adopted by a resolution of its Board of Directors.

1.4 The Lender acknowledges and agrees that AIG may delegate any of its duties and responsibilities hereunder to any person or entity (regardless of whether such person or entity is affiliated with AIG), with prior approval of the Lender. Any company that AIG delegates its authority to will be subject to all the guidelines of the Lender which AIG is subject to, including the Lender's investment guidelines.

1.5 AIG will deposit interest earned and other collections for the Lender's Securities into the Lender's account within ten (10) business days of receipt.

2. Representations and Warranties

2.1 Each party hereby represents and warrants to the other party that:

(a) It is duly organized and validly existing under the laws of the jurisdiction in which it is organized and is qualified to do business and is in good standing in each other jurisdiction in which the nature or conduct of its business requires such qualification and in which the failure to so qualify would materially adversely affect its ability to conduct its business activities.

(b) It has full power and authority to enter into and perform its obligations under this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered on behalf of such party and is a valid and binding agreement of such party enforceable in accordance with its terms.

(d) The execution and delivery of this Agreement, the incurrence of the obligations set forth in this Agreement and the performance of such obligations will not violate, or constitute a breach of or default under, the governing documents of such party or any agreement or instruments by which it is bound or, to the best of such party's knowledge, any order, rule, law or regulation applicable to such party of any court or any governmental body or administrative agency or self-regulatory authority have jurisdiction over such party.

(e) There is not pending nor, to the best of such party's knowledge, threatened, any action, suit or proceeding before or by any court or other governmental or self-regulatory authority to which such party is a party which might reasonably be expected to result in any material adverse change in the financial condition or regulatory qualifications of such party or which might reasonably be expected to affect the ability of such party to perform its obligations hereunder, nor has any such action been pending, initiated or completed within the five years preceding the date of this Agreement.

(f) It, and each of its principals and employees is, and throughout the term of this Agreement will remain, in compliance, in every material respect, with any and all applicable laws and regulations material to the Transactions to be entered into, and other performance required, under the Securities Lending Agreements.

2.2 The Lender further represents and warrants that it has and will have full power and authority to enter into the Transactions pursuant to the Securities Lending Agreement and that it has and will have valid legal and beneficial ownership of all Securities which are the subject of such Transactions, free and clear of any and all liens, security interests and other encumbrances of any kind, with the exception of those created pursuant to the Transactions and the Securities Lending Agreements.

2.3 Each party will promptly notify the other of any material changes in any of the foregoing representations and warranties, or of any material change in its financial condition, business prospects or personnel.

3. Covenants

3.1 AIG hereby covenants and agrees as follows:

(a) In connection with its activities on behalf of the Lender, AIG will comply in all material respects with all applicable rules and regulations relating to the performance of its obligations hereunder.

(b) AIG will promptly notify the Lender of the commencement of any material suit, action, investigation or other proceeding involving it or its principals, whether or not any such suits, action or proceeding also involves the Lender or the activities of AIG hereunder.

(c) AIG will exercise good faith and due care in the performance of its obligations hereunder, will act at all times in the best interests of the Lender in connection

therewith, and will not provide services to the Lender hereunder which it knows or has reason to know are inferior to any those provided to any other person for which AIG provides similar services or performs similar functions.

(d) AIG hereby agrees to provide the Lender, upon its reasonable request, with any and all material information and documentation regarding the services to be provided by AIG hereunder or any other matters related to this Agreement or the performance of AIG's obligations hereunder.

(e) AIG shall furnish the Lender with prompt reports of all Transactions entered into by AIG hereunder and with such other information and reports regarding the services and activities of AIG hereunder as may be reasonably requested by the Lender. The Lender may at any time, upon reasonable notice, inspect the books and records of AIG in connection with the lending of the Lender's Securities and may request reports in connection therewith from AIG. In addition, no later than the tenth business day of each month, AIG will provide a report to the Lender, summarizing the lending transactions engaged in on its behalf in the preceding month.

