

(Bilateral Form - Transfer)¹(ISDA Agreements Subject to English Law)²**ISDA[®]**

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

ISDA Master Agreement16th February 1990

dated as of

between

AIG Financial Products Corp.

HSBC Bank plc

and

("Party A")

("Party B")

This Annex supplements, forms part of, and is subject to, the ISDA Master Agreement referred to above and is part of its Schedule. For the purposes of this Agreement, including, without limitation, Sections 1(c), 2(a), 5 and 6, the credit support arrangements set out in this Annex constitute a Transaction (for which this Annex constitutes the Confirmation).

Paragraph 1. Interpretation

Capitalised terms not otherwise defined in this Annex or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 10, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 11 and the other

¹ This document is not intended to create a charge or other security interest over the assets transferred under its terms. Persons intending to establish a collateral arrangement based on the creation of a charge or other security interest should consider using the ISDA Credit Support Deed (English law) or the ISDA Credit Support Annex (New York law), as appropriate.

² This Credit Support Annex has been prepared for use with ISDA Master Agreements subject to English law. Users should consult their legal advisers as to the proper use and effect of this form and the arrangements it contemplates. In particular, users should consult their legal advisers if they wish to have the Credit Support Annex made subject to a governing law other than English law or to have the Credit Support Annex subject to a different governing law than that governing the rest of the ISDA Master Agreement (e.g., English law for the Credit Support Annex and New York law for the rest of the ISDA Master Agreement).

provisions of this Annex, Paragraph 11 will prevail. For the avoidance of doubt, references to "transfer" in this Annex mean, in relation to cash, payment and, in relation to other assets, delivery.

Paragraph 2. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 3 and 4, upon a demand made by the Transferee on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Transferor's Minimum Transfer Amount, then the Transferor will transfer to the Transferee Eligible Credit Support having a Value as of the date of transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 11(b)(iii)(D)). Unless otherwise specified in Paragraph 11(b), the "Delivery Amount" applicable to the Transferor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date).

(b) **Return Amount.** Subject to Paragraphs 3 and 4, upon a demand made by the Transferor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Transferee's Minimum Transfer Amount, then the Transferee will transfer to the Transferor Equivalent Credit Support specified by the Transferor in that demand having a Value as of the date of transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 11(b)(iii)(D)) and the Credit Support Balance will, upon such transfer, be reduced accordingly. Unless otherwise specified in Paragraph 11(b), the "Return Amount" applicable to the Transferee for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of the Transferor's Credit Support Balance (adjusted to include any prior Delivery Amount and to exclude any prior Return Amount, the transfer of which, in either case, has not yet been completed and for which the relevant Settlement Day falls on or after such Valuation Date)

exceeds

(ii) the Credit Support Amount.

Paragraph 3. Transfers, Calculations and Exchanges

(a) **Transfers.** All transfers under this Annex of any Eligible Credit Support, Equivalent Credit Support, Interest Amount or Equivalent Distributions shall be made in accordance with the instructions of the Transferee or Transferor, as applicable, and shall be made:

(i) in the case of cash, by transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities which cannot or which the parties have agreed will not be delivered by book-entry, by delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, transfer tax stamps and any other documents necessary to constitute a legally valid transfer of the transferring party's legal and beneficial title to the recipient; and

(iii) in the case of securities which the parties have agreed will be delivered by book-entry, by the giving of written instructions (including, for the avoidance of doubt, instructions given by telex, facsimile transmission or electronic messaging system) to the relevant depository institution or other entity specified by the recipient, together with a written copy of the instructions to the recipient, sufficient, if complied with, to result in a legally effective transfer of the transferring party's legal and beneficial title to the recipient.

Subject to Paragraph 4 and unless otherwise specified, if a demand for the transfer of Eligible Credit Support or Equivalent Credit Support is received by the Notification Time, then the relevant transfer will be made not later than the close of business on the Settlement Day relating to the date such demand is received; if a demand is received after the Notification Time, then the relevant transfer will be made not later than the close of business on the Settlement Day relating to the day after the date such demand is received.

(b) *Calculations.* All calculations of Value and Exposure for purposes of Paragraphs 2 and 4(a) will be made by the relevant Valuation Agent as of the relevant Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or, in the case of Paragraph 4(a), following the date of calculation).

