

Information Memorandum

**ASIF II**  
(Incorporated with limited liability in the Cayman Islands)  
**ASIF III (JERSEY) LIMITED**  
(Incorporated with limited liability under the laws of Jersey)  
**U.S.\$25,000,000,000**  
**Note Issuance Programme**

ASIF II and ASIF III (Jersey) Limited ("ASIF III" individually and together with ASIF II, the "Issuers" and each, an "Issuer") or each of them may issue from time to time under the Note Issuance Programme (the "Programme") notes (the "Notes") in one or more series (each a "Series") in an aggregate principal amount outstanding at any one time of up to U.S. \$25,000,000,000 or the equivalent thereof in other currencies. The aggregate principal amount outstanding at any one time under the Programme may be increased at any time, subject to any necessary regulatory approval. The Notes may be denominated in U.S. dollars, Euro, Sterling, Japanese yen or other currencies, including composite currencies (each, a "Specified Currency"), as specified in the applicable pricing supplement to this Information Memorandum (each, a "Pricing Supplement").

The Notes will be issued subject to, and be entitled to the benefits of, in the case of Notes issued by ASIF II, an Indenture dated as of November 14, 1994, as amended, modified or supplemented from time to time (the "Cayman Indenture"), by and between ASIF II and JPMorgan Chase Bank, N.A., as trustee (in such capacity and any successor, the "Cayman Trustee"), or, in the case of Notes issued by ASIF III, an Indenture dated as of March 16, 1998, as amended, modified or supplemented from time to time (the "Jersey Indenture") by and between ASIF III and JPMorgan Chase Bank, N.A., as trustee (in such capacity and any successor, the "Jersey Trustee," and, together with the Cayman Trustee, the "Trustees").

The Notes of any Series will be the limited recourse obligations of the Issuer of such Series, and will be secured by a guaranteed investment contract, funding agreement or other similar agreement (a "Funding Agreement") and, in some instances, may be secured by one or more swap contracts (each, a "SWAP"). The applicable Funding Agreement and the SWAP (if any) for Notes issued by ASIF II or ASIF III will be issued by SunAmerica Life Insurance Company ("SALIC") or, if specified in the applicable Pricing Supplement, a subsidiary or affiliate thereof (a "SALIC Affiliate") (each, a "Contract Provider"). A supplement to this Information Memorandum will be circulated in connection with any Series of Notes secured by a Funding Agreement or SWAP issued by a SALIC Affiliate other than SALIC containing relevant information regarding such Contract Provider. The holders of a particular Series of Notes will not have recourse to any property of the related Issuer other than the applicable Funding Agreement and the applicable SWAP (if any) and related property and proceeds securing such Series of Notes. Payment of the principal of and interest on a Series of Notes will be made solely from the proceeds of the applicable Funding Agreement and the applicable SWAP (if any). SALIC is a stock life insurance company organized and licensed under the laws of the State of Arizona, United States of America. Information about SALIC, its business and financial condition (based on information provided to the Issuers by SALIC) is set forth herein in the section entitled "Available Information and the Regulatory Framework" and in the Information Memorandum Addendum dated as of the date hereof (as amended or supplemented from time to time, the "Information Memorandum Addendum").

**For the risk factors, please see the section "Certain Investment Considerations" on page 53.**

This Information Memorandum may be used for purposes of listing the Notes on the Luxembourg Stock Exchange for a period of twelve months from the date hereof.

The interest rate or interest rate formula, if any, issue price, terms of redemption or repayment, if any, stated maturity and any other terms not otherwise provided in this Information Memorandum will be established for each Series of Notes by the relevant Issuer prior to the date of issuance of such Series and will be indicated in a Pricing Supplement relating to such Series. Unless otherwise indicated in the applicable Pricing Supplement, the Notes may not be redeemed prior to maturity unless certain events occur affecting United States, Cayman Islands, or Jersey taxation. See "Description of the Terms and Conditions of the Notes."

The Notes will be offered and sold in compliance with Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes will not be (i) offered, sold, delivered, pledged or otherwise transferred to a U.S. Person or a United States person or (ii) mailed or otherwise delivered to any location in the United States. Any Holder who is a U.S. Person or a United States person will not be entitled to receive any payments under the Notes. See "Description of the Terms and Conditions of the Notes—Section 1. General—(e) Regulation S and United States Internal Revenue Code Restrictions—No U.S. Persons or United States Persons."

It is anticipated that Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), will rate each Series of Notes under the Programme "AAA" and that Moody's Investors Service, Inc. ("Moody's" and, together with Standard & Poor's, the "Rating Agencies") will rate each Series of Notes under the Programme "Aaa". On February 4, 2003, Moody's confirmed its Aaa rating of AIG's long-term debt but changed the outlook on the ratings from *stable* to *negative*. On May 19, 2004, Moody's once again confirmed its Aaa rating of AIG's long-term debt and revised the outlook on the ratings from *negative* to *stable*. These outlook changes also apply to the Aaa insurance financial strength ratings of SunAmerica Life and debt secured by institutional funding agreements, which are issued by SunAmerica Life. For further details, please see Moody's Press Releases dated February 4, 2003 and May 19, 2004, respectively.

On October 29, 2004, Standard & Poor's affirmed its AAA counterparty credit and senior debt ratings and A-1+ commercial paper rating on AIG. In addition, Standard & Poor revised its outlook on AIG's counterparty credit rating to *negative* from *stable* and affirmed its ratings on subsidiaries that are guaranteed by AIG and revised the outlook on these ratings to *negative* from *stable*. At the same time, Standard & Poor's affirmed all its ratings on AIG's remaining subsidiaries. The outlook on these ratings remains *stable*.

When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE SUBJECT TO SUSPENSION, CHANGE OR WITHDRAWAL AT ANY TIME BY THE ASSIGNING RATING AGENCY.

In the case of Indexed Notes issued pursuant to the terms of the Programme with an equity-index overlay, an embedded credit derivative or other derivative that changes the risk characteristics, the rating by Moody's does not address the promise or shortfall, if any, on either the interest or principal of an individual Series of Notes due to the performance of the equity index or the likelihood of the embedded credit or derivative being exercised.

It is expected that each Rating Agency will review each Series to determine if the rating is applicable. The ratings of the Rating Agencies are based on the implicit and explicit support of the Contract Provider by American International Group, Inc. and its member companies. The rating of the Notes should be evaluated independently from similar ratings of other types of securities. The rating of a Series will not necessarily be the same for all tranches of a Series. A security rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, or suspension or withdrawal by the assigning rating agency, including after the issuance of the applicable Series of Notes. The Rating Agencies have not been involved in the preparation of this Information Memorandum other than the description of the ratings herein.

At the option of the relevant Issuer, a Series of Notes issued under the Programme may not be rated by either or both Rating Agencies if it is expressly specified in the Pricing Supplement for such Series that such Series is not rated by a particular Rating Agency.

The Notes have not been approved or disapproved by the Department of Insurance of the State of Arizona (the "Arizona Department of Insurance"), nor has the Arizona Department of Insurance passed upon the accuracy or adequacy of this Information Memorandum.

Application may be made to list one or more Series of Notes on the Luxembourg Stock Exchange. The relevant Pricing Supplement will specify whether the Notes of a Series will be listed on the Luxembourg Stock Exchange or any other exchange.

The Notes may be offered by the Issuers through Merrill Lynch International or other placement agents, each of which has agreed or will agree to use its reasonable efforts to solicit offers to purchase the Notes. The Issuers also may sell Notes to Merrill Lynch International or other placement agents acting as principal for resale to investors or other purchasers and have reserved the right to sell Notes to investors on their own behalf.

Each Issuer reserves the right to withdraw, cancel or modify any offer made hereby on its behalf without notice. Each Issuer or any placement agent may reject any offer to purchase Notes, in whole or in part. See "Plan of Distribution."

This Information Memorandum (this "Information Memorandum") amends and restates the Amended and Restated Information Memorandum dated November 20, 2003, as amended (the "Prior Information Memorandum") and the note issuance programme described therein (the "Prior Note Issuance Programme"). As noted therein, the Prior Information Memorandum amended and restated in its entirety the Information Memorandum dated September 12, 2002, as amended, which Information Memorandum amended and restated in its entirety the Information Memorandum July 16, 2001, as amended, which Information Memorandum amended and restated in its entirety the Information Memorandum dated June 1, 2000 as amended (including without limitation, the Information Memorandum Supplement dated February 15, 2001) which Information Memorandum amended and restated in its entirety the Information Memorandum dated April 23, 1999, as amended (including, without limitation, the Information Memorandum Supplements dated August 11, 1999, November 4, 1999 and December 17, 1999), which Information Memorandum amended and restated in its entirety the Information Memorandum dated March 16, 1998, as amended (including, without limitation, the Information Memorandum Supplements dated March 31, 1998, April 8, 1998, May 15, 1998, July 31, 1998 and January 12, 1999) relating to the Programme and which Information Memorandum amended and restated in its entirety the Offering Circular dated May 22, 1997, as amended (including, without limitation, the Offering Circular Supplement dated February 11, 1998), relating to the Programme (the "Initial Offering Circular").

Accompanying this Information Memorandum is an Information Memorandum Addendum (as amended from time to time, the "Information Memorandum Addendum"), which sets forth certain information regarding the Issuers and the Contract Providers. As used herein, the term Information Memorandum includes this Information Memorandum, as supplemented from time to time and as supplemented by the Information Memorandum Addendum and all documents from time to time incorporated herein by reference. Pursuant to the rules of the Luxembourg Stock Exchange, this Information Memorandum and the accompanying Information Memorandum Addendum constitute global documentation and are to be read together. See "Documents Incorporated by Reference."

Certain terms of the Programme described herein do not apply to certain Series of Notes issued prior to the date of this Information Memorandum, including Series of Notes described in the Prior Information Memorandum and issued pursuant to the Prior Note Issuance Programme. Consequently, notwithstanding anything herein to the contrary, the Holders of any Series of Notes issued prior to the date of this Information Memorandum, including Notes which are to be consolidated and form a single series with Notes issued prior to the date hereof, should refer to and rely on the information memorandum applicable to such Series of Notes (if relevant), including the Description of the Terms and Conditions of the Notes set forth therein, the applicable Pricing Supplement attached thereto and the related definitive documentation for such Series of Notes.

*Arranger*

**Merrill Lynch International**

The date of this Information Memorandum is

December 21, 2004

## IMPORTANT NOTICE

**THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES OF AMERICA SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE NOTES MAY NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO OR HELD BY (A) A CITIZEN OR RESIDENT OF THE UNITED STATES OF AMERICA OR ANY OF ITS TERRITORIES OR POSSESSIONS, (B) A CORPORATION, PARTNERSHIP OR OTHER ENTITY CREATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA, (C) A U.S. PERSON (AS DEFINED UNDER SECTIONS 230.901 THROUGH 230.904 OF TITLE 17 OF THE UNITED STATES CODE OF FEDERAL REGULATIONS ("REGULATION S")) OR (D) ANY ENTITY THE ASSETS OF WHICH ARE DEEMED TO INCLUDE THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("ERISA") (ANY PERSON DESCRIBED IN CLAUSES (A), (B), (C) OR (D) OF THIS SENTENCE, A "U.S. PERSON"). EACH HOLDER OF NOTES WHO IS A U.S. PERSON IS HEREBY NOTIFIED THAT, AS PROVIDED IN THE RELEVANT INDENTURE, SUCH HOLDER SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS UNDER THE NOTES. BY ITS ACCEPTANCE OF THE NOTES EACH HOLDER OF THE NOTES SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT SUCH HOLDER IS NOT A U.S. PERSON AND THAT SUCH HOLDER IS NOT PURCHASING THE NOTES FOR THE ACCOUNT OF ANY U.S. PERSON. IN ADDITION, THE NOTES WILL BE SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS. THE ISSUERS HAVE NOT BEEN AND WILL NOT BE REGISTERED AS INVESTMENT COMPANIES UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED.**

The Issuers have not authorized any offer of the Notes having a maturity of one year or more to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (the "Regulations"). The Notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

Unless otherwise specified in the relevant Pricing Supplement, and so long as the clearing systems Euroclear Bank, S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") so permit, each Series of the Notes will be issued in bearer form and will be represented initially by a temporary global Note (a "Temporary Global Note"), without coupons, which will be deposited with a common depository for Clearstream, Luxembourg, and Euroclear. Interests in a Temporary Global Note will be exchangeable for interests in a permanent global Note (a "Permanent Global Note" and together with the Temporary Global Notes, the "Global Notes"), without coupons, representing Notes of a particular Series commencing not earlier than 40 days after the later of the date on which the Notes of that Series are first offered to persons other than distributors (as determined by the relevant Placement Agent) or the date upon which payment for and delivery of the Series of Notes is made (the "Issue Date"), upon certification as to beneficial ownership as required by United States tax laws and regulations, as described under "Description of the Terms and Conditions of the Notes." Definitive bearer Notes will only be issued in certain limited circumstances.

No person has been authorized to give any information or to make any representation other than those contained in this Information Memorandum or any applicable Pricing Supplement and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of any Issuer, Arranger, Placement Agent or Contract Provider. The delivery of this Information Memorandum or any applicable Pricing Supplement at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

This Information Memorandum and any Pricing Supplement do not constitute an offer of, or invitation by or on behalf of any Issuer, Arranger or Placement Agent to subscribe for, or purchase any Notes. A copy of this Information Memorandum has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation together with a Pricing Supplement substantially in the form set out in Annex A of this Information Memorandum (save for necessary changes in respect of the relevant Notes). No other action has been taken by any Issuer, Arranger or Placement Agent that would permit a public offering of the

Notes, or possession or distribution of this Information Memorandum, any Pricing Supplement, or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. The distribution of this Information Memorandum or any Pricing Supplement and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement comes are required by each Issuer, the Arranger and each Placement Agent to inform themselves about and to observe any such restrictions. In particular, at the date hereof, there are restrictions on the distribution of this Information Memorandum and the offer and sale of the Notes in, among other places, the United States, the United Kingdom, the Cayman Islands, Jersey, Germany, The Netherlands, the Republic of Italy, and Japan. (See "Selling Restrictions" herein.) Neither this Information Memorandum nor any Pricing Supplement constitutes, or may be used for the purposes of, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Notes by ASIF III.

Each Issuer confirms that the statements contained in this Information Memorandum and the relevant Pricing Supplement relating to itself and any Notes issued by it are in every material respect true and accurate and not misleading and that to the best of the knowledge and belief of such Issuer there are no other facts in relation thereto the omission of which makes any statement herein misleading in any material respect and that all reasonable inquiries have been made to ascertain such facts and verify the accuracy of such statements. Each Issuer accepts responsibility accordingly. The statements relating to SALIC, the Funding Agreements and the SWAPs to which SALIC or any SALIC Affiliate is party and the information set forth in the Information Memorandum Addendum under the heading "Summary of Principal Differences between Statutory Accounting Principles and U.S. GAAP" are based on information provided to ASIF II and ASIF III by SALIC specifically for use herein and such Issuer accepts responsibility for correctly representing such information received by such Issuer.

No Arranger or Placement Agent has separately verified the information contained herein. No Arranger or Placement Agent makes any representation, express or implied, or accepts any responsibility with respect to the accuracy or completeness of any of the information in this Information Memorandum. Neither this Information Memorandum nor any statutory or other financial statements included or incorporated by reference herein should be considered as a recommendation by any Issuer, Arranger, Placement Agent, SALIC or relevant Contract Provider, or any other person that any recipient of this Information Memorandum or any other information should subscribe for or purchase the Notes. Each potential subscriber or purchaser of the Notes should determine for itself the relevance of the information contained in this Information Memorandum and its subscription for or purchase of Notes should be based upon such investigation as it deems necessary. No Arranger or Placement Agent has undertaken, nor in relation to any Contract Provider has any Issuer undertaken, to review the financial condition or affairs of the Issuers, SALIC, any SALIC Affiliate or any of their respective affiliates during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of any Arranger, Placement Agent, Issuer or Contract Provider.

It must be distinctly understood that in giving their consents neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of any schemes or for the correctness of any statements made or opinions expressed with regard to them.

The information set forth herein, to the extent it comprises a description of certain provisions of the documentation relating to the transactions described herein, is a summary and is not presented as a full statement of the provisions of such documentation. Such summaries are qualified in their entirety by reference to and are subject to the provisions of such documentation.

---

As used in this Information Memorandum "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions (including the Commonwealth of Puerto Rico), and other areas subject to its jurisdiction and the term "United States person" means a citizen or resident of the United States, a corporation, partnership (or other entity treated as a corporation or partnership for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless

of its source, or a trust if (i) a court within the United States is able to exercise primary supervision over its administration and (ii) one or more United States persons (as defined in the United States Internal Revenue Code of 1986, as amended (the "Code")) have the authority to control all of its substantial decisions, or (iii) which otherwise has in effect a valid election to be treated as a United States person, except as provided in "Selling Restrictions." "U.S. Person" shall have the meaning set forth in Regulation S.

References herein to "dollars," "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States. References herein to "U.S.A." or "U.S." are to the United States. References herein to "Jersey" are to the Island of Jersey and Bailiwick of Jersey, British Channel Islands. References herein to "Germany" are to the Federal Republic of Germany. References herein to "Japanese yen" or "¥" are to the lawful currency of Japan. References herein to "Sterling" or "£" are to the lawful currency of the United Kingdom. References herein to the "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland. References to "Euro" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam. Reference to any other currency or composite currency in any applicable Pricing Supplement will be defined therein.

---

**IN CONNECTION WITH THE ISSUE OF ANY SERIES OF NOTES UNDER THE PROGRAMME DESCRIBED HEREIN, THE PLACEMENT AGENT (IF ANY) WHICH IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILIZING MANAGER (OR ANY PERSON ACTING FOR THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGER (OR ANY AGENT OF THE STABILIZING MANAGER) TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILIZING WILL BE CONDUCTED IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

---

#### **AVAILABLE INFORMATION AND REGULATORY FRAMEWORK**

SALIC is organized in the State of Arizona and is subject to regulation and supervision by the Department of Insurance of the State of Arizona (the "Arizona Department of Insurance"), and by insurance regulatory authorities in other States of the United States in which it is authorized to transact an insurance business. State insurance laws grant to supervisory agencies broad administrative and supervisory powers related to granting and revoking licenses to transact an insurance business, regulating marketing, advertising and other trade and sale practices, operating guaranty associations, licensing agents, approving policy forms, regulating certain premium rates, regulating insurance holding company systems, establishing reserve requirements, prescribing the form and content of required financial statements and reports, performing financial and other examinations, determining the reasonableness and adequacy of statutory capital and surplus, regulating the type and amount of investments permitted, limiting the amount of dividends that can be paid and the size of transactions that can be consummated without first obtaining regulatory approval and other related matters. Certain information and reports that SALIC has filed with the Arizona Department of Insurance can be inspected or obtained at the Department of Insurance, State of Arizona, 2910 N. 44th Street, Phoenix, AZ 85018, U.S.A.

SALIC is required to file detailed annual reports with the supervisory agencies in each of the jurisdictions in the United States in which it conducts an insurance business, and its business and accounts are subject to examination by such agencies at any time. Under the rules of the National Association of Insurance Commissioners ("NAIC"), insurance companies are examined periodically (generally every three to five years) by one or more of the supervisory agencies on behalf of the states in which they do business. To date, no such insurance department examinations have produced significant adverse findings regarding SALIC, nor are there any state insurance regulatory proceedings that have been commenced against SALIC that would have a material adverse effect on SALIC's operating results or financial condition.

SALIC submits on a quarterly basis to the Arizona Department of Insurance certain reports regarding its statutory financial condition (each, a "Statutory Statement" and collectively, the "Statutory Statements"). Each Statutory Statement contains supporting schedules as of the end of the period to which such Statutory Statement relates. The statutory-basis financial statements are required to be prepared in conformity with accounting practices prescribed or permitted by the Arizona Department of Insurance. Statutory accounting principles ("SAP") vary in some respects from generally accepted accounting principles. The effects on the financial statements of the variances between the statutory basis of accounting and generally accepted accounting principles are presumed to be material. See "Summary of Principal Differences Between Statutory Accounting Principles and U.S. GAAP" in the Information Memorandum Addendum.

During the last decade, the insurance regulatory framework relating to insurance companies doing business in the United States has been placed under increased scrutiny by various states, the federal government and the NAIC. Various states have considered or enacted legislation that changes, and in many cases increases, the states' authority to regulate insurance companies. Legislation has been recently enacted by the United States federal government allowing combinations between insurance companies, banks and other entities. Also, Federal initiatives are proposed from time to time that could affect the business of insurance companies. In recent years, the NAIC has approved and recommended to the states for adoption and implementation several regulatory initiatives designed to reduce the risk of insurance company insolvencies. These initiatives include new investment reserve requirements, risk-based capital standards and restrictions on an insurance company's ability to pay dividends to its stockholders.

State guaranty associations assess insurance companies to pay contractual benefits owned by impaired, insolvent or failed insurance companies. SALIC's assessment, net of amounts estimated to be recoverable from future state premium taxes, did not constitute a material amount during the years ended December 31, 2003 and December 31, 2002. SALIC cannot predict the amount of any future assessments.

---

#### **DOCUMENTS INCORPORATED BY REFERENCE**

With respect to any offering of the Notes by an Issuer, the most recent annual financial statements of such Issuer, the most recent Annual Statutory Statement and supplements thereto and the related audited Statutory Financial Statements and the most recent unaudited quarterly Statutory Statements of the relevant Contract Provider and supplements thereto shall be deemed to be incorporated by reference in this Information Memorandum, and all references herein to this Information Memorandum shall be deemed to include such documents. Additionally, all of the relevant Issuer's future financial statements, all of the relevant Contract Provider's future publicly available Statutory Statements and supplements thereto filed with the applicable insurance regulatory authorities and all of the future publicly available unaudited quarterly Statutory Statements and supplements (if any) of the relevant Contract Provider filed with the applicable insurance regulatory authorities will be deemed to be incorporated by reference into, and to form part of, this Information Memorandum. Neither Issuer prepares quarterly or other interim financial statements. Accordingly, the following documents shall be deemed to be incorporated in, and to form part of, the Information Memorandum and may be obtained free of charge at the offices of the Principal Paying Agent and the Luxembourg Paying Agent:

- (1) the most recent and all future published Annual Statutory Statements and unaudited quarterly Statutory Statements of the relevant Contract Provider filed with applicable regulatory authorities and published from time to time;
- (2) the audited Statutory Financial Statements for the two years ended December 31, 2003 and 2002 of the related Contract Provider;
- (3) the audited financial statements of the applicable Issuer as of December 31, 2003 and December 31, 2002 and all future audited financial statements of the applicable Issuer;
- (4) all amendments and supplements to the Information Memorandum prepared by either of the Issuers and/or a relevant Contract Provider from time to time; and
- (5) with respect to any Series of Notes, the related Pricing Supplement;

except that any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Information Memorandum shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

Each Issuer and the related Contract Provider has undertaken, in connection with the listing of the Notes, that if, while Notes of such Issuer are outstanding and listed on the Luxembourg Stock Exchange, there shall occur any material change in the Terms and Conditions of the Programme, or any increase in the amount of the Programme or there shall occur any material adverse change in the business or financial position of such Issuer or such Contract Provider in the context of an issuance under the Programme that is not reflected in the Information Memorandum (or any of the documents incorporated by reference in the Information Memorandum) the relevant Issuer and Contract Provider will prepare or procure the preparation of an amendment or supplement to the Information Memorandum or publish a new Information Memorandum for use in connection with any subsequent offering by such Issuer of Notes to be listed on the Luxembourg Stock Exchange.

Each Issuer will, at the specified offices of the relevant Paying Agent, provide, free of charge, upon the oral or written request therefor, a copy of the Information Memorandum (or any document incorporated by reference in the Information Memorandum). In addition, copies of the Information Memorandum will be available at the office of the Luxembourg Paying Agent. Written or telephone requests for such documents should be directed to the specified office of any relevant Paying Agent, including the Luxembourg Paying Agent.



## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY .....	10
DESCRIPTION OF THE TERMS AND CONDITIONS OF THE NOTES .....	15
DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS AND SWAP CONTRACTS .....	45
CERTAIN INVESTMENT CONSIDERATIONS .....	50
TAXATION.....	52
PLAN OF DISTRIBUTION.....	54
SELLING RESTRICTIONS .....	55
GENERAL INFORMATION .....	59
ANNEX A FORM OF PRICING SUPPLEMENT .....	A-1

## SUMMARY

*The following summary is qualified in its entirety by the remainder of this Information Memorandum and the Pricing Supplement (the "Pricing Supplement") relating to each Series of Notes and by the Indentures and Supplemental Indentures (each as defined below). Certain terms of the Programme described herein do not apply to certain Series of Notes issued prior to the date of this Information Memorandum. Consequently, notwithstanding anything herein to the contrary, the Holders of any Series of Notes issued prior to the date of this Information Memorandum should refer to and rely on the Prior Information Memorandum or the other materials applicable to such Series of Notes (whichever is relevant), including the Description of the Terms and Conditions of the Notes set forth therein, the applicable Pricing Supplement attached thereto and the related definitive documentation for such Series of Notes.*

- Issuers: ASIF II, an exempted company incorporated with limited liability in the Cayman Islands (an "Issuer").
- ASIF III (Jersey) Limited, a company incorporated with limited liability under the laws of Jersey ("ASIF III" and, also, an "Issuer," and together with ASIF II, the "Issuers") .
- Contract Providers: SunAmerica Life Insurance Company ("SALIC") and SALIC Affiliates.
- Arranger and Placement Agent: Merrill Lynch International.
- Notes may also be issued to or sold through other Placement Agents, including, in the case of a syndicated issue, the lead manager (the "Placement Agents"). The names of the Placement Agents for each Series of Notes will be stated in the applicable Pricing Supplement.
- Notes: Notes issued in one or more series (each, a "Series") from time to time under the Note Issuance Programme (the "Programme").
- Programme Size: U.S.\$25,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into United States dollars at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of United States dollars being quoted by the Principal Paying Agent on the date on which the agreement to issue Notes in respect of the relevant Series was made or such other rate as the applicable Issuer and the relevant Placement Agent may agree) outstanding at any one time. The aggregate principal amount outstanding under the Programme may be increased by the Issuers at any time, subject to any necessary regulatory approval.
- Issuance in Series: Notes will be issued in Series. The Notes comprising a particular Series will have identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different tranches of Notes of the same Series and (ii) such Series may consist of Notes of more than one denomination.
- Terms and Conditions: A Pricing Supplement will be prepared in respect of each Series of Notes a copy of which will, in the case of Notes to be listed on the Luxembourg Stock Exchange, be delivered to the Luxembourg Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Series will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the relevant Pricing Supplement.
- Security: The Notes of any Series will be secured by a guaranteed investment contract, funding agreement or other similar agreement (a "Funding Agreement") entered into between the relevant Contract Provider and the relevant Issuer and, in certain instances, by one or more swap contracts (the "SWAP") entered into between the relevant Issuer and the relevant Contract Provider and, in each case, by the related property and proceeds (but not by any other property of the relevant Issuer or any property of the other Issuer). Payment of the principal of and interest on the Notes will be made solely from payments

received under the related Funding Agreement and the relevant SWAP if applicable. See "Description of the Terms and Conditions of the Notes—Section 5. Trust Estate for Each Series of Notes."

**Limited Recourse:** Each Series of Notes shall be issued on the basis that the recourse of the relevant Trustee and the Holders (as defined herein) against the relevant Issuer for payment of the Notes is limited exclusively to the assets securing such Series of Notes and the relevant Trustee and such Holders shall have no recourse to any other assets of either Issuer. See "Description of the Terms and Conditions of the Notes—Section 12. Nonrecourse Enforcement of Notes."

The obligations of the relevant Issuer evidenced by the Notes will not be guaranteed by any person, including but not limited to the other Issuer, any Contract Provider or any of their respective subsidiaries or affiliates.

The obligations of SALIC or any other Contract Provider under a Funding Agreement or SWAP entered into by such Contract Provider may be guaranteed by a member company of American International Group, Inc. or may benefit from certain support arrangements of American International Group, Inc.

**Use of Proceeds:** The relevant Issuer will use the proceeds (after deduction of commissions or other consideration payable to any Placement Agent) of the issuance of each Series of Notes to make a deposit into a funding account with the relevant Contract Provider (a "Funding Account") as required by the relevant Funding Agreement or, if a SWAP is entered into in connection with the issuance of such Series of Notes, to make the Issuer's initial exchange payment under such SWAP as required under such SWAP, and the Issuer will apply the initial exchange payment received under such SWAP to make a deposit into a Funding Account as required by the Funding Agreement. The scheduled maturity, redemption and interest rate provisions of the Funding Agreement and the SWAP (if any) securing any Series of Notes will obligate the relevant Contract Provider to make payments under the Funding Agreement and the SWAP (if any) in the same amounts and on the same dates as the relevant Issuer is obligated to make payments under the Series of Notes secured by such Funding Agreement and the SWAP (if any). See "Description of Certain Terms and Conditions of the Funding Agreements and SWAP Contracts."

**Rating:** It is anticipated that Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), will rate each Series of Notes under the Programme "AAA" and that Moody's Investors Service, Inc. ("Moody's" and, together with Standard & Poor's, the "Rating Agencies") will rate each Series of Notes under the Programme "Aaa". On February 4, 2003, Moody's confirmed its Aaa rating of AIG's long-term debt but changed the outlook on the ratings from *stable* to *negative*. On May 19, 2004, Moody's once again confirmed its Aaa rating of AIG's long-term debt and revised the outlook on the ratings from *negative* to *stable*. These outlook changes also apply to the Aaa insurance financial strength ratings of SunAmerica Life and debt secured by institutional funding agreements, which are issued by SunAmerica Life. For further details, please see Moody's Press Releases dated February 4, 2003 and May 19, 2004, respectively.

On October 29, 2004, Standard & Poor's affirmed its AAA counterparty credit and senior debt ratings and A-1+ commercial paper rating on AIG. In addition, Standard & Poor revised its outlook on AIG's counterparty credit rating to *negative* from *stable* and affirmed its ratings on subsidiaries that are guaranteed by AIG and revised the outlook on these ratings to *negative* from *stable*. At the same time, Standard & Poor's affirmed all its ratings on AIG's remaining subsidiaries. The outlook on these ratings remains *stable*.

When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND

MAY BE SUBJECT TO SUSPENSION, CHANGE OR WITHDRAWAL AT ANY TIME BY THE ASSIGNING RATING AGENCY.

In the case of Indexed Notes issued pursuant to the terms of the Programme with an equity-index overlay, an embedded credit derivative or other derivative that changes the risk characteristics, the rating by Moody's does not address the promise or shortfall, if any, on either the interest or principal of an individual Series of Notes due to the performance of the equity index or the likelihood of the embedded credit or derivative being exercised.

It is expected that each Rating Agency will review each Series to determine if the rating is applicable. The ratings of the Rating Agencies are based on the implicit and explicit support of the Contract Provider by American International Group, Inc. and its member companies. The rating of the Notes should be evaluated independently from similar ratings of other types of securities. The rating of a Series will not necessarily be the same for all tranches of a Series. A security rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, or suspension or withdrawal by the assigning rating agency, including after the issuance of the applicable Series of Notes. The Rating Agencies have not been involved in the preparation of this Information Memorandum other than the description of the ratings herein.

At the option of the relevant Issuer, a Series of Notes issued under the Programme may not be rated by either or both Rating Agencies if it is expressly specified in the Pricing Supplement for such Series that such Series is not rated by a particular Rating Agency.

Listing:	Each Series may be listed on the Luxembourg Stock Exchange and/or any other stock exchange as may be agreed between the relevant Issuer and the relevant Placement Agent and specified in the relevant Pricing Supplement, or a Series of Notes may be unlisted.
Specified Currencies:	The Notes may be denominated in U.S. dollars, the Euro, Sterling, Japanese yen or other currencies, including composite currencies (each, a "Specified Currency") in each case subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated as may be specified in the relevant Pricing Supplement.
Redenomination:	If the Specified Currency of an issue of Notes is a currency of one of the member states of the European Union which is not a participant in the third stage of the European economic and monetary union, the Issuer may specify in the applicable Pricing Supplement that such Notes will include a Redenomination Clause (as defined under "Redenomination Clause" in the form of Pricing Supplement) providing for the redenomination of the Specified Currency in Euro, and if so specified, the wording of the Redenomination Clause will be set out in full in the applicable Pricing Supplement.
Issue Price:	Notes may be issued at par or at a discount or premium to par on a fully or partly paid basis, as specified in the applicable Pricing Supplement.
Maturities:	Notes may be issued with any maturity as may be agreed between the Issuer and the relevant Placement Agent and, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Rate of Interest:	The Notes may either bear interest or not bear interest, as specified in the applicable Pricing Supplement. See "Description of the Terms and Conditions of the Notes—Section 2. Interest and Interest Rates."
Fixed Rate:	Notes that have a fixed rate of interest will bear interest at the rate or rates as specified in the applicable Pricing Supplement.