(f) AIG shall in connection with each loan of securities receive collateral with a market value equal to at least a percentage of the market value of the securities lent, which percentage shall not be less than the then prevailing industry standard for such transactions (such industry standard currently being 102% for domestic transactions and 105% for cross border transactions).

3.2 The Lender hereby covenants and agrees as follows:

(a) Upon the reasonable request of AIG, the Lender shall take any and all actions, and execute any and all documents or instruments, which are reasonably necessary in order to effectuate the Transactions entered into pursuant to the Securities Lending Agreements; and

(b) Upon the reasonable request of AIG, the Lender shall provide AIG (and/or its designated agent) with any and all data, information and documentation which are reasonably necessary to AIG's performance of its obligations hereunder (and to the performance by AIG of the Lender's obligations under the Securities Lending Agreements), in such form and manner and at such times as may be reasonably specified by AIG (and/or its designated agent).

4. Compensation and Other Payments

4.1 In consideration of, and as compensation for, all of the services to be rendered by AIG under this Agreement, the Lender shall pay to AIG, or arrange for the Borrowers or other third parties to pay to AIG (in such manner and on such terms as may be acceptable to AIG) a monthly fee, for each calendar month in which this Agreement remains in effect, in an amount equal to 50% of all fees or other compensation or income received or earned by or on behalf of the Lender (including but not limited to securities lending fees and net interest income, if applicable) during such calendar month in connection with Transactions entered into under the Securities Lending Agreements.

4.2 Without limitation of the foregoing, it is understood that the fees payable to AIG hereunder shall, unless AIG and the Lender otherwise agree, be deducted by AIG from the fees received by AIG on behalf of the Lender under the Securities Lending Agreements, and the

remainder of any such fees shall be remitted or credited to the account of the Lender, in accordance with the Lender's instructions.

4.3 The amount of the fees due to AIG hereunder shall be calculated and determined by AIG, and the determination of AIG with respect to the amount of such fees shall be conclusive and binding absent manifest error. The fee to be paid by the Lender to AIG will not exceed that which the Lender would have to pay if it were to perform such services itself.

4.4 To the extent that under the terms of a securities loan pursuant to any Securities Lending Agreement, the Borrower is required to pay to the Lender any amount in respect of any withholding tax, AIG shall collect such amount from the Borrower on behalf of the Lender and, promptly upon receipt thereof, shall pay such amount to the U.S. branch of the Lender.

5. Services Not Exclusive: The services provided by AIG hereunder shall not be deemed to be exclusive and, subject to the terms of this Agreement (including but not limited to the terms of Section 3.1(c) hereof), AIG may engage in other business activities and provide services (including the services to be provided hereunder) to other persons provided that such other activities, and the provision of such other services does not materially adversely affect the capacity or the ability of AIG to continue to render the services required to be provided by it hereunder.

6. Indemnification

6.1 The Lender shall indemnify AIG, its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to AIG's performance of its obligations hereunder, provided that such loss, liability, damage, claim, cost of expense did not occur as a result of or in connection with the negligence, bad faith or willful misconduct of AIG or any breach this Agreement by AIG.

6.2 AIG shall indemnify the Lender and its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to any act or omission by AIG which constitutes gross negligence, bad faith or willful misconduct, or a breach of this Agreement.

6.3 The provisions of this Section 6 shall survive the termination of this Agreement.

7. Term

7.1 Except as otherwise provided in Section 7.2 hereof, this Agreement shall continue in full force and effect until terminated by either party upon six months' written notice to the other party.

7.2 Notwithstanding the provisions of Section 7.1 hereof, the Lender may terminate this Agreement immediately upon the occurrence of an Event of Default, as defined

herein, or, if such Event of Default is curable, thirty days following the Lender's provision of written notice to AIG of such Event of Default, if such Event of Default is not cured within such thirty day period.