(c) *Exchanges.*

(i) Unless otherwise specified in Paragraph 11, the Transferor may on any Local Business Day by notice inform the Transferee that it wishes to transfer to the Transferee Eligible Credit Support specified in that notice (the "New Credit Support") in exchange for certain Eligible Credit Support (the "Original Credit Support") specified in that notice comprised in the Transferor's Credit Support Balance.

(ii) If the Transferee notifies the Transferor that it has consented to the proposed exchange, (A) the Transferor will be obliged to transfer the New Credit Support to the Transferee on the first Settlement Day following the date on which it receives notice (which may be oral telephonic notice) from the Transferee of its consent and (B) the Transferee will be obliged to transfer to the Transferor Equivalent Credit Support in respect of the Original Credit Support not later than the Settlement Day following the date on which the Transferee receives the New Credit Support, unless otherwise specified in Paragraph 11(d) (the "Exchange Date"); *provided* that the Transferee will only be obliged to transfer Equivalent Credit Support with a Value as of the date of transfer as close as practicable to, but in any event not more than, the Value of the New Credit Support as of that date.

Paragraph 4. Dispute Resolution

(a) *Disputed Calculations or Valuations.* If a party (a "Disputing Party") reasonably disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any transfer of Eligible Credit Support or Equivalent Credit Support, then:

(1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following, in the case of (I) above, the date that the demand is received under Paragraph 2 or, in the case of (II) above, the date of transfer;

(2) in the case of (I) above, the appropriate party will transfer the undisputed amount to the other party not later than the close of business on the Settlement Day following the date that the demand is received under Paragraph 2;

(3) the parties will consult with each other in an attempt to resolve the dispute; and

(4) if they fail to resolve the dispute by the Resolution Time, then:

(i) in the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 11(e), the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilising any calculations of that part of the Exposure attributable to the Transactions that the parties have agreed are not in dispute;

(B) calculating that part of the Exposure attributable to the Transactions in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction, then fewer than four quotations may be used for that Transaction, and if no quotations are available for a particular Transaction, then the Valuation Agent's original calculations will be used for the Transaction; and

(C) utilising the procedures specified in Paragraph 11(e)(ii) for calculating the Value, if disputed, of the outstanding Credit Support Balance;

(ii) in the case of a dispute involving the Value of any transfer of Eligible Credit Support or Equivalent Credit Support, the Valuation Agent will recalculate the Value as of the date of transfer pursuant to Paragraph 11(e)(ii).

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) as soon as possible but in any event not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following such notice given by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraph 3(a), make the appropriate transfer.

(b) *No Event of Default.* The failure by a party to make a transfer of any amount which is the subject of a dispute to which Paragraph 4(a) applies will not constitute an Event of Default for as long as the procedures set out in this Paragraph 4 are being carried out. For the avoidance of doubt, upon completion of those procedures, Section 5(a)(i) of this Agreement will apply to any failure by a party to make a transfer required under the final sentence of Paragraph 4(a) on the relevant due date.

Paragraph 5. Transfer of Title, No Security Interest, Distributions and Interest Amount

(a) *Transfer of Title.* Each party agrees that all right, title and interest in and to any Eligible Credit Support, Equivalent Credit Support, Equivalent Distributions or Interest Amount which it transfers to the other party under the terms of this Annex shall vest in the recipient free and clear of any liens, claims, charges or encumbrances or any other interest of the transferring party or of any third person (other than a lien routinely imposed on all securities in a relevant clearance system).

(b) *No Security Interest.* Nothing in this Annex is intended to create or does create in favour of either party any mortgage, charge, lien, pledge, encumbrance or other security interest in any cash or other property transferred by one party to the other party under the terms of this Annex.

(c) *Distributions and Interest Amount.*

(i) *Distributions.* The Transferee will transfer to the Transferor not later than the Settlement Day following each Distributions Date cash, securities or other property of the same type, nominal value, description and amount as the relevant Distributions ("Equivalent Distributions") to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose).

(ii) *Interest Amount.* Unless otherwise specified in Paragraph 11(f)(iii), the Transferee will transfer to the Transferor at the times specified in Paragraph 11(f)(ii) the relevant Interest Amount to the extent that a Delivery Amount would not be created or increased by the transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed a Valuation Date for this purpose).

