



Lloyd's Policy

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Bond
Underwriting

We, Underwriting Members of the Syndicates whose definitive numbers and proportions are shown in the Table attached hereto (hereinafter referred to as 'the Underwriters'), hereby agree, in consideration of the payment to Us by or on behalf of the Assured of the Premium specified in the Schedule, to insure against loss, including but not limited to associated expenses specified herein, if any, to the extent and in the manner provided in this Policy.

The Underwriters hereby bind themselves severally and not jointly, each for his own part and not one for another, and therefore each of the Underwriters (and his Executors and Administrators) shall be liable only for his own share of his Syndicate's proportion of any such Loss and of any such Expenses. The identity of each of the Underwriters and the amount of his share may be ascertained by the Assured or the Assured's representative on application to Lloyd's Policy Signing Office, quoting the Lloyd's Policy Signing Office number and date or reference shown in the Table.

If the Assured shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Policy shall become void and all claim hereunder shall be forfeited.

In Witness whereof the General Manager of Lloyd's Policy Signing Office has signed this Policy on behalf of each of Us.

LLOYD'S POLICY SIGNING OFFICE
General Manager

If this policy (or any subsequent endorsement) has been produced to you in electronic form, the original document is stored on the Insurer's Market Repository to which your broker has access.

J(A) NMA2421 (3/1/95) Form approved by Lloyd's Market Association



The Table of Syndicates, referred to on the face of this Policy follows:

BUREAU REFERENCE	61055 19/09/2008	BROKER NUMBER 0576
PROPORTION %	SYNDICATE	UNDERWRITER'S REFERENCE
20.00	2987	TE783E08A000
20.00	2488	AKFG68GB3388
16.00	1886	08BA210807TA
18.00	1084	21782A08AA
12.00	4000	00944N08AA
6.00	1183	CFA058238C08
TOTAL LINE	No. OF SYNDICATES	
92.00	6	

THE LIST OF UNDERWRITING MEMBERS
OF LLOYD'S IS IN RESPECT OF 2008
YEAR OF ACCOUNT

EFFECTIVE FROM: 15 AUG 2008

BUREAU USE ONLY
NUX5 72 13628

RISK CODE: BB

Page 1 of 1

Willis

**FINANCIAL INSTITUTIONS CRIME AND PROFESSIONAL
INDEMNITY POLICY FOR**

STANFORD FINANCIAL GROUP COMPANY AND

STANFORD GROUP COMPANY

And as set out herein

**15th August, 2008 to 15th August, 2009
both days at 12.01 a.m. Local Standard Time as set out herein**

POLICY NUMBER: 576/MNA851300

**Willis Limited,
51 Lime Street,
London, EC3M 7DQ.**

ATTACHING TO AND FORMING PART OF POLICY NUMBER 576/MNAA851300 IN THE NAME OF STANFORD FINANCIAL GROUP COMPANY, STANFORD GROUP COMPANY AND AS PER POLICY

TEXAS COMPLAINTS NOTICE

IMPORTANT NOTICE	AVISO IMPORTANTE
To obtain information or make a complaint: You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:	Para obtener informacion o para someter una queja: Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al:
1-800-252-3439	1-800-252-3439
You may write to the Texas Department of Insurance:	Puede escribir al Departamento de Seguros de Texas:
P. O. Box 149104	P. O. Box 149104
Austin, TX 78714-9104	Austin, TX 78714-9104
Fax: (512) 475-1771	Fax: (512) 475-1771
Web: http://www.tdi.state.tx.us	Web: http://www.tdi.state.tx.us
E-mail: ConsumerProtection@tdi.state.tx.us	E-mail: ConsumerProtection@tdi.state.tx.us
PREMIUM OR CLAIM DISPUTES:	DISPUTAS SOBRE PRIMAS O RECLAMOS: Si tiene
Should you have a dispute concerning your premium or about a claim you should contact the agent first. If the dispute is not resolved, you may contact the Texas Department of Insurance.	una disputa concierne a su prima o a un reclamo, debe comunicarse con el agente primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).
ATTACH THIS NOTICE TO YOUR POLICY: This notice is for information only and does not become a part or condition of the attached document.	UNA ESTE AVISO A SU POLIZA: Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

07/07
LSW1022A

TEXAS SURPLUS LINES CLAUSE

This insurance contract is with an insurer not licensed to transact insurance in this state and is issued as a surplus lines coverage pursuant to the Texas insurance statutes. The State Board of Insurance does not audit the finances or review the solvency of the surplus lines insurer providing this coverage and this insurer is not a member of the Property and Casualty Insurance Guaranty Association created under Article 1.14.2, Insurance Code, requires payment of 4.85 percent on gross premium.

LSW1023

POLICY NO 576/MNA851300

WHEREAS the Insured (or "Assured") named in the Schedule or Declaration for each Section of the Policy, has made to Us, who have hereunto subscribed our Names (hereinafter called "the Underwriters" or "the Underwriter") a Proposal Form or Application(s), which it is agreed shall form the basis of this Insurance, and has paid or promised to pay the premiums specified in the Schedule or Declaration for each Section of the Policy, all provisions of the said Schedule or Declaration and the Proposal Form or Application(s) being hereby incorporated in and forming part of this Policy.

NOW WE THE UNDERWRITERS hereby undertake and agree, subject to the following terms, exclusions, limitations and conditions, to indemnify the Insured (or "Assured"), as stated in the Schedule or Declaration for each Section of this Policy, in excess of the amounts of the deductibles stated to be applicable, such

- (i) direct financial loss sustained by the Insured (or "Assured") as set forth in Sections 1 and 2 of the Policy or
- (ii) liability covered by Section 3 of this Policy arising out of Claims first made against the Insured (or "Assured")

where:

- (a) such direct financial loss is sustained on or subsequent to any Retroactive Date (if any) provided for herein and is first discovered by the first named Insured's (or "Assured's") General Counsel or Corporate Risk Manager during the period of the Policy and
- (b) such liability arises out of any act or omission occurring on or subsequent to any Retroactive Date (if any) provided for herein and from any Claim(s) made against the Insured (or "Assured") of which the first named Insured's (or "Assured's") General Counsel or Corporate Risk Manager first become aware during the Policy Period

and subject always to the Underwriters' or the Underwriter's limits of liability as set forth herein.

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US Terrorism Risk Insurance Act of 2002 as amended New & Renewal Business Endorsement

TERMS AND CONDITIONS APPLICABLE TO ALL SECTIONS

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 NMA Lines Clause
 Special Cancellation Clause
 Premium Payment Clause
 (Re)insurers Liability Clause

Schedule of Insureds / Assureds 1 Applicable to all Sections of this Policy

Part One:

16 NE Hugingdom
Antigua Athletic Club Limited
The Antigua Sun Limited
Apartment Household Inc.
Bank of Antigua Limited (including Bank on Wheels)
Bank of Antigua – Oficina de Representacion Mexico Group Ltd.
Buckingham Investments A.V.V.
Caribbean Aircraft Leasing (BVI) Limited (date of incorporation 08/09/05)
Caribbean Airline Services Limited – Antigua (date of incorporation 02/11/05)
Caribbean Airline Services Inc. – US
Caribbean Star Airlines, Limited
Caribbean Star Airlines Holdings, Limited
Caribbean Sun Airlines, Inc.
Caribbean Sun Airlines Holdings, Inc.
Casuarina 20 LLC
Christiansted Downtown Holdings, LLC
Datcom Resources, Inc.
Devinhouse Limited
Guiana Island Holdings Limited
Foreign Corporate Holdings Limited (IBC)
Harbor Key Corp. II
Idea Advertising Group, Inc.
International Administration, Inc.
Management and Advisory International, Inc.
Maiden Island Holdings Ltd.
Parque Cristal Limited
Polygon Commodities A.V.V.
Porpoise Industries Limited
Productos y Servicios Stanford, C.A.
Sea Eagle Limited (IBC)
Stanford 20/20 Inc.
Stanford Acquisition Corporation
Stanford American Samoa Holdings, Limited
Stanford Aerospace Limited
Stanford Aircraft, LLC
Stanford Aviation LLC
Stanford Aviation II, Inc.
Stanford Aviation III, Inc.
Stanford Aviation 5555 LLC
Stanford Aviation Limited
Stanford Bank Holdings Limited
Stanford Bank, S.A., Banco Comercial (formerly known as Banco Galicia de Venezuela, CA, or Banco Comercial C.A.)
Stanford Casa de Valores, S.A.
Stanford Caribbean Limited
Stanford Caribbean, LLC
Stanford Caribbean Investments, LLC
Stanford Coins and Bullion, Inc.
Stanford Corporate Holdings International, Inc.
Stanford Corporate Services, Inc.
Stanford Corporate Services (Venezuela), C.A.
Stanford Corporate Ventures LLC

ATTACHING TO AND FORMING PART OF POLICY NUMBER 576/MNA851300

Stanford Corporate Ventures (BVI) Limited (date of incorporation 21/07/04)
Stanford Development Corporation
Stanford Development Company Limited
Stanford Development (Grenada) Ltd.
Stanford Funds Administrator, LLC
Stanford Global Advisory, LLC
Stanford Group Mexico, S.A. de C.V.
Stanford Group Mexico, (Monterrey) S.A. de C.V.
Stanford Group Mexico, (Puebla) S.A. de C.V.
Stanford Group (Antigua) Limited
Stanford Group Aruba N.V.
Stanford Group (Suisse) AG
SFG Majestic Holding, LLC
Stanford Financial Group Company
Stanford Financial Group Limited (IBC)
Stanford Financial Group Global Management, LLC
Stanford Financial Group (Holdings) Limited
Stanford Financial Partners Holdings, LLC
Stanford Fondos S.A. de C.V.
Stanford Foundation, Inc.
Stanford St. Croix Ventures, LLC
Stanford Trust Company Limited (Colombia)
The Pavilion Antigua (dba of The Sticky Wicket Limited)
Stanford Group Distribuidora de Fondos de Inversion S.A. de C.V. (date of incorporation 24/06/05)
Stanford Eagle LLC
The Stanford Financial Group Building, Inc.
Stanford Galleria Buildings LP (date of incorporation 15/09/05)
Stanford Galleria Buildings Management LLC (date of incorporation 15/09/05)
Stanford International Bank Limited (IBC)
Stanford International Bank Limited Representative Office (Canada)
Stanford International Bank Holdings Limited
Stanford International Holdings (Panama) S.A.
Stanford Bank (Panama) S.A.
Stanford Leasing Company, Inc.
Stanford Real Estate Acquisition, LLC
Stanford Trust Holdings Limited
Stanford Trust Company Limited (dba Stanford Fiduciary Investor Services, Inc.)
The Sticky Wicket Limited
Sun Printing and Publishing Limited
Sun Printing Limited
Torre Senza Nome Venezuela
The Islands Club, LLC
Two Islands One Club (Antigua) Ltd
Two Islands One Club (Grenada) Ltd
Two Islands One Club Holdings Ltd
R. Allen Stanford, LLC
Robust Eagle Limited
Stanford Services Ecuador S.A.
Stanford Trust Company Limited (BC)
Stanford Financial Group Ltd

Schedule of Insureds / Assureds 2 Applicable to all Sections of this Policy

Part Two:

ATTACHING TO AND FORMING PART OF POLICY NUMBER 576/MNA851300

International Fixed Income Stanford Fund Limited
Stanford Agency, Inc. (Louisiana)
Stanford Agency, Inc. (Texas)
Stanford Bolsa y Banca S.A. (Colombia)
Stanford Group Casa de Valores S.A.
Stanford Group Company
Stanford Group Peru, S.A. Sociedad Intermediaria de Valores
Stanford Group Company Limited
Stanford Group Holdings, Inc.
Stanford Group Venezuela, C.A.
Stanford Holdings Venezuela, C.A.
Stanford International Management, Limited
Stanford Management Holdings, Ltd.
Stanford Investment Advisory Services, Inc
SG Ltd.
SGV Asesores, C.A.
Stanford Group Venezuela Asesores de Inversión, C.A.
SGV Ltd.
Stanford Trust Company
Stanford Trust Company Administradora de Fondos y Fideicomisos S.A.
Stanford Venture Capital Holdings, Inc
Torre Oeste Ltd
Stanford Capital Management, LLC
Stanford Family Office, LLC

SECTION 1: FINANCIAL INSTITUTION CRIME INSURANCE

Based on Standard Form No. 24, Revised to January, 1986 and
Standard Form 14 Revised to October, 1987

DECLARATIONS FOR SECTION 1 ONLY OF THIS POLICY

Policy No.: 576/MNA851300

These Declarations along with this Section 1 of the Policy with any endorsements shall be deemed to constitute two separate contracts as follows:

- (i) between Underwriters and all entities which are referred to in Item 1(a) below as part of the Insured and
- (ii) between Underwriters and all entities which are referred to in Item 1(b) below as part of the Insured.

Item 1. Insured (herein called Insured):

- (a) **Stanford Financial Group Company and other entities set forth in the attached 'Schedule of Insureds / Assureds 1' and the Subsidiaries, associated, allied and affiliated companies of any of the foregoing (and the interests of such Subsidiaries, associated, allied and affiliated companies as such interests may appear) which now exist or hereafter may be constituted or acquired in accordance with General Agreement B (Additional Offices or Employees - Consolidation, Merger or Purchase of Assets - Notice) and any and all Employee Welfare, Benefit, Pension, Stock Option and Profit Sharing Plans owned, controlled, operated or related to any entity referred to above.**

**Principal Address: 1000 Airport Boulevard
St John's
Antigua
West Indies.**

- (b) **Stanford Group Company, and other entities set forth in the attached 'Schedule of Insureds / Assureds 2' and the Subsidiaries, associated, allied and affiliated companies of any of the foregoing (and the interests of such Subsidiaries, associated, allied and affiliated companies as such interests may appear) which now exist or hereafter may be constituted or acquired in accordance with General Agreement B (Additional Offices or Employees - Consolidation, Merger or Purchase of Assets - Notice) and any and all Employee Welfare, Benefit, Pension, Stock Option and Profit Sharing Plans owned, controlled, operated or related to any entity referred to above.**

**Principal Address: 5050 Westheimer
Houston
Texas 77056
USA**

In applying the terms, conditions and limitations of each such contract, "Insured" when used in this Section 1 of the Policy shall be construed in accordance with the separate contracts referred to in (a) and (b) above. The "first named Insured" for the purposes of such separate contracts shall be taken to refer to Stanford Financial Group Company for (a) above and Stanford Group Company for (b) above.