7.3 Any of the following events shall constitute an Event of Default hereunder:

(a) AIG shall fail to comply with the terms of this Agreement or any representation or warranty made by AIG hereunder ceases to be accurate and complete in any material respect;

(b) AIG merges with or is consolidated into another person or entity or enters into a joint venture or partnership with another person or entity which has the effect of a change in the control of AIG;

(c) AIG shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a trustee, receiver, liquidator, conservator, administrator, custodian or other similar official (each a "Custodian") of it or any substantial part of its assets, (ii) take any corporate action to authorize any of the foregoing, or (iii) have an involuntary case or other proceeding commenced against it seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a Custodian of it or any substantial part of its assets, and such involuntary case or other proceeding is not dismissed within sixty days of its institution or presentation; or

(d) AIG shall become bankrupt or insolvent, as defined under any applicable bankruptcy or insolvency law, or shall otherwise be unable to pay its debts as they become due.

7.4 Except as otherwise provided herein, any termination of this Agreement in accordance with this Section 7 shall be without penalty or liability to any party, except for any fees due to AIG pursuant to Section 4 hereof.

8. Confidentiality: Each of the parties shall maintain in strict confidence any and all information and documentation it may obtain concerning any other party (including, without limitation, any information and/or documentation provided to the Lender by AIG pursuant to the terms of Section 3.1(d) of this Agreement), or concerning advice rendered or Transactions entered into by AIG or on behalf of the Lender, as a result of the services to be provided under this Agreement, and shall not disclose any such information or documentation to any third parties without the prior written consent of the party from which such information or documentation was received, except as may be required by applicable law or regulation or by order of a court of competent jurisdiction, or as may be necessary or appropriate in connection with the performance of such party's obligations hereunder.

9. Complete Agreement: This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof.

10. Assignment: This Agreement may not be assigned by either party without the express prior written consent of the other party.

11. Amendment: This Agreement may not be amended except by the written consent of the parties.

12. Notices: All notices, demands or requests required to be made or delivered under this Agreement shall be in writing and delivered personally, by facsimile or by registered or certified mail, return receipt requested, postage prepaid, to the addresses below or to such other addresses as may be designated by the party entitled to receive the same by notice similarly given:

If to AIG:

AIG Global Securities Lending Corp.
175 Water Street
26th Floor
New York, New York 10038
Phone: (212) 458-2147
Fax: (212) 458-2244
Attention: Vice President
Securities Lending

If to the Lender, to it at:

Seestrasse 121
PO Box 222
CH-8027 Zurich
Switzerland

13. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America, without regard to principles of choice of law.

14. Arbitration: In the case of any dispute or controversy arising out of or in connection with this Agreement, the parties hereto hereby agree to submit said dispute or controversy to the American Arbitration Association in New York City for a resolution within 120 days after submission thereof by three arbitrators to be designated in accordance with the rules then in effect of the American Arbitration Association. Any decision or award by said arbitrators shall be binding on the parties hereto and, except in cases of gross fraud or misconduct by one or more of the arbitrators, the decision or award rendered with respect to such dispute shall not be appealable. Each party shall bear its own costs arising from any such arbitration and the fees of the arbitrators shall be paid one half by AIG and one half by the Lender. In connection with the enforcement of any arbitration award rendered hereunder, each party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, and waives any objection which it may have at any time to the laying of venue of any action brought in such court.

15. Severability: In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect under the law of jurisdiction, the validity, legality and enforceability of the remaining provisions under the law of

such jurisdiction, and the validity, legality and enforceability of such and any other provisions under the law of any other jurisdiction, shall not be in any way affected or impaired thereby.

16. Status of AIG: It is understood and agreed that AIG shall act as the agent of the Lender solely for the purposes and in accordance with the terms and conditions set forth herein, that the status of AIG shall be that of an independent contractor and that nothing set forth herein shall be deemed to constitute any partnership, joint venture, association or other separate entity between AIG and the Lender. AIG shall not represent to any person that any such partnership, joint venture, association or other separate entity between AIG and the Lender exists, or that AIG is acting on behalf of the Lender in any capacity other than that of agent and independent contractor.

IN WITNESS WHEREOF, this agreement has been executed for and on behalf of the undersigned as of the day and year first above written.