Paragraph 6. Default

If an Early Termination Date is designated or deemed to occur as a result of an Event of Default in relation to a party, an amount equal to the Value of the Credit Support Balance, determined as though the Early Termination Date were a Valuation Date, will be deemed to be an Unpaid Amount due to the Transferor (which may or may not be the Defaulting Party) for purposes of Section 6(e). For the avoidance of doubt, if Market Quotation is the applicable payment measure for purposes of Section 6(e), then the Market Quotation determined under Section 6(e) in relation to the Transaction constituted by this Annex will be deemed to be zero, and, if Loss is the applicable payment measure for purposes of Section 6(e), then the Loss determined under Section 6(e) in relation to the Transaction will be limited to the Unpaid Amount representing the Value of the Credit Support Balance.

Paragraph 7. Representation

Each party represents to the other party (which representation will be deemed to be repeated as of each date on which it transfers Eligible Credit Support, Equivalent Credit Support or Equivalent Distributions) that it is the sole owner of or otherwise has the right to transfer all Eligible Credit Support, Equivalent Credit Support or Equivalent Distributions it transfers to the other party under this Annex, free and clear of any security interest, lien, encumbrance or other restriction (other than a lien routinely imposed on all securities in a relevant clearance system).

Paragraph 8. Expenses

Each party will pay its own costs and expenses (including any stamp, transfer or similar transaction tax or duty payable on any transfer it is required to make under this Annex) in connection with performing its obligations under this Annex, and neither party will be liable for any such costs and expenses incurred by the other party.

Paragraph 9. Miscellaneous

(a) *Default Interest.* Other than in the case of an amount which is the subject of a dispute under Paragraph 4(a), if a Transferee fails to make, when due, any transfer of Equivalent Credit Support, Equivalent Distributions or the Interest Amount, it will be obliged to pay the Transferor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value on the relevant Valuation Date of the items of property that were required to be transferred, from (and including) the date that the Equivalent Credit Support, Equivalent Distributions or Interest Amount were required to be transferred to (but excluding) the date of transfer of the Equivalent Credit Support, Equivalent Distributions or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) *Good Faith and Commercially Reasonable Manner.* Performance of all obligations under this Annex, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(c) *Demands and Notices.* All demands and notices given by a party under this Annex will be given as specified in Section 12 of this Agreement.

(d) *Specifications of Certain Matters.* Anything referred to in this Annex as being specified in Paragraph 11 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 10. Definitions

As used in this Annex:

"Base Currency" means the currency specified as such in Paragraph 11(a)(i).

"Base Currency Equivalent" means, with respect to an amount on a Valuation Date, in the case of an amount denominated in the Base Currency, such Base Currency amount and, in the case of an amount denominated in a currency other than the Base Currency (the "Other Currency"), the amount of Base Currency required to purchase such amount of the Other Currency at the spot exchange rate determined by the Valuation Agent for value on such Valuation Date.

"Credit Support Amount" means, with respect to a Transferor on a Valuation Date, (i) the Transferee's Exposure plus (ii) all Independent Amounts applicable to the Transferor, if any, minus (iii) all Independent Amounts applicable to the Transferee, if any, minus (iv) the Transferor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

"Credit Support Balance" means, with respect to a Transferor on a Valuation Date, the aggregate of all Eligible Credit Support that has been transferred to or received by the Transferee under this Annex, together with any Distributions and all proceeds of any such Eligible Credit Support or Distributions, as reduced pursuant to Paragraph 2(b), 3(c)(ii) or 6. Any Equivalent Distributions or Interest Amount (or portion of either) not transferred pursuant to Paragraph 5(c)(i) or (ii) will form part of the Credit Support Balance.

"Delivery Amount" has the meaning specified in Paragraph 2(a).

"Disputing Party" has the meaning specified in Paragraph 4.

"Distributions" means, with respect to any Eligible Credit Support comprised in the Credit Support Balance consisting of securities, all principal, interest and other payments and distributions of cash or other property to which a holder of securities of the same type, nominal value, description and amount as such Eligible Credit Support would be entitled from time to time.

"Distributions Date" means, with respect to any Eligible Credit Support comprised in the Credit Support Balance other than cash, each date on which a holder of such Eligible Credit Support is entitled to receive Distributions or, if that date is not a Local Business Day, the next following Local Business Day.

"Eligible Credit Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 11(b)(ii) including, in relation to any securities, if applicable, the proceeds of any redemption in whole or in part of such securities by the relevant issuer.

"Eligible Currency" means each currency specified as such in Paragraph 11(a)(ii), if such currency is freely available.