Floating Rate:	Notes that have a floating rate of interest will bear interest at the rate or rates as determined by reference to one or more interest rate or exchange rates indices, or otherwise, as specified in the applicable Pricing Supplement.
Indexed Notes:	Payments (whether with respect to principal or interest and whether at maturity or otherwise) in respect of Indexed Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Placement Agents may agree (as indicated in the applicable Pricing Supplement).
Redemption:	<p>Unless otherwise specified in the applicable Pricing Supplement, the Notes may be redeemed in whole but not in part at 100 percent of their principal amount, plus accrued and unpaid interest, if any, only in the event of certain changes affecting United States, Cayman Islands or Jersey taxes as described under "Description of the Terms and Conditions of the Notes—Section 6. Early Redemption of Notes."</p> <p>Any Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons (i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (ii) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances that do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.</p>
Acceleration Rights:	The Notes are subject to acceleration upon the occurrence of certain events of default. See "Description of the Terms and Conditions of the Notes—Section 9. Events of Default Under the Indentures with Respect to the Notes."
Form:	<p>Unless otherwise specified in the applicable Pricing Supplement, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, the Notes will be issued in bearer form and each Series will initially be represented by a temporary global Note (a "Temporary Global Note") deposited with a common depository for Clearstream, Luxembourg and Euroclear. Interests in a Temporary Global Note will be exchangeable for interests in a permanent global Note (a "Permanent Global Note" and together with the Temporary Global Notes, the "Global Notes"), without coupons, representing Notes of a particular Series commencing not earlier than 40 days after the later of the date on which the Notes of that Series are first offered to persons other than distributors (as determined by the relevant Placement Agent) or the date upon which payment for and delivery of the Series of Notes is made (the "Issue Date"), upon certification as to beneficial ownership as required by United States tax laws and regulations, as described under "Description of the Terms and Conditions of the Notes—Section 1. General." Definitive bearer Notes will only be issued in certain limited circumstances. See "Description of the Terms and Conditions of the Notes—Section 1. General."</p>
Denominations:	Each Series of Notes will be in denominations specified in the applicable Pricing Supplement subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Trustees:	JPMorgan Chase Bank, N.A., pursuant to an Indenture, dated as of November 14, 1994, by and between ASIF II and itself, as the Cayman Trustee (as amended, modified or supplemented from time to time, the "Cayman Indenture"), and JPMorgan Chase Bank, N.A., pursuant to an Indenture, dated as of March 16, 1998, by and between ASIF III and itself, as the Jersey Trustee (as amended, modified or supplemented from time to time, the "Jersey Indenture," and together with the Cayman Indenture, the "Indentures"). The Trustee may be removed at any time with respect to Notes of any Series by the Holders representing at least 66 2/3 percent of the aggregate principal amount of outstanding Notes of such Series, delivered to the Trustee and the Issuer.

Principal Paying Agent and Calculation Agent:	JPMorgan Chase Bank, N.A., London Branch, except as specified in the applicable Pricing Supplement with respect to a particular Series of Notes.
Luxembourg Paying Agent:	Except as specified in the applicable Pricing Supplement with respect to a particular Series of Notes, Banque Générale du Luxembourg S.A.
Luxembourg Listing Agent:	Except as specified in the applicable Pricing Supplement with respect to a particular Series of Notes, Banque Générale du Luxembourg S.A.
Selling Restrictions:	There are restrictions on the offer, sale and delivery of the Notes and the distribution of offering materials relating to the Notes in certain jurisdictions. See "Selling Restrictions." Additional or different restrictions may be set forth in the applicable Pricing Supplement relating to a particular Series of Notes.
Governing Law:	The Indentures, the Notes and any coupons appurtenant to the Notes shall be governed by, and construed in accordance with, the laws of the State of New York, except to the extent that the validity or perfection of the relevant Trustee's ownership of and security interest in the applicable Funding Agreement or the SWAP (if any), or remedies under the Indentures in respect thereof, may be governed by the laws of a jurisdiction other than the State of New York. The Funding Agreements and SWAPs (if any) will be governed by, and construed in accordance with, the laws of the State of Arizona, except to the extent that the validity or perfection of the Trustee's ownership of and security interest in the applicable Funding Agreement or SWAP may be governed by the laws of a jurisdiction other than the State of Arizona.
Taxation:	Unless otherwise specified in the applicable Pricing Supplement, the relevant Contract Provider will agree pursuant to the applicable Funding Agreement and the related SWAP (if any) to pay Additional Amounts (as defined herein) to the extent required therein if any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") are imposed or levied by the United States or any taxing authority therein on or with respect to payments to the Owner (as defined in the applicable Funding Agreement) as further described below under the heading "Description of Certain Terms and Conditions of the Guaranteed Investment Contracts and SWAP Contracts— Section 2. Payments Without Withholding or Deduction." None of the Issuers or Contract Providers will be obligated to pay any Additional Amounts for or on account of any present or future Taxes imposed or levied in respect of the Notes or Coupons. See "Description of the Terms and Conditions of the Notes—Section 7. Payment of Additional Amounts by the Relevant Contract Provider Under the Funding Agreements or Under a Related SWAP; Tax Matters."

## DESCRIPTION OF THE TERMS AND CONDITIONS OF THE NOTES

*The following description of the terms and conditions of the Notes sets forth certain general provisions. The particular terms of each Series of Notes will be set forth in the applicable Pricing Supplement relating to such Series of Notes. The following description does not purport to be complete and is subject to the detailed provisions of the Indentures, the Funding Agreements, the SWAPs and related documents, copies of which will be on file with the relevant Paying Agents. Capitalized terms when used herein shall have the same meanings as those used in the Indentures (including any Supplemental Indenture) or such other document being described unless the context otherwise requires. Certain terms of the Programme described herein do not apply to certain Series of Notes issued prior to the date of this Information Memorandum. Consequently, notwithstanding anything herein to the contrary, the Holders of any Series of Notes issued prior to the date of this Information Memorandum should refer to and rely on the relevant information memorandum applicable to such Series of Notes, including the Description of the Terms and Conditions of the Notes set forth therein, the applicable Pricing Supplement attached thereto and the related definitive documentation for such Series of Notes.*

The Notes will be issued subject to, and be entitled to the benefits of, in the case of Notes issued by ASIF II, an Indenture dated as of November 14, 1994 (as amended, modified or supplemented from time to time, the "Cayman Indenture") by and between ASIF II and JPMorgan Chase Bank, N.A., as trustee (in such capacity, together with any successor, the "Cayman Trustee") or, in the case of Notes issued by ASIF III, an Indenture dated as of March 16, 1998 (as amended, modified or supplemented from time to time, the "Jersey Indenture") by and between ASIF III and JPMorgan Chase Bank, N.A., as trustee (in such capacity, together with any successor, the "Jersey Trustee," and together with the Cayman Trustee, the "Trustees"). Copies of the relevant Indentures are available for inspection during normal business hours at the specified office of the relevant Trustee or at the specified office of any relevant Paying Agent. As used herein, the term "Indenture" means either the Jersey Indenture or the Cayman Indenture, as the case may be, in each case as amended, supplemented or modified from time to time. The terms and conditions of a particular Series (defined below) of Notes will be set forth in the Pricing Supplement for such Series and a supplement to the relevant Indenture in respect of such Series (each, a "Supplemental Indenture") and may differ from the description set forth below.

Each Issuer will use the proceeds of the issuance of each Series of Notes to make a deposit with the related Contract Provider (which will be SALIC or a SALIC Affiliate), under the related Funding Agreement and, pursuant to the relevant Supplemental Indenture, will grant a security interest in such Funding Agreement and, if applicable, the corresponding SWAP and related property and proceeds to the relevant Trustee, and assign the Funding Agreement and, if applicable, the corresponding SWAP, to the relevant Trustee who will thereafter be a party to and entitled to the benefits of the Funding Agreement and, if applicable, the corresponding SWAP, subject to the terms of the related Indenture. The Notes are solely obligations of the relevant Issuer and will not be guaranteed by any person, including but not limited to the other Issuer, or any Contract Provider. The obligations of SALIC or any other Contract Provider under a Funding Agreement or SWAP entered into by such relevant Contract Provider may be guaranteed by a member company of American International Group, Inc. or may benefit from certain support arrangements of American International Group, Inc. Certain terms of the Funding Agreements and the SWAPs are described herein under the caption "Description of Certain Terms and Conditions of the Funding Agreements and the SWAP Contracts."

It is anticipated that Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., will rate each Series of Notes under the Programme "AAA" and that Moody's Investors Service, Inc. will rate each Series of Notes under the Programme "Aaa." In the case of Indexed Notes issued pursuant to the terms of the Programme with an equity-index overlay, an embedded credit derivative or other derivative that changes the risk characteristics, the rating by Moody's does not address the promise or shortfall, if any, on either the interest or principal of an individual Series of Notes due to the performance of the equity index or the likelihood of the embedded credit or derivative being exercised.

It is expected that Standard & Poor's will review each Series and that Moody's may review each Series issued by ASIF II to determine if the rating is applicable. The ratings of the Rating Agencies are based on the implicit and explicit support of the relevant Contract Provider by American International Group, Inc. and its member companies. The rating of the Notes should be evaluated independently from similar ratings of other types of securities. A rating may not necessarily be the same for all tranches of a Series. A security rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, or suspension or

withdrawal by the assigning rating agency, including after the issuance of the applicable Series of Notes. The Rating Agencies have not been involved in the preparation of this Information Memorandum other than the description of the ratings herein.

A Series of Notes issued under the Programme may at the option of the applicable Issuer not be rated by either or both Rating Agencies if it is expressly specified in the Pricing Supplement for such Series that such Series is not rated by a particular Rating Agency.

The Pricing Supplement will contain such information (if any) as is necessary to comply with the FSMA.

## **1. General**

### *(a) Amount; Maturity; Redemption; Security; Use of Proceeds; Listing; EU Transparency Directive*

The Notes may be issued under the Indentures in an aggregate principal amount outstanding at any one time of up to U.S.\$25,000,000,000 or the equivalent thereof in other currencies, which amount may be increased at any time subject to any necessary regulatory approval. The Notes may be denominated in U.S. dollars, the Euro, Sterling, Japanese yen or other currencies, including composite currencies (each a "Specified Currency"), as specified in the applicable Pricing Supplement. Unless otherwise specified in a Pricing Supplement, and so long as the clearing systems Euroclear and Clearstream, Luxembourg permit, the Notes will mature on any Relevant Business Day (as defined under Section 2. Interest and Interest Rates—(d) Definitions) at least one year from the Issue Date (as defined under Section 2. Interest and Interest Rates—(d) Definitions). On the Maturity Date, the Issuer shall make a final redemption payment (the "Final Redemption Payment") to the Holders as specified in the relevant Pricing Supplement.

For the purpose of calculating the U.S. dollar equivalent of the aggregate principal amount of Notes issued under the Programme from time to time:

- (i) Notes denominated in a Specified Currency other than U.S. dollars shall be translated into United States dollars at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of United States dollars being quoted by the Principal Paying Agent on the date on which the agreement to issue Notes in respect of the relevant Series was made or such other rate as the applicable Issuer and the relevant Placement Agent may agree;
- (ii) the U.S. dollar equivalent of Indexed Notes shall be determined in the manner specified above by reference to the original principal amount of such Notes.

The Notes may be issued in one or more series (each, a "Series"). The Notes comprising a particular Series will have identical terms except that (i) the issue date and the amount of the first payment of interest may be different in respect of different tranches and (ii) such Series may consist of Notes of more than one denomination. The principal of and interest on any Series of Notes will be secured by the Trust Estate (as defined under Section 5, Trust Estate for Each Series of Notes) for such Series equally and ratably. The Holders (as defined below) of Notes of any Series will not have recourse to any property of the relevant Issuer other than the Trust Estate securing such Series. See Section 5, Trust Estate for Each Series of Notes and Section 12. Nonrecourse Enforcement of Notes.

The net proceeds (after deduction of the relevant Issuer's expenses in respect of an issuance of a Series of Notes and commissions or other consideration payable to any Placement Agent) from the issuance of a particular Series of Notes shall be used to make a deposit into a funding account with the relevant Contract Provider as required by the relevant Funding Agreement.

Unless otherwise specified in the applicable Pricing Supplement with respect to a particular Series of Notes, application will be made to list each Series of Notes on the Luxembourg Stock Exchange. Series of Notes may be issued, however, that will not be listed on the Luxembourg Stock Exchange or any other stock exchange, subject to applicable regulations. The Pricing Supplement relating to each Series will state whether or not the Notes are to be listed and, if listed, the exchange(s) on which such Notes are to be listed.



Unless otherwise specified in the applicable Pricing Supplement with respect to a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, each Series of Notes will be issued in bearer form. The term "Notes" as used herein includes the Temporary Global Note, the Permanent Global Note and, if issued, the definitive Bearer Notes (each as defined below). Unless otherwise provided in the relevant Pricing Supplement and related Supplemental Indenture, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, definitive Bearer Notes will have interest coupons attached thereto (the "Coupons"). The term "Holder," when used with respect to a Note or any Coupon, means the bearer thereof; *provided*, that so long as any of the Notes are represented by a Global Note, each person who is an Account Holder (as defined under Section 4. Place and Date of Payment of Notes) shall be treated by the relevant Issuer, the relevant Trustee and any Paying Agent as a holder of such principal amount of such Series of Notes for all purposes other than for the payment of principal of, premium (if any), Additional Amounts (if any) and interest on such Series of Notes, the right to which shall be vested, as against the relevant Issuer, the relevant Trustee and any Paying Agent, solely in the bearer of the Global Note in accordance with and subject to the provisions therein and in the relevant Indenture. Title to the Notes and Coupons will pass by delivery.

In March 2003, the European Commission published its proposal for the Transparency Obligations Directive (the "Directive"), which relates to information about issuers whose securities are admitted to trading on a regulated market in the European Union. The Directive is expected to be formally adopted in the last quarter of 2004 and to be implemented in 2005. The Directive may be implemented in a manner that is unduly burdensome for the Issuers or SALIC. In particular, the proposal contained provisions which, if applied with respect to the Notes, may have the effect of requiring the Issuers to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") in order for the Notes to remain listed on the Luxembourg Stock Exchange. In the event the Issuer is required under the Directive to prepare its financial statements in accordance with IFRS in order to maintain continued listing on the Luxembourg Stock Exchange or in any other circumstance where the Directive is implemented in a manner that in the opinion of the relevant Issuer or SALIC, is unduly burdensome, the Notes of one or more series may be delisted. In any such event, the relevant Issuers may, but are not obligated to, seek to obtain an alternative listing for the relevant Notes on a securities exchange outside the European Union. Although there is no assurance as to the liquidity of the Notes as a result of the listing on the Luxembourg Stock Exchange, delisting the Notes from the Luxembourg Stock Exchange may have a material effect on your ability to resell your Notes in the secondary market.

*(b) Temporary Global Notes*

Unless otherwise specified in the applicable Pricing Supplement with respect to a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, each Series of Notes will be issued initially in the form of a temporary global Note in bearer form (a "Temporary Global Note"), without Coupons, in the aggregate principal amount of such Series. The Temporary Global Note so issued will be exchangeable for a Permanent Global Note as described below.

Unless otherwise specified in the applicable Pricing Supplement with respect to a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, the relevant Trustee or any authenticating agent appointed by such Trustee (an "Authenticating Agent") will authenticate such Temporary Global Note and deliver it to a common depository (the "Common Depository") for Euroclear and Clearstream, Luxembourg, against receipt from the Common Depository of confirmation that the Common Depository is holding the Temporary Global Note in safe custody for the account of Euroclear and/or Clearstream, Luxembourg and will instruct Euroclear or Clearstream, Luxembourg or both of them (as the case may be) to credit the Notes represented by such Temporary Global Note to the respective accounts of the Account Holders or to such other accounts as it may direct.

If specified in the applicable Pricing Supplement, other clearing systems may be used in addition to or in lieu of Euroclear and Clearstream, Luxembourg. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer and the relevant Trustee.

The Temporary Global Note may be surrendered to the relevant Trustee through the Principal Paying Agent to be exchanged for a Permanent Global Note not earlier than 40 days after the later of the date on which the Notes of that Series are first offered to persons other than distributors (as determined by the Arranger

or the Placement Agent) or the Issue Date of the Series of Notes (the "Exchange Date"). Such exchange shall be made only upon certification as to beneficial ownership as described below.

(c) *Permanent Global Notes*

Unless otherwise specified in the applicable Pricing Supplement with respect to a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, prior to the Exchange Date, the relevant Issuer will execute and deliver a permanent global Note in bearer form (a "Permanent Global Note"), without Coupons, to the relevant Trustee or Authenticating Agent and the relevant Trustee or Authenticating Agent will authenticate such Permanent Global Note and deliver it to the Common Depositary that is holding the Temporary Global Note for the time being on behalf of Euroclear and/or Clearstream, Luxembourg in exchange for such Temporary Global Note or, in the case of a partial exchange, if the rules of Euroclear and/or Clearstream, Luxembourg, as the case may be, so permit, after noting the details of such exchange in the appropriate spaces on both the Temporary Global Note and the Permanent Global Note, and in either case against receipt from the Common Depositary of confirmation that the Common Depositary is holding the Permanent Global Note in safe custody for the account of Euroclear and/or Clearstream, Luxembourg. The Permanent Global Note will be issued and delivered in exchange for only that portion of the Temporary Global Note in respect of which there has been presented to the relevant Trustee through the Principal Paying Agent (as defined below) by Euroclear or Clearstream, Luxembourg a certificate, substantially in the form set out in a schedule to the Temporary Global Note, to the effect that it has received from or in respect of a beneficial owner entitled to a particular principal amount of the Temporary Global Note to be exchanged for such Permanent Global Note (as shown by its records) a certificate from such owner that such owner (i) is not a United States person, (ii) is a person described in United States Treas. Reg. § 1.163-5(c)(2)(i)(D)(6) or (iii) is a financial institution that has purchased such Notes for resale during the Restricted Period (as defined below under "Selling Restrictions"), and if such owner is a financial institution described in clause (iii) (whether or not described in clause (i) or (ii)) has not acquired the Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

(d) *Definitive Bearer Notes*

Unless otherwise specified in the Pricing Supplement with respect to a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, interests in a Permanent Global Note will not be exchanged for definitive Notes in bearer form (the "Bearer Notes") except in certain limited circumstances described below and in any such event only upon receipt by the relevant Trustee through the Principal Paying Agent of a certificate, to the effect that the person to whom such Bearer Note is to be delivered is not a U.S. Person or acquiring such Bearer Note on behalf of or for the account of a U.S. Person. A Permanent Global Note for a particular Series will be exchanged for Bearer Notes with Coupons, in authorized denominations, only upon the occurrence of any of the following events:

- (1) the Notes of such Series have become immediately due and payable pursuant to an early redemption as described in Section 6 below or as a result of an Event of Default as defined in the Indenture;
- (2) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearance system satisfactory to the relevant Trustee is available;
- (3) if the relevant Contract Provider will be required to make any deduction or withholding from any payment in respect of the relevant Funding Agreement or SWAP (if any) or if the relevant Issuer is or will be required to make any deduction or withholding from any payment in respect of the relevant Series of Notes, either of which would not be required were the relevant Series of Notes in definitive bearer form; or
- (4) the relevant Issuer so elects by Notice to the Holders in accordance with Section 1.6 of the relevant Indenture.

Upon the occurrence of any of the foregoing, the relevant Issuer shall (i) provide notice to the Holders in accordance with Section 1.6 of the relevant Indenture no later than 30 days after the occurrence of the

related event and (ii) publish notice to the Holders in an Authorized Newspaper (as defined below) in Luxembourg, each of which will state that the Permanent Global Note shall be exchanged for definitive Bearer Notes.

(e) *Regulation S and United States Internal Revenue Code Restrictions—No U.S. Persons or United States Persons*

The Notes will be offered and sold in compliance with Regulation S under the Securities Act. The Notes will not be (i) offered, sold, delivered, pledged or otherwise transferred to a U.S. Person or a United States person or (ii) mailed or otherwise delivered to any location in the United States. **Any Holder who is or holds Notes or otherwise acts for or on behalf of a U.S. Person or a United States person will not be entitled to receive any payments under the Notes or Coupons.** In furtherance of the foregoing, each Note will contain on the face thereof the following legend:

**"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES OF AMERICA SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS NOTE SHALL NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO OR HELD BY (A) A CITIZEN OR RESIDENT OF THE UNITED STATES OF AMERICA OR ANY OF ITS TERRITORIES OR POSSESSIONS, (B) A CORPORATION, PARTNERSHIP OR OTHER ENTITY CREATED OR ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA, (C) A U.S. PERSON (AS DEFINED UNDER SECTIONS 230.901 THROUGH 230.904 OF TITLE 17 OF THE UNITED STATES CODE OF FEDERAL REGULATIONS ("REGULATION S")) OR (D) ANY ENTITY THE ASSETS OF WHICH ARE DEEMED TO INCLUDE THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("ERISA") (ANY PERSON DESCRIBED IN CLAUSES (A), (B), (C) OR (D) OF THIS SENTENCE, A "U.S. PERSON"). EACH HOLDER OF THE NOTES WHO IS A U.S. PERSON IS HEREBY NOTIFIED THAT, AS PROVIDED IN THE INDENTURE, SUCH HOLDER SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS UNDER THE NOTES. BY ITS ACCEPTANCE OF THE NOTES EACH HOLDER OF THE NOTES SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT SUCH HOLDER IS NOT A U.S. PERSON AND THAT SUCH HOLDER IS NOT PURCHASING THE NOTES FOR THE ACCOUNT OF ANY U.S. PERSON. IN ADDITION, THE NOTES WILL BE SUBJECT TO UNITED STATES TAX LAW REQUIREMENTS. THE ISSUERS HAVE NOT BEEN AND WILL NOT BE REGISTERED AS INVESTMENT COMPANIES UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED."**

The following legend will also appear on the face of Notes (and related Coupons) with a maturity of more than 183 days:

**"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED."**

Under Sections 165(j) and 1287(a) of the Code, United States persons who hold the Notes, with certain exceptions, will not be entitled to deduct any loss on the Notes and must treat as ordinary income any gain realized on the sale or other disposition (including redemption) of the Notes or Coupons.

The following legend will also appear on the face of Notes (and related Coupons) with a maturity of more than 183 days:

**"BY ACCEPTING THIS OBLIGATION, THE HOLDER REPRESENTS AND WARRANTS THAT IT IS NOT A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(B)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER) AND THAT IT IS NOT ACTING FOR OR ON BEHALF OF A UNITED STATES PERSON (OTHER THAN AN EXEMPT RECIPIENT DESCRIBED IN SECTION 6049(B)(4) OF THE INTERNAL REVENUE CODE AND THE REGULATIONS THEREUNDER)."**

The latter legend is required by the United States information reporting and backup withholding rules.

## 2. Interest and Interest Rates

As set forth in the applicable Pricing Supplement with respect to a particular Series of Notes, the Notes may bear interest on a fixed, floating or variable coupon amount basis, or be issued on a fully discounted basis and not bear interest, and the amount payable on any redemption of the Notes may be fixed or variable. Reference is made to the relevant Pricing Supplement for the following terms of a particular Series of Notes: the rate or rates at which Notes of a particular Series will bear interest, if any; the date from which such interest, if any, will accrue; the dates on which such interest, if any, will be payable; and the date on which such payment of interest, if any, will commence. All words capitalized in this Section 2, but not previously defined, are defined below in "Definitions." One or more of the following provisions may apply to each Series of Notes, as specified in the Pricing Supplement relating to such Series.

### (a) *General*

Each Note will bear interest on its Calculation Amount from, and including, the Interest Commencement Date or the most recent Interest Payment Date to or for which interest has been paid or duly provided, to, but excluding, the next Interest Payment Date, or the Maturity Date or Redemption Date, as applicable. Interest will be payable in arrears on each Interest Payment Date and on the Maturity Date or Redemption Date, as applicable. Interest will cease to accrue on principal amounts outstanding on the day preceding the Maturity Date or Redemption Date, unless payment of principal is withheld or default is otherwise made with respect to such payment, in which case interest shall cease to accrue on the date on which payment of principal is actually made or duly provided for.

### (b) *Interest on Fixed Rate Notes*

Unless otherwise specified in the relevant Pricing Supplement and the related Supplemental Indenture, the following provisions apply to a Series of Notes the interest for which is specified in the Pricing Supplement relating to such Series as being "Fixed Rate Notes."

#### (i) *Rate of Interest*

Each Fixed Rate Note will bear interest at the fixed rate(s) per annum specified in the Pricing Supplement relating to such Fixed Rate Notes (the "Fixed Rate(s) of Interest") for the relevant Interest Period. The first payment of interest will be made on the first Interest Payment Date following the relevant Interest Commencement Date.

#### (ii) *Calculations*

If interest is required to be calculated for a period other than an Interest Period, such interest shall be calculated by applying the Fixed Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

#### (iii) *Day Count Fraction*

If "Actual/Actual (ISMA)" is specified in the applicable Pricing Supplement:

- (A) In the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Interest Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or

- (B) In the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of :
- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

If "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

"Determination Period" means the period from (and including) an Interest Determination Date to but excluding the next Interest Determination Date.

"sub-unit" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, means one cent.

(c) *Interest on Floating Rate Notes*

Unless otherwise specified in the relevant Pricing Supplement and the related Supplemental Indenture, the following provisions apply to a Series of Notes the interest for which is specified in the Pricing Supplement relating to such Series as being "Floating Rate Notes."

(i) *Interest Payment Dates*

- (A) If no Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, the Interest Payment Date shall be the date which (unless otherwise mentioned herein or specified in the applicable Pricing Supplement) falls in the number of months or such other periods specified as the Specified Period(s) in the applicable Pricing Supplement after the preceding Interest Payment Date, or in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (B) If any Interest Payment Date (or other date) which is specified in the applicable Pricing Supplement to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Relevant Business Day, then, if the Business Day Convention specified is—
  - (1) in the case where an Interest Period is specified in accordance with paragraph (A) above, the Floating Rate Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month, in which event (a) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Relevant Business Day and (b) after the foregoing clause (a) shall have been applied, each subsequent Interest Payment Date (or other date) shall be

the last Relevant Business Day of the last month of each subsequent Interest Period; or

- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Relevant Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month, in which such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Relevant Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Relevant Business Day.

(ii) *Rate of Interest*

The rate of interest (the “Rate of Interest”) payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement, including by reference to one or more interest rate or exchange rate indices as specified in such Pricing Supplement (the “Reference Rate”).

(iii) *ISDA Determination*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Spread (if any). For the purposes of this sub-paragraph (iii), “ISDA Rate” for an Interest Period means a rate equal to the rate of interest that would be determined by the Calculation Agent or other person specified in the applicable Pricing Supplement under an interest rate swap transaction if the Calculation Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:–

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period equal to that Interest Period; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro inter-bank offered rate (“EURIBOR”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (iii), (a) “ISDA Definitions” means the 2000 ISDA Definitions, as amended and updated, published by the International Swaps and Derivatives Association, Inc. (“ISDA”) and (b) “Floating Rate,” “Floating Rate Option,” “Designated Maturity” and “Reset Date” have the meaning given to those terms in the ISDA Definitions.

(iv) *Screen Rate Determination*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either–

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

- (B) (subject as below) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page)

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11:00 a.m. (London time) in the case of LIBOR or 11:00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question (as indicated in the applicable Pricing Supplement) plus or minus (as indicated in the applicable Pricing Supplement) the Spread (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at such time the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter-bank market as at approximately 11:00 a.m. (London time) or, if the Reference Rate is EURIBOR, to leading banks in the Euro-zone inter-bank market as at 11:00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as appropriate) the Spread (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (London time) in the case of LIBOR or, 11:00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, plus or minus (as appropriate) the Spread (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11:00 a.m. (London time), in the case of LIBOR or, 11:00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, any one or more banks selected by the Calculation Agent for the purpose (which bank or banks shall be so selected after consultation with the Issuer and shall not include any bank or banks which in the opinion of the Issuer is not or are not suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, plus or minus (as appropriate) the Spread (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest

Determination Date (though substituting, where a different Spread is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Spread relating to the relevant Interest Period, in place of the Spread relating to that last preceding Interest Period).

In this paragraph, the expression "Reference Banks" means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared. The expression "Euro-zone" means the region comprised of member states of the European Union that have adopted the Euro as the single currency in accordance with the Treaty on European Union.

If the Reference Rate from time to time in respect of a Series of Notes is specified in the applicable Pricing Supplement as being other than the LIBOR or EURIBOR, the Rate of Interest in respect of such Series of Notes will be determined as provided in the applicable Pricing Supplement.

(v) *Minimum and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the rate of interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the rate of interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the rate of interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the rate of interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction as is specified in the applicable Pricing Supplement or, if none is so specified, determined by the Calculation Agent to be customary for such calculation and rounding the resultant figure to the nearest unit of the smallest size of the relevant Specified Currency customarily used in the settlement of inter-bank payments in such currency, half such a unit being rounded upwards or otherwise in accordance with applicable market convention.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period unless otherwise specified in the applicable Pricing Supplement:—

- (A) if "Actual/365" or "Actual/Actual ISDA" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (C) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;



- (D) if "30/360," "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (E) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).
- (F) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(vii) *Notification of Rate of Interest, Interest Amount and Interest Periods*

The Calculation Agent will communicate such rates and amounts to the relevant Issuer, the relevant Trustee, Euroclear, Clearstream, Luxembourg, the relevant Contract Provider, the Luxembourg Stock Exchange or other exchange on which the Notes of a Series are listed, the Principal Paying Agent and Luxembourg Paying Agent, if any, by the first day of each Interest Period (as defined below), which notice shall stipulate the Interest Period to which it applies. Such rates and amounts will be made available to Noteholders at the office of the Principal Paying Agent and the Luxembourg Paying Agent.

(viii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions described in this paragraph (c), whether by the Calculation Agent or the relevant Trustee, shall (in the absence of willful default, bad faith or manifest error) be binding on the relevant Issuer, the Calculation Agent, the relevant Trustee, the other Paying Agents and all Holders, and (in the absence as aforesaid) no liability to the Holders shall attach to the Calculation Agent or the relevant Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretion pursuant to such provisions.

(d) *Definitions.* As used in these Conditions:

"Calculation Agent" means the institution appointed by the relevant Issuer pursuant to the terms of the relevant Supplemental Indenture.

"Calculation Amount" means the amount specified as such in the Note or, if no such amount is so specified, the Aggregate Principal Amount of such Series of Notes, as specified in the Pricing Supplement for such Series or if such Note is amortizing, the amount outstanding.

"Euro" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam.

"Interest Commencement Date" means the Issue Date or such other date as may be specified in the Pricing Supplement relating to a Series of Notes.

"Interest Determination Date" means, in respect of any Interest Period, the day occurring that number of Relevant Business Days (if any) specified in the Pricing Supplement for a series of Floating Rate Notes prior to the first day of such Interest Period or such other day or dates as set forth in such Pricing Supplement relating to a Series of Notes.

"Interest Payment Date" with respect to any Note, the Stated Maturity of an installment of interest on such Note.

"Interest Period" means the period beginning on, and including, the Interest Commencement Date to, but excluding, the first Interest Payment Date and each successive period beginning on, and including, an Interest Payment Date, to, but excluding, the next succeeding Interest Payment Date or the Maturity Date or Redemption Date, if any, if such date is not an Interest Payment Date.

"Issue Date" means, in respect of any Series of Notes, the date on which payment for and issuance and delivery of the Notes is made.

"Maturity Date" means the date specified in the Pricing Supplement relating to a Series of Notes upon which such Series matures.

"Maximum Rate of Interest" means the maximum rate of interest specified in the Pricing Supplement for a Series of Notes.

"Minimum Rate of Interest" means the minimum rate of interest specified in the Pricing Supplement for a Series of Notes.

"Place of Payment" when used with respect to the Notes of any Series, means the place or places where the principal of, any premium, any Additional Amount or interest on the Notes of such Series are payable as specified as contemplated by Section 2.3 of the Indenture.

"Principal Financial Center" means with respect to a Specified Currency for a particular Series of Notes or interest rate, the financial center specified in Section 1.4(a)(i)(A) of the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. ("ISDA").

"Redemption Date" means with respect to any Note to be redeemed, the date fixed for such redemption by or pursuant to the relevant Supplemental Indenture.

"Reference Bank" means a bank or other institution which (a) is a leading institution engaged in transactions in Eurodollar deposits in the international Eurocurrency market or such other institution as provided in the relevant Supplemental Indenture, (b) does not control, is not controlled by, and is not under common control with, the relevant Issuer or Contract Provider, and (c) has an established place of business in London.

"Relevant Business Day" means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions are required or permitted by law or governmental action to close in London, England or New York, New York, or (iii) if the Specified Currency of a Series of Notes is other than the U.S. dollar, the Principal Financial Center for the Specified Currency, (iv) which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney or Auckland, respectively, or (v) if the Series of Notes are payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "TARGET System") is not operating.

"Relevant Screen Page" means, for any Series of Floating Rate Notes, the screen page specified as such in the Pricing Supplement relating to such Series.

"Relevant Time" means, on an Interest Determination Date, the local time at which it is customary to determine bid, offered and mean interest rates in respect of deposits in the currency in the interbank market in the Relevant Banking Center.

"Specified Denomination" means the denomination or denominations of the principal amount as specified in the Pricing Supplement relating to a Series of Notes.

"Spread" means, with respect to any Series of Floating Rate Notes, the number of basis points (one one-hundredth of a percent) to be added to or subtracted from the Reference Rate applicable to such Series to determine the interest rate applicable to such Series.

"Spread Multiplier" means, with respect to any Series of Floating Rate Notes, the percentage by which the Reference Rate applicable to such Series will be multiplied to determine the interest rate applicable to such Series.