TRANS RE ZURICH REINSURANCE COMPANY

By: [Signature]
Richard Loffler

By: [Signature]
Juan Carlos Glogg

AIG GLOBAL SECURITIES LENDING CORP.

By: [Signature]
Title: Vice President
Robert Adamczyk

CONSENT

The undersigned Lender under the Securities Lending Agency Agreement (the "Agreement") identified below, hereby consents, for the purposes of Section 1.4 of the Agreement, to the delegation, if any, effected by AIG Global Securities Lending Corp. (the "Agent") under each of its agreements identified below:

Affiliate Services Agreement dated March 2, 1998 with AIG Global Investment Corp. (Europe) Ltd.

Services Agreement dated October 8, 1998 with AIG Global Investment Trust Service Ltd.

Affiliate Services Agreement dated February 5, 1999 with AIG Equity Sales Corp.

Services Agreement dated March 31, 1999 with AIG Investment Corporation (Asia) Ltd.

Custody Agreement dated July 30, 1999 with Mellon Bank, N.A.

Investment Advisory Agreement dated October 6, 1999 with AIG Capital Management Corp.

Investment Advisory Agreement dated October 6, 1999 with AIG Global Investment Corp.

The undersigned Lender acknowledges that the Agent acts as securities lending agent for other lenders, that the assets of the Lender will be lent together with those of other lenders, and that any cash collateral received in connection with such loans will be invested together with those of other lenders.

This consent will be effective as of the date of the Agreement.

~~November~~
Dated: October 16, 1999

Trans Re Zurich Reinsurance Company

By [Signature]
Name: Richard Loffler
Title: General Manager & Chief Executive

By [Signature]
Name: Juan-Carlos Glogg
Title: Chief Financial Officer

Securities Lending Agency Agreement
Dated: October 22, 1999

EXHIBIT E

SECURITIES LENDING AGENCY AGREEMENT

November 28 2002

THIS SECURITIES LENDING AGENCY AGREEMENT is made as of ~~October 22, 1999~~ by and between ~~AIG GLOBAL SECURITIES LENDING CORPORATION ("AIG")~~, and TRANS RE ZURICH REINSURANCE COMPANY (the "Lender").

AIG GLOBAL SECURITIES LENDING (IRELAND) LTD.

RECITALS:

WHEREAS, the Lender has entered into certain agreements and desires to enter into further such agreements (the "Securities Lending Agreements") with third parties (the "Borrowers") pursuant to which the Lender has agreed or will agree to lend the Borrowers Securities (hereinafter defined in Section 1.1); and

WHEREAS, the Lender wishes to retain the services of AIG as its agent in connection with any loans of the Securities to the Borrowers pursuant to the Securities Lending Agreements and any related transactions (collectively, the "Transactions") and the performance of the obligations of the Lender thereunder, and AIG wishes to provide such services to the Lender.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the parties hereto agree as follows:

1. Appointment and Duties of AIG

1.1 Commencing on the date hereof, the Lender hereby appoints AIG, and AIG hereby accepts such appointment, as the Lender's exclusive agent and attorney-in-fact, with full power, discretion and authority to act on behalf of the Lender in connection with the Transactions and the performance of the obligations of the Lender under the Securities Lending Agreements and without limitation, to:

(a) identify Borrowers of the Securities and negotiate the terms and conditions of the Securities Lending Agreements and the Transactions entered into with such Borrowers (including but not limited to any related fees, expenses and collateral or margin requirements);

(b) take such action as may be necessary in order to satisfy the obligations of the Lender in connection with the Transactions, including but not limited to effecting transfers of cash, Securities and other property to and from accounts maintained by the Lender with banks, brokers or counterparties and assuring proper receipt on behalf of the Lender, of all cash, securities or other property due to the Lender in connection with the Transactions;

(c) manage the Lender's relationship with banks, brokers and counterparties (including but not limited to the Borrowers) in connection with the Transactions. Without limitation of the foregoing, AIG shall monitor the activities of such banks, brokers and counterparties in connection with the Transactions, review and determine the accuracy of all reports provided to the Lender by such banks, brokers, and counterparties and use reasonable efforts to assure that any errors contained therein are promptly rectified; and

(d) provide such other services to the Lender in connection with the Transactions and the Securities Lending Agreements as may reasonably be requested by the Lender, provided that such services can reasonably be provided by the Agent.