"Equivalent Credit Support" means, in relation to any Eligible Credit Support comprised in the Credit Support Balance, Eligible Credit Support of the same type, nominal value, description and amount as that Eligible Credit Support.

"Equivalent Distributions" has the meaning specified in Paragraph 5(c)(i).

"Exchange Date" has the meaning specified in Paragraph 11(d).

"Exposure" means, with respect to a party on a Valuation Date and subject to Paragraph 4 in the case of a dispute, the amount, if any, that would be payable to that party by the other party (expressed as a positive number) or by that party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(1) of this Agreement if all Transactions (other than the Transaction constituted by this Annex) were being terminated as of the relevant Valuation Time, on the basis that (i) that party is not the Affected Party and (ii) the Base Currency is the Termination Currency; *provided* that Market Quotations will be determined by the Valuation Agent on behalf of that party using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the Base Currency Equivalent of the amount specified as such for that party in Paragraph 11(b)(iii)(A); if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the Base Currency Equivalents of the amounts of interest determined for each relevant currency and calculated for each day in that Interest Period on the principal amount of the portion of the Credit Support Balance comprised of cash in such currency, determined by the Valuation Agent for each such day as follows:

- (x) the amount of cash in such currency on that day; multiplied by
- (y) the relevant Interest Rate in effect for that day; divided by
- (z) 360 (or, in the case of pounds sterling, 365).

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was transferred (or, if no Interest Amount has yet been transferred, the Local Business Day on which Eligible Credit Support or Equivalent Credit Support in the form of cash was transferred to or received by the Transferee) to (but excluding) the Local Business Day on which the current Interest Amount is transferred.

"Interest Rate" means, with respect to an Eligible Currency, the rate specified in Paragraph 11(f)(i) for that currency.

"Local Business Day", unless otherwise specified in Paragraph 11(h), means:

- (i) in relation to a transfer of cash or other property (other than securities) under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment;
- (ii) in relation to a transfer of securities under this Annex, a day on which the clearance system agreed between the parties for delivery of the securities is open for the acceptance and execution of settlement instructions or, if delivery of the securities is contemplated by other means, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place(s) agreed between the parties for this purpose;

(iii) in relation to a valuation under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of location of the Valuation Agent and in the place(s) agreed between the parties for this purpose; and

(iv) in relation to any notice or other communication under this Annex, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place specified in the address for notice most recently provided by the recipient.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 11(b)(iii)(C); if no amount is specified, zero.

"New Credit Support" has the meaning specified in Paragraph 3(c)(i).

"Notification Time" has the meaning specified in Paragraph 11(c)(iv).

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 4; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 2 prior to the resolution of the dispute, then the **"Recalculation Date"** means the most recent Valuation Date under Paragraph 2.

"Resolution Time" has the meaning specified in Paragraph 11(c)(i).

"Return Amount" has the meaning specified in Paragraph 2(b).

"Settlement Day" means, in relation to a date, (i) with respect to a transfer of cash or other property (other than securities), the next Local Business Day and (ii) with respect to a transfer of securities, the first Local Business Day after such date on which settlement of a trade in the relevant securities, if effected on such date, would have been settled in accordance with customary practice when settling through the clearance system agreed between the parties for delivery of such securities or, otherwise, on the market in which such securities are principally traded (or, in either case, if there is no such customary practice, on the first Local Business Day after such date on which it is reasonably practicable to deliver such securities).

"Threshold" means, with respect to a party, the Base Currency Equivalent of the amount specified as such for that party in Paragraph 11(b)(iii)(B); if no amount is specified, zero.

"Transferee" means, in relation to each Valuation Date, the party in respect of which Exposure is a positive number and, in relation to a Credit Support Balance, the party which, subject to this Annex, owes such Credit Support Balance or, as the case may be, the Value of such Credit Support Balance to the other party.

"Transferor" means, in relation to a Transferee, the other party.

"Valuation Agent" has the meaning specified in Paragraph 11(c)(i).

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 11(c)(ii).

"Valuation Percentage" means, for any item of Eligible Credit Support, the percentage specified in Paragraph 11(b)(ii).

"Valuation Time" has the meaning specified in Paragraph 11(c)(iii).