### **3. Indexed Notes**

*General.* Notes may be issued with the principal amount payable at maturity or interest to be paid thereon, or both, to be determined with reference to the price or prices of specified commodities or stocks, the exchange rate of one or more currencies (including a composite currency) relative to one or more other currencies (including a composite currency), or such other price or exchange rate as may be specified in such Note ("Indexed Notes"), as set forth in a Pricing Supplement relating to such Indexed Notes. Holders of such Indexed Notes may receive a principal amount at Maturity that is greater than or less than the face amount of the Indexed Notes, or an interest rate that is greater than or less than the stated interest rate on the Indexed Notes, or both, depending upon the structure of the Indexed Note and the relative value at the Maturity Date or at the relevant Interest Payment Date, as the case may be, of the specified indexed item. Information as to the method for determining the principal amount payable at the Maturity Date, the manner of determining the interest rate, certain historical information with respect to the specified indexed item and tax considerations associated with an investment in Indexed Notes will be set forth in the applicable Pricing Supplement.

*Risk Factors.* An investment in Indexed Notes entails significant risks that are not associated with similar investments in a conventional fixed-rate debt security. If the interest rate of an Indexed Note is indexed, it may result in an interest rate that is less than that payable on a conventional fixed-rate debt security issued by the Issuer at the same time, including the possibility that no interest will be paid, and, if the principal amount of an Indexed Note is indexed, the principal amount payable at maturity may be less than the original purchase price of such Indexed Note, including the possibility that no principal will be paid out (but in no event shall the amount of interest or principal paid with respect to an Indexed Note be less than zero). The secondary market for Indexed Notes will be affected by a number of factors, independent of the creditworthiness of the relevant Issuer or the relevant Contract Provider, as the case may be, and the value of the applicable currency, commodity or interest rate index, including but not limited to, the volatility of the applicable currency or interest rate index, the time remaining to the maturity of such Indexed Notes, the amount outstanding of such Indexed Notes and market interest rates. The value of the applicable currency, commodity or interest rate index depends on a number of interrelated factors, including economic, financial and political events, over which the relevant Issuer has no control. Additionally, if the formula used to determine the principal amount or interest payable with respect to such Indexed Notes contains a multiple or leverage factor, the effect of any change in the applicable currency, commodity or interest rate index may be increased. The historical experience of the relevant currencies, commodities or interest rate indices should not be taken as an indication of future performance of such currencies, commodities or interest rate indices during the term of any Indexed Note. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks entailed by an investment in Indexed Notes and the suitability of Indexed Notes in light of their particular circumstances.

### **4. Place and Date of Payment of Notes**

(a) Unless otherwise provided in the Pricing Supplement relating thereto, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, payments of principal of definitive Bearer Notes will (if issued) be made against surrender of such Notes, and payments of interest on definitive Bearer Notes will (if issued) be made against surrender of the applicable Coupons, to a Paying Agent outside the United States. JPMorgan Chase Bank, London Branch will be appointed as the initial Principal Paying Agent for the Notes and such other additional Paying Agent for the Notes as appointed from time to time (each a "Paying Agent"). In addition, the relevant Issuer will (i) so long as any of the Notes are listed on and so long as required by the rules of the Luxembourg Stock Exchange, at all times maintain a paying agent in Luxembourg; and (ii) if the conclusions of the ECOFIN Council meeting of November 26-27, 2000 are implemented, ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the EU savings tax directive.

(b) Unless otherwise specified in the applicable Pricing Supplement for a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, (i) if the date for payment of any amount of principal of or interest on any Fixed Rate Note is not a Relevant Business Day, then the Holder thereof shall not be entitled to payment of the amount payable until the next following day which is a Relevant Business Day in accordance with and/or subject to the applicable business day convention as specified in the relevant Pricing Supplement and shall not be entitled to any further interest or other payment in respect of any such delay, and (ii) if the date for payment of any amount of principal of or interest on any Floating Rate Note is not a Relevant Business Day, then the Holder thereof shall not be entitled to payment of the amount payable until the next following day which is a Relevant Business Day in accordance with and/or subject to the applicable business day convention as specified in the relevant Pricing Supplement, and interest shall accrue for the period of such delay (except that if the Maturity Date of a Floating Rate Note falls on a day that is not a Relevant Business Day, no interest shall accrue for the period from and after such Maturity Date). Unless otherwise specified in the applicable Pricing Supplement for a particular Series of Notes and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, if the date for the payment of any amount of principal of or interest on any Note is not at any Place of Payment a day on which commercial banks and foreign exchange markets settle payments at such Place of Payment, then the Holder thereof shall not be entitled to payment at such Place of Payment of the amount payable until the next following day on which commercial banks and foreign exchange markets settle payments at such Place of Payment and shall not be entitled to any further interest or other payment in respect of such delay except as otherwise may be payable pursuant to clause (ii) of the immediately preceding sentence. The foregoing notwithstanding, the inability of the Holder of a Note to receive payment of any amount due in respect of such Note at one Place of Payment shall not preclude the Holder from receiving such payment at another Place of Payment where such payment may be lawfully made.

(c) Payments of principal of and interest on any Series of Notes represented by a Permanent Global Note will be made in the manner specified above against presentation or surrender, as the case may be, of such Permanent Global Note to the Principal Paying Agent for the particular Series of Notes. A record of each payment made against presentation or surrender of such Permanent Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Permanent Global Note by the Principal Paying Agent on behalf of the relevant Trustee and such record will be *prima facie* evidence that the payment in question has been made.

(d) The Holder of any Permanent Global Note will be the only person entitled to receive payments in respect of the Notes represented by such Permanent Global Note and the relevant Issuer's payment obligation will be discharged by any payment to, or to the order of, the Holder of such Permanent Global Note with respect to each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of the Notes (an "Account Holder") must look solely to Euroclear and/or Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the relevant Issuer to, or to the order of, the Holder of the relevant Permanent Global Note. No person other than the Holder of such Permanent Global Note will have any claim against the relevant Issuer in respect of payments due on such Permanent Global Note. The Permanent Global Note will be executed and delivered by the Issuer as described under "Description of the Terms and Conditions of the Notes—Section 1. General—(c) Permanent Global Notes."

(e) With respect to any Interest Payment Date occurring prior to the Exchange Date for any Temporary Global Note, the relevant Issuer will pay the entire amount of interest payable on such Interest Payment Date upon presentation of the Temporary Global Note to the Principal Paying Agent. Payment of interest on any Series of Notes represented by a Temporary Global Note which is payable on any such Interest Payment Date occurring prior to the Exchange Date for such Temporary Global Note will be made to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the Account Holders appearing in their records as being entitled thereto, but only upon presentation to the relevant Trustee through the Principal Paying Agent of a certificate of Euroclear or Clearstream, Luxembourg, as the case may be, to the effect that it has received certificates from such Account Holders that they have received from or in respect of the beneficial owners entitled to particular principal amounts of the Temporary Global Note certificates that such beneficial owners are not United States persons. All Coupons with respect to any Interest Payment Date that occurs prior to an Exchange Date will, prior to delivery of the definitive Bearer Notes to which they appertain, be detached from such Bearer Notes and will be cancelled by the relevant Trustee. Notwithstanding anything to the contrary in the relevant

Indentures or the Notes, the Holder of a Temporary Global Note will not be entitled to receive any payment of interest thereon on or after the Exchange Date.

(f) Notwithstanding any other provision of the Notes or hereof other than the last sentence of this paragraph (f), no payment with respect to principal of, or premium, if any, or interest or any Additional Amounts payable on, any Note may be made at the office of any Paying Agent in the United States and, except pursuant to the last sentence of this paragraph, any otherwise allowable payment may be made only upon presentation and surrender at such office outside the United States of the Note, in the case of principal, or any applicable Coupon, in the case of interest. No payment on a Note will be made by transfer to an account in, or by mail to an address in, the United States (other than to a financial institution which, as a step in the clearance of funds, promptly credits and pays such amount to an account maintained outside the United States for such financial institution or for persons for which the financial institution has collected such payment). Notwithstanding the foregoing, payments in respect of the Notes will be made at the specified office of a Paying Agent in the United States only if: (i) the relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment at such specified offices outside the United States of the full amount owing in respect of the Notes in the manner provided above when due; (ii) payment of the full amount owing in respect of the Notes at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and (iii) such payment is then permitted under United States law.

## **5. Trust Estate for Each Series of Notes**

Under the relevant Indenture, each Series of Notes will be secured by a "Trust Estate" which will consist of certain assets and rights granted by the relevant Issuer to the relevant Trustee pursuant to the relevant Supplemental Indenture for the benefit and security of the Holders of such Series. Holders of a Series of Notes will be entitled to the benefit and security of only the Trust Estate applicable to such Series but to no other assets of the relevant Issuer.

Unless otherwise provided in the Pricing Supplement relating thereto, the Trust Estate for each Series of Notes will consist of all the relevant Issuer's estate, right, title and interest in and to (a) the relevant Funding Agreement and, in certain instances, in and to the relevant SWAP, (b) all amounts and instruments on deposit from time to time in the relevant Collection Account (as defined in the relevant Indenture), including without limitation investments held in such Collection Account and all income, interest, profits, proceeds, gains or other income from any such amounts or instruments, (c) all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Trust Estate held for the benefit and security of the Holders of such Series of Notes, (d) all present and continuing exclusive right, power and authority of the Issuer to make claim for, collect, receive and receipt for any and all rents, sums, amounts, income, revenues, issues, profits, proceeds, security and other monies payable or receivable under, on account of or with respect to the Trust Estate held for the benefit and security of the Holders of such Series of Notes, including payments in respect of the relevant Funding Agreement and, in certain instances, in respect of the relevant SWAP, (e) all present and continuing right, power and authority of the Issuer, in the name and on behalf of the Issuer, as agent and attorney-in-fact, or otherwise, to make claim for and demand performance on, under or pursuant to any of the Trust Estate held for the benefit and security of the Holders of such Series of Notes, to bring actions and proceedings thereunder or for the specific or other enforcement thereof, or with respect thereto, to make all waivers and agreements, to grant or refuse requests, to give or withhold notices, and to exercise all rights, remedies, powers, privileges and options, to grant or withhold consents and approvals and do any and all things and exercise all other discretionary rights, options, privileges or benefits which the Issuer is or may become entitled to do with respect to the Trust Estate held for the benefit of the Holders of such Series of Notes, without notice to, consent or approval by or joinder of the Issuer, and (f) all revenues, issues, products, accessories, substitutions, replacements, profits and proceeds of and from all the foregoing. In furtherance of the grant of the Trust Estate for such Series of Notes, the relevant Issuer will expressly grant to the Trustee the full, exclusive and irrevocable right, power and authority to exercise any and all Collateral Management Rights (as defined below) with respect to the Trust Estate held for the benefit of the Holders of such Series of Notes, and each contract, agreement or other document or instrument included therein.

"Collateral Management Rights" as used herein and in the relevant Indenture, means the right (but not the obligation) (i) to take, or refrain from taking, any and all actions which (x) the relevant Issuer, the

Holders of any Series of Notes or the Trustees shall or may be entitled to take from time to time under any of the Assigned Documents (as defined in the relevant Indenture) securing Notes of such Series or under or in respect of any other part of the Trust Estate securing Notes of such Series or (y) the Holders of any Series of Notes or the Trustees shall or may be entitled to take from time to time under the relevant Indenture in respect of or in any manner relating to or affecting any of the Trust Estate securing Notes of such Series or the application of the proceeds thereof, (ii) to take, or refrain from taking, any and all actions with respect to the administration and protection of the Trust Estate securing Notes of any Series and (iii) to exercise, or refrain from exercising, any and all rights and remedies with respect to the Trust Estate securing Notes of any Series which shall or may be available under the relevant Indenture or the Assigned Documents or otherwise at law or in equity, and shall include without limitation:

(i) instituting, prosecuting and settling such actions, suits and other proceedings as the relevant Trustee shall deem appropriate in connection with the exercise of any Collateral Management Rights, including any claims for loss or damage to the Trust Estate securing Notes of such Series;

(ii) granting or withholding any and all consents or approvals which may be requested or given pursuant to any relevant Assigned Document, and exercising any right to vote or abstain from voting on any matter on which a vote may be required thereunder, including in each case any determination to amend, modify, waive or terminate any provision of any relevant Assigned Document;

(iii) subject to Section 5.5 of the relevant Indenture, exercising or seeking to exercise any right to acquire, purchase or otherwise obtain any annuity under any Funding Agreement;

(iv) giving any and all notices, demands or other communications which are required to be, or may be, given under any relevant Assigned Document; and

(v) exercising any of the rights and remedies described in Article V of the relevant Indenture, any relevant Assigned Document or which otherwise may be available at law or in equity, upon the occurrence of a Default or an Event of Default under the relevant Indenture or a default or event of default under any relevant Assigned Document, including without limitation (A) advancing funds to protect or preserve all or any part of the relevant Trust Estate, upon such terms and conditions as the relevant Trustee shall deem advisable, (B) curing, or causing to be cured, any default under any relevant Assigned Document, in such manner as the Trustees shall deem advisable, (C) instituting proceedings for the collection of amounts payable on the Notes of any Series or under the relevant Indenture and enforcing any judgment against the relevant Trust Estate securing the Notes of such Series, (D) instituting proceedings for the complete or partial foreclosure of the security interest evidenced by the relevant Indenture, (E) selling or causing to be sold the relevant Trust Estate (or any portion thereof), at a public or private sale or adjourning or postponing such sale as provided under the relevant Indenture, the UCC or as otherwise provided at law or in equity or under any relevant Assigned Document, (F) preserving the relevant Trust Estate intact and applying all amounts received with respect to the relevant Trust Estate as provided under the relevant Indenture, and (G) exercising any of the rights and remedies of an assignee and secured party under the relevant Assigned Documents or under the UCC or any other applicable law as now or hereafter in force and effect in any applicable jurisdiction.

## **6. Early Redemption of Notes**

(a) Except as provided by subparagraphs (b) and (d) below or in any applicable Pricing Supplement, the Notes will not be subject to redemption prior to the Maturity Date.

(b) Unless otherwise provided in the Pricing Supplement relating thereto and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, (i) the relevant Issuer may, at its option, redeem the Notes of a particular Series, as a whole but not in part, upon notice given in accordance with the relevant Indenture (see Section 14 "Notices") (which notice will be irrevocable) at a price equal to 100 percent of their principal amount (the "Redemption Price"), together with accrued and unpaid interest to and including the day preceding the Redemption Date (which is expected to be an Interest Payment Date), if on or after the Issue Date, in respect of any payment on the relevant Note or Coupon, any withholding or deduction is required or there is a material probability that any withholding or deduction would be required (in the opinion of independent counsel) for or on account of any Taxes imposed or levied by or on behalf of any governmental authority having

the power to tax, as a result of any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Jersey (in the case of ASIF III), the Cayman Islands (in the case of ASIF II) or the United States, or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings and (ii) the relevant Issuer shall redeem the Notes of a particular Series, as a whole but not in part, upon notice given in accordance with the relevant Indenture (which notice will be irrevocable) at a price equal to the Redemption Price, together with accrued and unpaid interest to and including the day preceding the Redemption Date (which is expected to be an Interest Payment Date), if on or after the Issue Date of the related Series of Notes, in respect of any payment on the Funding Agreement or the related SWAP (if any), the relevant Contract Provider repays all amounts in the Funding Account (as defined in the relevant Funding Agreement) because it will become obligated, or there is a material probability that it will become obligated (in the opinion of independent counsel), pursuant to any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Jersey (in the case of ASIF III), the Cayman Islands (in the case of ASIF II) or the United States or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including, but not limited to, receiving a written audit adjustment from the Internal Revenue Service in connection with an audit), to withhold from any payment on the Funding Agreement or the related SWAP (if any) or deduct therefrom any present or future Taxes imposed or levied by or on behalf of any governmental authority in Jersey (in the case of ASIF III), the Cayman Islands (in the case of ASIF II) or the United States having the power to tax. In the event that a Funding Agreement is terminated prior to its stated maturity date, the corresponding SWAP will be terminated simultaneously. Notice of redemption will not be given earlier than 120 days prior to the earliest date on which the relevant Contract Provider or the relevant Issuer, as the case may be, would be obligated, or no earlier than the date on which there first exists the material probability that the relevant Contract Provider or the relevant Issuer, as the case may be, will become obligated (in the opinion of independent counsel), to pay any such withholding or deduction were a payment in respect of the Funding Agreement, the related SWAP (if any) or such Notes or Coupons then due. In addition, at the time such notice of redemption is given, such obligation or material probability of such obligation (in the opinion of independent counsel) to pay such withholding or deduction must remain in effect. Immediately prior to the publication of notice of redemption of any Notes pursuant to the relevant Indenture, the relevant Issuer will deliver to the relevant Trustee a certificate of the relevant Issuer stating that such Issuer is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to the right of such Issuer to redeem such Notes have occurred.

(c) Any notices to redeem Notes will be given to the relevant Holders of Notes and to the Luxembourg Stock Exchange, with respect to Notes listed on the Luxembourg Stock Exchange, in the manner described below under "Notices."

(d) If notice of redemption has been given in the manner set forth in paragraph (c) of this Section, the relevant Notes will be redeemed in accordance with the relevant Supplemental Indenture.

(e) Any Notes redeemed or otherwise acquired by the relevant Issuer, together with any unmatured Coupons attached thereto, may not be reissued or resold and will be canceled, except that Notes delivered to the relevant Trustee may be reissued by such Trustee in replacement of mutilated, lost, stolen or destroyed definitive Bearer Notes pursuant to the relevant Indentures.

(f) Unless otherwise provided in the Pricing Supplement relating thereto, Notes of a particular Series will not be subject to any sinking fund redemption.

(g) Although the Issuers are permitted to acquire Notes pursuant to the relevant Indenture, it is not expected that the Issuers will purchase Notes on the open market because the Issuers do not have the funds available or any commercial reason to do so.

## **7. Payment of Additional Amounts by the Relevant Contract Provider Under the Funding Agreements or Under a Related SWAP; Tax Matters**

(a) Unless otherwise specified in the applicable Pricing Supplement for the related Series of Notes, under the terms of the Funding Agreement or related SWAP (if any), all payments due to be made by the applicable Contract Provider under the terms of each of the Funding Agreements issued by such Contract Provider (other than in respect of any annuity acquired thereunder) and under any related SWAP entered into by

such Contract Provider will be made without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any governmental authority having the power to tax, unless such withholding or deduction is required by law. If any withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any governmental authority in the United States having the power to tax is or will be required, then the Contract Provider will either pay such additional amount so that the net amount received by the Owner under the Funding Agreement and the related SWAP (if any) will equal the amount that the Owner would have received had no such deduction or withholding occurred (the "Additional Amount") or repay all amounts in the Funding Account (as defined therein) and under the related SWAP (if any) together with interest thereon at par; *provided* that any such repayment shall not occur unless the related Series of Notes will be redeemed with such repayment; *provided, further*, that no Contract Provider shall be required to make any payment of any Additional Amount for or on account of (i) any Tax imposed that would not have been imposed but for the existence of any present or former connection between the Owner or a Holder of one or more of the related Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder of Notes, if the Owner or such Holder of Notes is an estate, trust, partnership or corporation) and Jersey (in the case of ASIF III), the Cayman Islands (in the case of ASIF II) or the United States, including, without limitation, being or having been a citizen or resident thereof, being or having been present, incorporated or engaged in a trade or business or having or having had a permanent establishment or office therein, or the past or present status of the Owner or such Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation) as a personal holding company, foreign personal holding company, controlled foreign corporation, passive foreign investment company or private foundation as those terms are defined for United States federal income tax purposes or as a corporation which accumulates earnings to avoid United States federal income tax, (ii) any inheritance, gift, estate, personal property, sales or transfer Tax, (iii) any Tax that is payable otherwise than by withholding from payments in respect of the relevant Funding Agreement, the related SWAP (if any) or the related Series of Notes, (iv) any Tax where withholding or deduction of such Tax is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, (v) any Tax imposed on interest received by (x) a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, (y) a 10% shareholder of the FA Provider or the Owner within the meaning of Internal Revenue Code Section 871(h)(3)(b) or Section 881(c)(3)(b) or (z) the Owner or any Holder, if the Owner or such Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation) is subject to income tax withholding or backup withholding as of the date of purchase of the Funding or a Note, as the case may be, (vi) any Tax imposed which would not have been imposed but for the presentation of any Note for payment on a date more than 15 days after the date on which a payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later, (vii) any Tax which is imposed or withheld solely by reason of the failure of the Owner or any Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation) to comply with certification, identification, documentation, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Owner or such Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation), if compliance is required by statute, by regulation, judicial or administrative interpretation, or by an applicable income tax treaty to which the United States is a party as a condition to relief or exemption from such Tax, (viii) any Tax imposed by reason of payments in respect of the Funding Agreement or any Note being treated as contingent interest described in Internal Revenue Code Section 871(h)(4) for United States federal income tax purposes, but only to the extent such treatment was disclosed in writing to the Owner of such Funding Agreement and the Holder of such Note, respectively, at the time such Owner became the Owner of such Funding Agreement and such Holder became a Holder of such Note, (ix) any Tax that would not have been imposed but for an election by the Owner of a Funding Agreement or a Holder of Notes, the effect of which is to make any payment in respect of such Funding Agreement or any such Notes subject to United States federal income tax, (x) any Tax required to be withheld or deducted by any paying agent from any payment of principal or interest in respect to any Funding Agreement or any Note, if such payment can be made without such withholding or deduction by any other paying agent with respect to such Funding Agreement or such Note, (xi) any Tax imposed on any payment to a Holder who is a fiduciary, a partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such



fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the Additional Amount had such beneficiary, settlor, member or beneficial owner been the recipient of such payment, or (xii) any combination of items (i) through (xi) above.

(b) All payments of principal and interest in respect of the Notes and the Coupons by the relevant Issuer will be made without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any authority in Jersey (in the case of ASIF III) or the Cayman Islands (in the case of ASIF II) having the power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is required, the relevant Issuer will **not** be obligated to pay any additional amount so that the net amount received by the Holder will equal the amount that the Holder would have received had no such withholding or deduction occurred, but the relevant Issuer will inform the relevant Trustee accordingly and may, at its option, change the place of residence of the relevant Issuer for taxation purposes or exercise the right to substitute a successor person for the relevant Issuer hereunder as described in Section 3.8(c) of the relevant Indenture, but not so as in any event to prejudice the position of the relevant Contract Provider under the relevant Funding Agreement or any SWAP, and the relevant Issuer may redeem such Notes as provided above.

## **8. Certain Covenants of the Issuers**

Under the Indenture to which it is a party, each Issuer has made certain covenants regarding payment of principal and interest, maintenance of offices or agencies, money for Notes issued by it to be held in trust, protection of Trust Estate, delivery of an opinion and annual statement as to compliance, performance of obligations, existence, reports, financial information regarding the Notes issued by it, notices of defaults and payment of taxes and other claims. Among other covenants, each Issuer has severally agreed that it will not so long as any Notes are outstanding, without the consent of the Trustee except as permitted by the relevant Indenture:

(i) sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of its assets (now owned or hereafter acquired), including, without limitation, any portion of any Trust Estate, except as expressly permitted by the relevant Indenture;

(ii) claim any credit on, or make any deduction from, the principal of, any premium, or interest on, or any Additional Amounts (as defined in the relevant Indenture) with respect to Notes issued under the relevant Indenture (other than amounts that may be required to be withheld from such payments under the Internal Revenue Code of 1986, as amended, or any other applicable tax law) by reason of the payment of any taxes levied or assessed upon any portion of any Trust Estate;

(iii) engage in any business or activity other than in connection with, or relating to, the execution and delivery and performance of any Assigned Documents (as defined in the relevant Indenture) relating to any Series of Notes and the transactions contemplated thereby, and the issuance of the Notes;

(iv) incur or otherwise become liable directly or indirectly for any Indebtedness or Contingent Obligation (as defined in the relevant Indenture) except for the Notes and obligations contemplated by the Indenture or by any Assigned Documents;

(v) dissolve or liquidate itself in whole or in part;

(vi) take any action that would impair the validity or effectiveness of the relevant Indenture or any grant of security pursuant thereto, or permit a Lien (as defined in the relevant Indenture) arising under such Indenture (the "Lien of the Indenture") to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person (as defined in such Indenture) to be released from any covenants or obligations under any Assigned Document (as defined in such Indenture), except as may be permitted by the relevant Indenture or thereby, create, incur, assume, or permit any Lien or other encumbrance (other than the Lien of the relevant Indenture) on any of its properties or assets now owned or hereafter acquired, or any interest therein or the proceeds thereof, or permit the Lien of the relevant Indenture not to constitute a valid first priority security interest in the applicable Trust Estate;

(vii) amend, modify or fail to comply with any material provision of its Memorandum of Association or Articles of Association;

(viii) own any subsidiary or lend or advance any moneys to, or make any investment in, any Person, except for the investment of any funds of such Issuer held by the related Trustee or a related Paying Agent as provided in any Funding Agreement, any SWAP, any Assigned Document or the relevant Indenture;

(ix) directly or indirectly declare or pay a dividend (except in the case of ASIF III, which may pay a maximum dividend out of the Trust Estate not to exceed U.S.\$1,500 a year), or make any distribution or other payment on its capital stock, redeem or otherwise acquire or retire for value any of its capital stock or pay, prepay, purchase, repurchase or retire any indebtedness (or part thereof) other than the Notes;

(x) cause or permit the sale or other transfer of all or a portion of any shareholder's interest in such Issuer, or cause or permit the creation, incurrence, assumption or existence of any Lien on all or a portion of any shareholder's interest in the Issuer, except, in the case of ASIF II under the Declaration of Trust executed by Queensgate Bank & Trust Company, as trustee of the capital shares of the ASIF II and in the case of ASIF III under the Declaration of Trust executed by Maurant & Co. Trustees Limited, as trustee of the capital shares of ASIF III;

(xi) exercise any Collateral Management Rights with respect to the applicable Trust Estate except at the direction of, or with the prior written approval of, the Trustee;

(xii) become an "investment company" or under the "control" of an "investment company," as such terms are defined in the United States Investment Company Act of 1940, as amended;

(xiii) enter into any transaction of merger or consolidation or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any Person;

(xiv) have any subsidiaries or any employees other than directors and officers necessary to conduct its business and enter into transactions contemplated under the relevant Indenture;

(xv) have an interest in any bank account other than (1) the Collection Account (as defined in the relevant Indenture), (2) an account or accounts from which the expenses relating to the issuance of any Notes or the organizational and operating expenses of the relevant Issuer are paid, (3) an account in respect of its fees, in the case of ASIF III, and (4) those accounts expressly permitted by the related Trustee; *provided* that any such further accounts (other than the accounts referred to in (2) above) or the relevant Issuer's interest therein shall be charged or otherwise secured in favor of the related Trustee in terms acceptable to the related Trustee;

(xvi) permit any Affiliate, employee or officer of any Contract Provider to be a director or officer of the relevant Issuer;

(xvii) issue a Series of Notes under the relevant Indenture unless the relevant Issuer has (A) entered into a Funding Agreement with an Contract Provider that obligates the Contract Provider upon its receipt of the relevant Issuer's deposit from the proceeds of such issuance to make scheduled payments under the Funding Agreement in the same amounts and currency and on the same dates as the relevant Issuer will be obligated to make under such Series of Notes entered into in connection with such Funding Agreement, or (B) entered into a Funding Agreement and a SWAP with an Contract Provider that obligates the Contract Provider upon the Contract Provider's receipt of the relevant Issuer's deposits from the proceeds of such issuance to make payments under the SWAP in the same amounts and currency and on the same dates as the relevant Issuer will be obligated to make under such Series of Notes entered into in connection with such Funding Agreement and SWAP;

(xviii) issue a Series of Notes under the relevant Indenture unless the applicable Contract Provider has affirmed in writing to the relevant Trustee that it has made changes to its books and records to reflect the assignment of the Funding Agreement and, if applicable, the SWAP related to such series of Notes by the relevant Issuer to the relevant Trustee in accordance with the terms of such Funding Agreement and, if applicable, the SWAP; and unless the relevant Issuer has executed UCC-1 Financing Statements, except where the parties agree that such is no longer necessary due to a change in law, naming the relevant Issuer as debtor and the relevant Trustee as secured party and describing the Trust

Estate for such Series of Notes for filing with the Secretary of State of the States of New York, California and Arizona and will cause such financing statements to be filed promptly following the issuance of such Series of Notes;

(xix) enter into a Funding Agreement issued by an Contract Provider other than SALIC without the review and approval of each ratings agency then retained by the relevant Issuer to rate Series of Notes issued by such Issuer;

(xx) enter into a Funding Agreement issued by an Contract Provider unless the Contract Provider has agreed to notify the relevant Trustee of any amendment to the law of the state of organization of such Contract Provider or to California law that adversely affects the claims of the holder of such Funding Agreement in an insolvency proceeding of such Contract Provider;

(xxi) enter into a SWAP issued by an Contract Provider other than SALIC without the review and approval of each ratings agency then retained by the relevant Issuer to rate Series of Notes issued by such Issuer;

(xxii) enter into a SWAP issued by an Contract Provider unless the Contract Provider has agreed to notify the relevant Trustee of any amendment to the law of the state of organization of such Contract Provider or to California law that adversely affects the claims of the holder of such SWAP in an insolvency proceeding of such Contract Provider; or

(xxiii) establish an executive office or place of business in the United States or, pursuant to applicable tax laws of the United States, will not engage in any trade or business activity in the United States.

The covenants of each Issuer under the Indenture to which it is a party are set forth in Article III of the relevant Indenture.

## **9. Events of Default Under the Indentures with Respect to the Notes**

If an Event of Default (as defined below) specified in subparagraph (e) or (f) occurs and is continuing with respect to a particular Issuer, all the Notes issued by such Issuer will automatically be and become due and payable immediately, without any further action whatsoever on the part of the relevant Issuer, the relevant Trustee or the Holders of the relevant Notes. If any Event of Default other than any specified in subparagraph (e) or (f) below occurs with respect to the Notes of any Series of a particular Issuer at the time Outstanding (as defined in the relevant Indenture) and is continuing, then in every such case the relevant Trustee or the Holders of more than 25 percent in aggregate principal amount of the Outstanding Notes of that Series, by a notice in writing to the relevant Issuer (and to the relevant Trustee if given by the Holders of such Notes), may declare the sum of (i) the principal amount of all the Outstanding Notes of that Series and (ii) any other amounts, including accrued interest, payable to the Holders of the Notes of that Series to the extent such amounts are permitted by law to be paid, to be due and payable immediately, and upon any such declaration such amount will become immediately due and payable. "Event of Default" as defined under the relevant Indenture with respect to the Notes of any Series means any one of the following events (whatever the reason for such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default by the relevant Issuer in the payment of any interest on any Note of that Series issued by the relevant Issuer when such interest becomes due and payable, and continuance of such default for a period of five Business Days (as defined in the relevant Indenture);

(b) default by the relevant Issuer in the payment of the principal of or any premium on any Note of that Series issued by the relevant Issuer at its Maturity;

(c) default by the relevant Issuer in the payment of any sinking fund payment, when and as due by the terms of a Note of that Series issued by the relevant Issuer;

(d) default by the relevant Issuer in the performance, or breach, of any one or more of the other covenants of the relevant Issuer in the relevant Indenture (other than a covenant a default in whose

performance or whose breach is elsewhere in the relevant Indenture specifically dealt with or which has expressly been included in the relevant Indenture solely for the benefit of one or more Series of Notes other than that Series), and continuance of such default or breach for a period of 60 days after there shall have been given notice thereof to the relevant Issuer and relevant Contract Provider, as the case may be, by the relevant Trustee or to the relevant Issuer, the relevant Trustee and relevant Contract Provider, as the case may be, by the Holders of Notes representing at least 25 percent of the aggregate principal amount of the Outstanding Notes of that Series, which notice will specify such default or breach and require it to be remedied and which notice shall state that it is a "Notice of Default"; *provided* that the relevant Trustee may, without the consent of the Holders of Notes of any Series and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Holders of Notes of any Series issued by the relevant Issuer will not be materially prejudiced thereby, waive or authorize, on such terms as seem expedient to it, any breach by the relevant Issuer; *provided, further*, that the relevant Trustee shall not so waive or authorize any breach in contravention of an express notice given by the Holders of Notes representing at least 25 percent of the aggregate principal amount of the Outstanding Notes of that Series; *provided, still further*, that no such express notice shall affect any previous waiver or authorization, and any such waiver or authorization shall be binding on the Holders of the Notes of a Series, and if the relevant Trustee deems it appropriate, such waiver or authorization shall be provided to the Holders of the Notes of such Series as soon as practicable;

(e) (1) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of an Issuer in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the Cayman Islands (in the case of ASIF II) or Jersey (in the case of ASIF III), or any other applicable jurisdiction, which decree or order is not stayed; or any other similar relief shall be granted under any applicable law; or (2) an involuntary case shall be commenced against an Issuer under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect in the Cayman Islands (in the case of ASIF II) or Jersey (in the case of ASIF III) or any other applicable jurisdiction; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over such Issuer, or over all or a substantial part of its property, has been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of such Issuer for all or a substantial part of its property; or a court having jurisdiction in the premises shall enter a decree or order declaring the dissolution of such Issuer; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of such Issuer and any such event described in this clause (2) shall continue for 60 days unless dismissed, bonded or discharged;

(f) an Issuer shall have an order for relief entered with respect to it or shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the Cayman Islands (in the case of ASIF II) or Jersey (in the case of ASIF III) or any other applicable jurisdiction, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or the relevant Issuer shall make any assignment for the benefit of creditors; or (2) the relevant Issuer shall fail or be unable, or shall admit in writing its inability, to pay its debts as such debts become due; or the Board of Directors of the relevant Issuer shall adopt any resolution or otherwise authorize any action to approve or for the purpose of effecting any of the actions referred to in this paragraph (f);

(g) the relevant Indenture for any reason shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared null and void, or the relevant Trustee shall cease to have a valid and perfected security interest subject to no prior Liens (as defined in the relevant Indenture) or security interests in the relevant Trust Estate consisting of the relevant Funding Agreement and the related SWAP (if any) and proceeds thereof relative to that Series of Notes except as expressly permitted by the relevant Indenture; or any Person shall successfully claim as finally determined by a court of competent jurisdiction (1) that any material provision of the relevant Indenture relative to that Series of Notes is void or unenforceable or that any payment made or to be made is usurious, or (2) that any of the Liens granted to the relevant Trustee with respect to any of the relevant Trust Estate is void or that the enforcement thereof or any other recourse by the relevant Trustee against any of the relevant Trust

Estate is materially limited because of any preference, fraudulent transfer or similar law (other than, in any case, any such claim, proceeding or other matter that relates to a provision of the relevant Indenture or any Trust Estate which has been expressly included in the relevant Indenture or such Trust Estate solely for the benefit of one or more Series of Notes other than that Series);

(h) a court or agency of supervisory authority having jurisdiction of the relevant Contract Provider has instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation readjustment of debt, marshaling of assets and liabilities or similar arrangements involving the relevant Contract Provider or all or substantially all of its property, or for the winding up or liquidation of its affairs, and such proceeding, decree or order has not been vacated or has remained in force undischarged or unstayed for a period of 60 days.