For purposes of this Agreement, "Securities" shall mean securities held from time to time in the Lender's portfolio.

1.2 The Lender shall notify the Borrowers, as well as any banks, brokers or counterparties involved in the Transactions or the Securities Lending Agreements on behalf of the Lender, of the authority granted to AIG hereunder, and shall authorize such persons to receive and act upon the instructions of AIG to the same extent, and with the same force and effect, as if provided by the Lender directly. Without limitation of the foregoing, the Lender shall execute such additional documents or instruments as may be necessary in order to effectuate the provisions of this Section.

1.3 The Lender hereby agrees that the authorization granted to AIG hereunder shall be exclusive during the term of this Agreement and that the Lender shall not grant to any other person the authority to act on behalf of the Lender in connection with the Transactions under the Securities Lending Agreements provided that the Lender may revoke or limit all or a portion of the authority granted to AIG hereunder by written notice to AIG and provided further that the Lender shall remain responsible for the satisfaction of all financial obligations arising out of Transactions entered into or other actions taken by the Agent subject to and in accordance with the terms and conditions of this Agreement prior to the effective date of any such revocation or limitation of the Agent's authority hereunder. AIG will be subject to the written investment guidelines of the Lender as duly adopted by a resolution of its Board of Directors.

1.4 The Lender acknowledges and agrees that AIG may delegate any of its duties and responsibilities hereunder to any person or entity (regardless of whether such person or entity is affiliated with AIG), with prior approval of the Lender. Any company that AIG delegates its authority to will be subject to all the guidelines of the Lender which AIG is subject to, including the Lender's investment guidelines.

1.5 AIG will deposit interest earned and other collections for the Lender's Securities into the Lender's account within ten (10) business days of receipt.

2. Representations and Warranties

2.1 Each party hereby represents and warrants to the other party that:

(a) It is duly organized and validly existing under the laws of the jurisdiction in which it is organized and is qualified to do business and is in good standing in each other jurisdiction in which the nature or conduct of its business requires such qualification and in which the failure to so qualify would materially adversely affect its ability to conduct its business activities.

(b) It has full power and authority to enter into and perform its obligations under this Agreement.

(c) This Agreement has been duly and validly authorized, executed and delivered on behalf of such party and is a valid and binding agreement of such party enforceable in accordance with its terms.

(d) The execution and delivery of this Agreement, the incurrence of the obligations set forth in this Agreement and the performance of such obligations will not violate, or constitute a breach of or default under, the governing documents of such party or any agreement or instruments by which it is bound or, to the best of such party's knowledge, any order, rule, law or regulation applicable to such party of any court or any governmental body or administrative agency or self-regulatory authority have jurisdiction over such party.

(e) There is not pending nor, to the best of such party's knowledge, threatened, any action, suit or proceeding before or by any court or other governmental or self-regulatory authority to which such party is a party which might reasonably be expected to result in any material adverse change in the financial condition or regulatory qualifications of such party or which might reasonably be expected to affect the ability of such party to perform its obligations hereunder, nor has any such action been pending, initiated or completed within the five years preceding the date of this Agreement.

(f) It, and each of its principals and employees is, and throughout the term of this Agreement will remain, in compliance, in every material respect, with any and all applicable laws and regulations material to the Transactions to be entered into, and other performance required, under the Securities Lending Agreements.

2.2 The Lender further represents and warrants that it has and will have full power and authority to enter into the Transactions pursuant to the Securities Lending Agreement and that it has and will have valid legal and beneficial ownership of all Securities which are the subject of such Transactions, free and clear of any and all liens, security interests and other encumbrances of any kind, with the exception of those created pursuant to the Transactions and the Securities Lending Agreements.