"Value" means, for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 4 in the case of a dispute, with respect to:

- (i) Eligible Credit Support comprised in a Credit Support Balance that is:
 - (A) an amount of cash, the Base Currency Equivalent of such amount multiplied by the applicable Valuation Percentage, if any; and
 - (B) a security, the Base Currency Equivalent of the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any; and
- (ii) items that are comprised in a Credit Support Balance and are not Eligible Credit Support, zero.

Paragraph 11. Elections and Variables

(a) Base Currency and Eligible Currency

- (i) "Base Currency" means United States Dollars
- (ii) "Eligible Currency" means the Base Currency.

(b) Credit Support Obligations

- (i) Delivery Amount, Return Amount and Credit Support Amount.
 - A. "Delivery Amount" has the meaning specified in Paragraph 2(a)
 - B. "Return Amount" has the meaning specified in Paragraph 2(b)
 - C. "Credit Support Amount" has the meaning specified in Paragraph 10
- (ii) Eligible Credit Support

The following items will qualify as "Eligible Credit Support":-

	Party A	Party B	Valuation Percentage
A. Cash in an Eligible Currency	Yes	Yes	100%
B. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining time to maturity of not more than one year and not less than 30 days	Yes	Yes	99%
C. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining time to maturity of more than one year and not more than 5 years	Yes	Yes	97%
D. Negotiable debt obligations issued by the U.S. Treasury Department having a remaining time to maturity of more than 5 years and not more than 10 years	Yes	Yes	95%

Provided, however, that any debt obligations issued by the U.S Treasury Department which as a coupon or a redemption amount which is determined by reference to an inflation index shall not qualify as Eligible Credit Support. For the avoidance of doubt, TIPS shall not qualify as Eligible Credit Support.

Notwithstanding the foregoing, the Valuation Percentage with respect to all Eligible Credit Support shall be deemed to be 100% with respect to a Valuation Date which is an Early Termination Date designated or deemed to have occurred as a result of an Event of Default.

(iii) Thresholds

- A. "Independent Amount" means with respect to Party A: at any time, the equivalent in the Base Currency of the amount equal to the product of the Notional Amount for the Transaction and the percentage set forth in the table below with respect to the Counterparty Rating and the Reference Obligation Rating, determined by the Valuation Agent.

		Counterparty Rating		
		AAA & Aaa	AA+& Aa1 to AA- & Aa3	Less than AA- or Aa3
Reference Obligation Rating	AAA & Aaa	0%	0%	0%
	AA+ & Aa1 to AA- & Aa3	0%	0%	8%
	A+ & A1 to A- & A3	0%	0%	20%
	Less than A- or A3	0%	0%	25%

"Counterparty Rating" means the lower of the S&P Rating and the Moody's Rating and the Fitch Rating (as applicable) in respect of American International Group, Inc.

"Fitch" means Fitch Ratings Ltd., including any official successor to Fitch.

"Moody's" means Moody's Investors Service, Inc., including any official successor to Moody's.

"Negative Watch" means, with respect to a Reference Obligation Rating or a Counterparty Rating, a communication by S&P, Moody's or Fitch that such rating is on negative watch, negative outlook or other similar designation.

"Rating" means the rating assigned by S&P or Moody's or Fitch to the long term, unsecured and unsubordinated indebtedness of American International Group, Inc. or the Reference Obligation, as applicable.

"Reference Obligation Rating" means the lower of the Moody's Rating and the Fitch Rating (as applicable) in respect of the Reference Obligation or, if any such Reference Obligation Rating has been put under Negative Watch, the Rating one notch below.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw-Hill Companies Inc., including any official successor to S&P.

"Independent Amount" means with respect to Party B : Zero

- B. Threshold" means, with respect to Party A, at any time, the equivalent in the Base Currency of the Notional Amount of the Transaction and the percentage set forth in the table below with respect to the Counterparty Rating and the Reference Obligation Rating, determined by the Valuation Agent.

		Counterparty Rating		
		AAA & Aaa	AA+& Aa1 to AA- & Aa3	Less than AA- or Aa3
Reference Obligation Rating	AAA & Aaa	12%	9%	0%
	AA+ & Aa1 to AA- & Aa3	9%	8%	0%
	A+ & A1 to A- & A3	8%	7%	0%
	Less than A- or A3	7%	1%	0%

Threshold" means, with respect to Party B: Zero

- C. "Minimum Transfer Amount" means, with respect to Party A, USD 2,000,000 as of the relevant Valuation Date, provided however, that (i) if the Counterparty Rating is equal to or lower than A1 (if Moody's) or A+ (if S&P), then Party A's Minimum Transfer Amount is equal to USD 100,000 as of the relevant Valuation Date or (ii) if an Event of Default or Potential Event of Default has occurred and is continuing with respect to Party A, Party A's Minimum Transfer Amount shall be zero

"Minimum Transfer Amount" means, with respect to Party B USD25,000.00

- D. "Rounding". Subject to the foregoing, the Delivery Amount and the Return Amount will be rounded up and down respectively to the nearest integral multiple of USD10,000.