Item 2. Policy Period:

From 15th August, 2008 to 15th August, 2009, both days at 12:01 a.m. Local Standard Time at the address stated for the Insured in Item 1.

Item 3. The Aggregate Liability of the Underwriter during the Policy Period shall be

For all entities combined referred to in Item 1(a) above:

USD 10,000,000 applicable to both this Section 1 and Section 2 of this Policy combined and, in addition for all entities combined referred to in Item 1(b) above:

USD 10,000,000 applicable to both this Section 1 and Section 2 of this Policy combined, The above being referred to hereinafter as the "Aggregate Limit of Liability"

Item 4. Subject to Subsections 4 and 11 hereof, the Single Loss Limit of Liability is: USD 5,000,000

and the Single Loss Deductible is: USD 250,000

Provided, however, that if any lesser Single Loss or Deductible (referred to respectively hereinafter as, "Sub-limit" or "Sub-deductible") amounts than those in Item 3 or 4 above are inserted below, those amounts shall be controlling. Any amount set forth below shall be part of and not in addition to amounts set forth above.

If one Sub-limit is applicable to more than one Insuring Agreement, then the amount of such Sub-limit shall be the total amount available under this Section 1 of the Policy to indemnify the Insured for all loss or losses concerning said combined Insuring Agreements and for any court costs and attorneys' fees incurred in connection with said loss or losses.

Amount applicable to:	Single Loss Limit of Liability	Single Loss Deductible
Coverage under Insuring Agreement (A) (Fidelity) for Claims Expenses	USD 100,000	USD 1,000
Insuring Agreement (G) (Cash Letter and Data Processing Material in Transit and Extra Expenses)		
Paragraph (a) (Data Processing Material and Extra Expenses)	USD 5,000,000	USD 10,000
Paragraph (b) (Cash Letter):	USD 1,000,000	USD 1,000
Insuring Agreement (H) (Stop Payment Order Liability)	USD 1,000,000	USD 250
Insuring Agreement (I) (Lost Instrument Bonds)	USD 5,000,000	USD 25,000

Insuring Agreement (J) (Fraudulent Real Property Mortgage)	USD 2,500,000	USD 50,000
Insuring Agreement (K) (Extortion Threats to Property):	USD 1,000,000	Nil
Insuring Agreement (L) (Extortion Threats to Persons):	USD 1,000,000	Nil
Coverage in respect of automated mechanical devices as allowed for by Exclusion (k) and (l)	USD 500,000 per device	USD 15,000

Item 5. The liability of the Underwriter is subject to the terms of the following riders attached hereto:

Texas Surplus Lines Clause LSW1023
Texas Complaints Notice LSW1022A (07/07)
Service of Suit (Policy Disputes) Clause NMA1898 (amended)
Choice of Law Clause (in respect of any Insured's / Assured's operations in the United States of America)
Overseas Clause NMA 1483 (amended)
NMA Lines Clause (NMA2419)
Special Cancellation Clause NMA2975 (Amended)
Premium Payment Clause LSW3000 (Amended)
US Terrorism Risk Insurance Act of 2002 as amended New & Renewal Business Endorsement (LMA5052)
(Re)Insurers Liability Clause LMA3333 (21/06/07)

Item 6. The Insured by the acceptance of this Section 1 of the Policy gives notice to the Underwriter terminating or cancelling prior bond(s) or policy(ies) No.(s)

576/MMA851300

such termination or cancellation to be effective as of the time this Section 1 of the Policy becomes effective.

Item 7. Premium: For all insurance afforded to the Company in Item 1.(a) above for both Sections 1 and 2 combined

USD 76,652.10 being this policy's proportion of USD 83,317.50 (100% per annum), inclusive of USD 3,832.61 being this policy's proportion of USD 4,165.88 for US Terrorism Risk Insurance Act of 2002 Extension

For all insurance afforded to the Company in Item 1.(b) above for both Sections 1 and 2 combined

USD 25,550.70 being this policy's proportion of USD 27,772.50 (100% per annum) inclusive of USD 1,277.54 being this policy's proportion of USD 1,388.63 for US Terrorism Risk Insurance Act of 2002 Extension

Dated In London: the 25th day of JULY, 2008.

The Underwriter, in consideration of an agreed premium, and in reliance upon all statements made and information furnished to the Underwriter by the Insured in applying for this Section 1 of the Policy, and subject to the Declarations, Insuring Agreements, General Agreements, Conditions and Limitations and other terms of this Section 1 of the Policy, agrees to indemnify the Insured for:

INSURING AGREEMENTS

FIDELITY

Loss resulting directly from dishonest, malicious or fraudulent acts committed by an Employee acting alone or in collusion with others.

Notwithstanding the foregoing, however, it is agreed that with regard to Loans and Trading, this Section 1 of the Policy covers only loss resulting directly from dishonest or fraudulent acts committed by an Employee with the intent to make and which results in financial benefit for the Employee or those in collusion with such Employee.

As used throughout this Insuring Agreement:

"financial benefit" does not include any Employee benefit earned in the normal course of employment, including: salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions but the amount of any loss shall nevertheless include any such items received by such Employee which derive from any specific dishonest or fraudulent transaction in which such Employee was involved with the intent to make other financial benefit than such items..

"Trading" means trading or other dealings in securities, commodities, futures, options, foreign or Federal Funds, currencies, foreign exchange and the like.

Claims Expenses

The Underwriter shall also indemnify the Insured under this Insuring Agreement for necessary and reasonable expense incurred and paid by the Insured, after written approval by the Underwriter, in preparing any valid and collectible claim for loss covered under this Insuring Agreement

PHYSICAL LOSS OR DAMAGE

- (B) (1) (a) Loss of Property (other than as insured by paragraph (b) below) resulting directly from physical loss of, or physical damage to, or physical destruction of Property located anywhere worldwide by any means or
- (b) Physical loss of Property by hold-up or robbery, whilst such Property is in the possession of any customer of the Insured, or of any representative of such customer, within the premises of the Insured, whether or not the Insured is legally liable for the loss thereof, subject always to Subsection 10 of this Section 1 of the Policy, and excluding in any event loss caused by such customer or representative.
- (2) Loss of or damage to
- (a) furnishings, fixtures, supplies or equipment within an office of the Insured covered under this Section 1 of the Policy resulting directly from larceny or theft in, or by burglary or robbery of, such office, or attempt thereat, or by vandalism or malicious mischief, or
- (b) such office resulting from larceny or theft in, or by burglary or robbery of such office or attempt thereat, or to the interior of such office by vandalism or malicious mischief,
- provided that
- (i) the Insured is the owner of such furnishings, fixtures, supplies, equipment, or office or is liable for such loss or damage, and
- (ii) the loss is not caused by fire.

FORGERY OR ALTERATION

- (C) Loss resulting directly from
- (1) Forgery or alteration of, on or in any Negotiable Instrument (except an Evidence of Debt), Acceptance, Withdrawal Order, receipt for the withdrawal of Property, Certificate of Deposit or Letter of Credit, stock redemption forms, stock transfer forms or money orders or orders upon public treasuries or any similar written, typed or printed Instruments of the same character or nature to the foregoing, other than Documents of Title
 - (2) transferring, paying or delivering any funds or Property or establishing any credit or giving any value on the faith of any written instructions or advices directed to the Insured and authorizing or acknowledging the transfer, payment, delivery or receipt of funds or Property, which instructions or advices purport to have been signed or endorsed by any customer of the Insured or by any financial institution (or by an Employee empowered to transfer customers funds such as lending officers, trust officers, private banking officers and trading) but which instructions or advices either bear a signature which is a Forgery or have been altered without the knowledge and consent of such customer or financial institution. Telegraphic, cable or teletype instructions or advices, as aforesaid, exclusive of transmissions of electronic funds transfer systems, sent by a person other than the said customer or banking institution purporting to send such instructions or advices shall be deemed to bear a signature which is a Forgery.
 - (3) payment of any Promissory Notes which are forged or fraudulently altered or Promissory Notes bearing forged endorsements (the word "Payment" of a promissory note means the discharge of said promissory note and DOES NOT include the purchase, discount, sale, loan or advance of or on said promissory note.
 - (4) forgery or fraudulent alteration of, on or in any life assurance documentation including any
 - (a) request made for change of beneficiary in any policy issued by the Insured
 - (b) policy loan agreement made with the Insured
 - (c) assignment to the Insured of any of its policies.
 - (d) death certificate

A mechanically reproduced facsimile signature is treated the same as a handwritten signature.

SECURITIES

- (D) Loss resulting directly from the Insured or any Custodian acting on behalf of the Insured having, in good faith, for the Insured's account or for the account of others,
- (1) acquired, sold or delivered, or given value, extended credit or assumed liability, on the faith of, any original
 - (a) Certificated Security or Uncertificated Security,
 - (b) Document of Title,
 - (c) deed, mortgage or other instrument conveying title to, or creating or discharging a lien upon, real property,
 - (d) Certificate of Origin or Title or Certificate of Deposit,
 - (e) Evidence of Debt,
 - (f) corporate, partnership or personal Guarantee,
 - (g) Security Agreement,

- (h) Instruction, or
- (i) Statement of Uncertificated Security
- (j) assignment, transfer, power of attorney, stock power or guarantee presented in connection with the transfer, pledge or release from pledge of any Uncertificated Security and which transfers, pledges or releases from pledge or purports to transfer, pledge or release from pledge such Uncertificated Security,
- (k) (including original counterparts) negotiable or non-negotiable written agreements, other than as set forth in (a) to (j) above, having value which value is, in the ordinary course of business, transferable by delivery of such agreements with any necessary endorsement or assignment,

which

- (i) bears a signature of any maker, drawer, issuer, endorser, assignor, lessee, transfer agent, registrar, acceptor, surety, guarantor, or of any person signing in any other capacity which is a Forgery, or
- (ii) is altered, or
- (iii) is lost or stolen;
- (2) guaranteed in writing or witnessed any signature upon any transfer, assignment, bill of sale, power of attorney, Guarantee, endorsement or any items listed in (a) through (h) above;
- (3) acquired, sold or delivered, or given value, extended credit or assumed liability, on the faith of any item listed in (a) through (d) above which is a Counterfeit.

A mechanically reproduced facsimile signature is treated the same as a handwritten signature.
Actual physical possession of the items listed in (a) through (i) above by the Insured, its correspondent bank or other authorized representative, is a condition precedent to the Insured's having relied on the faith of such items.

Coverage afforded under this Insuring Agreement for loss sustained by the Assured when Custodians are acting on behalf of the Assured is subject always to Subsection 9 of this Section 1 of the Policy.

COUNTERFEIT CURRENCY

- (E) Loss resulting directly from the receipt by the Insured, in good faith, of any Counterfeit Money of any country whatsoever.

FRAUDULENT RETENTION OF FUNDS

- (F) Loss by reason of the fraudulent retention by a third party recipient of Covered Funds misdirected or erroneously transferred by the Insured or caused by the Insured to have been transferred

Special Definitions

Covered Funds means funds owned by the Insured, held by the Insured in any capacity or for which the Insured is legally liable.

Condition Precedent

It is a condition precedent to coverage hereunder that the Insured exhaust every reasonable course of action to secure recovery of such funds.

CASH LETTER AND DATA PROCESSING MATERIAL IN TRANSIT AND EXTRA EXPENSE

(G) (a) Data Processing Material and Extra Expenses

Loss other than as provided for in (b) below, by reason of loss of or damage to, or destruction of Data Processing Material from any cause while in transit to or from offices or premises of the Insured to which this Section of the Policy applies and any premises where data processing services are performed for the Insured by any person or organisation performing data processing services under a contract with the Insured, such person or organisation being hereafter referred to as the "Processor".

This Insuring Agreement (G)(a) shall also apply to Data Processing Material forwarded under the terms of an agreement between the Insured and any of its correspondent banks or any federal reserve bank directly to any Processor for processing for the Insured.

As used in this Insuring Agreement (G)(a):

(1) "Loss" shall mean:

(i) the net US Dollar amount remaining unreconciled 60 days after the Insured shall have learned that Data Processing Material has not arrived at its destination in the usual course of business and after the Insured shall have exerted diligent effort to attempt the most complete possible reconstruction of such missing Data Processing Material, less any net unreconciled gain to the Insured represented by funds unaccounted for in any other manner and presumably the results of deposits by customers where records representing such deposit items are presumed to be part of the lost Data Processing Material. There shall be no liability under this Insuring Agreement (G)(a) for items which would not have been collectible if presented in normal course.

(ii) the reasonable expenses incurred by the Insured in the exercise of due diligence and despatch in order to effect reconstruction as nearly as practicable of the lost, damaged or destroyed Data Processing Material immediately following such loss, damage or destruction, or the essential data or information contained therein, including expenses of using facilities of others if necessary for the expeditious reconstruction of Data Processing Material, but not including wages paid to regular Employees of the Insured except overtime wages paid to such Employees while working in an effort to establish or reduce the amount of Loss as defined herein. If any of the work of effecting such reconstruction is performed by any other person or organisation, the cost to the Insured of such part of the work shall be deemed insured hereunder.

(2) "Data Processing Material" shall mean cheques, drafts, acceptances, withdrawal orders, deposit tickets, money orders and such other instruments or documents as the Insured is required to transmit or deliver to any location for processing.