## **10. Rights of Holders**

Holders representing at least  $66\frac{2}{3}$  percent of the aggregate principal amount of the Notes of a Series, which Holders shall in any event represent a majority of the then existing Holders of the Notes of such Series, have the right to direct the time, method and place of conducting any proceedings for any remedy available to the relevant Trustee or exercising any trust or power conferred on the relevant Trustee with respect to the Notes of such Series and any Coupons and any Trust Estate appertaining thereto, subject to certain conditions set forth in the relevant Indenture.

No Holder of a Note of any Series or any Coupons appertaining thereto shall have any right to institute any proceedings, judicial or otherwise, with respect to the relevant Indenture or any agreement or instrument included in the Trust Estate or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

(a) such Holder has previously given written notice to the relevant Trustee of a continuing Event of Default;

(b) the Holders of Notes representing not less than 25 percent of the aggregate principal amount of the outstanding Notes of that Series shall have made written request to the relevant Trustee to institute proceedings in respect of such Event of Default in its own name as relevant Trustee thereunder;

(c) such Holder or Holders have offered to the relevant Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the relevant Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the relevant Trustee during such 60-day period by the Holders of Notes representing at least  $66\frac{2}{3}$  percent of the aggregate principal amount of the outstanding Notes of that Series;

it being understood and intended that no one or more Holders of the Notes or Coupons of any Series shall have any right in any manner whatever by virtue of, or by availing of, any provision of the relevant Indenture to affect, disturb or prejudice the rights of any other Holders of Notes or Coupons of such Series or to obtain or to seek to obtain priority or preference over any other Holders of Notes or Coupons of such Series or to enforce any right under the relevant Indenture, except in the manner therein provided and for the equal and ratable benefit of all the Holders of the Notes and Coupons of such Series.

Holders representing at least  $66\frac{2}{3}$  percent of the aggregate principal amount of the Outstanding Notes of a Series may on behalf of the Holders of all the Notes of such Series and any Coupons appertaining thereto waive any past default thereunder with respect thereto and its consequences, except a default:

(a) in the payment of any principal of, premium, if any, or interest on or any Additional Amounts with respect to, any Note of such Series or any Coupons appertaining thereto, or

(b) in respect of a covenant or provision thereof that under the relevant Indenture cannot be modified or amended without the consent of the Holder of each outstanding Note of that Series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the relevant Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

## **11. Meetings of Holders of Notes**

(a) A meeting of Holders of Notes of any Series may be called at any time and from time to time pursuant to the relevant Indenture to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the relevant Indenture to be made, given or taken by Holders of Notes of such Series.

(b) Unless otherwise provided in the Pricing Supplement and Supplemental Indenture relating thereto, the relevant Trustee may at any time call a meeting of Holders of Notes of a Series for any purpose specified in (a) above to be held at such time and at such place in The City of New York, NY, U.S.A., or if such Notes have been issued as Bearer Notes, in London, England or such other place outside the United States as the relevant Trustee will determine. Notice of every meeting of Holders of Notes of such Series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, will be given, in the manner provided under the heading "Notices" below, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

(c) Any resolution passed or decision taken at any meeting of Holders of Notes of a Series duly held in accordance with the relevant Indenture will be binding on all the Holders of Notes of such Series and the Coupons appertaining thereto, whether or not such Holders were present or represented at the meeting.

The Indentures contain provisions (which shall have effect as if incorporated herein) for convening meetings of the Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution (as defined in the Indentures) of these Terms and Conditions insofar as the same may apply to such Notes. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting.

## **12. Nonrecourse Enforcement of Notes**

Notwithstanding anything to the contrary contained in the relevant Indenture or the Notes, other than as described below, none of the Issuers nor any of their officers, directors or shareholders (the "Nonrecourse Parties") will be personally liable for the payment of any principal, interest, Additional Amounts or any other sums now or hereafter owing under the terms of the Notes. If any Event of Default shall occur with respect to any Series of Notes, the right of the Holders of such Series of Notes and the relevant Trustee on behalf of such Holders in connection with a claim on such Series of Notes will be limited solely to a proceeding against the relevant Trust Estate (including the exercise of the Collateral Management Rights relating to the Notes) for such Series or against any other third party to the extent rights against such third party other than the Nonrecourse Parties form part of the Trust Estate and none of such Holders or the relevant Trustee on behalf of such Holders will have the right to proceed directly against any Issuer for the satisfaction of any monetary claim or against the Nonrecourse Parties or for any deficiency judgment remaining after foreclosure of any property included in such Trust Estate and once the Trust Estate relating to such Series is exhausted any further claims in respect of the Notes of such Series shall be extinguished, and the Issuer shall have no further liability for any shortfall or for any outstanding claims in respect of such Series of Notes. The Holders of any Series of Notes and the relevant Trustee on behalf of such Holders shall have no right to recourse against the assets of the relevant Issuer constituting the Trust Estate in respect of any other Series of Notes or any other assets of the relevant Issuer other than the Trust Estate relating to the relevant Series. However, this will not in any manner or way constitute or be deemed a release of the debt or other obligations evidenced by any Series of Notes or otherwise affect or impair the enforceability against the relevant Issuer of the liens, assignments, rights and security interests created by the relevant Indenture, any Assigned Documents (as described in the relevant Indenture), the Trust Estate for such Series of Notes, or any other instrument or agreement evidencing, securing or relating to the indebtedness or the obligations evidenced by such Series. The Holders of a Series of Notes are not precluded from foreclosing

upon any property included in the Trust Estate for such Series or from enforcing any of the Collateral Management Rights relating to such Series or any other rights or remedies in law or in equity against the relevant Issuer or its assets except Holders must not seek to enforce rights against the relevant Issuer with respect to any Notes by (i) commencing any recovery or enforcement proceedings against the relevant Issuer, (ii) applying to wind up the relevant Issuer, (iii) otherwise than through the relevant Trustee in its exercise of powers, appointing a receiver or administrator to the relevant Issuer or any of its assets, (iv) making any statutory demand upon the relevant Issuer under applicable corporation law.

### **13. Supplemental Indentures; Amendments; Issuances of Additional Series of Notes**

In addition to the Supplemental Indenture to be entered into with respect to each Series of Notes, the relevant Issuer and the relevant Trustee may enter into a Supplemental Indenture for the purpose of, among other things, amending the terms of the relevant Indenture. Certain amendments may be made without the consent of the Holders of the Notes of a particular Series, while other amendments require the consent of the Holders of Notes representing not less than  $66\frac{2}{3}$  percent of the aggregate principal amount of all Outstanding Notes of a Series, the consent of the Holders of all of the outstanding Notes of such Series or the consent of holders of Notes of other Series.

Amendments may be made to the relevant Indenture by Holders of any Series of Notes of the relevant Issuer without the consent of Holders of any other Series of Notes to the extent such amendments do not affect such other Series of Notes. Amendments which affect the Notes of a particular Series require the consent of the Holders of Notes representing not less than  $66\frac{2}{3}$  percent of the aggregate principal amount of all Outstanding Notes of such Series or, in the event of certain changes such as changes to the Maturity Date of Notes, the principal or interest terms of Notes or any calculations thereof, the amount of Notes that can be redeemed, the Places of Payment, the Specified Currency (except as described herein), certain enforcement rights and the creation of certain Liens, the consent of the Holders of all of the Outstanding Notes affected thereby. The relevant Trustee shall be entitled to receive an opinion of counsel stating that the Notes would not be affected by any Supplemental Indenture and any such opinion shall be conclusive and binding upon the Holders of all Notes, whether theretofore or thereafter authenticated and delivered under the relevant Indenture or any Supplemental Indenture. Upon the execution of any Supplemental Indenture, the Indenture will be modified in accordance therewith and such Supplemental Indenture will form a part of the relevant Indenture for all purposes, and every Holder of a Note theretofore or thereafter authenticated and delivered under the relevant Indenture and any Coupons appertaining thereto will be bound thereby. Prospective investors should read the Indentures for more detailed provisions relating to Supplemental Indentures.

The Indentures provide for flexibility to enable the relevant Issuer to issue multiple Series of Notes or any other notes with different terms. The aggregate principal amount of Notes which may be authenticated and delivered under the Indentures is unlimited. Prior to the issuance of Notes of any Series or any other notes, the relevant Issuer will establish in one or more Supplemental Indentures, the terms of the Series of Notes or any other notes to be issued, including all terms prescribed by the relevant Indenture for such supplements.

### **14. Annuity Option**

Unless otherwise provided in the Pricing Supplement relating thereto, each Funding Agreement will provide for the option to acquire, purchase or otherwise obtain an annuity (the "Annuity Option"), however, each of the relevant Issuer and the relevant Trustee has covenanted that it will not exercise or seek to exercise such Annuity Option. Therefore, unless otherwise provided in the relevant Pricing Supplement, the Annuity Option will not be exercised, and the payments scheduled under the relevant Funding Agreements will not be effected by the Annuity Option. The Annuity Option is described below in greater detail under the heading "Description of Certain Terms and Conditions of the Funding Agreements and SWAP Contracts—Section 3. Annuity Purchase Options."

### **15. Notices**

Notices required under the Notes will be sufficiently given to Holders of the Notes, if any, if published in an Authorized Newspaper (as defined below) in such city as the relevant Issuer shall advise the relevant Trustee (which shall include any Place of Payment located outside the United States and, as long as the

Notes are listed on a stock exchange outside the United States in such city as the relevant Issuer shall advise the relevant Trustee that the rules of that exchange so requires), on a Relevant Business Day at least twice, the first such publication to be not earlier than the earliest date and not later than the latest date prescribed for the giving of such notice.

Notices to redeem any of the Notes will be deemed sufficient by publication in each relevant Authorized Newspaper. Notices shall be deemed to have been given to Holders of the Notes on the date of the first publication. Unless otherwise provided in a Supplemental Indenture, notices to redeem will be given not more than 60 days nor less than 30 days prior to the Redemption Date. If by reason of the suspension of publication of any Authorized Newspaper, or by reason of any other cause, it shall be impracticable to give notice to the Holders of the Notes in such manner, then such notification in lieu thereof as shall be made by the relevant Issuer with the approval of the relevant Trustee or by such Trustee on behalf of and at the instruction of the relevant Issuer shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the publication in lieu of which it is given.

In lieu of publication in an Authorized Newspaper, if specified in a Supplemental Indenture relating to a Series of Notes and so long as such Series of Notes is represented by a Temporary Global Note or a Permanent Global Note and such Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or such other clearing system specified in a Pricing Supplement, notices to the Holders of the Notes may, if so permitted by the rules of the Luxembourg Stock Exchange on which the Series of Notes is listed, be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or such other clearing system for communication by it to entitled Account Holders or by delivery of the relevant notice to the Holder of such Global Note.

Neither the failure to give notice, nor any defect in any notice given, to any particular Holder of a Note will affect the sufficiency of any notice with respect to other Holders of Notes. Notices to redeem the Notes will specify the Redemption Date, the Redemption Price and the other information required to be specified pursuant to the terms of the relevant Indenture. Such notice will also state that the conditions precedent to such redemption have occurred and that the relevant Issuer has elected to redeem all the Notes.

"Authorized Newspaper" for the purposes of notices under the Notes means a newspaper, in an official language of the place of publication or in the English language, customarily published on each day that is a business day in the place of publication, whether or not published on days that are legal holidays in the place of publication, and of general circulation in each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any day that is a business day in the place of publication. It is intended that the *Financial Times* will be an Authorized Newspaper in London, and, so long as the Notes of a Series are listed on the Luxembourg Stock Exchange and the rules of such exchange shall so require, that the *Luxemburger Wort* will be an Authorized Newspaper in Luxembourg. With respect to Notes listed on the Luxembourg Stock Exchange, any notices to Holders must also be published in a leading newspaper of general circulation in Luxembourg and, in addition to the foregoing, will be deemed validly given only after the date of such publication or if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe.

## **16. Replacement of Notes and Coupons**

Any Notes or Coupons that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen will be replaced by the relevant Issuer at the expense of the Holder upon surrender of the Notes or Coupons to the relevant Trustee through the relevant Principal Paying Agent or upon receipt by the relevant Trustee of satisfactory evidence of the destruction, loss or theft thereof. In each case, an indemnity satisfactory to the relevant Issuer and the relevant Trustee may be required at the expense of the Holder of such Note or Coupon before a replacement Note or Coupon will be issued. Subject to the applicable laws and the rules of any relevant stock exchange on which a Series of Notes is listed, a Holder shall be able to obtain a replacement Note or Coupon at the offices of the Paying Agent located in Luxembourg.

## **17. Certain Duties and Provisions Regarding the Trustees**

Under the relevant Indenture, if an Event of Default has occurred and is continuing, the relevant Trustee will exercise such of the rights and powers vested in it by the relevant Indenture, and use the same



degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of its own affairs.

Except during the continuance of an Event of Default, the relevant Indenture provides that the relevant Trustee need perform only those duties that are specifically set forth therein and no others, and no implied covenants or obligations of the relevant Trustee will be read into the relevant Indenture. In addition, in the absence of bad faith on its part, the relevant Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the relevant Trustee and conforming to the requirements of the relevant Indenture unless a Responsible Officer (as defined in the relevant Indenture) of the relevant Trustee has actual knowledge that such statements or opinions are false. The relevant Trustee will examine such certificates and opinions to determine whether they conform to the requirements of the Indentures.

No provision of the relevant Indenture will be construed to relieve the relevant Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (a) this paragraph does not limit the effect of the immediately preceding paragraph; (b) the relevant Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer (as defined in the relevant Indenture), unless it is proved that the relevant Trustee was negligent in ascertaining the pertinent facts; (c) the relevant Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction of Holders representing at least 66 2/3 percent of the aggregate principal amount of the Outstanding Notes of any Series (which Holders shall in any event represent a majority of the then existing Holders of Notes of such Series) relating to the time, method and place of conducting any proceeding for any remedy available to the relevant Trustee, or exercising any trust or power conferred upon the relevant Trustee, under the relevant Indenture with respect to the Notes of that Series; and (d) no provision of the Indentures requires the relevant Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The relevant Trustee may resign at any time with respect to the Notes of one or more Series by giving not less than 90 days' prior written notice thereof to the relevant Issuer and Contract Provider. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Notes of such Series.

The relevant Trustee may be removed at any time with respect to Notes of any Series by the Holders representing at least 66 2/3 percent of the aggregate principal amount of outstanding Notes of such Series, delivered to the Trustee and the Issuer.

If at any time the relevant Trustee shall cease to be eligible to serve as Trustee under Section 6.8 of the relevant Indenture or shall become incapable of acting or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, (i) the relevant Issuer (except during the existence of an Event of Default) by an Issuer Order may remove the Trustee, or (ii) subject to Section 5.14 of the relevant Indenture, any Noteholder who has been a bona fide Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Trustee for any reason, with respect to the Notes of one or more Series, the relevant Issuer, by an Issuer Order, shall promptly appoint a successor Trustee or Trustees with respect to the Notes of that or those Series (it being understood that any such successor Trustee may be appointed with respect to the Notes of one or more or all of such Series and that at any time there shall be only one Trustee with respect to the Notes of any particular Series). If within one year after such resignation, removal or incapability or the occurrence of such vacancy a successor Trustee with respect to the Notes of any Series shall be appointed by Act of the Holders of Notes representing at least 66 2/3 percent of the aggregate principal amount of the Outstanding Notes of such Series delivered to the Issuer and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Notes of such Series and

to that extent supersede the successor Trustee appointed by the relevant Issuer. If no successor Trustee with respect to the Notes of any Series shall have been so appointed by the Issuer or Noteholders and shall have accepted appointment in the manner provided in the relevant Indenture, any Noteholder who has been a bona fide Holder of a Note for at least six months may (subject to Section 5.14 of the relevant Indenture), on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

## **18. Special Provisions Relating to Foreign Currency Notes**

*Minimum Denominations, Restrictions on Maturities, Repayment and Redemption.* Notes denominated in Specified Currencies other than U.S. dollars shall have such minimum denominations and be subject to such restrictions on maturities, repayment and redemption as are set forth herein and in the applicable Pricing Supplement. Restrictions related to the distribution of Notes denominated in Specified Currencies other than U.S. dollars are set forth under "Selling Restrictions" in this Information Memorandum. Any other restrictions applicable to Notes denominated in Specified Currencies other than U.S. dollars will be set forth in the related Pricing Supplement.

Notes in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which must be redeemed before the first anniversary of their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons (i) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or (ii) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances that do not constitute a contravention of section 19 of the FSMA by the Issuer.

Payments in Japanese yen to a non-resident of Japan may be made only by transfer to a nonresident account maintained by the payee with, or by a check drawn upon, an authorized bank.

None of the provisions in the immediately preceding paragraphs, however, shall have any effect, or place any limit, on the relevant Issuer's ability to make any determination or payment resulting from a requirement for a withholding or deduction pursuant to any change in or amendment to the laws (or any regulations or rulings promulgated thereunder) of any taxing authority or certain other events (See "Early Redemption of Notes") or the relevant Issuer's obligation to pay a Holder of Notes the full amount of the Notes on the occurrence of an Event of Default (See "Events of Default under the Indentures with respect to the Notes").

*European Monetary Union.* Unless otherwise specified in a Pricing Supplement for a particular Series of Notes, and so long as the clearing systems Euroclear and Clearstream, Luxembourg so permit, in the event of the introduction in a country issuing any Participating Currency of the Euro pursuant to the European Monetary Union ("EMU"), payments of principal, premium, if any, and interest, if any, on any Series of Notes denominated in such Participating Currency shall continue to be made in such Participating Currency until such time as payment is required to be made in Euro, unless the Issuer chooses prior to such time to redenominate such Notes into Euro. The conditions under which the Issuer may elect to effect any such redenomination will be set forth in the applicable Pricing Supplement. From and after the time that the Issuer elects to redenominate any Series of Notes, all payments in respect of such Notes will be made solely in Euro.

*Payments.* Investors will be required to pay for the Notes in the Specified Currency for such Series of Notes. Currently, there are limited facilities in various countries for conversion of home currencies into foreign currencies, and vice versa. In addition, many banks do not offer foreign currency denominated checking or savings account facilities. Except as provided below, payments of principal, premium, if any, and interest, on each Note will be made in immediately available funds in the Specified Currency unless otherwise specified in the applicable Pricing Supplement.

If the principal of or any interest on a Series of Notes is payable in a Specified Currency that, when payments on such Notes are due, is no longer considered legal tender for the payment of public and private debts in the country of the government issuing such Specified Currency (other than as a result of European Monetary Union), then the relevant Issuer will be entitled to make such payments in such other coin or currency as is legal tender for the payment of such debts in such country at the time of such payment (or otherwise as described above). In addition, if the principal of or any interest on a Series of Notes is payable in a Specified

Currency that is no longer used by the government issuing such Specified Currency or used for settlement of transactions by public institutions of or within the international banking community, or in a Specified Currency that is not expected to be available when payments on such Notes are due as a result of the imposition of exchange controls or other circumstances (other than as a result of European Monetary Union) beyond the control of the relevant Issuer, such Issuer will be entitled to satisfy its obligations to the relevant Holders of Notes by making such payments in U.S. dollars on the basis of the noon buying rate in U.S. dollars in The City of New York for cable transfers for such Specified Currency as certified for customs purposes by the Federal Reserve Bank of New York on the second Relevant Business Day, on the basis of the rate most recently available prior to such second Relevant Business Day. Any payment made under such circumstances in such other coin or currency or U.S. dollars, as the case may be, will constitute valid payment, and will not constitute a default, in respect of such Notes.

*Exchange Rate.* The principal of or any interest on Notes may be payable in, or determined by reference or indexed to, one or more Specified Currencies (including exchange rates and swap indices between currencies or currency units).

*Exchange Rate/Currency Risks.* For investors whose financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency in which the related Notes are denominated, or where principal or interest in respect of Notes is payable by reference to the value of one or more Specified Currencies other than by reference solely to the Investor's Currency, an investment in such Notes entails risks that are not associated with a similar investment in a Note denominated and payable solely in such Investor's Currency. Such risks include, without limitation, the possibility of significant changes in the rate of exchange between the applicable Specified Currency and the Investor's Currency and the possibility of the imposition or modification of exchange controls by authorities with jurisdiction over such Specified Currency or the Investor's Currency. Such risks generally depend on a number of factors, including financial, economic and political events over which the relevant Issuer has no control.

In recent years, rates of exchange between certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of the currency in which a Note is denominated against the relevant Investor Currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the investor on an Investor Currency basis.

Foreign exchange rates can either be fixed by sovereign governments or float. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. Governments in fact use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a devaluation or revaluation of a currency. Thus, a special risk in purchasing non-Investor Currency denominated Notes is that their Investor Currency-equivalent yields could be affected by governmental actions, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable Specified Currency.

*Exchange Controls.* Government or monetary authorities have imposed from time to time, and may in the future impose, exchange controls that could affect exchange rates as well as the availability of the Specified Currency at the time of payment of the principal of or interest on a series of Notes. Even if there are not actual exchange controls, it is possible that the Specified Currency for any particular series of Notes may no longer be used by the government issuing such Specified Currency or used for settlement of transactions by public institutions of or within the international banking community, or that such Specified Currency is not expected to be available for any other reason, when payments on such Notes are due.

*Judgments.* Courts in the United States generally would require payment of judgments relating to an action based on the Notes only in U.S. dollars, and the date used to determine the rate of conversion of foreign

currencies or currency units into U.S. dollars would depend on various factors, including, but not limited to, which court rendered judgment.

#### **19. Prescription**

Claims against the relevant Issuer for payment of principal and interest in respect of Notes of any Series will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the relevant date for payment thereof.

#### **20. Governing Law**

The Indentures, the Notes and any Coupons shall be governed by, and construed in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of the relevant Trustee's ownership of and security interest in a related Funding Agreement or SWAP (if any), or remedies under the Indentures in respect thereof, may be governed by the laws of a jurisdiction other than the State of New York. All judicial proceedings brought against the relevant Issuer or the relevant Trustee arising out of or relating to the relevant Indenture, the Notes, the Coupons or any portion of the relevant Trust Estate may be brought in the State of New York. Under the terms of the Indentures, each Issuer and Trustee accepts for itself the nonexclusive jurisdiction of the aforesaid courts and waives any defense of *forum non conveniens* and agrees to be bound by any judgment rendered thereby in connection with the relevant Indenture, Note, coupon or any portion of the relevant Trust Estate.

#### **21. Status of Notes**

The Notes of each Series will be direct, unconditional, secured and unsubordinated limited recourse obligations of the relevant Issuer ranking at least equally with all other present and future secured and unsubordinated indebtedness of the relevant Issuer except for obligations accorded preference by mandatory provisions of law.

#### **22. Further Issues**

The relevant Issuer may from time to time, without the consent of the Holders of any Notes but with the consent of the relevant Contract Provider, create and issue further instruments, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the payment of interest prior to the date of issue, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series. Each such further issuance shall be supported by a further Funding Agreement and SWAP (if applicable), such Funding Agreement and SWAP (if applicable) having the same terms and conditions as the Funding Agreement and SWAP (if any) supporting the Notes of the particular Series to which such further Notes shall be a part (or in all respects except for the issue date and the first payment on such Funding Agreement and SWAP (if any) prior to the date of issue) so as to be fungible with such other Funding Agreements and SWAPs (if any).

### **DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS AND SWAP CONTRACTS**

*The description of certain of the terms and conditions of the Funding Agreements and SWAPs set forth below and in the description of the terms and conditions of the Notes set forth above is a summary of, and is subject to, the detailed provisions of the related Funding Agreements, the SWAPs and related documents, copies of which will be on file with the Paying Agents. The terms and conditions of a particular Funding Agreement and SWAP and related provisions of the Indenture, the relevant Series of Notes and related documents may differ from the description set forth below as permitted under the relevant Indenture and set forth in the related Pricing Supplements or other supplements to this Information Memorandum prepared in connection with the issuance of such Series of Notes.*

#### **Generally**

Funding Agreements are unsecured obligations of insurance companies that have a priority over claims of certain other general creditors under certain state insurance laws, including the insurance laws of the State of Arizona. Generally, the holder of a funding agreement makes a deposit with the insurance company issuing the funding agreement, and receives an investment contract that provides for a predetermined market

interest rate and, at maturity, the repayment of nonfluctuating principal value. In other words, the insurance company promises to pay a specified fixed rate of interest (the interest can be payable periodically or compounded) and, at a specified maturity date, the principal and accrued and unpaid interest will be paid in a lump sum. However, funding agreements can be issued with different features, for instance in the form of floating rate contracts. Generally, at maturity a holder of a funding agreement chooses to withdraw the invested cash.

## **Status of Funding Agreements and SWAPs in the Event of the Insolvency of SALIC**

Under Arizona law, the Funding Agreements will be a GIC, or a guaranteed investment contract. GICs have been specifically defined in the Arizona Insurance Code to mean any unsolicited unallocated group contract, investment contract, funding agreement, guaranteed interest contract or other similar instrument by whatever name in which an insurance company agrees to guarantee a fixed or variable rate of interest or a future payment that is based on an index or any other similar criteria, that is payable at a predetermined date on monies that are deposited with the insurance company and that is not dependent on the continuance of human life. Arizona counsel to SALIC is expected to render an opinion in connection with the issuance of each Series of Notes to the effect that the relevant Funding Agreement and Swap (if any) will constitute a guaranteed investment contract under Arizona law and as a consequence would be accorded a class three priority under Arizona law as further described below.

While SALIC has its headquarters in California, it is domiciled in Arizona. Arizona law would therefore apply to any insolvency, delinquency or receivership proceedings of SALIC, should SALIC ever default. Pursuant to Section 20-629 of the Arizona Revised Statutes, in the event of a finding of delinquency or impairment of an Arizona domestic insurer, claims under the insurance policies and contracts, guaranteed investment contracts and annuities are given class three priority with respect to the general assets of the insurer. However, under relevant state law, insurance policies and annuities are generally insured by a guaranty fund up to certain dollar limits. In contrast, guaranteed investment contracts are generally not insured by guaranty funds. If the guaranty fund honors any insurance policy or annuity, the guaranty fund's reimbursement claim is generally a class two claim under Section 20-629 of the Arizona Revised Statutes that would be paid prior to class three claims. In the event of the insolvency of SALIC, guaranteed investment contracts would rank *pari passu* with any insurance policies and annuities to SALIC, guaranteed investment contracts would rank *pari passu* with any insurance policies and annuities to the extent they exceed guaranty fund coverage and would rank senior to any unsecured debt obligations of SALIC.

## **Description of Certain Terms of the Funding Agreements**

### **1. Funding Account and Funding Account Payments**

The amount initially paid to the applicable Contract Provider in respect of a particular Funding Agreement will be added to the Funding Account established under such Funding Agreement. At the end of any day, the amount of the Funding Account will be equal to the amount or amounts received or deemed to be received as set forth in such Funding Agreement plus credited interest, less the amounts withdrawn from it. The Contract Provider will dispose of the Funding Account under each Funding Agreement, by withdrawal and payment to the Owner thereof or to any other payee named by the Owner, as follows: (a) on the First Interest Payment Date (as defined therein), all interest accrued since the effective date of such Funding Agreement, (b) on each subsequent Interest Payment Date (as defined therein), all interest accrued since the last Interest Payment Date; and (c) on the maturity date of such Funding Agreement, the principal amount and the remaining balance of the Funding Account, including accrued but unpaid interest thereon. For a Series of Notes in which a Funding Agreement is involved but for which there is no SWAP, the Owner will use the Funding Agreement payments to make payments due from the relevant Issuer under such Series of Notes. For a Series of Notes in which both a Funding Agreement and a SWAP is involved, the Owner will use the Funding Agreement payments to make payments due to the Contract Provider under the SWAP, and will receive payments from the Contract Provider under the SWAP, which in turn will be used to make payments due from the relevant Issuer under such Series of Notes.

### **2. Payments Without Withholding or Deduction**

Unless otherwise specified in the applicable Pricing Supplement for the related Series of Notes, all payments due to be made by the applicable Contract Provider under the terms of each of the Funding

Agreements issued by such Contract Provider (other than in respect of any annuity acquired thereunder) and under any related SWAP entered into by such Contract Provider be made without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any governmental authority in Jersey (in the case of ASIF II), the Cayman Islands (in the case of ASIF III) or the United States having the power to tax, unless such withholding or deduction is required by law. If any withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any governmental authority in the United States having the power to tax is or will be required, then the Contract Provider will either pay such Additional Amount so that the net amount received by the Owner under the Funding Agreement and related SWAP (if any) will equal the amount that the Owner would have received had no such deduction or withholding occurred or repay all amounts in the Funding Account (as defined therein) and under the related SWAP (if any) together with interest thereon at par; *provided* that any such repayment shall not occur unless the related series of Notes will be redeemed with such repayment; *provided, further*, that no Contract Provider shall be required to make any payment of any Additional Amount for or on account of (i) any Tax imposed that would not have been imposed but for the existence of any present or former connection between the Owner or a Holder of one or more of the related Notes (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder of Notes, if the Owner or such Holder of Notes is an estate, trust, partnership or corporation) and Jersey (in the case of ASIF II), the Cayman Islands (in the case of ASIF III) or the United States, including, without limitation, being or having been a citizen or resident thereof, being or having been present, incorporated or engaged in a trade or business or having or having had a permanent establishment or office therein, or the past or present status of the Owner or such Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation) as a personal holding company, foreign personal holding company, controlled foreign corporation, passive foreign investment company or private foundation as those terms are defined for United States federal income tax purposes or as a corporation which accumulates earnings to avoid United States federal income tax, (ii) any inheritance, gift, estate, personal property, sales or transfer Tax or (iii) any Tax that is payable otherwise than by withholding from payments in respect of the relevant Funding Agreement, the related SWAP (if any) or the related series of Notes, (iv) any Tax where withholding or deduction of such Tax is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, (v) any Tax imposed on interest received by (x) a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, (y) a 10% shareholder of the FA Provider or of the Owner within the meaning of Internal Revenue Code Section 871(h)(3)(b) or Section 881(c)(3)(b) or (z) the Owner or such Holder, if the Owner or such Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation) is subject to income tax withholding or backup withholding as of the date of purchase by the Owner or such Noteholder, (vi) any Tax imposed which would not have been imposed but for the presentation of any Note for payment on a date more than 15 days after the date on which a payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later, (vii) any Tax which is imposed or withheld solely by reason of the failure of the Owner or any Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation) to comply with certification, identification, documentation, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the Owner or such Holder (or any fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, the Owner or such Holder, if the Owner or such Holder is an estate, trust, partnership or corporation), if compliance is required by statute, by regulation, judicial or administrative interpretation, or by an applicable income tax treaty to which the United States is a party as a condition to relief or exemption from such Tax, (viii) any Tax imposed by reason of payments in respect of any Funding Agreement or any Note being treated as contingent interest described in Internal Revenue Code Section 871(h)(4) for United States federal income tax purposes, but only to the extent such treatment was disclosed in writing to the Owner of such Funding Agreement and the Holder of such Note, respectively, at the time such Owner became the Owner of such Funding Agreement and such Holder became a Holder of such Note, (ix) any Tax that would not have been imposed but for an election by the Owner of a Funding Agreement or any Holder of Notes, the effect of which is to make any payment in respect of such Funding Agreement or any such Notes subject to United States federal income tax, (x) any Tax required to be withheld or deducted by any paying agent from any payment of principal or interest in respect to any Funding Agreement or any Note, if such payment can be made without such withholding or deduction by any other paying agent with respect to such Funding Agreement or such Note, (xi)

any Tax imposed on any payment to a Holder who is a fiduciary, a partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to the Additional Amount had such beneficiary, settlor, member or beneficial owner been the recipient of such payment, or (xii) any combination of items (i) through (xi) above.

Except as specifically provided in the Funding Agreements or in any related SWAP, the relevant Contract Provider will not be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

### **3. Annuity Purchase Options**

Except as otherwise provided in the Pricing Supplement for the related Series of Notes, the Owner may receive benefits under each Funding Agreement by purchasing an annuity from the Contract Provider pursuant thereto. The amount of such annuity will be determined by the Owner in accordance with the terms of the related Funding Agreement. Before an annuity can be purchased, the Owner must advise the Contract Provider, in writing, as to the amount of the benefit and provide such information as the relevant Contract Provider requires to effect such purchases. The annuity contract will be owned by the Owner and will specify the dates and amounts of payments and all other terms and conditions of the annuity. Such payments will begin on the date determined by the Owner, but must be the first day of a calendar month.