(c) **Valuation and Timing**

- (i) "**Valuation Agent**" means, for purposes of Paragraphs 2 and 4, the party making the demand under Paragraph 2, and, for purposes of Paragraph 5(c), the Transferee, as applicable, unless there has occurred and is continuing any Event of Default or Potential Event of Default with respect to a party, in which case the other party shall be the Valuation Agent.
- (ii) "**Valuation Date**" means any Local Business Day in London and New York.
- (iii) "**Valuation Time**" means the close of business on the Local Business Day immediately preceding the Valuation Date or date of calculation, as applicable; provided that the calculation of Value and Exposure will be made as of approximately the same time on the same date.
- (iv) "**Notification Time**" means 3.00 pm, London time, on a Local Business Day.

(d) **Exchanges**

"**Exchange Date**" has the meaning specified in Paragraph 3(c)(ii).

(e) **Dispute Resolution**

- (i) "**Resolution Time**" means 3.00 pm, London time, on the Local Business Day in London and New York following the date on which the notice is given that gives rise to a dispute under Paragraph 4.
- (ii) "**Value**". For the purpose of Paragraphs 4(a)(4)(i)(C) and 4(a)(4)(ii), the Value of the outstanding Credit Support Balance or of any transfer of Eligible Credit Support or Equivalent Credit Support, as the case may be, will be calculated in accordance with the following:-

Disputes over Value will be resolved by the Valuation Agent seeking three actual quotations at mid-market as of the relevant Valuation Date or date of transfer from other parties which regularly act as dealers in the securities or other property in question. If three such quotes cannot be obtained, the Valuation Agent may obtain two such quotes. If two such quotes cannot be obtained, the Valuation Agent may obtain only one such quote. The Value will be the arithmetic average of the quotes obtained multiplied by the applicable Valuation Percentage, if any, specified in Paragraph 11(b)(ii). If no quotations are available for a particular transfer then the Valuation Agent's original calculation will be used for the transfer.

- (iii) "**Alternative**" the provisions of Paragraph 4 will apply.

(f) **Distributions and Interest Amount**

- (i) "**Interest Rate**". The "Interest Rate" in relation to each Eligible Currency specified below will be:

United States Dollar - The "Interest Rate" for any day means the Federal Funds Overnight Rate. For the purposes hereof, "Federal Funds Overnight Rate" means, for any day, an interest rate per annum equal to the rate published as the Federal Funds Effective Rate that is published on the Section H.15 of the website of the US Federal Reserve or that appears on Telerate Page 118 for such day.

- (ii) **"Transfer of Interest Amount".** The Transfer of Interest Amount will be made no earlier than the second Local Business Day of each calendar month in respect of the period ending on the last Local Business Day of the preceding calendar month and on any Local Business Day that a Return Amount consisting wholly or partly of cash is transferred to the Transferor pursuant to Paragraph 2(b).

For the avoidance of doubt, the Interest Rate Amount will be computed for each Interest Period on a compounded basis.

- (iii) **"Alternative to Interest Amount".** The provisions of Paragraph 5(c)(ii) will apply.

- (g) **Addresses for Transfers** to be advised by each party to the other in writing.

- (h) **Other Provisions**

- (i) **Paragraph 10. Definitions:**

- (A) **Exposure.** The definition of **"Exposure"** in Paragraph 10 is hereby amended by the insertion of

- (1) the word "Collateralised" after the words "if all" and before the word "Transactions" in the fourth line, and

- (2) the following sentence at the end of this definition:

"For the avoidance of doubt, solely for the purposes of the calculation of Exposure hereunder, the amount payable pursuant to Section 6(e)(ii)(1) in respect of Transactions which are not Collateralised Transactions shall be deemed to be zero (but without prejudice to payment or delivery obligations under the Transaction constituted by this Annex)."