(b) Cash Letter

Loss other than as provided for in (a) above,

(i) by reason of any item or items enclosed with a Cash Letter being lost from any cause whatsoever while in transit during the course of collection, presentation or payment between any office of the Insured and any place worldwide. In the event any bank on which an item is drawn returns such item to the Insured, such item shall be deemed to be in transit until the item is received by the Insured and

- (ii) by reason of telephone expenses, wages paid to extra Employees or overtime wages to regular Employees, incurred by the Insured in identifying the depositors of lost items and/or in assisting depositors in obtaining duplicates of items in such Cash Letter.

It is a condition of paragraph (b) of this Insuring Agreement that the Insured shall make and retain a photographic record of the front (face) of each item bearing not more than one endorsement and of the front (face) and back of each item bearing more than one endorsement. The Insured shall be deemed to have complied with this condition in the event that no photographic record is available owing to mechanical failure of the photographic equipment used in making such photograph, damage to or destruction of the film from any cause, failure of the film to reveal a readable picture of such item or because of error or omission on the part of any Employee of the Insured.

Special Definition

"Cash Letter" means any letter dispatched by the Insured or any correspondent bank or the Central Bank of any Country or branch thereof, itemising by separate amounts all cheques, promissory notes, drafts, or any other non-negotiable item enclosed therewith, which shall have been accepted by the Insured for deposit, payment or collection.

STOP PAYMENT ORDER LIABILITY

- (H) Sums which the Insured shall become obligated to pay by reason of the liability imposed upon the Insured by law for damages:
 - (a) for having either complied with or failed to comply with any written notice of any depositor of the Insured or any authorised representative of such depositor to stop payment of any cheque or draft made or drawn by such depositor or any authorised representative of such depositor, or
 - (b) for having refused to pay any cheque or draft made or drawn upon by any depositor of the Insured or any authorised representative of such depositor.

LOST INSTRUMENT BOND

- (I) The Underwriter agrees that if the Insured shall, during the policy period, become principal on any bonds required as a pre-requisite to the reissuing or duplicating of any securities which, during the policy period, shall have been lost or damaged or destroyed as a result of any casualty or event not covered by this Section 1 of the Policy, the Underwriter will, at the Underwriter's option, either
 - (a) become surety upon such bonds without premium charge, it being surety ship necessary to replace securities in value not to exceed USD 5,000,000 as respects any one casualty or event, such value to be the value of the securities on the date of execution of such bonds, or
 - (b) will reimburse the Insured for the premium on such bonds, computed at the regular annual rate, such reimbursement, however, not to exceed USD 5,000,000 (Five Million Dollars).
- If, at the request of the Underwriter, the Insured or any customer of the Insured shall become principal on any bonds or shall give any undertaking as a pre-requisite to the reissuing or duplicating of securities for the loss of which the Underwriter is liable under this Section 1 of the Policy, the Underwriter agrees to indemnify the Insured or such customers against any loss which the Insured or such customers may sustain by reason of having become principal upon any such bonds or having given any such undertakings.

FRAUDULENT REAL PROPERTY MORTGAGE

- (J) Loss resulting directly from the Insured having in good faith and in the course of business in connection with any Loan, accepted or received or acted upon the faith of any real property mortgages, real property deeds of trust or like instruments pertaining to realty or assignments of such mortgages, deeds of trust or instruments, which prove to have been defective by reason of the signature thereon of any person having been obtained through trick, artifice, fraud or false pretences or the signature on the recorded deed conveying such real property to the mortgagor or grantor of such mortgage or deed of trust having been obtained by or on behalf of such mortgagor or grantor through trick, artifice, fraud or false pretences.

EXTORTION – THREATS TO PROPERTY

- (K) Loss by reason of the surrender of Property away from an office of the Insured as a result of a threat communicated to the Insured to do damage to the premises or property of the Insured located anywhere, provided, however, that prior to the surrender of such Property, (a) the person receiving the threat has made a reasonable effort to report the extortionist's demand to an associate and (b) a reasonable effort has been made to report the extortionist's demand to the Federal Bureau of Investigation, or foreign equivalent thereof, and to local law enforcement authorities.

EXTORTION – THREATS TO PERSONS

- (L) Loss by reason of the surrender of Property away from an office of the Insured as a result of a threat communicated to the Insured to do bodily harm to:
- (i) a director, officer, trustee, Employee or partner of the Insured or to the proprietor (if the Insured be a sole proprietorship); or
 - (ii) a relative or invitee of any person enumerated in (i) above

who was, or allegedly was, kidnapped anywhere, provided that prior to the surrender of such Property, (a) the person receiving the threat has made a reasonable effort to report the extortionist's demand to an associate and (b) a reasonable effort has been made to report the extortionist's demand to the Federal Bureau of Investigation, or foreign equivalent thereof, and to local law enforcement authorities.

GENERAL AGREEMENTS

NOMINEES

- A. Loss sustained by any nominee organized by the Insured for the purpose of handling certain of its business transactions and composed exclusively of its Employees shall, for all the purposes of this Section 1 of the Policy and whether or not any partner of such nominee is implicated in such loss, be deemed to be loss sustained by the Insured.

**ADDITIONAL OFFICES OR EMPLOYEES - CONSOLIDATION,
MERGER OR PURCHASE OF ASSETS - NOTICE**

- B. If the Insured shall, while this Section 1 of the Policy is in force, establish any additional offices, other than by consolidation or merger with, or purchase or acquisition of assets or liabilities of, another institution, such offices shall be automatically covered hereunder from the date of such establishment without the requirement of notice to the Underwriter or the payment of additional premium for the remainder of the policy period.

If the Insured shall, while this Section 1 of the Policy is in force, consolidate or merge with, or purchase or acquire assets or liabilities of, another institution, the Insured shall not have such coverage as is afforded under this Section 1 of the Policy for loss which

- (a) has occurred or will occur in the offices or premises of such institution, or
- (b) has been caused or will be caused by an employee or employees of such institution, or
- (c) has arisen or will arise out of the assets or liabilities

acquired by the Insured as a result of such consolidation, merger or purchase or acquisition of assets or liabilities unless the Insured shall

- (i) give the Underwriter written notice of the proposed consolidation, merger or purchase or acquisition of assets or liabilities prior to the proposed effective date of such action and
- (ii) obtain the written consent of the Underwriter to extend the coverage provided by this Section 1 of the Policy to such additional offices or premises, employees and other exposures, and
- (iii) upon obtaining such consent, pay to the Underwriter an additional premium.

Notwithstanding the foregoing,

1. newly acquired or created entities with assets which do not account for more than 15% of the consolidated assets of the group of Insureds [Item 1(a) and 1(b) of the Declarations collectively], one of which Insureds has effected such creation or acquisition, shall be automatically included herein as Insureds within such group of Insureds who effected such acquisition or creation (Item 1(a) or 1(b) of the Declarations as applicable) from the date of such acquisition or creation, and
2. 120 days automatic coverage is provided herein for all newly acquired or created entities with assets which account for more than 15% of the consolidated assets of the group of Insureds [Item 1(a) and 1(b) of the Declarations collectively], one of which Insureds has effected such creation or acquisition, to allow for presentation of information and agreement as provided for in (i) to (iii) above. During the 120 days, such newly acquired or created entities shall be considered Insureds within such group of Insureds who effected such acquisition or creation (Item 1(a) or 1(b) of the Declarations as applicable).

CHANGE OF CONTROL - NOTICE

- C. When the General Counsel or Corporate Risk Manager of the first named Insured learn of a change in control, the Insured shall give written notice to the Underwriter within 60 days.

As used in this General Agreement, control means the power to determine the management or policy of a controlling holding company of the Insured by virtue of voting stock ownership. A change in ownership of voting stock which results in direct or indirect ownership by a stockholder or an affiliated group of stockholders of ten per cent (10%) or more of such stock shall be presumed to result in a change of control for the purpose of the required notice.

Failure to give the required notice shall result in termination of coverage for any loss involving a transferee, to be effective upon the date of the stock transfer.

REPRESENTATION OF INSURED

- D. The Insured represents that the information furnished in the application for this Section 1 of the Policy is complete, true and correct. Such application constitutes part of this Section 1 of the Policy. Such representations shall not be taken as a warranty of the truth of such information but as representation that the information is true to the best of the knowledge and belief of the person making such representation after diligent enquiry.

Any intentional misrepresentation, omission, concealment or any incorrect statement of a material fact, in the application or otherwise, shall be grounds for the rescission of this Section 1 of the Policy.

JOINT INSURED

- E. If two or more Insureds are covered under this Section 1 of the Policy, the first named Insured shall act for all Insureds. Payment by the Underwriter to the first named Insured of loss sustained by any Insured shall fully release the Underwriter on account of such loss. If the first named Insured ceases to be covered under this Section 1 of the Policy, the Insured next named shall thereafter be considered as the first named Insured. Knowledge possessed or discovery of any loss in excess of USD100,000 by the first named Insured's General Counsel or Corporate Risk Manager shall constitute knowledge or discovery by all Insureds for all purposes of this Section 1 of the Policy. The liability of the Underwriter for loss or losses sustained by all Insureds shall not exceed the amount for which the Underwriter would have been liable had all such loss or losses been sustained by one Insured.

NOTICE OF LEGAL PROCEEDINGS AGAINST INSURED - ELECTION TO DEFEND

- F (a) Collectible Loss

The Underwriter shall indemnify the Insured against court costs and reasonable attorneys' fees incurred and paid by the Insured in defending any suit or legal proceeding brought against the Insured to enforce the Insured's liability or alleged liability on account of any loss, claim or damage which, if established against the Insured, would constitute a collectible loss under this Section 1 of the Policy in excess of any Deductible amount. Such indemnity shall be part of the Aggregate Limit of Liability and the Sub-limit for the applicable Insuring Agreement(s).

However, if multiple causes of action are alleged in any such suit or legal proceeding, some of which causes of action, if established against the Insured, would not constitute a collectible loss under this Section 1 of the Policy, then the Insured shall bear for its own expense the court costs and attorneys' fees incurred in the defence of those alleged causes of action which if so established would not constitute such collectible loss.

- (b) Reimbursement of Excess Payment

If the Underwriter pays court costs and attorneys' fees in excess of their proportionate share of such costs and fees the Insured shall promptly reimburse the Underwriter for such excess.

- (c) **Reduction of Aggregate Limit or Sub-limit**
Court costs and attorneys' fees indemnified to the Insured under this General Agreement F shall be part of and not in addition to the Aggregate Limit of Liability or applicable Sub-limit and payments made under this Section 1 of the Policy including payments of court costs and attorneys' fees shall reduce the amount of the Aggregate Limit of Liability or Sub-limit shown in Item 3 of the Declarations for this Section 1 of the Policy.
- (d) **Notice of Legal Proceedings**
The Insured shall promptly give notice to the Underwriter of any suit or legal proceeding referred to in paragraph (a) above and shall furnish copies of all pleadings and other papers therein at the request of the Underwriters.
- (e) **Election to Defend**
The defence by the Underwriter shall be in the Insured's name through attorneys selected with the mutual consent of the Insured and the Underwriter.
- (f) **Payment of Court Costs and Attorneys' Fees**
The Underwriter shall not be liable to indemnify the Insured for court costs and attorneys' fees until after final judgment or settlement of any suit or legal proceeding.

CONDITIONS AND LIMITATIONS

DEFINITIONS

Subsection 1.

As used in this Section 1 of the Policy:

- (a) **Acceptance** means a draft which the drawee has, by signature written thereon, engaged to honor as presented.
- (b) **Certificate of Deposit** means an acknowledgment in writing by a financial institution of receipt of Money with an engagement to repay it.
- (c) **Certificate of Origin or Title** means a document issued by a manufacturer of personal property or a governmental agency evidencing the ownership of the personal property and by which ownership is transferred.
- (d) **Certificated Security** means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer, which is:
 - (1) represented by an instrument issued in bearer or registered form;
 - (2) of a type commonly dealt in on securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; and
 - (3) either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.
- (e) **Counterfeit** means an imitation which is intended to deceive and to be taken for the actual valid original.
- (f) **Custodian** means any central depository or other entity carrying out custodial services for the Assured under a written agreement.
- (g) **Document of Title** means a bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of goods, and also any other document which in the regular course of business or financing is treated as adequately evidencing that the person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers and must purport to be issued by or addressed to a bailee and purport to cover goods in the bailee's possession which are either identified or are fungible portions of an identified mass.

- (h) **Employee means**
- (1)
 - (a) an officer or other employee of the Insured, while employed in, at, or by any of the Insured's offices or premises covered hereunder and a guest student pursuing studies or duties in any of said offices or premises or
 - (b) student interns pursuing studies or duties in serving office whilst under the supervision of the Insured;
 - (c) a Partner of any Insured referred to in Item 1(b) of the Declarations
 - (2) an attorney retained by the Insured and an employee of such attorney while either is performing legal services for the Insured;
 - (3) a person provided by an employment contractor to perform employee duties for the Insured under the Insured's supervision at any of the Insured's offices or premises covered hereunder;
 - (4) an employee of an institution merged or consolidated with the Insured prior to the effective date of this Section 1 of the Policy; and
 - (5) each natural person, partnership or corporation authorized by the Insured to perform services as data processor of checks or other accounting records of the Insured (not including preparation or modification of computer software or programs), herein called Processor. (Each such Processor and the partners, officers and employees of such Processor shall, collectively, be deemed to be one Employee for all the purposes of this Section 1 of the Policy, excepting, however, paragraph (f) of Subsection 12. A Federal Reserve Bank or clearing house shall not be construed to be a processor.)
 - (6) any natural person performing employee duties under the Insured's supervision; and
 - (7) any Employee in (1) to (6) above for a period of 60 days after their retirement or termination of employment, provided such termination was not as a result of any dishonest or fraudulent act.
 - (8) retired officers, directors or employees retained as consultants and any other consultants retained under a written contract or agreement.
 - (9) any employee who the Insured is unable to identify by name, but whose act(s) has caused a loss covered under this policy, provided that the evidence submitted proves beyond reasonable doubt that the loss was due to the act of such employee
 - (10) for the purposes only of Insureds referred to in Item 1(b) of the Declarations for this Section 1 of the Policy, a person who is a registered representative or a registered principal associated with an Insured except as:
 - (i) sole proprietor
 - (ii) sole stockholder
 - (iii) director or a trustee of an Insured who is not performing acts coming within the scope of the usual duties of an officer or an employee, or
 - (iv) partner
 - (11) a Custodian and the employees of such while either is carrying out services for or on behalf of the Insured, subject to subsection 9 herein. Each custodian shall be deemed to be a separate Employee for all purposes of this Policy.
- (i) **Evidence of Debt means** an instrument, including a Negotiable Instrument, executed by a customer of the Insured and held by the Insured which in the regular course of business is treated as evidencing the customer's debt to the Insured.