Notwithstanding the foregoing, unless otherwise provided in the Pricing Supplement for the related Series of Notes, the relevant Trustee, as Owner of a Funding Agreement, may not exercise its rights to acquire, purchase or otherwise obtain any annuity under such Funding Agreement and Holders of any such Series of Notes will not have the right to cause the Annuity Option to be exercised. See "Description of the Terms and Conditions of the Notes—Section 14. Annuity Option."

To the extent the Annuity Purchase Option is available, the payment options that may be elected by the Owner are those described below or any other options then being offered by the Contract Provider.

**Annuity for Life:** Payments will be made throughout the life of the annuitant. Payments stop when the annuitant dies.

**Annuity for Life with a Period Certain:** Payments will be made for the period elected—either 5, 10 or 20 years—or throughout the life of the annuitant, whichever is longer. Payments stop after the period certain or when the annuitant dies, whichever occurs last.

**Joint and Survivor Annuity:** Payments will be made throughout the life of either of two annuitants. Payments made after the first death may remain the same, or may be reduced by one third or one half, according to the option elected.

Annuity purchase rates will be determined at the time an annuity is purchased. The maximum purchase rate during the twelve months following the effective date of the related guaranteed investment contract will be based on the mortality table and annuity interest rate used by the Contract Provider at the time the annuity is purchased. After this twelve month period the Contract Provider may change such mortality table and interest rate by giving 60 days' advance notice to the Owner. However, no purchase rate will be less favourable than those applicable to group annuity contracts then being issued by the Contract Provider which are in the same class as the related contract.

If any fact pertaining to the purchase of an annuity has been misstated, or in the event of a clerical error, such annuity will be adjusted to reflect the correct facts. Such adjustment will be provided by the annuity contract purchased. The Contract Provider will have no liability for any annuity payments for which it has not received the proper consideration as determined on the basis of the correct facts.

### **4. Representations of the Contract Provider**

The relevant Contract Provider will represent in each Funding Agreement executed by it that, as of the date of such Funding Agreement, it holds a Standard & Poor's financial strength rating of "AAA" and a Moody's financial strength rating of "Aaa". The relevant Contract Provider also will represent and warrant that

such Funding Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights, subject, as to enforceability, to general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law and subject, as to enforceability, to certain other exceptions.

## **5. Events of Default under Funding Agreements**

Each of the following events will constitute an "Event of Default" under each of the Funding Agreements:

(a) failure by the relevant Contract Provider to make any payment of principal or interest payment when due pursuant to the provisions of such Funding Agreement, and such failure continues for five Business Days (as defined in the relevant Funding Agreement) following a receipt by the relevant Contract Provider of written notice thereof from the Owner; or

(b) a court or agency of supervisory authority having jurisdiction in respect of the relevant Contract Provider has instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshaling of assets and liabilities or similar arrangements involving the relevant Contract Provider or all or substantially all of its property, or for the winding up or liquidation of its affairs, and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed and not been bonded for a period of 60 days.

Upon the occurrence and continuance of an Event of Default under a Funding Agreement, the Owner has the right, in addition to any other rights and remedies it may have at law or in equity, to immediately demand payment of all principal and accrued interest to the date of payment for the related Funding Account. Upon any such withdrawal, such Funding Agreement will be terminated.

The obligation of the relevant Contract Provider to repay the amounts in the Funding Account, together with interest thereon, as provided in the related Funding Agreement, will constitute an unconditional unsecured obligation of such Contract Provider, it being understood that the Owner will not have any security or other interest in any amount in the Funding Account. The relevant Contract Provider, pursuant to each Funding Agreement, will waive any right it may have at law or otherwise to set off and apply the amounts in a Funding Account together with interest thereon held by such Contract Provider for the account of the Owner.

## **Description of Swap Contracts**

A Series of Notes issued by ASIF II or ASIF III may or may not involve a SWAP. If the Funding Agreement is denominated in the currency of, and accrues interest on the same basis as, the related Series of Notes, there will be no SWAP. If however, the Funding Agreement is denominated in a different currency from that of the related Series of Notes and/or accrues interest on a different basis (such as a fixed as opposed as a floating rate) from that of the Series of Notes, then the relevant Contract Provider and the relevant Issuer may enter into a SWAP. The SWAP will provide for the Issuer to exchange the payment which it receives under the Funding Agreement for payments in the same currency and on the same interest rate basis as the relevant Series of Notes. For example, if a Series of Notes were denominated in Euros and accrued interest at a fixed rate, the relevant Contract Provider could issue a fixed rate Funding Agreement to the Issuer agreeing to pay U.S. dollars at a fixed interest rate and a Contract Provider could simultaneously enter into a SWAP with such Issuer under which such Issuer would pay back to the relevant Contract Provider the U.S. dollars received under the Funding Agreement in exchange for the receipt from the relevant Contract Provider of Euros at a fixed rate of interest pursuant to the SWAP. The net payments due to such Issuer pursuant to the Funding Agreement and the SWAP are designed to provide such Issuer with the desired currency in the amounts and within the appropriate time periods to make the payments under a relevant Series of Notes. Such simultaneous Funding Agreement and SWAP structures may be entered into for insurance regulatory, economic, accounting or other reasons.

SWAP agreements are forward-based agreements in which two parties agree to exchange a stream of payments over a specified period of time based on an agreed principal amount or "Notional Amount." The SWAP may be a currency SWAP and/or an interest rate SWAP. In a currency SWAP, the relevant Issuer will



exchange a stream of payments for payments in another currency. For example, such Issuer might exchange all payments received under the Funding Agreements in U.S. dollars for payments in Euros. Under such an agreement, such Issuer would agree to pay the amounts received in U.S. dollars from the Funding Agreement to the relevant Contract Provider, as counterparty under the SWAP. The relevant Contract Provider, as SWAP counterparty, in turn would agree to pay the Issuer an amount in Euros on each interest payment date and another amount in Euros, also fixed in the SWAP, upon the repayment of the deposit under the Funding Agreement. In general, the Notional Amount with respect to the obligations of the Contract Provider under the SWAP will be in the same currency as the currency of the Series of Notes secured by such SWAP and will equal the principal amount of such Series of Notes, and the Notional Amount with respect to the obligations of the relevant Issuer under the SWAP will be in U.S. dollars and will equal the deposit made or deemed to have been made in U.S. dollars by the relevant Issuer with the relevant Contract Provider under the related Funding Agreement.

In an interest rate SWAP, the relevant Issuer will exchange a stream of interest payments received under the Funding Agreement for another stream of interest payments on the same principal amount. For example, such Issuer might exchange floating and/or fixed interest rate payment on the specified principal amount for fixed or floating rate payments based on LIBOR or some other interest rate. Such a SWAP would have a Notional Amount equal to the deposit made or deemed to be made under the Funding Agreement, with a termination payment being made based upon the amount of such deposit under the Funding Agreement.

If, on or after the issue date of a Series of Notes, the relevant Contract Provider is obligated to withhold or deduct any present or future United States Taxes imposed or levied by or on behalf of any governmental authority in the United States having the power to tax, or if there is a material probability that the relevant Contract Provider will become so obligated (in the opinion of independent counsel selected by the relevant Contract Provider), pursuant to any change in or amendment to any United States tax laws (or any regulations or rulings promulgated thereunder) or any change in official position regarding the application or interpretation of United States laws, regulations or rulings (including, but not limited to, receiving a written adjustment from the Internal Revenue Service in connection with an audit), then the relevant Contract Provider may terminate the SWAP and the underlying Funding Agreement and pay the full amount of the Funding Account to the Owner. In such event, the SWAP will provide for a termination payment in the principal amount and currency of the underlying Series of Notes and there will be a mandatory redemption of the Series of Notes.

### **Assignment to the Trustees**

Simultaneously with the issuance of the Notes, the relevant Issuer will execute documents to assign to the relevant Trustee all of its rights, interests and obligations as the relevant Owner under the relevant Funding Agreement and under the related SWAP (if any) to secure the obligations of the Issuer under such Notes. Upon giving effect to the assignment described above (the "Assignment"), under the terms of the relevant Funding Agreement the relevant Trustee will be party to and be the "Owner" under such Funding Agreement and any corresponding SWAP.

The Assignment will not be effective until the conditions precedent to assignment set forth in the related Funding Agreement and the corresponding SWAP (if any) have been complied with by the relevant Issuer, the relevant Trustee, and the relevant Contract Provider(s). Each of the relevant Issuer and the relevant Trustee will undertake to take all actions necessary to comply with such conditions, and the relevant Contract Provider(s) will affirm that it will promptly change its books and records to reflect the Assignment upon receipt of documents required under the related Funding Agreement and the SWAP (if any).

### **Governing Law**

Each Funding Agreement shall be governed by, and construed in accordance with, the laws of the State of Arizona, except to the extent that the validity or protection of the relevant Trustee's ownership of and security interest in the Funding Agreement, may be governed by the laws of a jurisdiction other than the State of Arizona. Each SWAP shall be governed by, and construed in accordance with, the laws of the State of New York, except to the extent that the validity or protection of the relevant Trustee's ownership of and security interest in the SWAP, may be governed by the laws of a jurisdiction other than the State of New York.

## CERTAIN INVESTMENT CONSIDERATIONS

*The following section is not intended as, and should not be construed as, an exhaustive list of the risks and other considerations of an investment in the Notes and should be read in conjunction with the other sections of this Information Memorandum, including the risks and other considerations described therein. Prospective investors in the Notes should consult their own financial and legal advisors about risks associated with investment in a particular Series of Notes and the suitability of investing in such Notes in light of their particular circumstances.*

**Structure Risks.** An investment in Notes with principal or interest determined by reference to one or more interest rates, currencies (including exchange rates and swap indices between currencies or currency units), or other indices, either directly or inversely, entails significant risks not associated with an investment in a conventional fixed or floating rate debt security. Such risks include, without limitation, the possibility that such index or indices may be subject to significant changes, that the resulting interest rate will be less than that payable on a conventional fixed or floating rate debt security issued by the relevant Issuer at the same time or that no interest will be payable, that the repayment of principal can occur at times other than that expected by the investor, and that the investor could lose all or a substantial portion of the principal of its Note (whether payable at maturity or upon redemption). Such risks depend on a number of interrelated factors, including financial, economic and political events, over which the relevant Issuer and the relevant Contract Provider has no control. In addition, if the formula used to determine the amount of principal or interest payable with respect to a Note contains a multiple or leverage factor, the effect of any change in such index or indices will be magnified. In recent years, certain interest rates and other indices have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular interest rate or other index that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

Any optional redemption feature of the Notes might affect the market value of such Notes. Since the relevant Issuer may be expected to redeem the Notes when prevailing interest rates are relatively low, an investor might not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on such Notes.

The Notes may not have an established trading market when issued. There can be no assurance of a secondary market for the Notes or the continued liquidity of such market if one develops. The secondary market for the Notes will be affected by a number of factors independent of the credit-worthiness of the relevant Issuer or the relevant Contract Provider and the value of any applicable index or indices, which may include the complexity and volatility of such index or indices, the method of calculating the principal or any interest to be paid in respect of such Notes, the time remaining to the maturity of such Notes, the outstanding amount of such Notes, any redemption features of such notes, the amount of other securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of such Notes. In addition, certain Notes may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities. Investors may not be able to sell Notes readily or at prices that will enable investors to realize their anticipated yield. No investor should purchase Notes unless such investor understands and is able to bear the risk that certain Notes may not be readily saleable, that the value of Notes will fluctuate over time and that such fluctuations may be significant. The prices at which zero coupon Notes, as well as other instruments issued at a substantial discount from their principal amount payable at maturity, trade in the secondary market tend to fluctuate more in relation to general changes in interest rates than to such prices for conventional interest-bearing securities or comparable maturities.

Investors whose investment activities are subject to legal investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes.

**Credit Ratings.** It is anticipated that Standard & Poor's will rate each Series of Notes under the Programme "AAA" and that Moody's will rate each Series of Notes under the Programme "Aaa." On February 4, 2003, Moody's confirmed its Aaa rating of AIG's long-term debt but changed the outlook on the ratings from stable to negative. On May 19, 2004, Moody's once again confirmed its Aaa rating of AIG's long-term debt and revised the outlook on the ratings from negative to stable. These outlook changes also apply to the Aaa insurance financial strength ratings of SunAmerica Life and debt secured by institutional funding agreements, which are

issued by SunAmerica Life. For further details, please see Moody's Press Releases dated February 4, 2003 and May 19, 2004, respectively.

On October 29, 2004, Standard & Poor's affirmed its AAA counterparty credit and senior debt ratings and A-1+ commercial paper rating on AIG. In addition, Standard & Poor revised its outlook on AIG's counterparty credit rating to negative from stable and affirmed its ratings on subsidiaries that are guaranteed by AIG and revised the outlook on these ratings to negative from stable. At the same time, Standard & Poor's affirmed all its ratings on AIG's remaining subsidiaries. The outlook on these ratings remains stable.

When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Program. A RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE SUBJECT TO SUSPENSION, CHANGE OR WITHDRAWAL AT ANY TIME BY THE ASSIGNING RATING AGENCY.

In the case of Indexed Notes issued pursuant to the terms of the Programme with an equity-index overlay, an embedded credit derivative or other derivative that changes the risk characteristics, the rating by Moody's does not address the promise or shortfall, if any, on either the interest or principal of an individual Series of Notes due to the performance of the equity index or the likelihood of the embedded credit or derivative being exercised.

It is expected that Standard & Poor's and Moody's will review each Series to determine if the rating is applicable. The ratings of the Rating Agencies are based on the implicit and explicit support of the Contract Providers by American International Group, Inc. and its member companies. The rating of the Notes should be evaluated independently from similar ratings of other types of securities. A rating will not necessarily be the same for all tranches of a Series. A security rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, or suspension or withdrawal by the assigning rating agency, including after the issuance of the applicable Series of Notes. The Rating Agencies have not been involved in the preparation of this Information Memorandum other than the description of the ratings herein.

At the option of the relevant Issuer, a Series of Notes issued under the Programme may not be rated by either or both Rating Agencies if it is expressly specified in the Pricing Supplement for such Series that such Series is not rated by a particular Rating Agency.

## **TAXATION**

The Information provided below does not purport to be a complete summary of Cayman Islands, Jersey or United States tax law and practice currently applicable. Prospective investors should consult with their own professional advisers regarding their tax position in relation to the Notes.

### **Cayman Islands Taxation**

Under current Cayman Islands laws, based upon the opinion of Cayman Islands counsel:

- (1) payments of principal and interest in respect of the Notes issued by ASIF II are not subject to taxation in the Cayman Islands and no withholding is required on such payments to any Holder of such Notes or Coupons and gains derived from the sale of such Notes will not be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and
- (2) the Holder of any Bearer Note or Coupon (or the legal personal representative of such holder) issued by ASIF II whose Note or Coupon is brought into the Cayman Islands may in certain circumstances be liable to pay stamp duty imposed under the laws of the Cayman Islands in respect of such Note or Coupon. Certificates evidencing a Registered Note issued by ASIF II, to which title is not transferable by delivery, will not attract Cayman Islands stamp duty. However, an instrument transferring title to a Registered Note issued by ASIF II if brought to or executed in the Cayman Islands would be subject to nominal Cayman Islands stamp duty.

ASIF II has been incorporated under the laws of the Cayman Islands as an exempted company and has, for a period of thirty years from 22nd November, 1994, obtained an undertaking from the Governor In Council of the Cayman Islands to the effect that no law which is enacted in the Cayman Islands imposing tax to be levied on profits or income or gains or appreciation shall apply to ASIF II or its operations and that no such tax or any tax in the nature of estate duty or inheritance tax shall be payable on the shares, debentures or other obligations of ASIF II.

### **Jersey Taxation**

ASIF III has "exempt company" status within the meaning of Article 123A of the Income Tax (Jersey) Law, 1961, as amended, for the calendar year ended 31 December, 2004. ASIF III will be required to pay an annual exempt company charge which is currently £600 in respect of each subsequent calendar year during which it wishes to continue to have "exempt company" status. The retention of "exempt company" status is conditional upon the Comptroller of Income Tax being satisfied that no Jersey resident has a beneficial interest in ASIF III, except as permitted by concessions granted by the Comptroller of Income Tax.

As an "exempt company", ASIF III will not be liable to Jersey income tax other than on Jersey source income (except by concession bank deposit interest on Jersey bank accounts). For so long as ASIF III is an "exempt company", payments in respect of its Notes will not be subject to any taxation in Jersey (unless the Holder is resident in Jersey) and no withholding in respect of taxation will be required on such payments to any Holder of such Notes.

On 3 June 2003, the European Union Council of Economic and Finance Ministers reached political agreement on the adoption of a Code of Conduct on Business Taxation. Jersey is not a member of the European Union, however, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, it intends to propose legislation to replace the Jersey "exempt company" regime by the end of 2008 with a general zero rate of corporate tax. It is intended that the new corporate tax will preserve tax neutrality (and so retain the existing benefits of the exempt company regime though a revised fiscal structure). Unlike the exempt company regime, it is intended that the new regime will not require an annual application/election of, or payment of any sum in connection therewith, by the relevant company.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposal of Notes. Probate or letters of administration may be required to be obtained in Jersey on the death of an individual Holder of Notes issued by ASIF III. Stamp duty is payable in Jersey on the registration of such probate or letter of administration on the value of such Holder's estate in Jersey.

### **United States Taxation**

Each Issuer expects to conduct its affairs so that it will not be engaged in a trade or business in the United States. If an Issuer is not engaged in a United States trade or business it will not be subject to United States federal income tax on net income, and distributions on the Notes generally will not be subject to United States withholding tax unless those distributions are effectively connected with the conduct of a trade or business in the United States. Gain realized by a Holder on its sale or other disposition of the Notes generally will not be subject to United States federal income tax unless (1) the gain is effectively connected with the Holder's conduct of a trade or business in the United States or (2) the Holder is an individual who is present in the United States for at least 183 days during the taxable year of disposition and certain other conditions are met.

### **Proposed European Union Withholding Tax**

On June 3, 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (the "EU Savings Tax Directive"). The EU Savings Tax Directive is scheduled to be applied by Member States from not before July, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the EU Savings Tax Directive each Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to commence on the date from which the EU Savings Tax Directive is to be applied by Member States and to terminate at the end of

the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

In this regard, the Contract Provider's obligation to pay Additional Amounts under any Funding Agreement and the related SWAP (if any) shall not apply with respect to any Taxes required to be withheld or deducted pursuant to this or any other EU savings tax directive implementing the conclusions of the ECOFIN Council meeting of November 26<sup>th</sup>-27<sup>th</sup>, 2000 or any law implementing or complying with, or introduced in order to conform to, such EU savings tax directive.

However, the relevant Issuer undertakes that it will ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to this directive or any other EU savings tax directive implementing the conclusions of the ECOFIN Council meeting of November 26<sup>th</sup>-27<sup>th</sup>, 2000 or any law implementing or complying with, or introduced in order to conform to, such EU savings tax directive. In any case, a Paying Agent shall be maintained in Luxembourg.

Jersey is not subject to the EU Savings Tax Directive. However, the Policy & Resources Committee of the States of Jersey has announced that, in keeping with Jersey's policy of constructive international engagement, Jersey proposes to introduce a withholding tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a Member State by a paying agent situate in Jersey (the terms "beneficial owner" and "paying agent" are as defined in the EU Savings Tax Directive). The withholding tax system would apply for a transitional period prior to the implementation of a system of automatic communication to Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in a Member State will be entitled to request a paying agent not to withhold tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the Member State in which the beneficial owner is resident. Under the current proposals in respect of the implementation of such a withholding tax system in Jersey ASIF III would not be obliged to levy withholding tax in respect of interest payments made by it to a paying agent. The States of Jersey has not yet adopted measures to implement these proposals but is expected to adopt such measures on the same timetable as Member States and other relevant third countries.

## **PLAN OF DISTRIBUTION**

Pursuant to the terms and conditions set forth in an Amended and Restated Placement Agreement (as amended, modified or supplemented from time to time, the "Placement Agreement"), dated as of September 13, 2002, as amended from time to time, among the Issuers, SALIC and Merrill Lynch International, as arranger and placement agent (the "Arranger", and together with any other placement agents designated pursuant to the Placement Agreement, the "Placement Agents"), each of the Issuers has retained the Placement Agents to arrange the issue of the Notes to be issued by it and the placing thereof in accordance with the procedures contained in the Placement Agreement.

The Issuers propose from time to time to issue Notes. On each occasion the relevant Issuer, pursuant to the terms of a separate agreement (a "Supplemental Placement Agreement") retains the Placement Agents or another placement agent or placement agents named in the Supplemental Placement Agreement (each such additional placement agent is also included in the definition of Placement Agents with respect to Notes relating to such Supplemental Placement Agreement) to distribute Notes under the Programme as the relevant Issuer's agent and subject to the terms and conditions and in reliance upon the representations and warranties set forth in the relevant Placement Agreement, the relevant Issuer agrees to issue the Notes, and the relevant Placement Agent or Placement Agents, as agent of the relevant Issuer, agree to use commercially reasonable efforts to procure purchasers (the "Purchasers") of the Notes on each Issue Date at an issue price to be agreed on each occasion in accordance with the procedures defined in the relevant Placement Agreement.

The Placement Agents may be released from their obligations under the Placement Agreement in certain circumstances.

Pursuant to the relevant Placement Agreement, each Issuer has agreed to pay each relevant Placement Agent a commission on each Issue Date with respect to Notes sold by it, as agent, equal to the applicable percentage of the principal amount of such Notes as may be agreed upon from time to time by the Issuer and such Placement Agent.

Each Issuer, pursuant to the terms of a separate agreement (a "Purchase Agreement") also may sell Notes issued by such Issuer to a Placement Agent or Placement Agents retained by such Issuer, acting as principal, at a discount or concession to be agreed upon at the time of sale, for resale to one or more investors or other purchasers at a fixed offering price or at varying prices related to prevailing market prices at the time of such resale or otherwise, as specified in the applicable Pricing Supplement. Unless otherwise indicated in the applicable Pricing Supplement, any Note sold to a Placement Agent as principal will be purchased at a price equal to 100 percent of the principal amount thereof less a percentage equal to the agreed commission and may be resold to investors and other purchasers from time to time in one or more transactions, including negotiated transactions as described above. After the initial offering of Notes to be resold to investors and other purchasers, the offering price, concession and discount may be changed.

The Arranger and certain affiliates thereof engage in, and other Placement Agents and certain affiliates thereof may engage in, transactions with and perform services for the Issuers, SALIC and its affiliates in the ordinary course of business. The relevant Contract Provider may enter into an arrangement with the Arranger or other Placement Agents under which certain expenses in connection with the issuance of a particular Series of Notes will be paid by such Contract Provider as consideration for the sale of the Funding Agreement and SWAP (if any) related to such Series of Notes. In connection with any particular Series of Notes, the relevant Contract Provider may enter into hedging transactions, including interest rate swaps, with the applicable Placement Agent, an affiliate thereof or an unrelated entity. The Issuers, the relevant Contract Provider, such Placement Agent or other parties may receive compensation, trading gain or other benefits in connection with such transactions. The Issuers and SALIC, on the other hand, and the Placement Agents have agreed to indemnification of one another against certain liabilities.

The Placement Agents have made various representations and agreements with the Issuers and SALIC including but not limited to with respect to restrictions regarding the offering, issuance, purchase and sale of Notes. Such restrictions are described below in greater detail under the heading, "Selling Restrictions."

## **SELLING RESTRICTIONS**

### **United States of America**

The Notes have not been and will not be registered under the Securities Act. The Notes may not be offered, sold, delivered, pledged or otherwise transferred to or held by (a) a citizen or resident of the United States of America or any of its territories or possessions, (b) a corporation, partnership or other entity created or organized under the laws of the United States of America, (c) a U.S. Person (as defined under Regulation S) or (d) any entity the assets of which are deemed to include the assets of any employee benefit plan that is subject to ERISA (any person described in clauses (a), (b), (c) or (d) of this sentence, a "U.S. Person"). Each Holder of the Notes who is a U.S. Person, as provided in the applicable Indenture, shall not be entitled to receive any payments under the Notes or Coupons. By its acceptance of the Notes each Holder of the Notes shall be deemed to have represented to the relevant Issuer that such Holder is not a U.S. Person and that such holder is not purchasing the Notes for the account of any U.S. Person. Each Placement Agent has acknowledged and agreed that the Notes have not been and will not be registered under the Securities Act, and may not be offered, sold, delivered, pledged or otherwise transferred within the United States or to or held by any U.S. Person except in accordance with the provisions of Rule 903 of Regulation S under the Securities Act or pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act.

With respect to each Series of Notes which are offered or sold outside of the United States in reliance on exemption from the registration requirements of the Securities Act provided under Regulation S, each Arranger and each other Placement Agent has represented and agreed that: (i) it has offered and sold the Notes, and will offer and sell the Notes (a) as part of their distribution at any time and (b) otherwise until 40 days after the later of the date on which the Notes are first offered to persons other than distributors (as determined by the Arrangers or the designated Placement Agent) or the Issue Date, only in accordance with Regulation S; (ii) neither it, any affiliate, nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes; (iii) it, any affiliate, and any person acting on its or their behalf has complied and will comply with the offering restrictions requirements of Regulation S; and (iv) at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration in respect of sales of the Notes that purchases Notes from it during the restricted period a confirmation or notice that the Notes have not been registered under the Securities Act and may not be offered

and sold within the United States or to, or for the account or benefit of, U.S. Persons (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of the date on which the Notes are first offered to persons other than distributors (as determined by the relevant Lead Placement Agent) or the Issue Date, except in either case in accordance with Regulation S.

In addition, until expiration of the 40-day period referred to above, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with the rules and regulations under the Securities Act.

Except as otherwise defined in the preceding three paragraphs, terms used herein have the meanings given to them by Regulation S. Nothing in the preceding two paragraphs shall affect the obligations of the Placement Agent to comply with the restrictions set forth in the first paragraph after the caption "Selling Restrictions" above.

Each Arranger and each other Placement Agent has represented and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution and delivery of the Notes, except with its affiliates or with the prior written consent of the relevant Issuer.

The Notes are in bearer form and are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by United States tax regulations.

With respect to each Series of Notes it is offering, each Arranger and each other Placement Agent has represented and agreed that: (i) except to the extent permitted under United States Treas. Reg. § 1.163-5(c)(1), (c)(2)(i) and (c)(2)(i)(D) (the "D Rules"), (a) it has not offered or sold, and during the Restricted Period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (b) in connection with the offer and sale of Notes during the Restricted Period, it has not delivered and will not deliver Notes in definitive form within the United States or its possessions; (ii) it has and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; and (iii) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will do so only in accordance with the requirements of United States Treas Reg. § 1.163-5(c)(2)(i)(D)(6).

With respect to each affiliate that acquires Notes from an Arranger or another Placement Agent for the purpose of offering or selling such Notes during the Restricted Period, each Arranger and each other Placement Agent has repeated and confirmed the representations and agreements in the preceding paragraph on such affiliate's behalf.

"Restricted Period" as used in the preceding two paragraphs shall be the period beginning on the earlier of the first date the Notes of a Series are offered to persons other than distributors or the Issue Date and ending on the date 40 days after the Issue Date; *provided, however*, that all offers and sales of the Notes held by distributors as part of an unsold allotment shall be deemed to be made during the Restricted Period. Except as otherwise defined in this section, "Selling Restrictions," terms used in this paragraph and the preceding three paragraphs have the meanings given to them by the Code and the D Rules. Whether or not an offer, sale or delivery is treated as made within the United States or its possessions or to a United States person will depend upon application of the D Rules. Nothing in this paragraph or the preceding three paragraphs shall affect the obligations of the Placement Agent to comply with the restrictions set forth in the first paragraph after the caption "Selling Restrictions" above.

### **Federal Republic of Germany**

The Notes have not been and will not be publicly offered in Germany and, accordingly, no securities sales prospectus (Verkaufsprospekt) for a public offering of the Notes in Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (Verkaufsprospektgesetz, the "Prospectus Act"), has been or will be published or circulated in the Federal Republic of Germany. Each of the Dealers has represented and agreed that it has only offered and sold and will only offer and sell the Notes in the



Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

## **Japan**

Each Placement Agent has acknowledged and agreed that the Notes have not been and shall not be registered under the Securities and Exchange Law of Japan. Each Placement Agent has further represented, warranted and agreed that it shall not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a Japanese Person except pursuant to an exemption from the registration requirement of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any applicable laws and regulations and ministerial guidelines of Japan.

## **United Kingdom**

Each Placement Agent has represented and agreed that:

- (a) in relation to the Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom;
- (c) in relation to any Notes having a maturity of less than one year, (1) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (2) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (d) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

## **Netherlands**

Each Placement Agent represents and agrees that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell in the Netherlands any Notes with a denomination less than Euro 50,000 (or its foreign currency equivalent) other than to persons who trade or invest in securities in the conduct of



a profession or business (which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises) unless one of the other exemptions from or exceptions to the prohibition contained in article 3 of the Dutch Securities Transaction Supervision Act 1995 (*Wet toezicht effectenverkeer 1995*) is applicable and the conditions attached to such exemption or exception are complied with. Each relevant Issuer acknowledges that the issuance and offer of Notes in The Netherlands, save for Notes each of which individually has a denomination of at least Euro 50,000 (or the equivalent in other currencies), will cause the relevant Issuer to become subject to certain continuous disclosure requirements in The Netherlands.

## **Republic of Italy**

The offering of the Notes has not been registered pursuant to the Italian securities legislation and, accordingly, each of the Placement Agents has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations.

Each of the Placement Agents has represented that it will not offer, sell or deliver any Notes or distribute copies of the Information Memorandum or any other document relating to the Notes in the Republic of Italy except:

(1) to "Professional investors", as defined in Article 31.2 of CONSOB Regulation No. 11522 of 1st July 1998 ("Regulation No. 11522"), as amended, pursuant to Articles 30.2 and 100 of Legislative Decree No. 58 of 24th February 1998 ("Decree No. 58"), or in any other circumstances where an express exemption from compliance with the solicitation restrictions provided by Decree No. 58 or CONSOB Regulation No. 11971 of 14th May 1999 applies, provided however, that any such offer, sale or delivery of Notes or distribution of copies of the Information Memorandum or any other document relating to the Notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1st September 1993 ("Decree No. 385"), Decree No. 58, Regulation No. 11522 and any other applicable laws and regulations;

(b) in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending inter alia, on the amount of the issue and the characteristics of the securities, applies; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy; or

(2) to Italian residents who submit unsolicited offers to any of the Placement Agents to purchase the Notes.

## **Jersey**

Each Placement Agent represents, warrants and agrees that (i) it has not offered and will not offer any Notes in Jersey and (ii) it has not distributed and will not distribute the Information Memorandum or other offering material relating to such Notes in Jersey.

## **Cayman Islands**

Each Placement Agent has represented, warranted and agreed that (i) it has not invited and will not invite members of the public in the Cayman Islands to subscribe for the Notes, and (ii) it has not distributed and will not distribute this Information Memorandum or other offering material relating to the Notes in the Cayman Islands.

## **General**

Each Placement Agent will be responsible for compliance with all laws applicable to offers and sales of Notes by it or through it and for distribution of the Information Memorandum or any other offering material

by it or through it and will be required to agree to comply with all such laws and regulations and to agree that it will obtain any consent, approval or permission required to be obtained by such Placement Agent or the relevant Issuer in respect of the Placement Agent's activities outside the Cayman Islands (in the case of ASIF II) and Jersey (in the case of ASIF III) for the purchase, offer or sale of the Notes or the possession or distribution of the Information Memorandum or any other offering materials relating to the Notes and to agree that it will not directly or indirectly offer, sell or deliver any Notes or distribute or publish the Information Memorandum or any other offering material in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations all cases at such Placement Agent's own expense.

These selling restrictions may be modified by the agreement of the relevant Issuer and the Placement Agents. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Information Memorandum.

No action has been taken in any jurisdiction other than, with respect to ASIF III (in relation to this Information Memorandum, the Information Memorandum Addendum and certain Pricing Supplements), in Jersey that would permit a public offering of any of the Notes, or possession or distribution of the Information Memorandum or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

## **GENERAL INFORMATION**

### **Clearance**

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, ISIN and CINS and such other relevant numbers for each Series of Notes (including the details of any other clearance) system will be contained in the Pricing Supplement relating thereto.

### **Authorization**

The Programme and the issues of Notes thereunder were authorized by the Board of Directors of ASIF II on December 16, 2004, and by the Board of Directors of ASIF III on December 21, 2004. Each Series of Notes issued by ASIF II is authorized pursuant to a separate resolution of the Board of Directors of ASIF II. ASIF III may issue Series of Notes pursuant to the resolutions of the Board of Directors of ASIF III dated December 21, 2004.

### **Litigation**

Neither the Issuers nor SALIC is involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes nor, so far as the Issuers or SALIC is aware, is any such litigation or arbitration pending or threatened.

SALIC and its subsidiaries, in common with the insurance industry in general, are subject to litigation in the normal course of their business. SALIC does not believe that such litigation will have a material adverse effect on its financial condition, future operating results or liquidity. On April 5, 2004, a purported class action captioned Nikita Mehta, as Trustee of the N.D. Mehta Living Trust vs. AIG SALIC Assurance Company, Case No. 04L0199, was filed in the Circuit Court, Twentieth Judicial District in St. Clair County, Illinois. The lawsuit alleges certain improprieties in conjunction with alleged market timing activities. The probability of any particular outcome cannot be reasonably estimated at this time.

### **Material Change**

There has been no material adverse change in the financial position of ASIF II or ASIF III since December 31, 2003, except as disclosed in the documents in this Information Memorandum or in a Pricing Supplement. There has been no material adverse change in the financial position of SALIC since December 31, 2003, except as disclosed in the documents in this Information Memorandum or in a Pricing Supplement.