2.3 Each party will promptly notify the other of any material changes in any of the foregoing representations and warranties, or of any material change in its financial condition, business prospects or personnel.

3. Covenants

3.1 AIG hereby covenants and agrees as follows:

(a) In connection with its activities on behalf of the Lender, AIG will comply in all material respects with all applicable rules and regulations relating to the performance of its obligations hereunder.

(b) AIG will promptly notify the Lender of the commencement of any material suit, action, investigation or other proceeding involving it or its principals, whether or not any such suits, action or proceeding also involves the Lender or the activities of AIG hereunder.

(c) AIG will exercise good faith and due care in the performance of its obligations hereunder, will act at all times in the best interests of the Lender in connection

therewith, and will not provide services to the Lender hereunder which it knows or has reason to know are inferior to any those provided to any other person for which AIG provides similar services or performs similar functions.

(d) AIG hereby agrees to provide the Lender, upon its reasonable request, with any and all material information and documentation regarding the services to be provided by AIG hereunder or any other matters related to this Agreement or the performance of AIG's obligations hereunder.

(e) AIG shall furnish the Lender with prompt reports of all Transactions entered into by AIG hereunder and with such other information and reports regarding the services and activities of AIG hereunder as may be reasonably requested by the Lender. The Lender may at any time, upon reasonable notice, inspect the books and records of AIG in connection with the lending of the Lender's Securities and may request reports in connection therewith from AIG. In addition, no later than the tenth business day of each month, AIG will provide a report to the Lender, summarizing the lending transactions engaged in on its behalf in the preceding month.

(f) AIG shall in connection with each loan of securities receive collateral with a market value equal to at least a percentage of the market value of the securities lent, which percentage shall not be less than the then prevailing industry standard for such transactions (such industry standard currently being 102% for domestic transactions and 105% for cross border transactions).

3.2 The Lender hereby covenants and agrees as follows:

(a) Upon the reasonable request of AIG, the Lender shall take any and all actions, and execute any and all documents or instruments, which are reasonably necessary in order to effectuate the Transactions entered into pursuant to the Securities Lending Agreements; and

(b) Upon the reasonable request of AIG, the Lender shall provide AIG (and/or its designated agent) with any and all data, information and documentation which are reasonably necessary to AIG's performance of its obligations hereunder (and to the performance by AIG of the Lender's obligations under the Securities Lending Agreements), in such form and manner and at such times as may be reasonably specified by AIG (and/or its designated agent).

4. Compensation and Other Payments

4.1 In consideration of, and as compensation for, all of the services to be rendered by AIG under this Agreement, the Lender shall pay to AIG, or arrange for the Borrowers or other third parties to pay to AIG (in such manner and on such terms as may be acceptable to AIG) a monthly fee, for each calendar month in which this Agreement remains in effect, in an amount equal to 50% of all fees or other compensation or income received or earned by or on behalf of the Lender (including but not limited to securities lending fees and net interest income, if applicable) during such calendar month in connection with Transactions entered into under the Securities Lending Agreements.

4.2 Without limitation of the foregoing, it is understood that the fees payable to AIG hereunder shall, unless AIG and the Lender otherwise agree, be deducted by AIG from the fees received by AIG on behalf of the Lender under the Securities Lending Agreements, and the

remainder of any such fees shall be remitted or credited to the account of the Lender, in accordance with the Lender's instructions.

4.3 The amount of the fees due to AIG hereunder shall be calculated and determined by AIG, and the determination of AIG with respect to the amount of such fees shall be conclusive and binding absent manifest error. The fee to be paid by the Lender to AIG will not exceed that which the Lender would have to pay if it were to perform such services itself.

4.4 To the extent that under the terms of a securities loan pursuant to any Securities Lending Agreement, the Borrower is required to pay to the Lender any amount in respect of any withholding tax, AIG shall collect such amount from the Borrower on behalf of the Lender and, promptly upon receipt thereof, shall pay such amount to the U.S. branch of the Lender.