- (j) Financial Interest in the Insured of the Insured' general partner(s), or limited partner(s), committing dishonest or fraudulent acts covered by this Section 1 of the Policy or concerned or implicated therein, means:
- (1) as respects general partners the value of all right, title and interest of such general partner(s), determined as of the close of business on the date of discovery of loss covered by this Section 1 of the Policy, in the aggregate of:
 - (a) the "net worth" of the Insured, which, for the purposes of this Section 1 of the Policy, shall be deemed to be the excess of its total assets over its total liabilities, without adjustment to give effect to loss covered by this Section 1 of the Policy, (except that credit balances and equities in proprietary accounts of the Insured, which shall include capital accounts of partners, investment and trading accounts of the Insured, participations of the Insured in joint accounts and accounts of partners which are covered by agreements providing for the inclusion of equities therein as partnership property, shall not be considered as liabilities) with securities, spot commodities, commodity future contracts in such proprietary accounts and all other assets market to market or fair value and with adjustment for profits and losses at the market of contractual commitments for such proprietary accounts of the Insured; and
 - (b) the value of all other Money, securities and property belonging to such general partner(s), or in which such general partner(s) have a pecuniary interest, held by or in the custody of and legally available to the Insured as set-off against loss covered by this Section 1 of the Policy,

provided, however, that if such "net worth" adjusted to give effect to loss covered by this Section 1 of the Policy and such value of all other Money, securities and property as set forth in (j)(1)(b) preceding, plus the amount of coverage afforded by this Section 1 of the Policy on account of such loss, is not sufficient to enable the Insured to meet its obligations, including its obligations to its partners other than to such general partner(s), then the Financial Interest in the Insured, as above defined, of such general partner(s) shall be reduced in an amount necessary, or eliminated if need be, in order to enable the Insured upon payment of loss under this Section 1 of the Policy, to meet such obligations, to the extent that such payment will enable the Insured to meet such obligations, without any benefit accruing to such general partner(s) from such payment, and
 - (2) as respects limited partners, the value of such limited partner's(*) investment in the Insured.
- (k) Forgery means the signing of the name of another person or organization with intent to deceive; it does not mean a signature which consists in whole or in part of one's own name signed with or without authority, in any capacity, for any purpose.
- (l) Guarantee means a written undertaking obligating the signer to pay the debt of another to the Insured or its assignee or to a financial institution from which the Insured has purchased participation in the debt, if the debt is not paid in accordance with its terms.
- (m) Insured means the Insured referred to in Item 1 of the Declarations.
- (n) Instruction means a written order to the issuer of an Uncertificated Security requesting that the transfer, pledge, or release from pledge of the Uncertificated Security specified be registered.
- (o) Letter of Credit means an engagement in writing by a bank or other person made at the request of a customer that the bank or other person will honour drafts or other demands for payment upon compliance with the conditions specified in the Letter of Credit.
- (p) Loan means all extensions of credit by the Insured and all transactions creating a creditor relationship in favor of the Insured and all transactions by which the Insured assumes an existing creditor relationship.
- (q) Money means a medium of exchange in current use authorized or adopted by a domestic or foreign government as a part of its currency.

- (r) Negotiable Instrument means any writing
- (1) signed by the maker or drawer; and
 - (2) containing any unconditional promise or order to pay a sum certain in Money and no other promise, order, obligation or power given by the maker or drawer; and
 - (3) which is payable on demand or at a definite time; and
 - (4) which is payable to order or bearer.
- (s) Partner means a natural person who
- (1) is a general partner of the Insured, or
 - (2) is a limited partner and an Employee [as defined in Subsection 1(h) 1(c)] of the Insured
- (t) Property means Money, Certificated Securities, Uncertificated Securities, Negotiable Instruments, Certificates of Deposit, Documents of Title, Acceptances, Evidences of Debt, Security Agreements, Withdrawal Orders, Certificates of Origin or Title, Letters of Credit, insurance policies, abstracts of title, deeds and mortgages on real estate, revenue and other stamps, tokens, unsold state lottery tickets, books of account and other records whether recorded in writing or electronically, gems, jewellery, precious metals in any form, and tangible items of personal property which are not hereinbefore enumerated.
- (u) Security Agreement means an agreement which creates an interest in personal property or fixtures and which secures payment or performance of an obligation.
- (v) Statement of Uncertificated Security means a written statement of the issuer of an Uncertificated Security containing:
- (1) A description of the issue of which the Uncertificated Security is a part;
 - (2) the number of shares or units:
 - (a) transferred to the registered owner;
 - (b) pledged by the registered owner to the registered pledgee;
 - (c) released from pledge by the registered pledgee;
 - (d) registered in the name of the registered owner on the date of the statement; or
 - (e) subject to pledge on the date of the statement;
 - (3) the name and address of the registered owner and registered pledgee;
 - (4) a notation of any liens and restrictions of the issuer and any adverse claims to which the Uncertificated Security is or may be subject or a statement that there are none of those liens, restrictions or adverse claims; and
 - (5) the date:
 - (a) the transfer of the shares or units to the new registered owner of the shares or units was registered;
 - (b) the pledge of the registered pledgee was registered, or
 - (c) of the statement, if it is a periodic or annual statement.
- (w) Uncertificated Security means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer, which is:
- (1) not represented by an instrument and the transfer of which is registered upon books maintained for that purpose by or on behalf of the issuer;
 - (2) of a type commonly dealt in on securities exchanges or markets; and
 - (3) either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.
- (x) Withdrawal Order means a non-negotiable instrument, other than an instruction, signed by a customer of the Insured authorizing the Insured to debit the customer's account in the amount of funds stated therein.

EXCLUSIONS

Subsection 2.

This Section 1 of the Policy does not cover:

- (a) loss resulting directly or indirectly from forgery or alteration, except when covered under Insuring Agreements (A), (C), (D) or (J)
- (b) loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss:
 - (1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power, or
 - (2) any Act of Terrorism.

For the purpose of this exclusion an Act of Terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This exclusion also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (1) and/or (2) above.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.
- (c) loss resulting directly or indirectly from the effects of nuclear fission or fusion or radioactivity; provided, however, that this paragraph shall not apply to loss resulting from industrial uses of nuclear energy;
- (d) loss resulting directly or indirectly from any acts of any person who is a member of the board of directors of the Insured or a member of any equivalent body by whatsoever name known unless such person is also employed as a salaried, pensioned or elected official or an Employee of the Insured. This Exclusion shall not apply to acts of a director when performing acts coming within the scope of the usual duties of an Employee, or while acting as a member of any committee duly elected or appointed by resolution of the board of directors of the Insured to perform specific, as distinguished from general, directorial acts on behalf of the Insured;
- (e) loss resulting directly or indirectly from the complete or partial non-payment of, or default upon, any Loan or transaction involving the Insured as a lender or borrower, or extension of credit, including the purchase, discounting or other acquisition of false or genuine accounts, invoices, notes, agreements or Evidences of Debt, whether such Loan, transaction or extension was procured in good faith or through trick, artifice, fraud or false pretenses, except when covered under Insuring Agreements (A), (C), (D) or (J);
- (f) loss of property contained in customers' safe deposit boxes, except when the Insured is legally liable therefor and the loss is covered under Insuring Agreement (A);
- (g)
 - (i) loss through cashing or paying forged or altered travelers' checks or travelers' checks bearing forged endorsements, except when covered under Insuring Agreement (A); or
 - (ii) loss of unsold travelers' checks or unsold money orders placed in the custody of the Insured with authority to sell, unless (a) the Insured is legally liable for such loss and (b) such checks or money orders are later paid or honored by the drawer thereof, except when covered under Insuring Agreement (A);
- (h) loss caused by an Employee, except when covered under Insuring Agreement (A) or when covered under Insuring Agreement (B);

- (i) loss resulting directly or indirectly from any parting of title to money or property including the debiting or crediting of any account by reason of any trick, artifice, fraud, false representation or other fraudulent devices except when covered under Insuring Agreements (A), (C), (D), (F) or (J)
- (j) shortage in any teller's cash due to error, regardless of the amount of such shortage, and any shortage in any teller's cash which is not in excess of the normal shortage in the teller's cash in the office where such shortage shall occur shall be presumed to be due to error;
- (k) loss resulting directly or indirectly from the use or purported use of credit, debit, charge, access, convenience, identification or other cards
 - (1) in obtaining credit or funds, or
 - (2) in gaining access to automated mechanical devices which, on behalf of the Insured, disburse Money, accept deposits, cash checks, drafts or similar written instruments or make credit card loans, or
 - (3) in gaining access to point of sale terminals, customer-bank communication terminals, or similar electronic terminals of electronic funds transfer systems,

whether such cards were issued, or purport to have been issued, by the Insured or by anyone other than the Insured, except when covered under Insuring Agreement (A);

- (l) loss (including loss of Property) involving automated mechanical devices which, on behalf of the Insured, disburse Money, accept deposits, cash checks, drafts or similar written instruments or make credit card loans,
 - (1) as a result of damage to such automated mechanical devices from vandalism or malicious mischief perpetrated from outside any office or premises, or perpetrated to the interior of a building of any premises to which the public has access and which is not permanently staffed by an Employee whose duties are those usually assigned to a bank teller
 - (2) as a result of failure of such automated mechanical devices to function properly, or
 - (3) through misplacement or mysterious unexplainable disappearance while such Property is located within any such automated mechanical devices,

except when covered under Insuring Agreement (A);

In no event shall the Underwriter be liable under this Section 1 of the Policy for loss (including loss of Property) to any customer of the Insured or to any representative of such customer while such person is on any premises to which the public has access and which is not permanently staffed by an Employee whose duties are those usually assigned to a bank teller,

- (m) loss through the surrender of Property away from an office of the Insured as a result of a threat
 - (1) to do bodily harm to any person, except loss of Property in transit provided that when such transit was initiated there was no knowledge by the Insured of any such threat, or
 - (2) to do damage to the premises or property of the Insured,

except when covered under Insuring Agreements (A), (B), (G), (K) or (L);

- (n) loss resulting directly or indirectly from payments or withdrawals from an account involving erroneous credits to such account, unless such payments or withdrawals are physically received by such depositor or representative of such depositor who is in the office of the Insured at the time of such payment or withdrawal, or except when covered under Insuring Agreements (A) or (F);
- (o) loss resulting directly or indirectly from payments or withdrawals against items which are not finally paid for any reason, including but not limited to Forgery or any other fraud, except when covered under Insuring Agreement (A) or (H);

- (p) loss resulting directly or indirectly from counterfeiting, except when covered under Insuring Agreements (A), (D) or (E);
- (q) loss of any tangible item of personal property which is not specifically enumerated in the paragraph defining Property and for which the Insured is legally liable, if such property is specifically insured by other insurance of any kind and in any amount obtained by the Insured, and in any event, loss of such property occurring more than 60 days after the Insured shall have become aware that it is liable for the safekeeping of such property, except when covered under Insuring Agreements (A) or (B)(1)(b);
- (r) loss of Property while in the mail, except when covered under Insuring Agreements (A) or (G);
- (s) loss of potential income not realized by the Insured, including but not limited to interest and dividends;
- (t) damages of any type for which the Insured is legally liable, except compensatory damages and damages covered under Insuring Agreement (H), but not multiples thereof, arising directly from a loss covered under this Section 1 of the Policy;
- (u) indirect or consequential loss of any nature except as insured by Insuring Agreement (H);
- (v) loss resulting from any violation by the Insured or by any Employee
 - (1) of law regulating (i) the issuance, purchase or sale of securities, (ii) securities transactions upon security exchanges or over the counter market, (iii) investment companies, or (iv) investment advisers, or
 - (2) of any rule or regulation made pursuant to any such law,
 unless it is established by the Insured that the act or acts which caused the said loss involved fraudulent or dishonest conduct which would have caused a loss to the Insured in a similar amount in the absence of such laws, rules or regulations;
- (w) loss resulting directly or indirectly from the failure of a financial or depository institution, or its receiver or liquidator, to pay or deliver, on demand of the Insured, funds or Property of the Insured held by it in any capacity, except when covered under Insuring Agreements (A) or (B)(1)(a);
- (x) loss :
 - (i) arising out of or in connection with any circumstances or occurrences which the Insured has notified to the Insurer on any other insurance affected prior to the inception of this Policy;
 - (ii) arising out of or in connection with any circumstances or occurrences known to the Insured at inception of this Policy which could reasonably be expected to give rise to Loss of more than USD100,000 under this Section 1 of the Policy.

Solely for the purposes of knowledge as required by point (ii) above, the term "Insured" shall mean: the first named Insured's General Counsel or Corporate Risk Manager.

- (y) loss arising out of the acts or omissions, including knowing instructions, decisions, approvals or condoning of any acts or omissions by R. Allen Stanford but only up to the monetary value of his ownership of the entity incurring such loss. Coverage is provided over and above such value, the Deductible only applying to such coverage if and to the extent that, the Deductible exceeds such value.