### **Documents**

Copies of the Memoranda of Association, Articles of Association and Declarations of Trust of the Issuers, the Charter and By-Laws of SALIC, the Indentures, each Supplemental Indenture, the Placement Agreements, the Pricing Supplement relating to each Series of Notes and its related Funding Agreement and, if applicable, the related SWAP will, so long as any of the Notes remains outstanding, be available during usual business hours on any day (except Saturdays, Sundays and legal holidays) at the specified offices of the Paying Agents noted above, including the Luxembourg Paying Agent. Copies of all documents incorporated by reference will, so long as any of the Notes remains outstanding, be available and may be obtained free of charge during usual business hours on any day (except Saturdays, Sundays and legal holidays) at the specified offices of the Paying Agents, including the Luxembourg Paying Agent.

### **Luxembourg Listing**

In connection with the application to list any Notes on the Luxembourg Stock Exchange a legal notice relating to the Programme and the issue of the Notes, copies of the Memoranda of Association and Articles of Association of the Issuers and the Charter and By-Laws of SALIC will be deposited with the Commercial Registrar in Luxembourg (*"Registre de Commerce et des sociétés"*) where such documents may be examined and copies obtained.

The Programme has been registered with the Luxembourg Stock Exchange under the following number: 9975.

## ANNEX A

### FORM OF PRICING SUPPLEMENT

This form of Pricing Supplement is subject to completion, amendment or supplementation as the relevant Issuer in its discretion may determine for any and all series, types or categories of Notes. The applicable Pricing Supplement relating to a Series of Notes will be available from the Lead Placement Agent for such Series. Investors should review the applicable Pricing Supplement for the specific description of the terms of a Series of Notes.

Pricing Supplement dated •

#### ASIF II ASIF III (JERSEY) LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the ASIF II and ASIF III Note Issuance Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used but not defined herein shall have the meanings provided in the Indenture, dated as of [November 14, 1994 [if ASIF II/] March 16, 1998 [If ASIF III]] by and between the Issuer and JPMorgan Chase Bank, N.A., as trustee, as amended and as further amended and supplemented by the [Title of Notes] Supplement to Indenture dated [Issue Date] (as so amended and supplemented, the "Indenture"). This Pricing Supplement must be read in conjunction with the Information Memorandum dated December 21, 2004 and the Information Memorandum Addendum dated December 21, 2004 (together, the "Information Memorandum") and the Indenture. This Pricing Supplement shall be governed by the laws of the State of New York, U.S.A.

- |    |        |  |   |   |
|----|--------|--|---|---|
| 1. | (i)    | Issuer:  | [ | ] |
|    | (ii)   | Contract Provider (Funding Agreement):   | [ | ] |
|    | (iii)  | SWAP Provider:   | [ | ] |
| 2. | (i)    | Series Number:   | [ | ] |
|    | [(ii)] | Tranche Number:  | [ | ] |
|    |        | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] |   |   |
| 3. |        | Specified Currency or Currencies:  | [ | ] |
| 4. |        | Aggregate Principal Amount:  |   |   |
|    | [(i)]  | Series:  | [ | ] |
|    | [(ii)] | Tranche:   | [ | ] |

5. (i) Issue Price: [ ] percent. of the Aggregate Principal Amount  
[plus accrued interest from [insert date] (if applicable)]
- (ii) Net proceeds: [ ]
6. Specified Denominations: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date (if different from the Issue Date); [ ]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
- [If the issue proceeds are received by the Issuer in the United Kingdom and the Maturity Date is less than one year from the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” (or another applicable exemption from section 19 of the FSMA must be available).]
9. Interest Basis: [ • % Fixed Rate]
- [[specify reference rate] +/- • % Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (specify)]
10. Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency]

[Partly Paid]  
 [Installment]  
 [Other (*specify*)]

11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]
13. (i) Status of the Notes: [Senior/Dated/Perpetual]
14. Listing: [Luxembourg/other (*specify*)/None]
15. Method of distribution: [Syndicated/Non-syndicated]
16. Security: [ ]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [ ] percent. per annum [payable [annually/ semi-annually/ quarterly/ monthly] in arrears]
- (ii) Interest Payment Date(s): [ ] in each year
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Nominal Amount

- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amounts[(s)]]*
- (v) Day Count Fraction: *[Actual/Actual (ISMA) / 30/360]*
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: *[Not Applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)*
- (vii) Determination Date(s): *[ ]* in each year (Insert regular interest payment dates, ignoring issue date or maturity date in the case of long or short, first or last Coupon)  
  
*(N.B. Only relevant where Day Count Fraction is Actual/Actual (ISMA))*

18. Floating Rate Note Provision: *[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph. )*
- (i) Specified Period(s)/Specified Interest Payment Dates: *[ ]*
  - (ii) Business Day Convention: *[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]*
  - (iii) Relevant Financial Center(s): *[ ]*
  - (iv) Manner in which the Rate(s) of Interest is/are to be determined: *[Screen Rate Determination/ ISDA Determination/ other (give details)]*
  - (v) Calculation Agent or other party responsible for calculating the Rate(s) of Interest and Interest Amount(s): *[ ]*
  - (vi) Screen Rate Determination:
    - Reference Rate: *[ ]*

- Interest Determination Date(s): [                      ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [                      ]
- Relevant Time: [                      ]
- (vii) ISDA Determination:
  - Floating Rate Option: [                      ]
  - Designated Maturity: [                      ]
  - Interest Reset Period: [                      ]
  - Interest Reset Date: [                      ]
- (viii) Spread: [ +/- ] [     ] percent. per annum
- (ix) Minimum Rate of Interest: [                      ] percent. per annum
- (x) Maximum Rate of Interest: [                      ] percent. per annum
- (xi) Day Count Fraction:
- (xii) Fall back provisions, Reference Banks, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

19. Zero Coupon Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortization/Accrual] Yield: [                      ] percent. per annum
  - (ii) Reference Price: [                      ]
  - (iii) Any other formula/basis of determining amount payable: [                      ]



20. Index-Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [give or annex details]
  - (ii) Calculation Agent responsible for calculating the interest due: [ ]
  - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]
  - (iv) Specified Period(s)/Specified Interest Payment Dates: [ ]
  - (v) Business Day Convention: [Floating Rate Convention/  
Following Business Day  
Convention/Modified  
Following Business  
Convention/Preceding  
Business Day  
Convention/other (give  
details)]
  - (vi) Additional Business Center(s): [ ]
  - (vii) Minimum Rate of Interest: [ ] percent. per annum
  - (viii) Maximum Rate of Interest: [ ] percent. per annum
  - (ix) Day Count Fraction: [ ]
21. Dual Currency Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
  - (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

## PROVISIONS RELATING TO REDEMPTION

22. Call Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]
23. Put Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ]
- (iii) Notice period (if other than as set out in the Conditions): [ ]
24. Final Redemption Payment: [Par/other/see Appendix]
25. Early Redemption Amount:
- Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- |     |   |   |
|-----|---|---|
| 26. | Form of Notes:  | [                      ]  |
| 27. | Use of proceeds:  | [                      ]  |
| 28. | Additional Relevant Financial Center(s) or other special provisions relating to Payment Dates:  | [Not Applicable/ <i>give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates</i> ] |
| 29. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/ <i>give details</i> ]  |
| 30. | Details relating to Installment Notes: amount of each installment, date on which each payment is to be made:  | [Not Applicable/ <i>give details</i> ]  |
| 31. | Redenomination, renominalization and reconventioning provisions:  | [Not Applicable/The provisions [annexed to this Pricing Supplement] apply]  |
| 32. | Annuity option:   | [Not Applicable/ <i>give details</i> ]  |
| 33. | Other terms or special conditions:  | [Not Applicable/ <i>give details</i> ]  |

## DISTRIBUTION

- |     |                                    |   |
|-----|------------------------------------|---|
| 34. | (i) Placement Agents:              | [Not Applicable/ <i>give names</i> ]  |
|     | (ii) Stabilizing Manager (if any): | [Not Applicable/ <i>give name, insert the following text: ["In connection with the issue of the Notes, [name of</i> |

Stabilizing Manager] may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series at a level higher than that which might otherwise prevail. However, there is no obligation on the part of the Stabilizing Manager (or any agent thereof) to do this. Such stabilizing, if commenced, may be discontinued at any time. Such stabilizing shall be conducted in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilizing shall be, as against the Issuer and the Contract Provider, for the account of the Stabilizing Manager.”]]

35. If non-syndicated, name of Placement Agent: [Not Applicable/*give name*]

36. Additional selling restrictions: [Not Applicable/*give details*]

## OPERATIONAL INFORMATION

37. ISIN Code: [ ]

38. Common Code: [ ]

39. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

40. Delivery: Delivery [against/free of] payment

41. Additional Paying Agent(s) (if any): [ ]

**RESPONSIBILITY**

Each Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of ASIF II:

By: .....  
Duly authorized

Signed on behalf of ASIF III:

By: .....  
Duly authorized

Confirmed by the Principal Paying Agent:

By: .....  
Duly authorized

## **ISSUERS**

### **ASIF II**

P.O. Box 1093 GT  
Queensgate House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

### **ASIF III (Jersey) Limited**

22, Grenville Street  
St. Helier, Jersey JE4 8PX  
Channel Islands

## **ARRANGER**

### **Merrill Lynch International**

Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

## **CAYMAN TRUSTEE**

**JPMorgan Chase Bank, N.A**

## **JERSEY TRUSTEE**

**JPMorgan Chase Bank, N.A**

660 S. Mill, 4th Floor  
Tempe, Arizona 85281  
United States of America

## **PRINCIPAL PAYING AGENT AND CALCULATION AGENT**

### **JPMorgan Chase Bank, N.A**

Crosby Court  
38 Bishopsgate  
London, EC2N4AJ  
United Kingdom

## **LISTING AGENT IN LUXEMBOURG**

### **Banque Générale du Luxembourg S.A.**

50, Avenue J.F. Kennedy  
L-2951 Luxembourg

## **PAYING AGENT**

### **Banque Générale du Luxembourg S.A.**

50, Avenue J.F. Kennedy  
L-2951 Luxembourg

## **LEGAL ADVISORS TO SUNAMERICA LIFE INSURANCE COMPANY**

### **O'Melveny & Myers LLP**

400 South Hope Street  
Los Angeles, California  
90071-2899 U.S.A.

## **LEGAL ADVISORS TO THE ARRANGER AND THE PLACEMENT AGENTS**

### **Clifford Chance Rogers & Wells LLP**

200 Park Avenue  
New York, New York  
10166 U.S.A.

**LEGAL ADVISORS TO  
ASIF II  
AS TO CAYMAN ISLANDS LAW  
Maples and Calder  
P.O. Box 309 GT  
Ugland House,  
South Church Street  
George Town, Grand Cayman  
Cayman Islands**

**LEGAL ADVISORS TO  
ASIF III (JERSEY) LIMITED  
AS TO JERSEY LAW  
Mourant du Feu & Jeune  
22, Grenville Street  
St. Helier, Jersey JE4 8PX  
Channel Islands**



Information Memorandum Addendum

**ASIF II**

(Incorporated with limited liability in the Cayman Islands)

**ASIF III (JERSEY) LIMITED**

(Incorporated with limited liability under the laws of Jersey)

**U.S. \$25,000,000,000  
Note Issuance Programme**

This document is the Information Memorandum Addendum relating to ASIF II, ASIF III (Jersey) Limited ("ASIF III" individually, and together with ASIF II, the "Issuers," and each an "Issuer") and SunAmerica Life Insurance Company ("SALIC"), which forms part of the "Information Memorandum" as defined in the Information Memorandum dated December 21, 2004 (as amended or supplemented from time to time, the "Main Document") of the Issuers in respect of the Issuers' \$25,000,000,000 Note Issuance Programme established pursuant to the Main Document (the "Programme"). This Information Memorandum Addendum amends and restates the Information Memorandum Addendum dated as of November 20, 2003, as amended, in respect of the Programme.

The attention of the recipients of this document is drawn, in particular, to the responsibility statement contained in the first full paragraph on page 5 of the Main Document and to the other statements and information contained on pages 4 through 8 thereof and the section on page 7 thereof entitled "Documents Incorporated by Reference."

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S. \$25,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. Dollars at the date of the agreement to issue such Notes calculated as described in the Main Document). The maximum aggregate principal amount of Notes that may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Placement Agreements as defined under "Subscription and Sale" in the Main Document.

The Notes of any Series will be the obligations of the Issuer of such Series, and will be secured by a funding agreement, guaranteed investment contract, or other similar agreement (a "Funding Agreement") and, in some instances by one or more Swap contracts (a "SWAP"). If the Notes are issued by ASIF II or ASIF III, the applicable Funding Agreement and, if relevant, the SWAP will be issued by SALIC or, if specified in the applicable Pricing Supplement, a subsidiary or affiliate thereof (a "SALIC Affiliate") (each, a "Funding Agreement Provider").

Words and expressions defined in the Main Document shall have the same meanings when used herein.

*Arranger*

**Merrill Lynch International**

December 21, 2004

## TABLE OF CONTENTS

ASIF II .....	3
ASIF III (JERSEY) LIMITED.....	17
SUNAMERICA LIFE INSURANCE COMPANY .....	34
SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN STATUTORY ACCOUNTING PRINCIPLES AND U.S. GAAP.....	42
GENERAL INFORMATION.....	44

## ASIF II

*The following includes a summary of certain of the terms of the Memorandum of Association, Articles of Association and Declaration of Trust of ASIF II and related documents and is subject to the detailed provisions of the Memorandum of Association, Articles of Association, Declaration of Trust and such related documents, copies of which may be obtained from any relevant Paying Agent.*

ASIF II is a company incorporated for an unlimited duration as an exempted company with limited liability under the laws of the Cayman Islands. ASIF II was incorporated on November 8, 1994 under the name Paragon International. Its name was changed on April 7, 1997 to SunAmerica Institutional Funding, and on August 10, 1999 to AIG SunAmerica Institutional Funding II. Its name was changed to ASIF II on August 20, 2002. The address of ASIF II's registered office is at the offices of M&C Corporate Services Limited, P.O. Box 1093 GT, Queensgate House, 113 South Church Street, George Town, Grand Cayman, Cayman Islands.

ASIF II was formed as a special purpose vehicle solely for the purposes described herein. The organizational and management structure of ASIF II includes many characteristics, including those described herein, which are similar to other special purpose vehicles. The activities of ASIF II are described in the Cayman Indenture, dated as of November 14, 1994, as amended, entered into between ASIF II and the Trustee (as defined therein) in connection with the establishment of the Programme.

ASIF II's Memorandum of Association provides that its share capital is U.S. \$50,000 divided into 50,000 Shares of nominal or par value of U.S. \$1.00 each. In connection with the incorporation of ASIF II, 1,000 Shares of ASIF II (the "ASIF II Shares") were issued to Queensgate Bank & Trust Company Ltd. ("Queensgate"). No other shares of ASIF II have been issued. Queensgate holds the ASIF II Shares in trust pursuant to the Declaration of Trust made on 14th November, 1994 by Queensgate described below (the "ASIF II Declaration of Trust"). ASIF II organizational documents include its Memorandum of Association and Articles of Association, which were registered on 8th November, 1994.

Guy Major, Martin Couch, Phillip Hinds and Hugh Thompson each serve as a director of ASIF II. ASIF II does not have any other directors, officers or employees. Mr. Major, Mr. Couch, Mr. Hinds and Mr. Thompson are employed by Maples Finance Limited.

Queensgate acts as administrator of ASIF II pursuant to an administration agreement, dated November 14, 1994 (the "ASIF II Administration Agreement"), under which Queensgate agrees to provide to ASIF II certain management and administrative services. The ASIF II Administration Agreement may be terminated by Queensgate upon giving at least 3 months' notice in writing, provided that the retirement of Queensgate shall not be effective until a replacement administrator acceptable to ASIF II has been appointed and enters into an agreement under similar terms thereto. ASIF II may terminate Queensgate's appointment as administrator upon 5 days' prior written notice.

The Cayman Indenture contemplates that ASIF II may enter into one or more supplements to such Indenture from time to time pursuant to which ASIF II will issue series of notes that are secured on a non-recourse basis by a particular Funding Agreement issued by SALIC or a SALIC Affiliate in favor of ASIF II and, in certain instances, by SWAPs entered into between SALIC or a SALIC Affiliate and ASIF II. The Cayman Indenture includes a number of restrictive covenants, including a covenant that prohibits ASIF II from engaging in any business activities other than the issuance of Notes and entering into of agreements contemplated under the Cayman Indenture and covenants that prohibit ASIF II from dissolving or liquidating in whole or in part, amending any material provision of its Memorandum of Association or Articles of Association or making any dividend or distribution on its capital stock.

The ASIF II Declaration of Trust effectively provides that, prior to the payment in full of all Series of Notes issued pursuant to the Cayman Indenture (the "Termination Date"), Queensgate will hold the ASIF II Shares in trust and will exercise or refrain from exercising all voting rights attached thereto in such manner as it shall in its absolute discretion consider most effective for protection of interests or otherwise for the benefit of or in accordance with any direction of the Trustee under the Cayman Indenture. In addition, the ASIF II Declaration of Trust provides, among other things, that, prior to the Termination Date, Queensgate shall not (i) dispose of any of the ASIF II Shares other than to a person previously approved by the Trustee, (ii) propose or pass any resolution to wind up ASIF II unless Queensgate considers that such resolution is in the best interest of the holders of the notes issued under the Cayman Indenture or Queensgate is directed to do so by the Trustee or (iii) interfere in any business of ASIF II unless Queensgate reasonably considers the interests of the Holders of the Notes to be in jeopardy, or acts to ensure compliance by ASIF II of its obligations set out under the Cayman Indenture or Queensgate is directed to do so by the Trustee. Queensgate (i) may act generally in relation to the ASIF II Shares and the affairs of ASIF II as it may be requested in writing from time to time by the Trustee, having first been indemnified by Holders or the Trustee to its own satisfaction in respect

of all liabilities that it may incur in so doing, and so that Queensgate in the absence of its own willful and individual fraud will not be liable for any act or omission taken at the written request of the Trustee; (ii) may in its discretion without assigning any reason therefor, exercise its voting rights with respect to the ASIF II Shares to remove or appoint Directors for the time being of ASIF II and to exercise its rights in its capacity as Administrator under the ASIF II Administration Agreement; and (iii) subject to the restrictions set forth in this paragraph, may otherwise act in relation to the ASIF II Shares and the affairs of ASIF II as it may in its absolute discretion think fit. Queensgate, as Share Trustee, has no beneficial interest in and derives no benefit from the Trust, other than its fees for acting as Share Trustee. The Trustee, under the Cayman Indenture, has the power to change the Share Trustee under the terms of the ASIF II Declaration of Trust.

After the Termination Date, the ASIF II Declaration of Trust provides that Queensgate will hold the ASIF II Shares for the benefit of a qualified charity selected by Queensgate thereunder in its absolute discretion.

Neither SALIC nor any of its affiliates owns any shares of ASIF II or has entered into any agreement with ASIF II other than the Funding Agreements or SWAPs as contemplated by the Cayman Indenture and any supplements thereto, an agreement by SALIC to pay certain operating expenses of and fees to ASIF II, and a license agreement between American International Group, Inc. and ASIF II pursuant to which American International Group, Inc. granted to ASIF II a non-exclusive license to use the names "AIG" and "SunAmerica" as provided therein. SALIC has also agreed with the Trustee to pay its expenses incurred in connection with the Cayman Indenture, to the extent such expenses have not been paid by ASIF II. Under the Cayman Indenture and any supplements thereto, ASIF II may issue Notes secured by Funding Agreements purchased from SALIC or a SALIC Affiliate and SWAPs entered into with SALIC or a SALIC Affiliate. Neither SALIC nor any of its 15 affiliates is affiliated with Queensgate.

On or prior to December 31, 2003, ASIF II has issued 118 series of notes, including four series of instruments that are not part of the Programme in an aggregate principal amount of approximately U.S. \$139 million (the "Existing Non-Programme Instruments"), which have matured, and 95 series of notes still outstanding \$14,243,564,387. The principal amount of the Existing Non-Programme Instruments will not be counted as Notes issued under the Programme for purposes of determining the maximum aggregate amount of Notes issued under the Programme.

## Capitalization

The authorized capital of ASIF II is U.S. \$50,000 divided into 50,000 shares with a par value of U.S. \$1.00 each, of which 1,000 fully-paid shares have been issued to Queensgate.

The following table sets forth the capitalization of ASIF II as of December 31, 2003:

	As of December 31, 2003 (U.S. \$)
Borrowings:	
The notes .....	\$14,243,564,387
Shareholders' funds	
Ordinary shares .....	1,000
Accumulated Deficit .....	(47,845,670)
Other comprehensive loss .....	(11,149,000)
Total shareholders' funds	(36,695,670)
Total capitalization .....	<u>\$14,206,869,717</u>

From January 1, 2004 through the date hereof, ASIF II has issued 8 additional series Notes that are part of the Programme in an aggregate principal amount of approximately \$1,126,337,859. Except as disclosed in the preceding sentence, there has been no material change in the capitalization of ASIF II since December 31, 2003.

As reflected in ASIF II's financial statements for the year ended December 31, 2003 below, ASIF II has approximately a \$36,695,670 accounting equity deficit. This deficit arises as a result of ASIF II's adoption of FASB 133 on January 1, 2001 and its required accounting treatment of derivatives.

As further described in the Main Document under "DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS AND SWAP CONTRACTS – Description of Swap Contracts", ASIF II issues Notes which are

secured by Funding Agreements entered into between SALIC and ASIF II. If the Funding Agreement is denominated in the currency of, and accrues interest on the same basis as, the related Series of Notes, there will be no SWAP. However, where the Funding Agreement is denominated in a different currency from that of the related Series of Notes and/or accrues interest on a different basis (such as a fixed as opposed to a floating rate) from that Series of Notes, then SALIC and ASIF II will enter into a SWAP. This is because, under the latter situation, the payments received under the terms of the Funding Agreement do not exactly match the payments to be made under the terms of the Notes. For several of the Notes issued by ASIF II, the interest and principal are paid under the Notes in a foreign denomination (e.g., Euros) while the Funding Agreement is in US dollars. Further, in many of such situations, interest is accrued on the Notes at a fixed rate, while the Funding Agreement is at a floating rate. Under a SWAP agreement between ASIF II and SALIC, ASIF II will exchange the payment which it receives under the Funding Agreement for a payment in the same currency and on the same interest rate basis as the relevant Series of Notes. Additionally, SALIC will pay to ASIF II amounts equal to, and in the same currency as, the net cash payments under the Notes. The net payments due to ASIF II pursuant to the Funding Agreement and the SWAP are designed to provide ASIF II with the desired currency in the amounts and within the appropriate time periods to make the payments under the relevant Series of Notes. Because the terms of the SWAP agreement match up, there is no economic impact to ASIF II, as they have effectively converted the amounts due under the Notes to a currency and interest rate that offsets the payments received under the Funding Agreement.

Upon the adoption of FASB 133, all derivatives, including the SWAP described above, are required to be recorded at their market value. In the transactions described above, ASIF II has converted the amounts due under the Notes to the currency and interest rate of the Funding Agreement, and ASIF II has designated the transaction as a fair value hedge of the amount due under the Notes. Under FASB 133, ASIF II is required to record the debt at its market value based on its contractual cash flows and convert the debt to US dollars at the rate as of the reporting date. This adjustment is substantially offset by recording the market value of the SWAP agreement through the income statement.

Under FASB 133, some accounting inefficiency results as the amounts due under the Notes are converted to US dollars at the reporting date, while the market value of the SWAP agreement is based on the forward rate. However, economically there is no inefficiency, as the cash receipts from the Funding Agreement will exactly equal the net cash payments due under the Notes and the SWAP agreement with SALIC.

**ASIF II**

**Report and Financial Statements**

**December 31, 2003 and 2002**



---

**PricewaterhouseCoopers LLP**  
350 South Grand Avenue  
Los Angeles, California 90071-3405  
Telephone (213) 356 6000  
Facsimile (213) 356-6363

### Report of Independent Accountants

To the Board of Directors and Shareholder of ASIF II:

In our opinion, the accompanying balance sheets and the related statements of operations and comprehensive income, of shareholder's deficit, and of cash flows present fairly, in all material respects, the financial position of ASIF II at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers

November 12, 2004

**ASIF II**  
**Balance Sheets**  
**December 31, 2003 and 2002**

	2003	2002
<b>Assets</b>		
Cash	\$ 77,830	\$ 78,674
Accrued interest receivable from SALIC	152,483,479	158,860,295
Guaranteed investment contracts from SALIC	12,150,743,386	12,605,947,238
Derivative asset	2,056,050,000	800,040,000
Transaction fees receivable	1,250	---
Interest currency and interest rate swap receivable from SALIC	44,542,736	92,236,453
Total assets	<u>\$ 14,403,898,681</u>	<u>\$ 13,657,162,660</u>
<b>Liabilities and Shareholder's Deficit</b>		
Accrued interest payable	\$ 197,026,214	\$ 251,096,748
Notes payable	14,243,564,387	13,468,572,238
Other payable	3,750	4,750
Total liabilities	14,440,594,351	13,719,673,736
Shareholder's deficit:		
Common stock, 50,000 shares authorized, 1,000 shares issued and outstanding, \$1 par value	1,000	1,000
Accumulated deficit	(47,845,670)	(27,931,076)
Other comprehensive income (loss)	11,149,000	(34,581,000)
Total shareholder's deficit	(36,695,670)	(62,511,076)
Total liabilities and shareholder's deficit	<u>\$ 14,403,898,681</u>	<u>\$ 13,657,162,660</u>

The accompanying notes are an integral part of these financial statements.



**ASIF II**  
**Statements of Operations and Comprehensive Income**  
**For the Years Ended December 31, 2003 and 2002**

	2003	2002
Revenues:		
Interest income from SALIC	\$ 333,116,159	\$ 418,728,264
Swap gain from SALIC	1,075,097,000	1,239,019,000
Interest currency and interest rate swap income from SALIC	197,658,650	148,494,458
Investment income	78	234
Reimbursement from SALIC	---	72,344
Transaction fees	1,750	2,500
Total revenues	<u>1,605,873,637</u>	<u>1,806,316,800</u>
Expenses:		
Interest expense	530,774,809	567,222,722
Foreign currency loss	1,095,013,000	1,245,689,000
General and administrative expenses	422	72,501
Total expenses	<u>1,625,788,231</u>	<u>1,812,984,223</u>
Net loss	<u>(19,914,594)</u>	<u>(6,667,423)</u>
Other comprehensive income:		
Net change related to cash flow hedges	<u>45,730,000</u>	<u>(33,125,000)</u>
Other comprehensive income (loss)	<u>45,730,000</u>	<u>(33,125,000)</u>
Comprehensive income (loss)	<u>\$ 25,815,406</u>	<u>\$ (39,792,423)</u>

The accompanying notes are an integral part of these financial statements.

**ASIF II**  
**Statements of Shareholder's Deficit**  
**For the Years Ended December 31, 2003 and 2002**

---

	Common Stock	Accumulated deficit	Other Comprehensive income	Total
	<hr/>	<hr/>	<hr/>	<hr/>
Balance, December 31, 2001	\$ 1,000	\$ (21,263,653)	\$ (1,456,000)	\$ (22,718,653)
Net loss for 2002	---	(6,667,423)	---	(6,667,423)
Net change related to cash flow hedges	<hr/> ---	<hr/> ---	<hr/> (33,125,000)	<hr/> (33,125,000)
Balance, December 31, 2002	1,000	(27,931,076)	(34,581,000)	(62,511,076)
Net loss for 2003	---	(19,914,594)	---	(19,914,594)
Net change related to cash flow hedges	<hr/> ---	<hr/> ---	<hr/> 45,730,000	<hr/> 45,730,000
Balance, December 31, 2003	<hr/> \$ 1,000	<hr/> \$ (47,845,670)	<hr/> \$ 11,149,000	<hr/> \$ (36,695,670)

The accompanying notes are an integral part of these financial statements.

**ASIF II**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2003 and 2002**

	2003	2002
Cash flows from operating activities:		
Net loss	\$ (19,914,594)	\$ (6,667,423)
Change in:		
Decrease (increase) in accrued interest receivable from SALIC	6,376,816	(27,313,262)
(Increase) decrease in transaction fees receivable	(1,250)	
Decrease (increase) in interest currency and interest rate receivable from SALIC	47,693,7	(32,711,847)
(Decrease) increase in accrued interest payable	(54,070,534)	60,025,109
Decrease in payable to SALIC	--	(11,765)
(Decrease) increase in other payable	(1,000)	3,750
Principal currency swap gain to SALIC	(1,075,097,00	(1,239,019,000)
Currency loss	1,095,013,000	1,245,689,000
Net cash (used in) provided by operating activities	(844)	5,062
Cash flows from investing activities:		
Maturities of guaranteed investments contracts	1,528,100,810	946,845,794
Purchases of guaranteed investment contracts	(1,009,653,000)	(1,757,337,226)
Net cash provided by (used in) investing activities	518,447,810	(810,491,432)
Cash flows from financing activities:		
Payments on redemption of notes payable	(1,528,100,810)	(946,845,794)
Proceeds from the issuance of notes payable	1,009,653,000	1,757,337,226
Net cash (used in) provided by financing activities	(518,447,810)	810,491,432
Net (decrease) increase in cash	(844)	5,062
Cash at beginning of period	78,674	73,612
Cash at end of period	\$ 77,830	\$ 78,674
Cash paid during the year for interest	\$ 584,845,343	\$ 507,197,612

The accompanying notes are an integral part of these financial statements.

**ASIF II**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2003 and 2002**

---

**1. Organization and Business**

ASIF II (the "Company") was formed as an "exempted" company with limited liability under the Companies Law of the Cayman Islands. The Company was established on November 8, 1994 under the name Paragon International. Its name was changed on April 7, 1997 to SunAmerica Institutional Funding, on August 10, 1999 to AIG SunAmerica Institutional Funding II and on August 20, 2002 to ASIF II. The Company was formed as a special-purpose vehicle solely for the purpose of issuing notes that are secured on a non-recourse basis by a particular guaranteed investment contract ("GIC") issued by SunAmerica Life Insurance Company ("SALIC") or one of its affiliates in favor of the Company. The Company is wholly-owned by Queensgate Bank & Trust Company Ltd., as trustee for a charitable trust.

**2. Summary of Significant Accounting Policies**

**General**

As a special-purpose vehicle established for the purpose described in Note 1, a contractual agreement has been entered into between the Company and SALIC in which SALIC will reimburse the Company for certain operating expenses.

**Basis of Presentation**

The Company uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Guaranteed Investment Contracts**

Guaranteed Investment Contracts are carried at contract value.

**Accrued Interest Receivable and Payable**

Accrued interest receivable and payable are recorded on the accrual basis.

**Notes Payable**

Notes payable are recorded at market value when the Company has entered into a fair value hedge of the notes payable. In instances where the Company has not entered into a fair value hedge of the note payable, the notes payable are carried at cost.

**Income Taxes**

Under the Cayman Islands Tax Concessions Law (Revised), the Governor-in-Council of the Cayman Islands has issued an undertaking to the Company exempting it from all local income, profit or capital gains taxes. The undertaking has been issued for a period of twenty years and, at the present time, no such taxes are levied in the Cayman Islands. Accordingly, the Company is exempted from income taxes.

**Foreign Currency Translation**

The Company transacts business in foreign currencies. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange at the balance sheet date.

**ASIF II**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2003 and 2002**

---

**2. Summary of Significant Accounting Policies (continued)**

**Derivative Financial Instruments**

The Company uses a variety of derivative financial instruments to manage funding costs and risks associated with changes in interest and foreign currency exchange rates. The derivative instruments used include interest rate and cross currency interest rate swap agreements. Interest rate and cross currency interest rate swap agreements are executed as an integral part of specific debt transactions. SALIC is the counterparty to these various swap agreements. The Company does not use any of these instruments for trading purposes. The derivative financial instruments are specifically designated to the underlying debt obligations.

On the date the derivative contract is entered into, the Company designates certain derivatives as either a hedge of the subsequent changes in the fair value of a recognized liability ("fair value" hedge) or a hedge of the variability of cash flows paid related to a recognized liability ("cash flow" hedge). Fair value and cash flow hedges generally involve foreign currencies ("foreign currency hedges"). The gain or loss in the fair value of a derivative that is designated, qualifies and is highly effective as a fair value hedge is recorded in current period operations, along with the gain or loss on the hedged item attributable to the hedged risk. The gain or loss in the fair value of a derivative that is designated, qualifies and is highly effective as a cash flow hedge is recorded in other comprehensive income, until earnings are affected by the variability of cash flows.

Changes in fair value of derivatives used for other than the above hedging activities are reported in current period operations. During 2003 and 2002, there were no hedges that were discontinued or otherwise no longer qualify as hedges. With respect to both fair value hedges and cash flow hedges, hedge ineffectiveness was insignificant for 2003 and 2002. As of December 31, 2003, the maximum amount of net derivative losses to be reclassified into net income over the next twelve months is insignificant. The maximum amount of time for which future cash flows are hedged is approximately 8 years.

The estimated fair value of the Company's net derivative assets at December 31, 2003 and 2002 is as follows:

December 31,	
2003	2002
\$2,056,050,000	\$800,040,000

**Interest Rate Risk Management**

The Company utilizes interest rate swap agreements in managing its exposure to interest rate fluctuations. Interest rate swap agreements are executed as an integral part of specific debt transactions. The Company's interest rate swap agreements involve agreements to pay fixed and receive a floating rate, or receive fixed and pay a floating rate, at specified intervals, calculated on an agreed-upon notional amount. The original maturities of interest rate swap agreements are based on the maturities of the underlying notes.