- (B) **Collateralised Transactions:**

The following definition is hereby inserted into Paragraph 10:

"Collateralised Transaction" means each Transaction specified in Annex 1 and any other Transaction specified as such in the relevant Confirmation.

Any terms used and not otherwise defined herein which are contained in the relevant Confirmation shall have the meaning set forth therein.

- (C) **Interest Amount:** The definition of **"Interest Amount"** in Paragraph 10 is hereby amended by deletion of the words "the Base Currency Equivalents of " in lines 1 and 2.

- (ii) Paragraph 9(c) **Demands and Notices** is hereby amended by the insertion of the following after the words "of this Agreement":-

"..... to the following address or number:-

Party A: **AIG Financial Products Corp.**

Address: 50 Danbury Road, Wilton CT 06897-4444
Attention: Chief Financial Officer
Facsimile no.: +203 222 4780
Telephone no.: +203 222 4700

Party B: **HSBC Bank plc**

Address: 8 Canada Square, London E14 5HQ
Attention: Derivative Operations
Facsimile no.: 00 44 207 992 2784
Telephone no.: 00 44 207 992 4457"

(iii) **Transfer Shortfalls:**

Other than in circumstances to which Paragraph 4(a) applies:

- (1) to the extent that the Transferor fails to deliver a Delivery Amount not constituted by cash in an Eligible Currency on the relevant due date therefor (the amount of the Delivery Amount not so delivered, the "Delivery Amount Shortfall"), without prejudice to Section 5(a)(i) of this Agreement the Transferor shall be obliged to transfer cash in an Eligible Currency in an amount equal to such Delivery Amount Shortfall on the same Local Business Day if so requested by the Transferee.
- (2) to the extent that the Transferee fails to deliver a Return Amount not constituted by cash in an Eligible Currency on the relevant due date therefor (the amount of the Return Amount not so delivered, the "Return Amount Shortfall"), without prejudice to Section 5(a)(i) of this Agreement the Transferee shall be obliged to transfer cash in an Eligible Currency in an amount equal to such Return Amount Shortfall on the same Local Business Day if so requested by the Transferor.

(iv) Paragraph 7 **Representations** is hereby amended by the insertion of the following after the words "in a relevant clearance system)."

"Party B represents that only its head office located in New York or such other location as notified by Party B to Party A shall provide Eligible Credit Support or receive Eligible Credit Support under this Annex. Furthermore Party B represents that it will provide Party A with advanced notice and the opportunity to consent if it wishes to appoint a branch located in a different jurisdiction to either provide or receive Eligible Credit Support under this Annex.

(v) Notwithstanding anything to the contrary in this Annex, the definition of "Exposure" for purposes of the Transactions set out in Annex 1 shall be calculated as follows on a Valuation Date and subject to Paragraph 4 in the case of a dispute (and the amendments thereto) the amount, if any, that would be payable by Party A to Party B (expressed as a positive number) determined in accordance with the following formula:

$$\text{Exposure} = \text{OPB} * (\text{Max } [0, [100\% - \text{MV}]])$$

Where:

OPB = the outstanding principal balance of the Reference Obligation on the relevant Valuation Date (as defined in the Credit Support Annex), without giving effect to any writedown to principal without a corresponding payment multiplied by the Relevant Proportion.


MV = the market value (excluding accrued interest) of the Reference Obligation on the relevant Valuation Date (expressed as a percentage of par) as determined by the Valuation Agent;

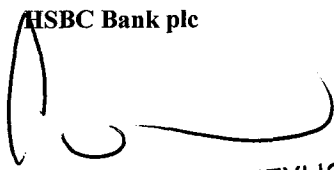
For the avoidance of doubt, in the event that $\text{MV} > 100\%$, the Exposure is deemed to be zero and in the event that "Exposure" is positive, such amount will be regarded as payable by Party A to Party B.

Please confirm your agreement to the terms of the foregoing Paragraph 11 by signing below.

AIG Financial Products Corp

HSBC Bank plc

By: 
Name: **Kathleen M. Furlong**
Title: **Managing Director,
Chief Financial Officer
and Treasurer**
Date: **10/11/05**

By: 
Name: **CHRIS W. HEYLIGER**
Title: **AUTHORISED SIGNATORY**
Date: **3/10/05**

Annex 1

1. **Credit Derivative Transaction with Trade Date of September 2, 2005 between Party A and Party B with HSBC Reference Number 102461**