(z) Loss sustained by any Insured referred to in Item 1(b) of the Declarations

- (1) resulting directly or indirectly from transactions in a customer's account whether authorised or unauthorised, except the unlawful withdrawal and conversion of Money, securities or precious metals, directly from a customer's account by an Employee, provided such unlawful withdrawal and conversion is covered under Insuring Agreement A.
- (2) resulting directly or indirectly from any dishonest or fraudulent act or acts committed by any entity which is a securities, commodities, money, mortgage, real estate, loan, insurance, property management, investment banking broker, agent or other representative of the same general character.
- (3) caused directly or indirectly by a Partner of any Insured referred to in Item 1(b) of the Declarations, unless the amount of such loss exceeds the Financial Interest in such Insured of such Partner and the Deductible amount applicable to this Section 1 of this Policy, and then for the excess only.
- (4) resulting directly or indirectly from:
 - (i) any loan or transaction in the nature of a loan or extension of credit, directly or indirectly to or for the benefit of an Insider; or
 - (ii) any false or genuine accounts, invoices, notes, agreements or other Evidences of Debt purchased, discounted or otherwise acquired by the Insured, directly or indirectly from an Insider; or
 - (iii) payment or withdrawals to or for the benefit of an Insider and involving items which are not finally paid for any reason, including, but not limited to, forgery or any other fraud

and notwithstanding exclusions (e) and (o) of this Section 1 of the Policy.

As used in this Exclusion (z)(6), "Insider" shall mean:

- (a) any person who is or was a director or officer of the Insured or relative thereof or
 - (b) a shareholder who directly or indirectly or beneficially owns or owned more than 5% of the shares of the Insured, or
 - (c) any proprietorship, partnership, corporation or other business or entity in which any such person, relative or shareholder has or had any direct, indirect or beneficial financial interest.
- (ea) loss sustained by Stanford Bank, S.A., Banco Comercial (formerly known as Banco Galicia de Venezuela, CA., or Banco Comercial C.A.), prior to 12.01 a.m. Local Standard Time on 14th February 2005 or arising out of or in any way involving any act or omission committed or alleged to have been committed prior to such date or transaction, casualty or event occurring or allegedly occurring prior to such date.

DISCOVERY

Subsection 3.

This Section 1 of the Policy applies to loss discovered by the first named Insured's General Counsel or Corporate Risk Manager during the policy period. Discovery occurs when the first named Insured's General Counsel or Corporate Risk Manager first becomes aware of facts which would cause a reasonable person to assume that a loss in excess of USD100,000 of a type covered by this Section 1 of the Policy has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details of loss may not then be known.

Discovery also occurs when the first named Insured's General Counsel or Corporate Risk Manager receives notice of an actual or potential claim in which it is alleged that the Insured is liable to a third party under circumstances which, if true, would constitute a loss in excess of USD100,000 under this Section 1 of the Policy.

LIMIT OF LIABILITY

Subsection 4.

Aggregate Limit of Liability

The Underwriter's total liability for all losses discovered during the policy period shown in item 2 of the Declarations and including court costs and attorneys' fees shall not exceed the Aggregate Limit of Liability shown in item 3 of the Declarations or amendments thereto. The Sub-limit of any Insuring Agreement(s) is part of and not in addition to the Aggregate Limit of Liability and the total liability of the Underwriters for all losses, including court costs and attorneys' fees, concerning such Insuring Agreement(s) is limited to the amount of the Sub-limit, irrespective of the total amount of such loss or losses.

The Aggregate Limit of Liability shall be reduced by the amount of any payment made under the terms of this Section 1 of the Policy.

Upon exhaustion of the Aggregate Limit of Liability by such payments:

- (a) The Underwriter shall have no further liability for loss or losses regardless of when discovered and whether or not previously reported to the Underwriter, and
- (b) The Underwriter shall have no obligation under General Agreement F to indemnify the Insured for any court costs and attorneys' fees nor to continue the defense of the Insured in the event of the Underwriters' election to conduct the defence of any suit or legal proceedings, and upon notice by the Underwriter to the Insured that the Aggregate Limit of Liability has been exhausted, the Insured shall assume all responsibility for its defense at its own cost.

The Aggregate Limit of Liability shall not be increased or reinstated by any recovery made and applied in accordance with paragraphs (a), (b) and (c) of Subsection 7. In the event that a loss of Property is settled by the Underwriter through the use of a lost instrument bond, such loss shall not reduce the Aggregate Limit of Liability.

In addition to the Aggregate Limit of Liability being reduced, the Sub-limit of any applicable Insuring Agreement(s) stated in the Declarations of this Section 1 of the Policy shall be reduced by the amount of any payment made in connection with said Insuring Agreement(s). Upon exhaustion of the Sub-limit applicable to said Insuring Agreement(s) by such payments,

- (a) The Underwriter shall have no further liability under said Insuring Agreement(s) of this Section 1 of the Policy for any loss or losses regardless of when discovered and whether or not previously reported to the Underwriter, and

- (b) The Underwriter shall have no obligation under General Agreement F to indemnify the Insured for any court costs and attorneys' fees incurred in connection with said loss or losses, nor to continue the defense of the Insured in the event of the Underwriters' election to conduct the defence of any suit or legal proceedings in connection with said loss or losses, and upon notice by the Underwriter to the Insured that the Sub-limit has been exhausted, the Insured shall assume all responsibility for its defense at its own cost.

If by reason of payments made under this Section 1 of the Policy, the Aggregate Limit of Liability is reduced to an amount less than the amount stated for any Sub-limit in Item 4 of the Declarations of this Section 1 of the Policy then the amount of any such Sub-limit shall be accordingly reduced so that the total amount available under such Sub-limit for any loss or losses, including court costs and attorneys' fees, does not exceed the reduced amount remaining available under the Aggregate Limit of Liability. Neither the Aggregate Limit of Liability nor any Sub-limit shall be reinstated in whole or in part by any recovery effected subsequent to any payment made under this Section 1 of the Policy.

Regardless of the number of years this Section 1 of the Policy shall continue in force or any subsequent renewals or replacements and the number of premiums which shall be payable or paid, the liability of the Underwriter shall not be cumulative in amounts from year to year or from period to period.

If a loss is covered under more than one Insuring Agreement the maximum payable with respect to such loss shall not exceed the largest amount available under any one Insuring Agreement.

In the event that a loss of Property discovered during the policy period set forth in Item 2 of the Declarations for this Section 1 of the Policy is settled by the Underwriter through the use of a lost instrument bond or indemnity agreement, such loss, to the extent that the Underwriter is not called upon to pay under said lost instrument bond or indemnity agreement or otherwise remains unpaid by the Underwriter, shall not reduce the Aggregate Limit of liability or any applicable Sub-limit remaining for the payment of any loss or losses. However, any payment by the Underwriter under such lost instrument bond or indemnity agreement shall be deemed to be a payment under this Section 1 of the Policy.

The exhaustion or reduction of the Aggregate Limit of Liability or any Sub-limit shall not affect the Underwriter's obligations in connection with any lost instrument bond or indemnity agreement issued prior to the exhaustion or reduction of the Aggregate Limit of Liability of any applicable Sub-limit.

Single Loss Limit of Liability

Subject to the Aggregate Limit of Liability, the Underwriter's liability for each Single Loss shall not exceed the applicable Single Loss Limit of Liability shown in Item 4 of the Declarations. If a Single Loss is covered under more than one Insuring Agreement or Coverage Extension, the maximum payable shall not exceed the largest applicable Single Loss Limit of Liability.

Single Loss Defined

Single Loss means all covered loss, including court costs and attorneys' fees incurred by the Underwriter under General Agreement F, resulting from

- (a) any one act or series of related acts of burglary, robbery or attempt thereof, in which no Employee is implicated, or
- (b) any one act or series of related unintentional or negligent acts or omissions on the part of any person (whether an Employee or not) resulting in damage to or destruction or misplacement of Property, or
- (c) all acts or omissions other than those specified in (a) and (b) preceding, caused by any person (whether an Employee or not) or in which such person is implicated, or
- (d) any one casualty or event not specified in (a), (b) or (c) preceding.

The meaning of 'Single Loss' to be applied, as set forth in subparagraphs (a) to (d) inclusive shall be that which includes the highest amount of loss.

NOTICE/PROOF - LEGAL PROCEEDINGS AGAINST UNDERWRITER

Subsection 5.

- (a) At the earliest practicable moment, after discovery of any loss under this Section 1 of the Policy by the first named Insured's General Counsel or Corporate Risk Manager which exceeds or has the potential to exceed USD 100,000, the Insured shall give the Underwriter notice thereof via Willis Limited, FINEX - Claims Department, 51 Lime Street, London, EC3M 7DQ, United Kingdom.
- (b) Within 6 months after such discovery, the Insured shall furnish to the Underwriter proof of loss, duly sworn to, with full particulars.
- (c) Lost Certificated Securities listed in a proof of loss shall be identified by certificate or bond numbers if such securities were issued therewith.
- (d) If any limitation embodied in this Section 1 of the Policy is prohibited by any law controlling the construction hereof, such limitation shall be deemed to be amended so as to equal the minimum period of limitation provided by such law.
- (e) this Section 1 of the Policy affords coverage only in favour of the Insured. No suit, action or legal proceedings shall be brought hereunder by any one other than the named Insured.

VALUATION

Subsection 6.

Any loss of Money, or loss payable in Money, shall be paid, at the option of the Insured, in the Money of the country in which the loss was sustained or in the United States of America dollar equivalent thereof determined at the rate of exchange at the time of payment of such loss.

Securities

The Underwriter shall settle in kind its liability under this Section 1 of the Policy on account of a loss of any securities or, shall pay to the Insured the cost of replacing such securities, determined by the market value thereof at the time of such settlement. However, if, prior to such settlement the Insured shall be compelled by the demands of a third party or by market rules to purchase equivalent securities, and gives written notification of this to the Underwriter, the cost incurred by the Insured shall be taken as the value of those securities. In case of a loss of subscription, conversion or redemption privileges through the misplacement or loss of securities, the amount of such loss shall be the value of such privileges immediately preceding the expiration thereof. If such securities cannot be replaced or have no quoted market value, or if such privileges have no quoted market value, their value shall be determined by agreement or arbitration.

If the applicable coverage of this Section 1 of the Policy is subject to a Deductible Amount and/or the Aggregate Limit of Liability and/or the Sub-limit remaining for payment of any loss or losses is not sufficient in amount to indemnify the Insured in full for the loss of securities for which claim is made hereunder, the liability of the Underwriter under this Section 1 of the Policy is limited to the payment for, or the duplication of, so much of such securities as has a value equal to the amount recoverable under the applicable Insuring Agreement of this Section 1 of the Policy.

Books of Account and Other Records

In case of loss of, or damage to, any books of account or other records used by the Insured in its business, the Underwriter shall be liable under this Section 1 of the Policy only if such books or records are actually reproduced and then for not more than the cost of the blank books, blank pages or other materials plus the cost of labour for the actual transcription or copying of data which shall have been furnished by the Insured in order to reproduce such books and other records.

In case of loss of, or damage to, any Property other than Money, securities, books of account or other records, or damage covered under Insuring Agreement (B), the Underwriter shall not be liable for more than the actual cash value of such Property, or of items covered under Insuring Agreement (B). The Underwriter may, at its election, pay the actual cash value of, replace or repair such Property. Disagreement between the Underwriter and the Insured as to the cash value or as to the adequacy of repair or replacement shall be resolved by arbitration.

Set-Off

Any loss covered under this Section 1 of the Policy shall be reduced by a set-off consisting of any amount owed to the Employee causing the loss if such loss is covered under Insuring Agreement (A).

ASSIGNMENT - SUBROGATION - RECOVERY - COOPERATION

Subsection 7.

- (a) In the event of payment under this Section 1 of the Policy, the Insured shall deliver, if so requested by the Underwriter, an assignment of such of the Insured's rights, title and interest and causes of action as it has against any person or entity to the extent of the loss payment.
- (b) In the event of payment under this Section 1 of the Policy, the Underwriter shall be subrogated to all of the Insured's rights of recovery therefor against any person or entity to the extent of such payment.
- (c) Recoveries, whether effected by the Underwriter or by the Insured, shall be applied net of the expense of such recovery first to the satisfaction of the Insured's loss which would otherwise have been paid but for the fact that it is in excess of either the Single or Aggregate Limit of Liability, secondly, to the Underwriter as reimbursement of amounts paid in settlement of the Insured's claim, and thirdly, to the Insured in satisfaction of any Deductible Amount. Recovery on account of loss of securities as set forth in the second paragraph of Subsection 6 or recovery from reinsurance and/or indemnity of the Underwriter shall not be deemed a recovery as used herein.
- (d) Upon the Underwriter's request and at reasonable times and places designated by the Underwriter the Insured shall
 - (1) submit to examination by the Underwriter and subscribe to the same under oath; and
 - (2) produce for the Underwriter's examination all pertinent records; and
 - (3) cooperate with the Underwriter in all matters pertaining to the loss.
- (e) The Insured shall execute all papers and render assistance to secure to the Underwriter the rights and causes of action provided for herein. The Insured shall do nothing after discovery of loss to prejudice such rights or causes of action.

LIMIT OF LIABILITY UNDER THIS SECTION 1 OF THE POLICY AND PRIOR INSURANCE

Subsection 8.

With respect to any loss covered by this Section 1 of the Policy which is recoverable or recovered in whole or in part under any other bonds or policies issued by the Underwriter to the Insured or to any predecessor in interest of the Insured and terminated or cancelled or allowed to expire and in which the period for discovery has not expired at the time any such loss thereunder is discovered, the total liability of the Underwriter under this Section 1 of the Policy and under such other bonds or policies shall not exceed, in the aggregate, the amount carried hereunder on such loss or the amount available to the Insured under such other bonds or policies, as limited by the terms and conditions thereof, for any such loss if the latter amount be the larger.

If the coverage of this Section 1 of the Policy supersedes in whole or in part the coverage of any other bond or policy of insurance issued by an Insurer other than the Underwriter and terminated, cancelled or allowed to expire, the Underwriter, with respect to any loss sustained prior to such termination, cancellation or expiration and discovered within the period permitted under such other bond or policy for the discovery of loss thereunder, shall be liable under this Section 1 of the Policy only for that part of such loss covered by this Section 1 of the Policy as is in excess of the amount recoverable or recovered on account of such loss under such other bond or policy, anything to the contrary in such other bond or policy notwithstanding

OTHER INSURANCE OR INDEMNITY

Subsection 9.