The notional amounts of interest rate swap agreements do not represent amounts exchanged by the parties and, thus, are not a measure of the Company's exposure through its use of derivatives. The amounts exchanged are calculated based on the notional amounts and other terms of the derivatives that relate to interest rates or financial or other indexes. The aggregate notional amounts of interest rate swap agreements at December 31, 2003 and 2002 were \$0.2 billion and \$0.2 billion, respectively.

**Foreign Exchange Risk Management**

The Company utilizes cross currency interest rate swap agreements to manage exposure to exchange rate fluctuations on principal and interest payments for borrowings denominated in foreign currencies. Notes payable issued in foreign currencies are hedged by concurrently executed cross currency interest rate swap agreements that involve the exchange of foreign currency principal and interest obligations for U.S. dollar obligations at agreed-upon currency exchange and interest rates. The original maturities of interest rate swap agreements are based on the maturities of the underlying notes. The aggregate notional amounts of cross currency interest rate swap agreements at December 31, 2003 and 2002 were \$9.2 billion and \$8.7 billion, respectively.

**ASIF II**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2003 and 2002**

---

**2. Summary of Significant Accounting Policies (Continued)**

**Credit Risk Management**

The Company manages the risk of counterparty default through the use of credit standard guidelines and monitoring of counterparty financial condition. The Company does not anticipate nonperformance by its counterparty and has no reserve related to nonperformance as of December 31, 2003. In addition, the Company has not experienced any counterparty default for the year ended December 31, 2003. The Company's loss in the event of counterparty default is partially mitigated as a result of a master netting agreement in place with the derivative counterparty, which allows the net difference between the Company and the counterparty to be exchanged in the event of default.

**3. Notes Payable**

Notes payable are comprised of the following at December 31, 2003 and 2002:

	2003	2002
1997C Notes due 08/21/2003, no stated interest rate	\$ ---	\$ 36,148,000
1998A Notes due 02/11/2003, 3 months USD LIBOR + 12.5bp	---	200,000,000
1998B Notes due 12/03/2003, 3 months GBP LIBOR + 9bp	---	8,022,000
1998C Notes due 03/10/2003, no stated interest rate	---	6,902,000
1998F Notes due 04/09/2018, fixed interest rate at 7%	113,442,899	94,745,309
1998F2 Notes due 04/09/2018, fixed interest rate at 7%	38,906,377	32,493,851
1998I Notes due 05/14/2003, 3 months XEU LIBOR + 15bp	---	157,245,000
1998J Notes due 05/20/2009, fixed interest rate at 5.25%	287,025,889	239,718,457
1998M Notes due 07/01/2003, fixed interest rate at 6.4%	---	54,140,177
1998N Notes due 07/02/2004, fixed interest rate at 4.875%	287,025,889	239,718,457
1998O Notes due 07/15/2003, 3 months DEM LIBOR + 12.5bp	---	267,993,640
1998P Notes due 07/16/2004, no stated interest rate	34,681,000	28,974,000
1998R Notes due 08/19/2003, fixed interest rate at 6%	---	54,140,177
1998S Notes due 09/24/2004, no stated interest rate	27,875,000	23,287,000
1998X Notes due 12/23/2003, no stated interest rate	---	27,078,000
1999B Notes due 02/16/2009, fixed interest rate at 5.75%	850,000,000	850,000,000
1999B2 Notes due 02/16/2009, fixed interest rate at 5.75%	150,000,000	150,000,000
1999C Notes due 02/17/2017, 6 months EURIBOR + 21.75bp	94,138,321	78,622,500
1999D Notes due 04/07/2009, fixed interest rate at 6.0%	30,000,000	30,000,000
1999E Notes due 04/7/2009, fixed interest rate at 5.87%	20,000,000	20,000,000
1999F Notes due 04/27/2004, fixed interest rate at 2.0%	206,615,000	184,724,000
1999F2 Notes due 04/27/2004, fixed interest rate at 2.0%	123,980,000	110,864,000
1999G Notes due 12/07/2009, fixed interest rate at 5.375%	457,962,000	417,938,000
1999G2 Notes due 12/07/2009, fixed interest rate at 5.375%	320,558,000	292,542,000
1999G3 Notes due 12/07/2009, fixed interest rate at 5.375%	191,637,000	174,942,000
1999G4 Notes due 12/07/2009, fixed interest rate at 5.375%	89,608,000	81,802,000
1999G5 Notes due 12/07/2009, fixed interest rate at 5.375%	183,176,000	167,167,000
1999I Notes due 07/02/2014, fixed interest rate at 2.0%	34,228,000	28,146,000
1999J Notes due 11/25/2005, fixed interest rate at 5.0%	325,168,000	270,737,000
1999J2 Notes due 11/25/2005, fixed interest rate at 5.0%	132,220,000	110,377,000
1999J3 Notes due 11/25/2005, fixed interest rate at 5.0%	66,101,000	55,182,000
1999J4 Notes due 11/25/2005, fixed interest rate at 5.0%	198,304,000	165,545,000
1999K Notes due 11/26/2004, fixed interest rate at 6.5%	183,863,000	168,237,000
1999L Notes due 10/06/2003, fixed interest rate at 6.375%	---	250,000,000
1999L2 Notes due 10/06/2003, fixed interest rate at 6.375%	---	100,000,000

1999M Notes due 12/03/2009, fixed interest at 1.25%	26,359,000	22,021,000
1999O Notes due 12/08/2004, fixed interest rate at 4.75%	647,752,000	542,488,000
1999O2 Notes due 12/08/2004, fixed interest rate at 4.75%	129,534,000	108,484,000
1999O3 Notes due 12/08/2004, fixed interest rate at 4.75%	97,150,000	81,363,000
1999P Notes due 12/09/2005, fixed interest rate at 5.75%	72,899,000	59,625,000
2000A Notes due 10/14/2019, fixed interest rate at 6.15%	66,576,000	55,185,000

## ASIF II

### Notes to Financial Statements

#### For the Years Ended December 31, 2003 and 2002

### 3. Notes Payable (Continued)

	2003	2002
2000B Notes due 01/26/2005, fixed interest rate at 1.2%	477,814,000	436,281,000
2000B2 Notes due 01/26/2005, fixed interest rate at 1.2%	238,907,000	218,140,000
2000B3 Notes due 01/26/2005, fixed interest rate at 1.2%	71,672,000	65,442,000
2000B4 Notes due 01/26/2005, fixed interest rate at 1.2%	95,563,000	87,256,000
2000B5 Notes due 01/26/2005, fixed interest rate at 1.2%	93,371,000	84,400,000
2000C Notes due 03/17/2004, fixed interest rate at 6.625%	79,720,000	76,080,000
2000D Notes due 03/29/2005, fixed interest rate at 1.25%	47,806,000	43,671,000
2000E Notes due 03/31/2005, 3 months Sterling LIBOR + 0.01%	25,956,000	23,424,240
2000F Notes due 03/31/2005, fixed interest rate at 8.0%	250,000,000	250,000,000
2000F2 Notes due 03/31/2005, fixed interest rate at 8.0%	100,000,000	100,000,000
2000G Notes due 06/23/2005, fixed interest rate at 7.5%	28,185,000	28,823,000
2000H Notes due 08/31/2005, fixed interest rate at 6.5%	377,216,000	345,319,000
2000I Notes due 05/26/2005, 3 months USD LIBOR + 5bp	29,600,000	29,600,000
2000J Notes due 09/14/2005, 3 months USD LIBOR + 14bp	100,000,000	100,000,000
2000L Notes due 09/26/2005, no stated interest rate	32,680,000	29,540,000
2000M Notes due 10/05/2020, fixed interest rate at 6.375%	312,562,000	284,398,000
2000N Notes due 10/31/2003, fixed interest rate at 5.5%	---	314,587,000
2000O Notes due 12/03/2003, fixed interest rate at 7.625%	---	57,520,000
2000P Notes due 03/14/2005, fixed interest rate at 0.98%	46,685,000	42,200,000
Series 2001-A due 11/20/05, 3-month USD LIBOR + .05%	30,000,000	30,000,000
Series 2000-J Tranche 2 due 09/14/05 at floating rate	10,000,000	10,000,000
Series 2000-B Tranche 6 due 01/26/05, fixed interest rate at 1.2%	47,781,000	43,628,000
Series 1999-O Tranche 4 due 12/08/04, fixed interest rate at 4.75%	161,917,000	135,605,000
Series 2001-B due 03/20/08, fixed interest rate at 1.2%	483,490,000	444,823,000
Series 2001-C Tranche 1 due 02/21/06, fixed interest rate at 5%	686,968,000	572,710,000
Series 2001-D due 07/28/05, fixed interest rate at 5.5%	82,627,000	68,042,000
Series 1999-J Tranche 5 due 11/25/05, fixed interest rate at 5%	\$132,202,000	\$110,363,000
Series 2001-F due 04/02/04, fixed interest rate at 5.25%	81,282,000	67,561,000
Series 2001-G due 04/03/06, 3-month LIBOR + .10%	130,000,000	130,000,000
Series 2001-H Tranche 1 due 05/09/05, fixed interest rate at 7%	66,163,000	61,302,000
Series 1999-O Tranche 5 due 12/08/04, fixed interest rate at 4.75%	129,534,000	108,484,000
Series 1999-O Tranche 6 due 05/09/05, fixed interest rate at 4.75%	129,534,000	108,484,000
Series 1999-O Tranche 7 due 12/08/04, fixed interest rate at 4.75%	129,534,000	108,484,000
Series 2001-C Tranche 2 due 02/21/06, fixed interest rate at 5%	137,394,000	114,542,000
Series 2001-H Tranche 2 due 05/09/05, fixed interest rate at 7%	49,623,000	45,976,000
Series 2001-H Tranche 2 due 05/09/05, fixed interest rate at 7%	49,623,000	45,976,000
Series 2001-I due 02/02/21, fixed interest rate at 6.6%	100,000,000	100,000,000
Series 2001-J due 01/02/27, zero coupon	23,470,298	20,897,000
Series 2001-K due 07/23/14, coupon rate	129,731,000	124,504,000
Series 2001-L due 08/07/08, 6-month EURIBOR	87,862,000	73,381,000
Series 2001-M due 08/16/05, fixed interest rate at 5%	100,000,000	100,000,000
Series 2001-M due 10/05/20, fixed interest rate at 6.375%	104,187,000	94,800,000
Series 2001-N due 09/26/06, fixed interest rate at 5.25%	123,717,000	101,104,000
Series 2001-O due 12/03/03, 3-month LIBOR + .09%	---	150,000,000
2002A Notes due 02/01/2012, fixed interest rate at 5.625%	888,889,000	802,201,930
2002B Notes due 03/20/07, 6-month EURIBOR + .09%	144,345,000	120,554,500
2002C Notes due 06/14/05, fixed interest rate at 2.95%	330,032,000	306,281,000
2002E Notes due 06/06/07, fixed interest rate at 3.25%	241,488,000	217,328,000

2002F Notes due 08/09/06, fixed interest rate at 7.25%	84,673,000	76,942,000
2002G Notes due 10/30/07, fixed interest rate at 0.63%	46,685,000	42,200,000
2002H Notes due 10/30/07, 6-month JPY LIBOR + .1275%	28,011,000	25,320,000
2002I Notes due 08/18/08, fixed interest rate at 0.95%	186,741,000	168,800,000
2002J Notes due 01/02/32, fixed interest rate at 5.63%	75,000,000	75,000,000
2003A Notes due 01/02/31, fixed interest rate at 5.125%	471,233,714	---
2003B Notes due 07/10/23, fixed interest rate at 6.55%	138,000,000	---
2003E Notes due 07/22/33, zero coupon	48,338,000	---

## ASIF II

### Notes to Financial Statements

#### For the Years Ended December 31, 2003 and 2002

### 3. Notes Payable (Continued)

	2003	2002
2003I Notes due 11/20/08, fixed interest rate at 6.50%	335,381,000	---
2003J Notes due 11/20/08, AUD-BBR + 0.28%	123,586,000	---
Total notes payable	<u>\$14,243,564,387</u>	<u>\$ 13,468,572,238</u>

Each note is fully secured by a guaranteed investment contract, which is owned by the Company. The guaranteed investment contract is entered into with SALIC.

Principal payments on the notes are due as follows:

2004	\$ 2,256,266,609
2005	3,709,826,089
2006	1,073,474,794
2007	460,529,534
2008	1,183,371,667
Thereafter	<u>5,297,485,477</u>
Total	<u>\$ 13,980,954,170</u>

The estimated fair value of the Company's debt at December 31, 2003 and 2002 is as follows:

December 31,	
2003	2002
<u>\$14,347,380,000</u>	<u>\$13,573,322,000</u>

### 4. Operating Expenses

All operating expenses of the Company are paid and borne by SALIC.



### ASIF III (JERSEY) LIMITED

*The following includes a summary of certain of the terms of the Memorandum of Association, Articles of Association and Declaration of Trust of ASIF III (Jersey) Limited and related documents and is qualified subject to the detailed provisions of the Memorandum of Association, Articles of Association, Declaration of Trust and such related documents, copies of which may be obtained from any relevant Paying Agent.*

ASIF III (Jersey) Limited ("ASIF III") is a limited liability company incorporated for an unlimited duration under the laws of Jersey. ASIF III was incorporated on March 9, 1994. Its name was changed on November 20, 1997 to SunAmerica Institutional Funding III Limited and on September 24, 1999 to AIG SunAmerica Institutional Funding III Limited. Its name was changed to ASIF III (Jersey) Limited on August 21, 2002. ASIF III has undertaken no business activities since its formation other than those described herein and has exempt company status for the purpose of Jersey income tax.

ASIF III's Memorandum of Association provides that its authorized share capital is U.S. \$15,000 divided into 15,000 ordinary shares of nominal or par value of U.S. \$1 each. Five shares of ASIF III (the "Juris Shares") have been issued to Juris Limited ("Juris"), 5 shares of ASIF III (the "Lively Shares," and, together with the Juris Shares, the "Shares") have been issued to Lively Limited ("Lively"). No other shares of ASIF III have been issued. Juris holds the title to the Juris Shares as nominee of Mourant & Co. Trustees Limited, as trustee of the Athena Trust ("Mourant") pursuant to a Declaration of Trust made on November 24, 1997 (the "Juris Declaration of Trust") by Juris. Lively holds the title to the Lively Shares as nominee of Mourant pursuant to a Declaration of Trust made on November 24, 1997 (the "Lively Declaration of Trust") by Lively. ASIF III's organizational documents include its current Memorandum of Association and Articles of Association, which were registered on November 20, 1997. The Athena Trust is a trust for charitable purposes established by Mourant by Instrument of trust on October 8, 1997.

Daniel Le Blancq, Rupert Walker and Julia Anne Jennifer Chapman each serve as directors of ASIF III. The occupation of each of the directors is as follows: Daniel Le Blancq is business manager; Rupert Walker is a solicitor; and Julia Anne Jennifer Chapman is a solicitor. The business addresses of each of the directors are 22 Grenville Street, St. Helier, Jersey, JE4 8PX, Channel Islands. Mourant & Co. Secretaries Limited acts as Secretary of ASIF III. ASIF III does not have any other directors, officers or any employees.

The Jersey Indenture contemplates that ASIF III may enter into one or more supplements to the Jersey Indenture from time to time pursuant to which ASIF III will issue Series of Notes that are secured on a non-recourse basis by a particular Funding Agreement issued by SALIC or a SALIC Affiliate in favor of ASIF III and, in certain instances, by SWAPs entered into between SALIC or a SALIC Affiliate and ASIF III. The Jersey Indenture includes a number of restrictive covenants, including a covenant that prohibits ASIF III from engaging in any business activities other than the issuance of Notes and entering into agreements contemplated under the Jersey Indenture and covenants that prohibit ASIF III from dissolving or liquidating in whole or in part, amending any material provision of its Memorandum of Association or Articles of Association or making any dividend or distribution on its capital stock, other than an amount representing its nominal fee for issuing Notes.

The Lively and Juris Declarations of Trust provide that Juris and Lively will hold the respective Shares in trust and will refrain from exercising all voting rights attached thereto except in accordance with the direction of Mourant. In addition, the Declarations of Trust provide, among other things, that Juris and Lively shall: (i) not transfer, deal or dispose of any of the Shares other than as Mourant may from time to time direct, (ii) hold the certificates for the Shares for Mourant and (iii) account to Mourant for all dividends and profits which may be paid to Juris and Lively from time to time upon the Shares and for all other moneys or profits which may be payable to Juris and Lively in respect thereof.

Neither SALIC nor any of its affiliates owns any shares of ASIF III or has entered into any agreement with ASIF III other than the Funding Agreements or any SWAPs as contemplated by the Jersey Indenture and any supplements thereto, SALIC's agreement to pay certain operating expenses of and fees to ASIF III and a license agreement between SunAmerica Inc. and ASIF III pursuant to which SunAmerica Inc. granted to ASIF III a non-exclusive license to use the name "SunAmerica" as provided therein. SALIC has also agreed with the Jersey Trustee to pay its expenses incurred in connection with the Jersey Indenture, to the extent such expenses have not been paid by ASIF III. Under the Jersey Indenture and any supplements thereto, ASIF III may issue Notes secured by Funding Agreements purchased from SALIC or a SALIC Affiliate and SWAPs entered into by SALIC or a SALIC Affiliate. Neither SALIC nor any of its affiliates is affiliated with Juris, Lively or Mourant.

On or prior to December 31, 2003, ASIF III has issued 21 series of Notes in an aggregate principal amount still outstanding as of December 31, 2003 of approximately U.S. \$7,594,826,812 all of which were issued as part of the Programme.

## Capitalization

The authorized capital of ASIF III is U.S. \$15,000 divided into 15,000 shares of U.S. \$1.00 each, of which 5 shares of U.S. \$1 each have been issued to Juris and of which 5 shares of U.S. \$1 each have been issued to Lively.

The following table sets forth the capitalization of ASIF III as of December 31, 2003:

As of December 31, 2003 (U.S. \$)	
Borrowings:	
The notes .....	<u>\$ 7,594,826,812</u>
Shareholders' funds	
Ordinary shares .....	<u>10</u>
Additional paid reserves .....	<u>0</u>
Retained earnings .....	<u>9,000</u>
Total shareholders' funds	<u>9,010</u>
Total capitalization .....	<u>\$ 7,594,835,822</u>

From January 1, 2003 through the date hereof ASIF III issued 19 additional series of Notes that are part of the Programme in an aggregate principal amount of approximately \$4,729,664,397. Except as disclosed in the preceding sentence, there has been no material change in the capitalization of ASIF III since December 31, 2003.

**ASIF III (JERSEY) LIMITED**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST DECEMBER 2003**

Ref: 34328

Sims: 986061

## **REPORT OF THE DIRECTORS**

The Directors present their report and the audited financial statements for the year ended 31st December 2003.

### **INCORPORATION**

The Company is incorporated in Jersey, Channel Islands. On 20th August 2002 the Company changed its name from AIG SunAmerica Institutional Funding III Limited to ASIF III (Jersey) Limited.

### **ACTIVITIES**

The principal activity of the Company is the issue, from time to time, of both listed and unlisted Limited Recourse Notes Payable under a US\$ 25,000,000,000 note programme. The net proceeds of the issues have been used to invest in Funding Agreements with SunAmerica Life Insurance Company. Where issues are denominated in currencies other than US\$ and where the interest rates receivable on the Funding Agreements are different from the interest rates payable on the Limited Recourse Notes, the Company has entered into Swap Agreements in order to match its income to its obligations. As set out in the Programme Memorandum, the Notes are only intended for highly sophisticated and knowledgeable investors who are capable of understanding and evaluating the risks involved in investing in the Notes.

### **RESULTS AND DIVIDENDS**

The profit for the year amounted to US\$ 1,500.

The Directors do not recommend a dividend for the year.

### **DIRECTORS**

The Directors who held office during the year and subsequently were:

N.C. Davies (resigned 20 February 2004)  
J.A.J. Chapman  
R. Walker  
D. Le Blancq (appointed 20 February 2004)

### **AUDITORS**

PricewaterhouseCoopers have expressed their willingness to continue in office.

### **REGISTERED OFFICE**

22 Grenville Street  
St. Helier  
Jersey  
Channel Islands  
JE4 8PX

### **BY ORDER OF THE BOARD**

Authorised Signatory  
**Mourant & Co. Secretaries Limited**  
Secretary

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements which shall be in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the Company for the year and of the state of the Company's affairs at the end of the year.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Company's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, errors and other irregularities.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASIF III (JERSEY) LIMITED**

We have audited the financial statements which comprise the balance sheet, the profit and loss account, the cash flow statement and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Jersey law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st December 2003 and of its profit for the year then ended in accordance with United Kingdom accounting standards and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Authorized Signatory  
PricewaterhouseCoopers  
Chartered Accountants  
Jersey CI

17 September 2004

**BALANCE SHEET**
**AS AT 31ST DECEMBER 2003**
As Restated

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
<b>FIXED ASSETS</b>			
Funding Agreements	2	<u>7,594,826,812</u>	<u>3,108,477,431</u>
<b>CURRENT ASSETS</b>			
Debtors	3	<u>152,055,347</u>	<u>100,261,851</u>
<b>CREDITORS: (Amounts falling due within one year)</b>			
Limited Recourse Notes Payable	2, 12	—	(250,000,000)
Interest payable on the Notes		(129,826,306)	(88,324,571)
Interest payable on the Swaps		<u>(22,220,031)</u>	<u>(11,929,770)</u>
		<u>(152,046,337)</u>	<u>(350,254,341)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>9,010</u>	<u>(249,992,490)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,594,835,822</u>	<u>2,858,484,941</u>
<b>CREDITORS: (Amounts falling due after more than one year)</b>			
Limited Recourse Notes Payable	2, 12	(7,594,826,812)	(2,858,477,431)
<b>TOTAL NET ASSETS</b>		US\$ 9,010	US\$ 7,510
<b>CAPITAL AND RESERVES</b>			
Called up share capital	4	10	10
Profit and loss account		9,000	7,500
<b>EQUITY SHAREHOLDERS' FUNDS</b>		US\$ 9,010	US\$ 7,510

The financial statements were approved by the Board of Directors on the 16<sup>th</sup> day of September 2004 and were signed on its behalf by:

Director: Authorized Signatory

*(The notes on pages 7 to 14 form part of these financial statements)*



**PROFIT AND LOSS ACCOUNT**
**FOR THE YEAR ENDED 31ST DECEMBER 2003**

		<b><u>As restated</u></b>	
	<b><u>Notes</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>INCOME:</b>			
Income receivable on Funding Agreements	1	170,890,604	121,404,565
Income receivable on Swaps		170,202,136	83,248,777
Accretion of discounts on Funding Agreements	1	861,709	2,791,480
Commissions receivable		1,500	1,500
		<u>341,955,949</u>	<u>207,446,322</u>
<b>EXPENDITURE:</b>			
Interest payable on Limited Recourse Notes	1	239,277,678	141,388,800
Interest payable on Swaps		101,815,062	63,264,542
Amortisation of discounts on Loan Notes	1	861,709	2,791,480
		<u>341,954,449</u>	<u>207,444,822</u>
<b>OPERATING PROFIT</b>		1,500	1,500
Foreign exchange gain on retranslation of Funding Agreements		928,382,581	420,140,019
Foreign exchange loss on retranslation of Limited Recourse Notes		<u>(928,382,581)</u>	<u>(420,140,019)</u>
<b>PROFIT FOR THE YEAR</b>		1,500	1,500
<b>BALANCE BROUGHT FORWARD</b>		<u>7,500</u>	<u>6,000</u>
<b>BALANCE CARRIED FORWARD</b>		<u>US\$ 9,000</u>	<u>US\$ 7,500</u>

**Continuing operations**

All items dealt with in arriving at the profit for the year ended 31st December 2003 relate to continuing operations.

**Recognised gains and losses**

There are no recognised gains and losses of the Company for the year other than the profit of US\$ 1,500 for the year ended 31st December 2003 and the profit of US\$ 1,500 for the year ended 31st December 2002.

**Historical cost equivalent**

There is no difference between the profit stated above and its historical cost equivalents.

*(The notes on pages 7 to 14 form part of these financial statements)*

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2003

		<u>As restated</u>
	<u>2003</u>	<u>2002</u>
<b>Net cash flow from operating activities</b>	–	–
<b>Returns on investment and servicing of finance</b>		
Interest paid	(289,300,744)	(225,973,875)
Interest received	289,300,744	225,973,875
	<u>–</u>	<u>–</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire Funding Agreements	(3,807,105,091)	(718,354,884)
Repayment from Funding Agreement	225,314,335	7,337,455
	<u>–</u>	<u>–</u>
<b>Net cash flow before financing</b>	(3,551,790,756)	(711,017,429)
<b>Financing</b>		
Repayment of loan notes	(255,314,335)	(7,337,455)
Issue of loan notes	3,807,105,091	718,354,884
	<u>3,551,790,756</u>	<u>711,017,429</u>
<b>Movement in cash</b>	<u>US\$ –</u>	<u>US\$ –</u>

## RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<u>2003</u>	<u>2002</u>
Result for the year	1,500	1,500
Increase in debtors	(1,500)	(1,500)
<b>Net cash flow from operating activities</b>	<u>US\$ –</u>	<u>US\$ –</u>

## ANALYSIS OF CHANGES IN NET DEBT

	<u>31st Dec 02</u>	<u>Cash flow</u>	<u>Foreign Exchange</u>	<u>31st Dec 03</u>
Debt due within 1 year	(250,000,000)	250,000,000	–	–
Debt due after 1 year	(2,858,477,431)	(3,807,105,091)	(928,382,581)	(7,593,965,103)
<b>Total</b>	<u>US\$ (3,108,477,431)</u>	<u>US\$ (3,557,105,091)</u>	<u>US\$ (928,382,581)</u>	<u>US\$ (7,593,965,103)</u>

(The notes on pages 7 to 14 form part of these financial statements)

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31ST DECEMBER 2003**

#### **1. ACCOUNTING POLICIES**

These financial statements have been prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting standards. The more significant accounting policies used are set out below:-

##### **Funding Agreements**

Funding Agreements are being held for the long term and are accordingly stated at cost, or amortised cost where discounts or premiums are present. Funding Agreements are written down to their realisable value if, in the Directors' opinion, there has been a permanent diminution in their value.

##### **Limited Recourse Notes Payable**

Limited recourse notes payable are initially shown in the accounts at net issue proceeds. Discounts and premiums recorded at the time of issue are included within the balance in accordance with FRS4.

##### **Foreign currencies**

Monetary assets and monetary liabilities are translated into US\$ at the rate of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rate of the exchange ruling at the date of the transaction. Profits and losses on exchange are dealt with in the profit and loss account.

##### **Income receivable on Funding Agreements**

Interest is accounted for on an accruals basis and represents interest receivable from the Funding Agreements. Premiums and discounts and any commissions payable on subscription to new Funding Agreements and Loan Notes are recognised net in the Profit and Loss Account at a constant rate on the carrying amount of the instrument over the life of the relevant series.

##### **Interest payable on Limited Recourse Notes**

Interest payable on limited recourse notes is brought into account on an accruals basis.

##### **Derivative transactions**

Derivative transactions comprise cross-currency interest rate swaps entered into for the purpose of hedging the interest rate risk arising from the interest rate mismatch and currency risk from the currency mismatch between the purchased Funding Agreements and the issued Limited Recourse Notes. Gains and losses generated through the swaps are recognised in the profit and loss account on an accruals basis.

##### **Financial instruments**

In line with paragraph 6 of Financial Reporting Standard No.13 "Derivatives and Other Financial Instruments", the Company has elected to exclude all items related to short term debtors and creditors from the required disclosures on financial instruments.

##### **Prior Year Adjustment**

In the prior year the Company did not gross up the amounts receivable and payable under the Currency and Interest Rate Swaps.

In the opinion of the Director's, the disclosure in the Profit & Loss Account of these amounts together with the inclusion of the year end accruals, provides a fairer presentation of the Company's position. Accordingly these amounts have been restated.

The restatement has not had any effect on the current year or prior year profit or the opening reserve position as at 1 January 2003.

## **NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)**

### **FOR THE YEAR ENDED 31ST DECEMBER 2003**

#### **2. FUNDING AGREEMENTS, LIMITED RECOURSE NOTES AND SWAP AGREEMENTS**

The company has issued several series of Limited Recourse Notes (together the "Notes") which are both listed and unlisted, as detailed on page 14. The net proceeds after deduction of commissions payable to placement agents have been invested in specific Funding Agreements issued by SunAmerica National Life Insurance Company each paying a guaranteed interest rate. Under a general amendment to the Funding Agreements, the Funding Agreements have been assigned to SunAmerica Life Insurance Company.

In connection with each series of Notes denominated in US\$, the Company has entered into a Funding Agreement with SunAmerica Life Insurance Company (the "Counterparty"). Under each Funding Agreement the Company undertakes to pay to the Counterparty the net issue proceeds of the relevant series; the Counterparty undertakes to pay amounts to the Company equal to the interest amount payable on the Notes and the principal amount payable on the redemption of the Notes. The Funding Agreements are essentially loan contracts between the Company, as lender, and the Counterparty, as borrower.

In connection with each series of Notes denominated in currencies other than US\$, the Company has entered into a Funding Agreement and a Swap Agreement (together, the "Agreements") with SunAmerica Life Insurance Company (the "Counterparty"). Under the Agreements the Company undertakes to pay to the Counterparty the net issue proceeds of the relevant series; the Counterparty undertakes to pay amounts to the Company equal to, and in the currency of, the interest amounts payable on the Notes and the principal amount payable on the redemption of the Notes.

The Company's obligations under the Notes have been secured by the assignment of the Company's interest in the Funding Agreements and the Swaps to an independent trustee (the "Trustee") for the benefit of the holders of the Notes.

The recourse of holders of any series of Notes against the Company is limited to amounts receivable pursuant to the Swaps supported by the Funding Agreements relevant to and securing that series of Notes.

Further information in respect of the Notes, Funding Agreements and security provisions pertaining to the Notes are contained in the Information Memoranda and pricing supplements issued by the Company.

The value of the monetary assets and liabilities shown in the balance sheet at the closing rates are:

	<b><u>2003</u></b>	<b><u>2002</u></b>
Funding agreements and swap amounts	7,617,361,313	3,108,477,431
Unaccreted discounts upon purchase	(22,534,501)	
	US\$ <u>7,594,826,812</u>	US\$ <u>3,108,477,431</u>
Limited Recourse Notes Payable		
Amounts due within one year	-	250,000,000
Amounts due in more than one year	7,617,361,313	2,858,477,431
Unamortised discounts upon issue	(22,534,501)	-
	US\$ <u>7,594,826,812</u>	US\$ <u>3,108,477,431</u>

#### **Premiums and discounts**

Premiums and discounts on the issue of the above Funding Agreements and Loan. Notes Payable, and the commissions payable at the time of issue have been recognised in the Profit & Loss Account at a constant rate on the carrying amount of the instrument.



NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2003

3. DEBTORS

	<u>2003</u>	<u>2002</u>
Interest receivable from Funding Agreements	51,100,794	36,308,990
Interest receivable from Swaps	100,945,543	63,945,351
Commission receivable	9,000	7,500
Due from shareholders	10	10
US\$	<u>152,055,347</u>	<u>100,261,851</u>

4. CALLED UP SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
AUTHORISED:		
15,000 ordinary shares of US\$ 1 each	US\$ <u>15,000</u>	US\$ <u>15,000</u>
ISSUED AND FULLY PAID:		
10 ordinary shares of US\$ 1 each	US\$ <u>10</u>	US\$ <u>10</u>

5. TAXATION

The Company has been granted exempt status for Jersey taxation purposes and therefore only suffers an annual exempt company fee of £ 600. The annual exempt company fee for the current and prior year was settled by a third party.

6. RECONCILIATION OF MOVEMENTS  
IN EQUITY SHAREHOLDERS' FUNDS

	<u>2003</u>	<u>2002</u>
Profit for the year	1,500	1,500
Net addition to equity shareholders' funds	1,500	1,500
Opening equity shareholders' funds	7,510	6,010
Closing equity shareholders' funds	US\$ <u>9,010</u>	US\$ <u>7,510</u>

7. OWNERSHIP

The Company is owned by Maurant & Co. Trustees Limited as Trustee of a charitable trust known as the Athena Trust.

8. RELATED PARTIES

R. Walker, N.C. Davies and J.A.J. Chapman are partners in the Maurant Group and D. Le Blancq is an employee of the Maurant Group, affiliates of which provide ongoing legal advice and administrative services to the Company at normal commercial rates.

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

## FOR THE YEAR ENDED 31ST DECEMBER 2003

## 9. COMPANY EXPENSES

All of the Company's expenses for the current year and prior year have been met by SunAmerica Life Insurance Company and are therefore not reflected within these financial statements.

## 10. FINANCIAL INSTRUMENTS

The principal activity of the Company is the issue of listed and unlisted Limited Recourse Notes Payable, the proceeds of which have been used to invest in Funding Agreements and for issues denominated in currencies other than US\$, Currency Swap Agreements. The role of financial assets and financial liabilities, therefore, is central to the activities of the Company; the financial liabilities provided the funding to purchase the Company's financial assets. Financial assets and liabilities provide the majority of the assets and liabilities of the Company.

The Interest Rate Swaps and Currency Swap Agreements entered into by the Company hedge the interest rate risk and the currency risk of the transactions.