5. Services Not Exclusive: The services provided by AIG hereunder shall not be deemed to be exclusive and, subject to the terms of this Agreement (including but not limited to the terms of Section 3.1(c) hereof), AIG may engage in other business activities and provide services (including the services to be provided hereunder) to other persons provided that such other activities, and the provision of such other services does not materially adversely affect the capacity or the ability of AIG to continue to render the services required to be provided by it hereunder.

6. Indemnification

6.1 The Lender shall indemnify AIG, its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to AIG's performance of its obligations hereunder, provided that such loss, liability, damage, claim, cost or expense did not occur as a result of or in connection with the negligence, bad faith or willful misconduct of AIG or any breach this Agreement by AIG.

6.2 AIG shall indemnify the Lender and its officers, directors, stockholders, employees, agents and affiliates, and hold them harmless from and against any and all loss, liability, damage, claim, cost or expense (including but not limited to the reasonable fees and expenses of their legal counsel) arising out of or related to any act or omission by AIG which constitutes gross negligence, bad faith or willful misconduct, or a breach of this Agreement.

6.3 The provisions of this Section 6 shall survive the termination of this Agreement.

7. Term

7.1 Except as otherwise provided in Section 7.2 hereof, this Agreement shall continue in full force and effect until terminated by either party upon six months' written notice to the other party.

7.2 Notwithstanding the provisions of Section 7.1 hereof, the Lender may terminate this Agreement immediately upon the occurrence of an Event of Default, as defined

herein, or, if such Event of Default is curable, thirty days following the Lender's provision of written notice to AIG of such Event of Default, if such Event of Default is not cured within such thirty day period.

7.3 Any of the following events shall constitute an Event of Default hereunder:

(a) AIG shall fail to comply with the terms of this Agreement or any representation or warranty made by AIG hereunder ceases to be accurate and complete in any material respect;

(b) AIG merges with or is consolidated into another person or entity or enters into a joint venture or partnership with another person or entity which has the effect of a change in the control of AIG;

(c) AIG shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a trustee, receiver, liquidator, conservator, administrator, custodian or other similar official (each a "Custodian") of it or any substantial part of its assets, (ii) take any corporate action to authorize any of the foregoing, or (iii) have an involuntary case or other proceeding commenced against it seeking liquidation, reorganization or other similar relief with respect to itself or its debts under any bankruptcy, insolvency or similar law, or seeking the appointment of a Custodian of it or any substantial part of its assets, and such involuntary case or other proceeding is not dismissed within sixty days of its institution or presentation; or

(d) AIG shall become bankrupt or insolvent, as defined under any applicable bankruptcy or insolvency law, or shall otherwise be unable to pay its debts as they become due.

7.4 Except as otherwise provided herein, any termination of this Agreement in accordance with this Section 7 shall be without penalty or liability to any party, except for any fees due to AIG pursuant to Section 4 hereof.

8. Confidentiality: Each of the parties shall maintain in strict confidence any and all information and documentation it may obtain concerning any other party (including, without limitation, any information and/or documentation provided to the Lender by AIG pursuant to the terms of Section 3.1(d) of this Agreement), or concerning advice rendered or Transactions entered into by AIG or on behalf of the Lender, as a result of the services to be provided under this Agreement, and shall not disclose any such information or documentation to any third parties without the prior written consent of the party from which such information or documentation was received, except as may be required by applicable law or regulation or by order of a court of competent jurisdiction, or as may be necessary or appropriate in connection with the performance of such party's obligations hereunder.

9. Complete Agreement: This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof.

10. Assignment: This Agreement may not be assigned by either party without the express prior written consent of the other party.