Coverage afforded hereunder shall apply only to the amount by which any loss exceeds.

- (i) any valid and collectible insurance or indemnity obtained by the Insured, or by one other than the Insured on Property subject to exclusion (q).
- (ii) the amount of any such loss of Property which the Insured is able to recover and does recover by all legal means from any transportation company, or another entity on whose premises the loss occurred or which employed the person causing the loss or the messenger conveying the Property involved.

OWNERSHIP

Subsection 10.

This Section 1 of the Policy shall apply to loss of property (1) owned by the Insured, (2) held by the Insured in any capacity, or (3) for which the Insured is legally liable. This Section 1 of the Policy shall be for the sole use and benefit of the Insured named in the Declarations.

DEDUCTIBLE AMOUNT

Subsection 11.

The Underwriter shall be liable hereunder, only for the amount by which any Single Loss, as defined in Subsection 4, exceeds the Single Loss Deductible amount for the Insuring Agreement or Coverage Extension applicable to such loss, subject to the Aggregate Limit of Liability and the applicable Single Loss Limit of Liability.

If a loss is covered under more than one Insuring Agreement or Coverage Extension the largest Deductible Amount of any one Insuring Agreement or Coverage Extension shall be applicable to such loss.

The Insured shall, in the time and in the manner prescribed in this Section 1 of the Policy, give the Underwriter notice of any loss of the kind covered by the terms of this Section 1 of the Policy, whether or not the Underwriter is liable therefor, and upon the request of the Underwriter shall file with it a brief statement giving the particulars concerning such loss.

TERMINATION OR CANCELLATION

Subsection 12.

This Section 1 of the Policy terminates as an entirety upon occurrence of any of the following:-

- (a) as to any Insured immediately upon the taking over of such Insured by a receiver or other liquidator or by State or Federal officials, or
- (b) as to any Insured immediately upon the taking over of such Insured by another institution, or
- (c) immediately upon exhaustion of the Aggregate Limit of Liability, or
- (d) immediately upon expiration of the policy period as set forth in Item 2 of the Declarations
- (e) in the event of non-payment of the premium herein, as set out in the Premium Payment Clause (LSW3000 (Amended)) attached hereto.

In the event of termination as provided for in (a) or (b) the Underwriter shall return any unearned premium calculated at a pro rata. In the event of termination as provided for in (e), Underwriters shall retain the pro rata proportion of the premium hereon.

- (f) This Section 1 of the Policy terminates as to any dishonest or fraudulent acts or omissions of any Employee or any partner, officer or employee of any Processor (as defined in Definitions 1(h)(5) only) 30 days after the first named Insured's General Counsel or Corporate Risk Manager learn of any dishonest or fraudulent act committed by such person at any time, whether in the employment of the Insured or otherwise, whether or not of the type covered under Insuring Agreement (A), against the Insured or any other person or entity, without prejudice to the loss of any Property then in transit in the custody of such person, or (b) 15 days after the receipt by the Insured of a written notice from the Underwriter of its desire to cancel this bond as to such person. Notwithstanding the foregoing, this paragraph shall not apply to any such dishonest or fraudulent act committed prior to employment with the Insured and involving property valued at less than USD 10,000

Termination of this Section 1 of the Policy as to any Insured terminates liability for any loss sustained by such Insured which is discovered after the effective date of such termination.

If any entity which is an Insured hereunder is a Federal Savings and Loan Association or State chartered association insured by the Federal Savings and Loan Insurance Corporation, no cancellation of this Section 1 of the Policy in its entirety, by the Underwriter, shall take effect prior to the expiration of 10 days from the receipt by the Federal Home Loan Bank of which such Insured is a member, of written notice of such cancellation unless an earlier date of cancellation is approved by said Federal Home Loan Bank.

The Underwriters will mark their records to indicate that the National Association of Securities Dealers, Inc, is to be notified promptly concerning the cancellation or substantial modification of this Section 1 of the Policy, affecting any Insured referred to in item 1(b) of the Declarations for this Section 1 of the Policy whether such cancellation or modification is at the request of the Insured or the Underwriter, and will use their best efforts to so notify said Association but failure to so notify said Association shall not impair or delay the effectiveness of any such cancellation or modification.

SECTION 2: ELECTRONIC AND COMPUTER CRIME
Based on Standard Form LSW973

WHEREAS the Insured, named in the Schedule for this Section of the Policy, has made to Us, who have hereunto subscribed our Names (hereinafter in this Section of the Policy called "the Underwriters") a Proposal Form, which it is agreed shall form the basis of this Section of the Policy, and has paid or promised to pay the premiums specified in the Schedule for this Section of the Policy, all provisions of the said Schedule and the Proposal Form being hereby incorporated in and forming part of this Section of the Policy.

NOW WE THE UNDERWRITERS hereby undertake and agree, subject to the following terms, exclusions, limitations and conditions, to indemnify the Insured, as stated in the Schedule for this Section of the Policy, in excess of the amounts of the deductibles stated to be applicable, such direct financial loss sustained by the insured on or subsequent to the Retroactive Date (if any) and discovered by the first named Insured's General Counsel or Corporate Risk Manager during the period of the Policy and subject always to the Policy Limits as stated in the Schedule Section of the Policy.

LSW 973 (01/98) (Amended)

SECTION 2: ELECTRONIC AND COMPUTER CRIME INSURANCE
Based on Standard Form LSW873

SCHEDULE FOR SECTION 2 OF THIS POLICY

ITEM 1. Policy No.: 576/MNA851300

This Schedule, along with this Section 2 of the Policy with any endorsements shall be deemed to constitute two separate contracts as follows:

- (i) between Underwriters and all entities which are referred to in Item 2(a) below as part of the Insured and
- (ii) between Underwriters and all entities which are referred to in Item 2(b) below as part of the Insured.

ITEM 2. Name of Insured:

- (a) Stanford Financial Group Company and other entities set forth in the attached 'Schedule of Insureds / Assureds 1' and the Subsidiaries, associated, allied and affiliated companies of any of the foregoing (and the interests of such Subsidiaries, associated, allied and affiliated companies as such interests may appear) which now exist or hereafter may be constituted or acquired in accordance with General Conditions B, "Additional Offices, Computer Systems - Consolidation, Merger or Purchase of Assets - Notice" and any and all Employee Welfare, Benefit, Pension, Stock Option and Profit Sharing Plans owned, controlled, operated or related to any entity referred to above.

Principal Address: 1000, Airport Boulevard
St John's
Antigua, West Indies,

- (b) Stanford Group Company, and other entities set forth in the attached 'Schedule of Insureds / Assureds 2' and the Subsidiaries, associated, allied and affiliated companies of any of the foregoing (and the interests of such Subsidiaries, associated, allied and affiliated companies as such interests may appear) which now exist or hereafter may be constituted or acquired in accordance with General Conditions B, "Additional Offices, Computer Systems - Consolidation, Merger or Purchase of Assets - Notice and any and all Employee Welfare, Benefit, Pension, Stock Option and Profit Sharing Plans owned, controlled, operated or related to any entity referred to above.

Principal Address: 5050 Westheimer
Houston
Texas 77056, USA

In applying the terms, conditions and limitations of each such contract, "Insured" when used in this Section 2 of the Policy shall be construed in accordance with the separate contracts referred to in (a) and (b) above. The "first named Insured" for the purposes of such separate contracts shall be taken to refer to Stanford Financial Group Company for (a) above and Stanford Group Company for (b) above.

ITEM 3. Policy Period:

From 15th August, 2008 to 15th August, 2009, both days at 12:01 a.m. Local Standard Time at the address stated for the Insured in Item 2 above

ITEM 4. Retroactive Date:

For Stanford Bank, S.A., Banco Comercial (formerly known as Banco Galicia de Venezuela, CA., or Banco Comercial C.A.), referred to in Item 2(a) above, 14th February 2005.

ITEM 5. Premium:

Included in the combined Premium shown for this and Section 1 of this Policy in the Declarations for Section 1.

ITEM 6. Proposal Form dated:

All as held on file by Willis Limited, which are deemed seen and accepted by Underwriters (including Significant Changes letter (Barbara Fortin) dated 23rd June 2006 updating Significant Changes letter (Barbara Fortin) dated 12th July 2005).

The Proposal Form together with any correspondence relative thereto signed by or on behalf of the Insured shall be the basis of the Insurance.

ITEM 7. Aggregate Policy Limit:

Except in respect of Insuring Agreement 10 (Verification & Reconstitution Costs), the Aggregate Policy Limit for all entities combined referred to in Item 2(a) above shall be:

USD 10,000,000 applicable to both this Section 2 and Section 1 of this Policy combined and, in addition for all entities combined referred to in Item 2(b) above:

USD 10,000,000 applicable to both this Section 2 and Section 1 of this Policy combined,

The above being referred to hereinafter as the "Aggregate Limit of Liability"

For Insuring Agreement 10 (Verification & Reconstitution Costs), the Aggregate Limit of Liability shall be sub-limited to USD2,500,000 separately for each group of entities in Items 2(a) and 2(b) above, which sub-limit shall form part of and not be in addition to each of the above USD10,000,000 Aggregate Limit of Liability.

ITEM 8. Single Loss Limit:

Except in respect of Insuring Agreement 10 (Verification & Reconstitution Costs), the limit of Underwriter's liability under the Policy for any Single Loss, subject to the Aggregate Policy Limit and subject to General Condition G, shall be:

USD 5,000,000.

In respect of Insuring Agreement 10 (Verification & Reconstitution Costs), the limit of Underwriter's liability under the Policy for any Single Loss subject to the Aggregate Policy Limit and subject to General Condition G, shall be:

USD 2,500,000

ITEM 9. Single Loss Deductible:

Except in respect of Insuring Agreement 10 (Verification & Reconstitution Costs) and except for Stanford Group Company the Single Loss Deductible is: USD 250,000

The Single Loss Deductible for Stanford Group Company is: USD 1,000,000

which shall not exceed USD 2,000,000 in the aggregate for both Sections 1 and 2 of this Policy combined and which shall apply to the amount by which any Single Loss exceeds

USD 10,000

The Single Loss Deductible for Insuring Agreement 10 (Verification & Reconstitution Costs) shall be

NIL

being correct

ITEM 10. Service of Suit:

Per NMA1998 (amended) and NMA1483 (amended) as attached

ITEM 11. Loss to be Notified to:

The Underwriters per:

Willis Limited,
FINEX - Claims Department,
51 Lime Street,
London EC3M 7DQ,
UK

Dated in London: the 25th day of JULY, 2008.

The Underwriter, in consideration of an agreed premium, and in reliance upon all statements made and information furnished to the Underwriter by the Insured in applying for this Section 2 of the Policy, and subject to the Declarations, Insuring Agreements, General Agreements, Conditions and Limitations and other terms of this Section 2 of the Policy, agrees to indemnify the Insured for:

I. INSURING AGREEMENTS

INSURING AGREEMENT 1 - COMPUTER SYSTEMS

By reason of the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value as the direct result of

- (a) the fraudulent input of Electronic Data directly into:
 - 1. the Insured's Computer System, or
 - 2. a Service Bureau's Computer System, or
 - 3. any Electronic Funds Transfer System, or
 - 4. a Customer Communication System; or
- (b) the fraudulent modification or the fraudulent destruction of Electronic Data stored within or being run within any of the above systems or during Electronic Transmission to the Insured's Computer System or a Service Bureau's Computer System; or
- (c) the fraudulent input of Electronic Data through a Telephone Banking System directly into the Insured's Computer System

The words, "fraudulent input" in (a) above shall include such input by means of Internet.

INSURING AGREEMENT 2 - ELECTRONIC COMPUTER PROGRAMS

By reason of the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value as the direct result of the fraudulent preparation or the fraudulent modification of Electronic Computer Programs.

INSURING AGREEMENT 3 - ELECTRONIC DATA AND MEDIA

- A. By reason of the malicious alteration or destruction or corruption or attempt thereof of Electronic Data by any person while the Electronic Data are stored within the Insured's Computer System or a Service Bureau's Computer System or while recorded upon Electronic Data Processing Media within the offices or premises of the Insured or while in transit anywhere, provided that the Insured is the owner of such Electronic Data or Electronic Data Processing Media or is legally liable for such loss or damage.
- B. By reason of Electronic Data Processing Media being lost, damaged or destroyed as the direct result of robbery, burglary, larceny, theft, misplacement, mysterious unexplainable disappearance or malicious act or corruption while the Electronic Data Processing Media is lodged or deposited within offices or premises located anywhere, or while in transit anywhere, such transit to begin immediately upon receipt of such Electronic Data Processing Media by said person or entity effecting the transit and to end immediately upon delivery to the designated recipient or its agent, provided that the Insured is the owner of such Electronic Data Processing Media or is legally liable for such loss or damage.
- C. By reason of the malicious alteration or destruction or corruption of Electronic Computer Programs while stored within the Insured's Computer System or a Service Bureau's Computer System or while recorded upon Electronic Data Processing Media within any offices or premises or while in transit anywhere provided that the Insured is the owner of such Electronic Computer Programs or is legally liable for such loss or damage.

INSURING AGREEMENT 4 - COMPUTER VIRUS

- A. By reason of the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value as the direct result of the destruction or modification or corruption or attempt thereof of the Insured's Electronic Data or Electronic Computer Programs due to a Computer Virus caused by any person while such Electronic Data or Electronic Computer Programs are stored within the Insured's Computer System or a Service Bureau's Computer System.
- B. the destruction or modification or corruption or attempt thereof of the Insured's Electronic Data or Electronic Computer Programs as the result of a Computer Virus caused by any person while such Electronic Data are stored within the Insured's Computer Systems or a Service Bureau's Computer System.

INSURING AGREEMENT 5 - ELECTRONIC AND TELEFACSIMILE COMMUNICATIONS

By reason of the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value on the faith of any electronic communications directed to the Insured authorizing or acknowledging the transfer, payment, delivery or receipt of funds or property which communications were transmitted or appear to have been transmitted

1. through an Electronic Communication System, or
2. by Telefacsimile, telex, TWX or similar means of communication

directly into the Insured's Computer System or to the Insured's Communications Terminal and fraudulently purport to have been sent by a customer, Automated Clearing House, an office of the Insured, or another financial institution but which communications were either not sent by said customer, Automated Clearing House, an office of the Insured or financial institution or were fraudulently modified during physical transit of Electronic Data Processing Media to the Insured's Computer System or to the Insured's Communications Terminal.

SPECIAL CONDITION

All Telefacsimile, telex, TWX or similar means of communication referred to in paragraph 2 above must be Tested or subject to a call-back to an authorized person other than the individual initiating the transfer request and any such Telefacsimile must also bear a Forged Signature or Fraudulent Alteration.

INSURING AGREEMENT 6 - ELECTRONIC TRANSMISSIONS

By reason of a customer of the Insured, an Automated Clearing House or another financial institution having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value

1. on the faith of any electronic communications purporting to have been directed by the Insured to its customer, an Automated Clearing House or a financial institution authorizing or acknowledging the transfer, payment, delivery or receipt of funds or property which communications were transmitted or appear to have been transmitted through an Electronic Communication System, or by Tested Telefacsimile, Tested Telex, Tested TWX or similar means of Tested communication directly into a Computer System or a Communications Terminal of said customer, Automated Clearing House or financial institution and fraudulently purport to have been sent by the Insured but which communications were either not sent by the Insured or were the direct result of the fraudulent modification of Electronic Data during physical transit of Electronic Data Processing Media from the Insured or during Electronic Transmission from the Insured's Computer System or the Insured's Communications Terminal; or
2. as the direct result of the fraudulent input, the fraudulent modification or the fraudulent destruction of Electronic Data stored within or being run within the Insured's Computer System or during Electronic Transmission from the Insured's Computer System into the customer's Computer System while the Insured is acting as a Service Bureau for said customer, and

for which loss the Insured is legally liable to the customer, the Automated Clearing House or the financial institution.

INSURING AGREEMENT 7 - ELECTRONIC SECURITIES

By reason of a Central Depository having transferred, paid or delivered any funds or property or debited any account of the Insured on the faith of any electronic communications purporting to have been directed by the Insured to the Central Depository authorizing the transfer, payment or delivery of said funds or property or the debiting of the Insured's account in connection with the purchase, sale, transfer or pledge of an Electronic Security which communications were transmitted or appear to have been transmitted

1. through an Electronic Communication System, or
2. by Tested Telefacsimile, Tested Telex, Tested TWX or similar means of Tested communication

directly into a Computer System or a Communications Terminal of said Central Depository and fraudulently purport to have been sent by the Insured to the Central Depository but which communications were either not sent by the Insured to the Central Depository or were fraudulently modified during physical transit of Electronic Data Processing Media from the Insured or during Electronic Transmission from the Insured's Computer System or the Insured's Communications Terminal to the Central Depository and for which loss the Insured is legally liable to the Central Depository.

INSURING AGREEMENT 8 - VOICE INITIATED INSTRUCTIONS

- A. By reason of the Insured having transferred any funds or delivered any property on the faith of any voice initiated instructions directed to the Insured authorizing the transfer of funds or delivery of any property in a Customer's account to other financial institutions for the credit to persons allegedly designated by the Customer and which instructions were made over the telephone to those Employees of the Insured specifically authorized to receive said instructions at the Insured's offices and fraudulently purport to have been made by a person authorized and appointed by a Customer to request by telephone the transfer of such funds or delivery of such property but which instructions were not made by said Customer or by any officer, director, partner or employee of said Customer or were fraudulently made by an officer, director, partner or employee of said Customer whose duty, responsibility or authority did not permit him to make, initiate, authorize, validate or authenticate Customer voice initiated instructions.
- B. By reason of the Insured having transferred any funds or delivered any property on the faith of any voice initiated instructions purportedly communicated between the Insured's offices authorizing the transfer of funds or delivery of any property in a Customer's account between the Insured's offices or to other financial institutions for the credit to persons allegedly designated by the Customer and which instructions were purportedly made over the telephone between the Insured's offices to those Employees of the Insured specifically authorized to receive said inter-office instructions by telephone, and fraudulently purport to have been made by an Employee of the Insured authorized to request by telephone such transfer of funds or delivery of property but which fraudulent acts were committed by a person, other than an Employee of the Insured, who intended to cause the Insured or the Customer to sustain a loss or to obtain financial gain for himself or any other person.

SPECIAL DEFINITION

"Customer" as used in this Insuring Clause means

- (i) any corporate, partnership or trust customer or similar business entity or
- (ii) any private natural person customer

having a written or electronic agreement with the Insured for customer voice initiated funds transfers, which agreement, in the case of (i) above, shall be in the form of a corporate resolution containing a list of individuals authorized to initiate and authenticate voice initiated funds transfers, which list must specify the telephone numbers as well as monetary limits for all initiators/authenticators. Such written or electronic agreement shall also outline the terms and conditions under which the service is provided including a limitation of liability by the Insured.

SPECIAL CONDITION

All voice initiated instructions purportedly received from a Customer for the transfer of funds or property must be Tested or subject to a call-back to an authorized person other than the individual initiating the transfer request.

INSURING CLAUSE 9 COMPUTER EXTORTION

By reason of loss resulting from the Insured having surrendered any funds or property to a person other than an Employee of the Insured where said person has gained or alleges to have gained unauthorised access to the Insured's Computer System and threatens to

- (a) cause the Insured to transfer, pay or deliver any funds or property by means of the Insured's Computer System; or
- (b) sell or disclose confidential security codes to another person or party, which disclosure will enable the recipient of such confidential security codes to cause the Insured to transfer, pay or deliver any funds or property by means of the Insured's Computer System; or
- (c) cause damage to or destruction of the Insured's Electronic Computer Programs or Insured's Electronic Data while stored within the Insured's Computer Systems by
 - (1) the introduction of a Computer Virus into the Insured's Computer System, or
 - (2) the activation of a Computer Virus that such person has allegedly introduced into the Insured's Computer System but where such Computer Virus is inactive at the time said threat is communicated to the Insured;

provided however that before surrendering any funds or property the Insured makes every reasonable effort to conduct an investigation which provides a reasonable basis for concluding said threat is technologically credible and the Insured reports said threat to the police or local law enforcement authorities having jurisdiction over such matters and reasonably complies with their recommendations, instructions or suggestions under the circumstances.

INSURING CLAUSE 10 VERIFICATION & RECONSTITUTION COSTS

By reason of expenses incurred and/or fees paid by the Assured, all with the prior approval of Underwriters, such approval not to be unreasonably withheld or delayed, for the verification and reconstitution of Electronic Computer Programs, which Electronic Computer Programs have been fraudulently modified so as to give rise to a loss or potential loss under this Policy.

II. DEFINITIONS APPLICABLE TO THIS SECTION ONLY OF THE POLICY

- (a) "Automated Clearing House" means any corporation or association which operates an electronic clearing and transfer mechanism for the transfer of preauthorized recurring debits and credits between financial institutions on behalf of the financial institutions' customers.
- (b) "Central Depository" means any clearing corporation, including,
 - (i) any clearing system including the global custody services of any bank; or
 - (ii) any clearing corporation or company; or
 - (iii) any Federal Reserve Bank of any country; or
 - (iv) any depository approved by the UK Securities and Futures Authorityor any recognised place of safe deposit where as the direct result of an electronic clearing and transfer mechanism entries are made on the books reducing the account of the transferor, pledgor or pledgee and increasing the account of the transferee, pledgee or pledgor by the amount of the obligation or the number of shares or rights transferred, pledged or released.
- (c) "Communications Terminal" means any teletype, teleprinter, video display terminal, telefacsimile machine personal computer or similar device capable of sending and/or receiving information electronically, whether or not equipped with a keyboard or mouse.

- (d) "Computer System" means a computer and/or personal computer and all input, output, processing, storage and communication facilities including related communication or open systems networks which are connected to such a device, as well as the device's off-line media libraries.
- (e) "Computer Virus" means a set of unauthorised instructions, programmatic or otherwise, that propagate themselves through the Insured's Computer System and/or networks which instructions were maliciously or fraudulently introduced by a person other than by an identifiable Employee.
- (f) "Customer Communication System" means those communications systems as declared in the Proposal Form and as may be added during the Policy Period which provide customers of the Insured with direct access to the Insured's Computer System.
- (g) "Electronic Communication System" means any electronic communication system or similar automated communication systems which operates to transfer property between financial institutions or between financial institutions and their customers including, without prejudice to the generality of the foregoing electronic communication operations by Fedwire, Clearing House Interbank Payment System (CHIPS), Society for Worldwide Interbank Financial Telecommunication (SWIFT), Clearing House Automated Payment System (CHAPS), Bankers Automated Clearing System (BACS) the funds transfer system for the transfer of preauthorised recurring debits and credits of an Automated Clearing House Association which is a member of the National Automated Clearing House Association and similar automated communication systems as declared in the Proposal Form and as may be added during the Policy Period.
- (h) "Electronic Computer Programs" means computer programs, i.e., facts or statements converted to a form usable in a Computer System to act upon Electronic Data.
- (i) "Electronic Data" means facts or information converted to a form usable in a Computer System and which is stored on Electronic Data Processing Media for use by computer programs.
- (j) "Electronic Data Processing Media" means tapes or discs or other bulk media, whether magnetic or optical, on which Electronic Data are recorded.
- (k) "Electronic Funds Transfer Systems" means those systems which operate automated teller machines or point of sale terminals and include any shared networks or facilities for said system in which the Insured participates.
- (l) "Electronic Security" means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer which
1. is a type commonly dealt in upon securities exchanges or markets; and
 2. is either one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations; and
 3.
 - (a) is not represented by an instrument, or
 - (b) is part of a master or global certificate, or
 - (c) represents a paper certificate that has been surrendered by a financial institution and which paper certificates has been combined into a master depository note and the paper certificates are immobilized
- and such security is shown as an electronic entry on the account of the transferor, pledgor or pledgee on the books of a Central Depository.
- (m) "Electronic Transmission" means the transmission of Electronic Data through data communication lines including by satellite links, radio frequency, infrared links or similar means used for the transmission of Electronic Data.
- (n) "Employee" shall be deemed to refer to those employees in respect of whom cover is afforded under Section 1 of this Policy by virtue of the Definition of Employee in Section 1 of this Policy (Definition (g))

- (o) "Evidences of Debt" means instruments executed by a customer of the Insured and held by the Insured which in the regular course of business are treated as evidencing the customer's debt to the Insured including records of charges and accounts receivable.
- (p) "Forged Signature" means the handwritten or digital signing of the name of another genuine person or a copy of said person's signature without authority and with intent to deceive; it does not include the signing in whole or in part of one's own name, with or without authority, in any capacity, for any purpose.
- (q) "Fraudulent Alteration" means the material alteration to a Telefacsimile for a fraudulent purpose by a person other than the person who signed and prepared the instrument.
- (r) "Insured" means the Insured referred to in Item 2 of the Schedule.
- (s) "Insured's Computer System" means those Computer Systems operated by the Insured and which are either owned by or leased to the Insured or are declared in the Proposal Form and as may be added during the Policy Period.
- (t) "Service Bureau" means a natural person, partnership or corporation authorized by written or electronic agreement to perform data processing services using Computer Systems.
- (u) "Service Bureau's Computer System" means those Computer Systems operated by a Service Bureau and which are either owned or leased to a Service Bureau.
- (v) "Telefacsimile" means a system for transmitting written documents by means of electronic signals over telephone lines to equipment maintained by the Insured within a specially secured area for the purpose of reproducing a copy of said document.
- (w) "Telephone Banking System" means a telephone banking communications system as declared in the proposal form and as may be added during the Policy Period which provides customers of the Insured with direct access to the Insured's Computer System via an automated touch tone telephone service and which requires the use of a Tested code in order to effect any banking transactions but does not mean a private branch exchange, voice mail processor, automated call attendant or a computer system with a similar capacity used for the direction or routing of telephone calls in a voice communications network.
- (x) "Tested" means a method of authenticating the contents of a communication by affixing thereto a valid test key which has been exchanged between the Insured and a customer, Automated Clearing House, Central Depository, another financial institution or between the offices of the Insured for the purpose of protecting the integrity of the communication in the ordinary course of business.

III. EXCLUSIONS

This Section 2 of the Policy does not cover:

- (a) Loss resulting from any of the perils covered by the Insured's Financial Institution Bond.
- (b) Loss caused by an identifiable director or Employee of the Insured or by a person or persons in collusion with said director or Employee of the Insured.

Prior knowledge by any Employee that a fraudulent act by a person or persons, not in the employ of the Insured, has been or will be perpetrated, shall for the intent and purpose of this Policy be deemed to be collusion should said Employee wilfully or deliberately withhold this knowledge from the Insured. The withholding of knowledge from the Insured by an Employee because of a threat to do bodily harm to any person or to do damage to the premises or property of the Insured shall not be deemed to be or to constitute collusion.
- (c) Loss of the Insured's potential income, including but not limited to interest and dividends.
- (d) Indirect or consequential loss of any nature except as provided by Insuring Agreement 10.

- (e) Liability assumed by the Insured by agreement under any contract unless such liability would have attached to the Insured even in the absence of such agreement.
- (f) Any fees, costs and expenses incurred by the Insured
 1. in establishing the existence of or amount of loss covered under this Policy except as provided for in Insuring Agreement 10; or
 2. as a party to any legal proceeding except as provided by General Condition E.
- (g) loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;
 - (1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
 - (2) any Act of Terrorism.

For the purpose of this exclusion an Act of Terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This exclusion also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (1) and/or (2) above.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

- (h)
 1. Any loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss, or
 2. Any legal liability of whatsoever nature,
directly or indirectly caused by, or contributed to by or arising from
 - (i) ionizing radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel, or
 - (ii) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.