11. Amendment: This Agreement may not be amended except by the written consent of the parties.

12. Notices: All notices, demands or requests required to be made or delivered under this Agreement shall be in writing and delivered personally, by facsimile or by registered or certified mail, return receipt requested, postage prepaid, to the addresses below or to such other addresses as may be designated by the party entitled to receive the same by notice similarly given:

If to AIG:

~~AIG Global Securities Lending Corp.
175 Water Street
26th Floor
New York, New York 10038
Phone: (212) 458-2147
Fax: (212) 458-2244
Attention: Vice President
Securities Lending~~

AIG Global Securities Lending (Ireland) Ltd
AIG Centre
North Wall Quay
IFSC
Dublin 1
Attention: Ms Aisling Gill

If to the Lender, to it at:

~~Seestrasse 121
PO Box 222
CH-8027 Zurich
Switzerland~~

TRANS RE ZURICH
Reinsurance Company
Nüscherstrasse 32
P.O. Box 1475
8021 Zurich
SWITZERLAND

13. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America, without regard to principles of choice of law.

14. Arbitration: In the case of any dispute or controversy arising out of or in connection with this Agreement, the parties hereto hereby agree to submit said dispute or controversy to the American Arbitration Association in New York City for a resolution within 120 days after submission thereof by three arbitrators to be designated in accordance with the rules then in effect of the American Arbitration Association. Any decision or award by said arbitrators shall be binding on the parties hereto and, except in cases of gross fraud or misconduct by one or more of the arbitrators, the decision or award rendered with respect to such dispute shall not be appealable. Each party shall bear its own costs arising from any such arbitration and the fees of the arbitrators shall be paid one half by AIG and one half by the Lender. In connection with the enforcement of any arbitration award rendered hereunder, each party hereby irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, and waives any objection which it may have at any time to the laying of venue of any action brought in such court.

15. Severability: In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect under the law of jurisdiction, the validity, legality and enforceability of the remaining provisions under the law of

such jurisdiction, and the validity, legality and enforceability of such and any other provisions under the law of any other jurisdiction, shall not be in any way affected or impaired thereby.

16. Status of AIG: It is understood and agreed that AIG shall act as the agent of the Lender solely for the purposes and in accordance with the terms and conditions set forth herein, that the status of AIG shall be that of an independent contractor and that nothing set forth herein shall be deemed to constitute any partnership, joint venture, association or other separate entity between AIG and the Lender. AIG shall not represent to any person that any such partnership, joint venture, association or other separate entity between AIG and the Lender exists, or that AIG is acting on behalf of the Lender in any capacity other than that of agent and independent contractor.

IN WITNESS WHEREOF, this agreement has been executed for and on behalf of the undersigned as of the day and year first above written.

TRANS RE ZURICH REINSURANCE COMPANY

By: [Signature]
Richard Coffer

By: [Signature]
Juan-Carlos Glogg
AIG GLOBAL SECURITIES LENDING CORP.

By: [Signature]
Title: Vice President
[Signature]

TRANS RE ZURICH REINSURANCE COMPANY

By: [Signature]
A.D. Manfré

By: [Signature]
Juan-Carlos Glogg

AIG GLOBAL SECURITIES LENDING
(IRELAND) LTD.

By: [Signature]

ACKNOWLEDGEMENT

The Lender refers to its Securities Lending Agency Agreement (the "Agreement") with ~~AIG Global Securities Lending Corp.~~ (the "Agent"). Without in any way limiting the provisions of such Agreement, the undersigned Lender acknowledges that the Agent: (i) may delegate such responsibilities thereunder as it considers appropriate to AIG Equity Sales Corp. pursuant to their Affiliate Services Agreement dated February 5, 1999, and (ii) acts as securities lending agent for each other and for other lenders, that the assets of each Lender are lent together with those of others, and that any cash collateral received in connection with such loans is invested together with those of others.

November 21, 2002

To the extent that an Agreement already permits the delegation described in paragraph (i) above, or the activities described in paragraph (ii) above, nothing in this Acknowledgement shall be construed to require that any acknowledgement or consent be required in the future with respect to such delegation or activities, or any other activities, already permitted under the Agreement.

AIG GLOBAL SECURITIES LENDING
(IRELAND) LTD.

Dated: 15th JUNE 2000

RICHARD LOFFLER JUAN-CARLOS GLOGG

Trans Re Zurich Reinsurance Company

Dated: 25. Nov. 2002

Trans Re Zurich Reinsurance Company

A.D. Manfré

Juan-Carlos Glogg