- (j) Loss as a result of a threat
 1. to do bodily harm to any person, except loss of Electronic Data Processing Media or Electronic Data or Electronic Computer Programs in transit provided that when such transit was initiated there was no knowledge by the Insured of any such threat, or
 2. to do damage to the premises or property of the Insured except as provided by Insuring Clause 9.
- (k) Loss of Electronic Data, Electronic Data Processing Media or Electronic Computer Programs except as valued under General Condition I.
- (l) Loss resulting directly or indirectly from
 1. written instructions or advices, or
 2. telegraphic or cable instructions or advices, or
 3. instructions or advices by voice over telephone, unless such instructions are covered under Insuring Agreement 8, or
 4. Telefacsimile instructions or advices unless said Telefacsimile instructions or advices are covered under Insuring Agreements 5, 6 or 7.
- (m) Loss resulting directly or indirectly from forged, altered or fraudulent negotiable instruments, securities, documents or written instruments used as source documentation in the preparation of Electronic Data or manually keyed in a data terminal.
- (n) Loss of negotiable instruments, securities, documents or written instruments except as converted to Electronic Data and then only in that converted form.
- (o) Loss resulting directly or indirectly from the accessing of any confidential information including but not limited to trade secret information, computer programs or customer information but this exclusion shall not apply to loss caused by the use of any such information to commit a dishonest, fraudulent or malicious act insured herein.
- (p) Loss resulting from mechanical failure, faulty construction, error in design, latent defect, wear or tear, gradual deterioration, electrical disturbance, Electronic Data Processing Media failure or breakdown or any malfunction or error in programming or errors or omissions in processing.
- (q) Loss resulting directly or indirectly from the fraudulent preparation, fraudulent modification, alteration or destruction of Electronic Computer Programs unless covered under Insuring Agreements 2, 3 or 4.
- (r) Loss by reason of the input of Electronic Data at an authorized electronic terminal of an Electronic Funds Transfer System or a Customer Communication system by a customer or other person who had authorized access to the customer's authentication mechanism.
- (s) Loss resulting from fraudulent features contained in Electronic Computer Programs developed for sale to or that are sold to multiple customers at the time of their acquisition from a vendor or consultant. However, this exclusion will only apply if Underwriters within 60 days of notification by the Insured have been notified of a loss sustained by another multiple customer, such loss having been discovered prior to a loss hereunder and resulting from the same fraudulent features.
- (t) Loss resulting directly or indirectly from any Computer Virus unless covered under Insuring Agreement 4 or Insuring Agreement 9.
- (u) Any loss
 1. sustained prior to the Retroactive Date or any loss involving any act, transaction, or event which occurred or commenced prior to the Retroactive Date, or
 2. of more than USD 100,000 discovered prior to the inception date of the policy period stated in the Schedule which could reasonably be expected to give rise to a loss under this Section 2 of the Policy, or
 3. discovered subsequent to the termination of the Policy, or

4. notified to a prior insurer.

For the purposes of this Exclusion, "discovered" shall mean discovered by the first named Insured's General Counsel or Corporate Risk Manager.

- (u) Loss resulting directly or indirectly from a Telephone Banking System or from or arising out of the authorized or unauthorized use of a private branch exchange, voice mail processor, automated call attendant or a computer system with a similar capacity used for the direction or routing of telephone calls in a voice communications network or a cellular phone system, unless covered under Insuring Agreement 1(c).
- (v)
 - (i) Loss, cost or expense directly or indirectly arising out of, resulting from or in any way related to Fungi whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss.
"Fungi" as used in this Exclusion shall mean any fungus or mycota or any byproduct or type or infestation produced by such fungus or mycota, including but not limited to mould, mildew, mycotoxins, spores or any biogenic aerosols.
 - (ii) Loss, cost or expense directly or indirectly arising out of, resulting as a consequence of, or related to, the manufacture, mining, processing, distribution, testing, remediation, removal, storage, disposal, sale, use of or exposure to asbestos or materials or products containing asbestos whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss.
 - (iii) Loss in connection with any claim based upon, arising from, or in any way attributable to lead or products containing lead.
- (w) Loss arising out of the acts or omissions, including knowing instructions, decisions, approvals or condoning of any acts or omissions by R. Allen Stanford but only up to the monetary value of his ownership of the entity incurring such loss. Coverage is provided over and above such value, the Deductible only applying to such coverage if and to the extent that, the Deductible exceeds such value.

IV. GENERAL CONDITIONS APPLICABLE TO SECTION 2 ONLY OF THIS POLICY

A. NOMINEES

Loss sustained by any nominee organized by the Insured for the purpose of handling certain of its business transactions and composed exclusively of its officers, clerks or other employees shall, for all the purposes of this Policy, be deemed to be loss sustained by the Insured.

B. ADDITIONAL OFFICES, COMPUTER SYSTEMS - CONSOLIDATION, MERGER OR PURCHASE OF ASSETS - NOTICE

If the Insured shall, while this Policy is in force, establish any additional offices or add to the Insured's Computer System, other than by consolidation or merger with, or purchase or acquisition of assets or liabilities of, another institution, such offices or addition to the Insured's Computer System shall be automatically covered hereunder from the date of such establishment without the requirement of notice to Underwriters or the payment of additional premium for the remainder of the policy period.

If the Insured shall, while the Policy is in force, consolidate or merge with, purchase or acquire assets or liabilities of, another institution, the Insured shall not have such coverage as is afforded under this Section 2 of the Policy for loss which:

- (a) has occurred or will occur in such offices, or premises; or
- (b) has arisen or will arise out of the assets or liabilities;

acquired by the insured as a result of such consolidation, merger or purchase or acquisition of assets or liabilities;

unless the Insured shall:

- (i) give Underwriters written notice of the proposed consolidation, merger or purchase of assets or liabilities prior to the proposed effective date of such action; and
- (ii) obtain the written consent of Underwriters to extend the coverage provided by this Policy to such additional offices, or premises or other exposures; and
- (iii) upon obtaining such consent, pay to Underwriters an additional premium.

Notwithstanding the foregoing,

1. newly acquired or created entities with assets which do not account for more than 15% of the consolidated assets of the group of Insureds [Item 2(a) and 2(b) of the Schedule collectively], one of which Insureds has effected such creation or acquisition, shall be automatically included herein as Insureds within such group of Insureds who effected such acquisition or creation (Item 2(a) or 2(b) of the Schedule as applicable) from the date of such acquisition or creation, and
2. 120 days automatic coverage is provided herein for all newly acquired or created entities with assets which account for more than 15% of the consolidated assets of the group of Insureds [Item 2(a) and 2(b) of the Schedule collectively], one of which Insureds has effected such creation or acquisition, to allow for presentation of information and agreement as provided for in (i) to (iii) above. During the 120 days, such newly acquired or created entities shall be considered Insureds within such group of Insureds who effected such acquisition or creation (Item 2(a) or 2(b) of the Schedule as applicable).

C. CHANGE OF CONTROL - NOTICE

When the first named Insured's General Counsel or Corporate Risk Manager learns of a change of control, it shall give written notice to Underwriters within 60 days.

As used in this General Condition, control means the power to determine the management or policy of a controlling holding company or the Insured by virtue of voting stock ownership. A change in ownership of voting stock which results in direct or indirect ownership by a stockholder or an affiliated group of stockholders of ten percent (10%) or more of such stock shall be presumed to result in a change of control for the purpose of the required notice.

Failure to give the required notice shall result in termination of coverage for any loss involving a transferee, to be effective upon the date of the stock transfer.

D. JOINT INSURED

If two or more Insureds are covered under this Section 2 of the Policy, the first named Insured shall act for all Insureds. Payment by Underwriters to the first named Insured of loss sustained by any Insured shall fully release Underwriters on account of such loss. If the first named Insured ceases to be covered under Section 2 of the Policy, the Insured next named shall thereafter be considered as the first named Insured. Knowledge possessed or discovery of any loss in excess of USD100,000 by the first named Insured's General Counsel or Corporate Risk Manager shall constitute knowledge or discovery by all Insureds for all purposes of this Section 2 of the Policy. The liability of Underwriters for a loss or losses sustained by all Insureds shall not exceed the amount for which Underwriters would have been liable had all such loss or losses been sustained by one Insured. Underwriters shall not be liable for loss sustained by one Insured to the advantage of any other Insured.

E. COURT COSTS, ATTORNEYS' FEES AND ELECTION BY UNDERWRITERS TO DEFEND

Underwriters shall indemnify the Insured against court costs and reasonable attorneys' fees incurred and paid by the Insured in defending any suit or legal proceeding brought against the Insured with respect to which the Insured establishes that the act or acts which were committed would entitle the Insured to recovery under an Insuring Agreement of this Section of the Policy in excess of any deductible if any loss resulted therefrom. Court costs and attorneys' fees indemnified to the Insured shall be part of and not in addition to the Aggregate Policy Limit under Item 7 of the Schedule for this Section of the Policy or, if applicable, the lesser amounts under Item 8 of the Schedule for this Section of the Policy.

The Insured shall promptly give notice to Underwriters of the institution of any such suit or legal proceeding and at the request of Underwriters shall furnish them with copies of all pleadings and other papers therein. At Underwriters' election the Insured shall permit Underwriters to conduct the defense of such suit or legal proceeding, in the Insured's name, through attorneys of Underwriters' selection. In such event, the Insured shall give all reasonable information and assistance which Underwriters shall deem necessary to the defense of such suit or legal proceeding.

If Underwriters pay court costs and attorneys' fees in excess of their proportionate share of such costs and attorneys' fees, the Insured shall promptly reimburse Underwriters for such excess.

F. DISCOVERY

This Section of the Policy applies to loss discovered by the first named Insured's General Counsel or Corporate Risk Manager during the Policy Period. Discovery occurs when the first named Insured's General Counsel or Corporate Risk Manager first become aware of facts which would cause a reasonable person to assume that a loss in excess of USD100,000 of a type covered by this Section of the Policy has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details may not then be known.

Discovery also occurs when the first named Insured's General Counsel or Corporate Risk Manager receives notice of an actual or potential claim in which it is alleged that the Insured is liable to a third party under circumstances which, if true, would constitute a loss in excess of USD100,000 under this Section 2 of the Policy.

G. POLICY LIMITS

Aggregate Policy Limit

Underwriters' total liability under this Section of the Policy for all losses discovered during the policy period shown in Item 3 of the Schedule shall not exceed the Aggregate Policy Limit shown in Item 7 of the Schedule for this Section of the Policy. The Aggregate Policy Limit shall be reduced by the amount of any payment made under the terms of this Section of the Policy.

Upon exhaustion of the Aggregate Policy Limit by such payments:

- (a) Underwriters shall have no further liability under this Section of the Policy for loss or losses regardless of when discovered and whether or not previously reported to Underwriters, and
- (b) Underwriters shall have no obligation under General Condition E of this Section of the Policy to pay court costs and attorneys' fees or to continue the defense of the Insured, and upon notice by Underwriters to the Insured that the Aggregate Policy Limit has been exhausted, the Insured shall assume all responsibility for its defense at its own cost.

The Aggregate Policy Limit shall not be increased or reinstated by any recovery made and applied in accordance with General Condition J.

Single Loss Limit

Subject to the Aggregate Policy Limit remaining available for the payment of loss, Underwriters' liability under this Section of the Policy for any Single Loss shall not exceed the applicable Single Loss Limit shown in Item 8 of the Schedule. If a Single Loss is covered under more than one Insuring Agreement or Coverage Extension, the maximum payable under this Section of the Policy shall not exceed the largest applicable Single Loss Limit.

Single Loss Defined

Single Loss means all covered loss, including court costs and attorneys' fees incurred by the Insured or Underwriters under General Condition E, resulting from

- (a) any one act or series of related acts or attempts thereof, or
- (b) all acts or omissions other than those specified in (a) preceding, caused by any person or in which such person is implicated, or
- (c) any one casualty or event not specified in (a) or (b) preceding.

The meaning of 'Single Loss' to be applied, as set forth in subparagraphs (a) to (c) inclusive shall be that which includes the highest amount of loss.

H. NOTICE/PROOF - LEGAL PROCEEDINGS AGAINST UNDERWRITERS

- (a) At the earliest practicable moment, after discovery of any loss under this Section 2 of the Policy by the first named Insured's General Counsel or Corporate Risk Manager which exceeds or has the potential to exceed USD100,000, the Insured shall give Underwriters notice thereof.
- (b) Within six (6) months after such discovery, the Insured shall furnish to Underwriters proof of loss, duly sworn to with full particulars.
- (c) If any limitation embodied in this Section of the Policy is prohibited by any law controlling the construction hereof, such limitation shall be deemed to be amended so as to equal the minimum period of limitation provided by such law.
- (d) This Section 2 of the Policy affords coverage only in favor of the Insured. No suit, action or legal proceedings shall be brought hereunder by any one other than the named Insured.

I. VALUATION

Money

Any loss of money, or loss payable in money which is covered by this Section of the Policy, shall be paid, at the option of the Insured, in the money of the country in which the loss was sustained or in the United States of America dollar equivalent thereof determined at the rate of exchange at the time of payment of such loss.

Securities

Underwriters shall settle in kind their liability under this Section of the Policy on account of a loss of any security, including Electronic Securities, or, at the option of the Insured, shall pay to the Insured the cost of replacing such security, determined by the market value thereof at the time of such settlement. In case of a loss of subscription, conversion or redemption privileges through the loss of any security, the amount of such loss shall be the value of such privileges immediately preceding the expiration thereof. If such security cannot be replaced or has no quoted market value, or if such privileges have no quoted market value, their value shall be determined by agreement or arbitration.

If the applicable coverage of this Section of the Policy is subject to a Deductible Amount and/or is not sufficient in amount to indemnify the Insured in full for the loss of any security for which claim is made hereunder, the liability of Underwriters under this Section of the Policy is limited to the payment for, or the duplication of, so much of such securities as has a value equal to the amount of such applicable coverage.