The strategies used by the Company in achieving its objectives regarding the use of its financial assets and liabilities were set when the company entered into the transactions. The Company has matched the properties of its financial liabilities to its assets to avoid significant elements of risk generated by mismatches of maturity, interest rate risk and currency rate risk.

**Interest rate risk**

The Company has entered into Funding Agreements and Swap Agreements whereby the interest received from its underlying investments will always be matched by the interest payable under the Limited Recourse Notes Payable. The Directors therefore believe there is no material interest rate risk to the Company.

The interest rate profile of the Company's financial assets and liabilities is as follows:

			<u>2003</u>		<u>2002</u>
	Interest charging basis	Weighted average interest rate	Amount	Weighted average interest rate	Amount
<i>Financial assets:</i>					
Funding agreements and swap amounts	Fixed	3.50%	5,737,560,935	4.84%	2,593,379,653
Funding agreements and swap amounts	Floating	2.01%	1,857,265,877	4.33%	515,097,778
			US\$ <u>7,594,826,812</u>		US\$ <u>3,108,477,431</u>
<i>Financial liabilities:</i>					
Limited Recourse Notes Payable	Fixed	3.50%	5,737,560,935	4.84%	2,593,379,653
Limited Recourse Notes Payable	Floating	2.01%	1,857,265,877	4.33%	515,097,778
			US\$ <u>7,594,826,812</u>		US\$ <u>3,108,477,431</u>

## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

## FOR THE YEAR ENDED 31ST DECEMBER 2003

## 10. FINANCIAL INSTRUMENTS (CONTINUED)

## Credit risk and Counterparty risk

Credit risk is the risk of default on the Funding Agreements and Swap Agreements. SunAmerica Insurance Company Life Insurance Company is rated Aaa by Moody's Investor Services. The credit rating is subjected to a regular review, and provides the directors with an effective means of monitoring the credit risk. Furthermore, the obligations under the notes are limited to the underlying Funding Agreement. The notes also have different maturity profiles as shown in the maturity analysis. The directors therefore believe there is no net credit risk to the Company.

## Fair values

The directors estimate that the aggregate fair values of its financial assets and financial liabilities are as follows:

	<b><u>2003</u></b> <b>Book</b> <b>Value</b> <b>US\$</b>	<b><u>2003</u></b> <b>Fair</b> <b>Value</b> <b>US\$</b>	<b><u>2002</u></b> <b>Book</b> <b>Value</b> <b>US\$</b>	<b><u>2002</u></b> <b>Fair</b> <b>Value</b> <b>US\$</b>
<b>Primary financial instruments held:</b>				
Funding Agreements	7,594,826,812	7,649,582,056	3,108,477,431	3,252,492,554
Limited Recourse Notes	7,594,826,812	7,649,582,056	3,108,477,431	3,252,492,554

## Maturity of financial assets and liabilities

The maturity profile of the Company's financial assets and liabilities is as follows:

	<b><u>2003</u></b> <b>Financial</b> <b>Assets</b> <b>US\$</b>	<b><u>2003</u></b> <b>Financial</b> <b>Liabilities</b> <b>US\$</b>	<b><u>2002</u></b> <b>Financial</b> <b>Assets</b> <b>US\$</b>	<b><u>2002</u></b> <b>Financial</b> <b>Liabilities</b> <b>US\$</b>
Within one year	—	—	250,000,000	250,000,000
In more than one year but not more than two years	809,682,210	809,682,210	—	—
In more than two years but not more than five years	3,258,973,132	3,258,973,132	1,210,331,676	1,210,331,676
In more than five years	3,526,171,470	3,526,171,470	1,648,145,755	1,648,145,755
	<u>7,594,826,812</u>	<u>7,594,826,812</u>	<u>3,108,477,431</u>	<u>3,108,477,431</u>



## NOTES TO THE FINANCIAL STATEMENTS - (CONTINUED)

## FOR THE YEAR ENDED 31ST DECEMBER 2003

## 10. FINANCIAL INSTRUMENTS (CONTINUED)

## Currency rate risk

The mismatches in currency between the Funding Agreements and the Limited Recourse Notes are managed through swap agreements with SunAmerica Insurance Company as the Swap Counterparty. Therefore the directors believe that there is no material currency risk to the Company.

The currency profile of the Company's financial assets and liabilities is as follows:

	<u>2003</u> <u>Financial</u> <u>Assets</u> <u>US\$</u>	<u>2003</u> <u>Financial</u> <u>Liabilities</u> <u>US\$</u>	<u>2002</u> <u>Financial</u> <u>Assets</u> <u>US\$</u>	<u>2002</u> <u>Financial</u> <u>Liabilities</u> <u>US\$</u>
EUR	5,681,454,542	5,681,454,542	2,642,415,561	2,642,415,561
SEK	66,689,199	66,689,199	55,071,870	55,071,870
USD	—	—	250,000,000	250,000,000
GBP	1,243,492,533	1,243,492,533	160,990,000	160,990,000
CHF	603,190,538	603,190,538	—	—
	<u>7,594,826,812</u>	<u>7,594,826,812</u>	<u>3,108,477,431</u>	<u>3,108,477,431</u>

## 11. POST BALANCE SHEET EVENTS

Subsequent to the Balance Sheet date the Company has issued the following series of Notes:

Series	Issue Date	Ccy	Nominal	
2004-A	12-Jan-04	CHF	200,000,000	Floating rate notes due 12/01/2007
2004-F(3)	28-Jan-04	GBP	150,000,000	Fixed rate notes due 30/12/2008
2004-C	20-Feb-04	CHF	250,000,000	Fixed rate notes due 20/02/2007
2003-F(4)	27-Feb-04	GBP	50,000,000	Fixed rate notes due 30/12/2008
2004-D	11-Mar-04	EUR	500,000,000	Fixed rate notes due 11/03/2009
2004-G	06-Apr-04	GBP	28,000,000	Floating rate notes due 06/04/2009
2004-H	14-Apr-04	GBP	350,000,000	Fixed rate notes due 14/10/2016
2003-F(5)	21-Apr-04	GBP	100,000,000	Fixed rate notes due 30/12/2008
2004-I	29-Apr-04	CHF	200,000,000	Fixed rate notes due 29/12/2015
2004-D(2)	10-May-04	EUR	150,000,000	Fixed rate notes due 11/03/2009
2004-J	11-May-04	CAD	150,000,000	Fixed rate notes due 30/12/2008
2004-M	15-Jun-04	GBP	200,000,000	Fixed rate notes due 15/06/2009
2004-N	15-Jun-04	USD	500,000,000	Fixed rate notes due 30/12/2008
2004-P	15-Jul-04	JPY	75,000,000,000	Fixed rate notes due 15/07/2009
2004-H(3)	27-Aug-04	CHF	50,000,000	Fixed rate notes due 19/11/2008
2004-M(2)	03-Sep-04	GBP	100,000,000	Fixed rate notes due 15/06/2009

All of the above Notes issued are listed.

## ASIF III (JERSEY) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31ST DECEMBER 2003

#### 12. LOAN NOTES PAYABLE

Series	Date of issue	Maturity date	Listing	Coupon	Ccy	Nominal	Carrying Value (currency)	Carry (
1998-D	16/03/1998	25/07/2008	Paris Bourse	5.25%	EUR	228,673,526	1,500,000,000	28
1998-E	01/04/1998	01/04/2005	Luxembourg	LIBOR + 0.09%	GMP	100,000,000	100,000,000	17
1998-G	15/04/1998	15/04/2008	Luxembourg	5.125%	EUR	204,516,752	204,516,752	25
1998-H	29/04/1998	29/04/2013	Luxembourg	8.25% for first 4 years, thereafter 15% minus two times the 12 month ITL LIBOR rate.	EUR	77,468,535	77,468,535	9
1998-K	18/06/1998	18/06/2008	Not Listed	Redemption linked to Swedish inflation and a basket of equity indices. No coupon payments.	SEK	100,000,000	100,000,000	1
1998-Q	03/08/1998	06/02/2008	Luxembourg	DEM/PTE Exchange rate linked with capital element.	EUR	26,655,757	26,655,757	3
1998-U	11/12/1998	11/12/2008	Luxembourg	4% fixed until 11/12/99. Subsequently based on currency swap rates subject to a floor of 4%.	EUR	100,000,000	100,000,000	12
1998-V	15/12/1998	15/12/2008	Not Listed	Linked to Swedish inflation index with capital element.	SEK	416,900,000	379,859,723	5
1999-A	18/01/1999	19/01/2009	Luxembourg	4% fixed initially, rising in 2002 and thereafter.	EUR	75,000,000	75,000,000	9
2000-K	26/09/2000	26/09/2005	Luxembourg	5.750%	EUR	500,000,000	500,000,000	63
2001-E	07/03/2001	07/03/2011	Luxembourg	5.500%	EUR	500,000,000	500,000,000	63
2001-E	15/02/2002	03/07/2011	Luxembourg	5.500%	EUR	300,000,000	300,000,000	37
2002-D	10/05/2002	10/05/2007	Luxembourg	5.125%	EUR	500,000,000	500,000,000	63
2003-C	17/07/2003	17/07/2006	Luxembourg	3 Month EURIBOR +0.15%	EUR	500,000,000	500,000,000	63

## ASIF III (JERSEY) LIMITED

Series	Date of issue	Maturity date	Listing	Coupon	Ccy	Nominal	Carrying Value (currency)	Carry (US\$)
2003-D	18/07/2003	18/12/2018	Luxembourg	5.000%	GBP	250,000,000	250,000,000	44
2003-F	15/08/2003	30/12/2008	Luxembourg	4.375%	GBP	250,000,000	250,000,000	44
2003-F(2)	20/10/2003	30/12/2008	Luxembourg	4.375%	GBP	100,000,000	100,000,000	17
2003-G	11/09/2003	11/09/2013	Luxembourg	4.750%	EUR	1,000,000,000	1,000,000,000	1,26
2003-H	19/11/2003	19/11/2008	Swiss	2.260%	CHF	550,000,000	550,000,000	44
2003-H(2)	30/12/2003	19/11/2008	Swiss	2.260%	CHF	200,000,000	200,000,000	16
2003-K	25/11/2003	25/11/2008	Luxembourg	3 Month EURIBOR +0.15%	EUR	500,000,000	500,000,000	63
							Unamortised discounts upon issue	(2)
								US\$ 7,59

The fair values have been determined by reference to latest available prices from the markets on which the instruments are traded.

\* Series 1998-K and 1998-V are not listed on any exchange and as such prices arising on trades in those notes are not publicly available;

\*\* Where notes are listed but not actively traded, the directors have considered fair values on an individual series basis.

In the directors opinion, in relation to notes of similar terms and similar credit rating, the fair values of notes not traded and/or not listed are not values as stated above.

## SUNAMERICA LIFE INSURANCE COMPANY

### Generally

SunAmerica Life Insurance Company ("SALIC") is an indirect wholly-owned subsidiary of American International Group, Inc. ("AIG"). SALIC is a stock life insurance company domiciled in the State of Arizona and is incorporated under Arizona law and licensed in the District of Columbia and all states except New York. SALIC is also subject to regulation by the states and other jurisdictions in which it sells investment products and otherwise conducts business.

AIG, a Delaware corporation, is a holding company which through its subsidiaries is engaged in a broad range of insurance and insurance-related activities in the United States and abroad. AIG's primary activities include both general and life insurance operations. Other significant activities include financial services, and retirement savings and asset management.

### General Description

SALIC primarily sells funding agreements and guaranteed investment contracts (collectively, "Funding Agreements") to the retirement savings market and other markets. At December 31, 2003, SALIC had unconsolidated assets of \$54.57 billion. Together with its life insurance subsidiaries, which at December 31, 2003, had additional unconsolidated assets of \$29.63 billion on a combined basis, SALIC is among the largest U.S. issuers of fixed and variable annuities and Funding Agreements in terms of combined unconsolidated assets. SALIC was incorporated with unlimited duration on January 12, 1987. Its statutory home office is at 2999 N. 44th Street, Suite 250, Phoenix, Arizona 85018 and its main administrative office is at 21650 Oxnard St., Woodland Hills, California 91367.

On January 1, 1999, SunAmerica Inc., a Maryland corporation which was the sole owner of SALIC, merged with and into AIG. Immediately following the merger, the stock of SALIC was contributed by AIG to SunAmerica Holdings, Inc., a newly formed Delaware corporation (which changed its name, initially, to SunAmerica Inc., then to AIG SunAmerica Inc. and subsequently to AIG Retirement Services, Inc.) ("AIGRS"). SALIC has been a wholly owned indirect subsidiary of AIG since that date.

Through its two life insurance company subsidiaries, SALIC offers a comprehensive selection of fixed and variable annuities. AIG SunAmerica Life Assurance Company ("AIGSLAC") and First SunAmerica Life Insurance Company ("FSA") offer variable annuity products that provide investors a broad spectrum of fund alternatives, with a choice of investment managers, as well as guaranteed fixed-rate account options. These two companies earn fee income through the sale, administration and management of their variable annuity products. They also earn investment income on monies allocated to the fixed-rate account options of these products. Variable annuities offer retirement planning features similar to those offered by fixed annuities, but differ in that the contractholder's rate of return is generally dependent upon the investment performance of the particular equity, fixed-income, money market or asset allocation fund selected by the contractholder. Because the investment risk is borne by the customer in all but the fixed-rate account options, these products require significantly less capital support than fixed annuities. FSA also offers fixed annuities in the State of New York. At December 31, 2003, AIGSLAC and FSA had unconsolidated assets of \$26.16 billion and \$3.47 billion, respectively.

SALIC is the indirect parent of a registered investment advisor, AIG SunAmerica Asset Management Corp., and its related distributor, AIG SunAmerica Capital Services, Inc. (together, "AIG SunAmerica Asset Management"). AIG SunAmerica Asset Management earns fee income by distributing and managing a diversified family of mutual funds and by providing professional management of individual, corporate and pension plan portfolios. The AIG SunAmerica Asset Management mutual funds offer investors an array of equity, fixed-income, money market and tax-exempt mutual funds. The AIG SunAmerica Asset Management mutual funds are distributed nationally through a network of approximately 500 financial institutions and unaffiliated broker-dealers, as well as by the SALIC's affiliated broker-dealers.

SALIC is also affiliated with nine broker-dealers: Royal Alliance Associates, Inc. ("Royal Alliance"), SunAmerica Securities, Inc., Advantage Capital Corporation, FSC Securities Corporation, Sentra Securities Corporation, Spelman & Co., Inc., VALIC Financial Advisors, American General Financial Advisors and Franklin Financial Services Corporation. Together, these affiliated broker-dealers are among the largest networks of independent registered representatives in the nation.

### Strategy

SALIC believes demographic trends have produced strong consumer demand for long-term, investment-oriented products. Industry sales of tax-deferred savings products have benefited from continued strong growth of the retirement savings market and have represented, for a number of years, a significantly larger source of new premiums for the U.S. life

insurance industry than traditional life insurance products. Recognizing the growth potential of this market, SALIC focuses its life insurance operations on the sale of annuities and Funding Agreements.

SALIC and its life insurance subsidiaries generally distribute their products through its affiliated broker-dealers, as well as an extensive network of independent broker-dealers, full-service securities firms, major financial institutions and, in the case of its Funding Agreements, by marketing directly to banks, municipalities, asset management firms, direct plan sponsors and other investors and through intermediaries, such as managers or consultants servicing these groups. SALIC markets Funding Agreements through the Issuer Trust and other special purpose entities that issue medium-term notes or other securities to U.S. and offshore investors.

SALIC has made significant investments in technology over the past several years in order to lower operating costs and enhance marketing efforts. Its use of optical disk imaging and artificial intelligence has substantially reduced the more traditional paper-intensive life insurance processing procedures, reducing annuity processing and servicing costs and improving customer service. SALIC has also implemented technology to interface with both affiliated and unaffiliated broker-dealers, which enables it to market its products more effectively and to help the financial professionals to better serve their clients. There are administrative risks involved in converting business operations to new information technology systems; however, SALIC believes these risks are outweighed by the increased efficiencies and lower operating costs SALIC realizes from its investments in new technology.

## **Competition**

The insurance industry is highly competitive. SALIC competes with other life insurers, and also competes for customers' funds with a variety of investment products offered by financial services companies other than life insurance companies, such as banks, investment advisors, mutual fund companies and other financial institutions. During 2002, net annuity premiums written among the top 100 companies ranged from approximately \$73 million to approximately \$21 billion annually. SALIC together with its affiliates is the largest of this group.

SALIC believes the primary competitive factors among life insurance companies for investment-oriented insurance products, such as annuities and Funding Agreements, include product flexibility, net return after fees, innovation in product design, the insurer's financial strength rating and the name recognition of the issuing company, the availability of distribution channels and service rendered to the customer before and after a contract is issued. Other factors affecting the annuity business include the benefits (including before-tax and after-tax investment returns) and guarantees provided to the customer and the commissions paid.

## **Products**

SALIC's single-premium and flexible-premium deferred fixed annuities generally provide one-, three-, five-, seven-, or ten-year fixed interest rate guarantees. Although the contracts remain in force or are renewed for an average of seven to ten years, a majority (approximately 86% at December 31, 2003) are one-year contracts that reprice annually at discretionary rates determined by SALIC, subject to contractual minimums. In repricing, SALIC takes into account yield characteristics of its investment portfolio, annuity surrender assumptions, and competitive industry pricing, among other factors.

A Funding Agreement is a contract that pays a guaranteed rate of return. Funding Agreements are not tax-qualified insurance contracts. They can be issued to a variety of institutional and other investors, including special purpose conduit vehicles that issue notes secured by such Funding Agreements. Funding Agreements have stated maturities and bear interest on the amount deposited thereunder. The rate of interest to be paid on such deposited amounts can be a fixed rate or a rate based on specified interest rates or other indexes. Surrender of the Funding Agreements during the term period is limited as described in each contract and, generally, no partial withdrawals are allowed.

SALIC complements the retail annuity business of its insurance subsidiaries with the sale of institutional products. At December 31, 2003, SALIC had \$35.5 billion of Funding Agreement obligations, approximately 69% of which were fixed-rate and the remainder of which were variable-rate obligations that reprice periodically based upon certain defined indexes. Of the total Funding Agreement portfolio at December 31, 2003, approximately 92% was sold to special purpose entities that issue Funding Agreement-backed notes in the international market, 6% was sold to state and local governmental and other entities and 2% was sold to pension plans. In 2003, new Funding Agreements sold by SALIC in the domestic market totaled approximately \$4.8 billion, whereas those sold internationally totaled close to \$4.7 billion. The average size of a new Funding Agreement contract sold by SALIC during 2003 was approximately \$297.3 million.

SALIC conducts its investment operations in order to approximately match the duration of the assets in its investment portfolio to its fixed annuity and Funding Agreement obligations. SALIC seeks to achieve a predictable spread between what it

earns on its assets and what it pays on its liabilities by investing principally in fixed income securities. SALIC's fixed annuity and Funding Agreement products incorporate surrender charges or other restrictions in order to encourage persistency.

### **Recent Developments**

The following recent transactions were recorded during the first nine months of 2004 and are included in SALIC's Unaudited Statutory Financial Statements, which were prepared in conformity with Arizona SAP and which were filed prior to the filing of this Information Memorandum.

Effective January 1, 2004, the SALIC's parent, AIGRS, reorganized certain business units within its corporate organization. As part of the reorganization, ownership of SA Affordable Housing, LLC ("SAAH LLC"), SunAmerica Housing Fund 233, LLC, SunAmerica Housing Fund West 43, LLC, and SunAmerica Housing Fund First & 94th, LLC was transferred to SALIC from its indirectly wholly owned subsidiary, AIG SunAmerica Asset Management Corp. ("SAAMCO"). These limited liability companies were valued at approximately \$681.9 million at the time of transfer.

Following the transfer of ownership of the limited liability companies, ownership of AIG SunAmerica Fund Services, Inc. and AIG SunAmerica Capital Services, Inc., each an indirect wholly owned subsidiary of SALIC, was transferred to SAAMCO. Thereafter, ownership of SAAMCO was transferred from Saamsun Holding Corp ("Saamsun") to SALIC's insurance company subsidiary, AIGSLAC. SAAMCO was valued at approximately \$99.1 million at the time of transfer.

The transfers of the limited liability companies and SAAMCO had no impact on the surplus of SALIC.

SALIC also transferred ownership of its broker-dealer, Royal Alliance, from its indirect wholly-owned subsidiary, Sun Royal Holdings Corporation, to AIG Advisor Group, Inc. AIG Advisory Group, Inc. is a subsidiary of SunAmerica Investments, Inc. ("SAII"), a 70%-owned subsidiary of SALIC. In order to complete the transfer, a 30% ownership interest in Royal Alliance, valued at approximately \$17.7 million, was distributed by SALIC to the Parent as a dividend. The Parent contributed this 30% ownership interest to AIG Advisor Group, Inc. Upon the completion of this reorganization, Saamsun had no assets remaining.

On March 10, 2004, SALIC received a \$2.5 million dividend from AIGSLAC. On August 17, 2004, SALIC received a \$210.0 million return of capital from SAII.

AIGRS received income tax benefits from AIG relating to stock options exercised by its employees, which were subsequently contributed to SALIC. Such benefits totaled \$8.5 million for the nine months ended September 30, 2004, and were recorded as contributed surplus.

Effective December 31, 2002, SALIC received a letter of permitted practice from the Arizona Department of Insurance allowing SALIC to set statutory reserves for GICs based on the net cost to SALIC after taking into account an effective interest rate hedge, if any, with respect to the basic contract. At September 30, 2004, the impact of this change in methodology is a reduction in reserves in the amount of \$868.3 million before taxes, or \$564.4 million net of taxes.

## Capitalization

The authorized capital stock of SALIC consists of 2,354,560 shares of common stock, par value \$2.50 per share, of which 2,254,560 shares were issued and outstanding as of December 31, 2003 and are owned by AIG SunAmerica Inc. and 300,000 shares of preferred stock, par value \$100 per share, none of which are outstanding. As of December 31, 2003, SALIC did not have any outstanding notes or other indebtedness for borrowed money incurred by SALIC. The following tables show the total capital and surplus of SALIC as of December 31, 2003 and September 30, 2004 calculated in accordance with accounting principles prescribed or permitted by the Arizona Department:

### SALIC's Capitalization as of December 31, 2003

Borrowings:	
Indebtedness	<u>\$0</u>
Total Capital and Surplus:	
Common Stock	5,636
Paid In and Contributed Surplus	2,743,259
Unassigned Surplus	<u>1,610,632</u>
Total Capital and Surplus:	<u>4,359,527</u>
Total Capitalization:	<u><u>\$4,359,527</u></u>

### SALIC's Capitalization as of September 30, 2004

Borrowings:	
Indebtedness	<u>\$0</u>
Total Capital and Surplus:	
Common Stock	5,636
Paid In and Contributed Surplus	2,751,737
Unassigned Surplus	<u>2,089,881</u>
Total Capital and Surplus:	<u>4,847,254</u>
Total Capitalization:	<u><u>\$4,847,254</u></u>

For further information on SALIC please see the related financial statements incorporated by reference herein as provided in this Private Placement Memorandum.

SunAmerica Life Insurance Company\*  
Statistical Overview  
(in millions)

The summary financial information of SALIC below was selected from, should be read in connection with, and is qualified in its entirety by reference to, the Statutory Financial Statements. Effective January 1, 2001, the State of Arizona required that insurance companies domiciled in the State of Arizona prepare their statutory basis financial statements in accordance with the revised National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures manual, subject to deviations prescribed or permitted by the State of Arizona insurance commissioner ("Codification"). The Statutory Financial Statements were prepared in accordance with Arizona Statutory Accounting Practices (the "Arizona SAP"), which differ in certain significant respects from generally accepted accounting principles in the United States ("GAAP"). See "— Summary of Principal Differences between Arizona SAP and U.S. GAAP" herein.

	12/31/01	12/31/02	12/31/03	09/30/2004
Invested Assets	\$30,021.6	\$40,999.8	\$52,003.7	\$65,468.3
Cash and short-term investments	202.5	81.8	1,696.4	1,691.5
Other Assets <sup>(1)</sup>	2,507.4	2,148.3	867.8	1,003.5
Total Assets	\$32,731.5	\$43,229.9	\$54,567.9	\$68,163.3
Net Defaults % of Invested Assets	0.7%	0.4%	0.5%	0.3%
Reserves for life policies and contracts	\$4,727.9	\$4,526.9	\$4,350.4	\$4,167.7
Liabilities for deposit-type contracts	23,514.4	29,606.0	35,771.1	41,106.2
Interest maintenance reserve	82.5	79.6	165.9	182.6
Borrowed money	0.0	0.0	0.0	196.3
Other reserves, payables and accrued liabilities (excluding AVR)	2,256.2	5,188.9	9,567.7	17,096.7
Total Liabilities (excluding AVR)	\$30,581.0	\$39,401.4	\$49,855.1	\$62,749.5
Capital and surplus	\$2,027.0	\$3,584.4	\$4,359.5	\$4,847.3
AVR	123.5	244.1	353.3	566.5
Total Capital (including AVR)	\$2,150.5	\$3,828.5	\$4,712.8	\$5,413.8
Capital, Surplus and AVR/Liabilities	7.0%	9.7%	9.5%	8.6%
Total revenue	\$2,327.5	\$2,423.5	\$2,379.6	\$1,908.2
Total benefits and expenses	(1,494.9)	(1,593.1)	(1,643.8)	(1,075.3)
Net gain from operations before dividends and federal income taxes	832.6	830.4	735.8	832.9
Federal income tax expense	(156.6)	(164.7)	(225.0)	(102.2)
Net gain from operations after dividends and taxes and before net realized capital gains (losses)	676.0	665.7	510.8	730.7
Net realized capital gains (losses), net of income taxes	(205.1)	(258.3)	(277.2)	6.7
Net Income	\$470.9	\$407.4	\$233.6	\$737.4
Return on Average Capital	22.1%	18.23%	7.3%	22.5%
Dividends paid to stockholders	(\$22.5)	\$0.0	\$0	(\$17.7)

\*Note: This financial information is not a consolidated financial statement; however, SALIC's subsidiaries are recorded by the equity method of accounting and the undistributed equity in earnings of the subsidiaries is included in unassigned surplus as a component of unrealized investment gains or losses.

(1) Includes assets from Separate Account Statements of \$348.7, \$1,546.1 and \$1,970.2 as of December 31, 2003, 2002, and 2001, respectively, and \$356.4 as of September 30, 2004, as well as, electronic data processing equipment, investment income due and accrued, receivable from parent and other items.

### Insurance Regulation

SALIC, in common with other insurers, is subject to regulation and supervision by the states and by other jurisdictions in which it does business. Within the United States, the method of such regulation varies but generally has its source in statutes that delegate regulatory and supervisory powers to an insurance official. The regulation and supervision relate primarily to approval of policy forms and rates, the standards of solvency that must be met and maintained, including risk based capital



measurements, the licensing of insurers and their agents, the nature of and limitations on investments, restrictions on the size of risks which may be insured under a single policy, deposits of securities for the benefit of policyholders, methods of accounting, periodic examinations of the affairs of insurance companies, the form and content of reports of financial condition required to be filed, and reserves for unearned premiums, losses and other purposes. In general, such regulation is for the protection of policyholders rather than security holders.

Risk-based capital ("RBC") standards are designed to measure the adequacy of an insurer's statutory capital and surplus in relation to the risks inherent in its business. The RBC standards consist of formulas that establish capital requirements relating to asset, insurance, interest rate risks and business. The standards are intended to help identify companies that are under-capitalized and require specific regulatory actions in the event an insurer's RBC is deficient.

The RBC formula develops a risk-adjusted target level of adjusted statutory capital and surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. Thus, the target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

The RBC Model Law provides four incremental levels of regulatory attention for insurers whose surplus is below the calculated RBC target. These levels of attention range in severity from requiring the insurer to submit a plan for corrective action to actually placing the insurer under regulatory control.

The statutory capital and surplus of SALIC and each of its life insurance subsidiaries exceeded their RBC requirements by considerable margins as of December 31, 2003.

The federal government does not directly regulate the business of insurance. However, SALIC and its products are governed by federal agencies, including the Securities and Exchange Commission (the "Commission") and the Internal Revenue Service. Federal legislation and administrative policies in several areas, including financial services regulation, pension regulation and federal taxation, can significantly and adversely affect the insurance industry. The federal government has from time to time considered legislation relating to the deferral of taxation on the accretion of value within certain annuities and life insurance products, changes in ERISA regulations, the alteration of the federal income tax structure and the availability of Section 401(k) and individual retirement accounts. Although the ultimate effect of any such changes, if implemented, is uncertain, both the persistency of our existing products and our ability to sell products may be materially impacted in the future.

Recently there has been a significant increase in federal and state regulatory activity relating to financial services companies, particularly mutual fund companies and life insurers issuing variable annuity products. These inquiries have focused on a number of issues including after-hours trading, short-term trading (sometimes referred to as market timing), revenue sharing arrangements and greater transparency regarding compensation arrangements. There are several rule proposals pending at the Commission and on a federal level which, if passed, could have an impact on the business of SALIC.

SALIC's broker-dealer subsidiaries are subject to regulation and supervision by the states in which they transact business, as well as by the Commission and the National Association of Securities Dealers ("NASD"). The Commission and the NASD have broad administrative and supervisory powers relative to all aspects of business and may examine each subsidiary's business and accounts at any time. The Commission also has broad jurisdiction to oversee various activities of SALIC and its other subsidiaries. In particular, AIG SunAmerica Asset Management Corp., a subsidiary of SALIC, is registered with the Commission as an investment adviser under the Investment Advisers Act of 1940. The mutual funds that it markets are subject to regulations under the Investment Company Act of 1940. AIG SunAmerica Asset Management and the mutual funds are also subject to regulation and examination by the Commission. In addition, variable annuities and the related separate accounts of SALIC's subsidiaries, AIGSLAC and FSA, are subject to regulation by the Commission under the Securities Act of 1933 and the Investment Company Act of 1940.

### **Contingent Liabilities and Legal Proceedings**

Various federal, state and other regulatory agencies are reviewing certain transactions and practices of AIGSLAC and its subsidiaries in connection with industry-wide and other inquiries. In the opinion of AIGSLAC's management and based on the current status of these inquiries, it is not likely that any of these inquiries will have a material adverse effect on AIGSLAC's or SALIC's consolidated financial condition or operation.

SALIC and its subsidiaries, in common with the insurance industry in general, are subject to litigation in the normal course of their business. SALIC does not believe that such litigation will have a material adverse effect on its financial condition, future operating results or liquidity. On April 5, 2004 a purported class action captioned Nitika Mehta, as Trustee of the N.D. Mehta Living Trust vs. AIG SALIC Assurance Company, Case No. 04L0199, was filed in the Circuit Court, Twentieth Judicial

District in St. Clair County, Illinois, against SALIC's subsidiary, AIGSLAC. The lawsuit alleges certain improprieties in conjunction with alleged market timing activities. The probability of any particular outcome cannot be reasonably estimated at this time.

## SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN ARIZONA SAP AND U.S. GAAP

Arizona SAP attempt to determine as of the financial statement date an insurer's ability to satisfy its obligations to its policyholders and creditors.

The objectives of GAAP reporting differ from the objectives of Arizona SAP. GAAP is designed to produce general purpose financial statements in order to meet the varying needs of the different users of financial statements. Arizona SAP is designed to address the concerns of regulators, who are the primary users of statutory financial statements and whose primary concern is solvency. As a result, GAAP stresses measurement of emerging earnings of a business from period to period (i.e., matching revenue to expense), while SAP stresses measurement of the ability of each insurer to pay claims in the future. Effective January 1, 2001, the State of Arizona requires that insurance companies domiciled in the State of Arizona prepare their statutory basis financial statements in accordance with the Codification. The principal differences between Arizona SAP and GAAP are as follows:

- (i) *Consolidation.* Under Arizona SAP, majority-owned subsidiaries are not consolidated, but instead are accounted for on the equity method. Equity in earnings of subsidiaries is recorded directly to unassigned surplus as unrealized gains/losses and dividends received from subsidiaries are recorded directly to net investment income. Under GAAP, majority-owned subsidiaries are fully consolidated for financial reporting purposes.
- (ii) *Reserves for Fixed Annuities, GICs and Supplementary Contracts.* Under Arizona SAP, reserves and liabilities for fixed annuities, GICs and supplementary contracts are determined using statutorily prescribed assumptions regarding discount rates and mortality, which may not reflect a company's actual experience. Under GAAP, reserves and liabilities for fixed annuities and GICs equal the accumulated value of a contract on the date of valuation; for supplementary contracts, such reserves are determined based on the present value of future benefits discounted using the pricing assumptions of each contract.
- (iii) *Acquisition and Origination Costs.* Certain acquisition and origination costs associated with acquiring or originating annuity contracts, GICs or similar insurance contracts, in excess of the fair value acquired (including what would be deemed deferred acquisition costs under GAAP), are expensed immediately and if related to the acquisition of a company are charged directly to unassigned surplus without any income statement effect under Arizona SAP. Under GAAP, these costs are deferred and amortized over the lives of the contracts in relation to the incidence of estimated gross profits, which are composed of net investment income, net realized investment gains and losses, surrender charges and direct administrative expenses.
- (iv) *Deferred Income Taxes.* Under Arizona SAP, any deferred income tax asset admitted is equal to the portion of the deferred tax asset that will be realized within one year of the balance sheet date plus the remainder of the deferred tax asset to the extent of deferred tax liabilities. Deferred income taxes for GAAP reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. In addition, Arizona SAP requires that the change in deferred income taxes be recorded directly to unassigned surplus, whereas GAAP requires income statement treatment.
- (v) *Non-admitted Assets.* Under Arizona SAP, certain assets designated as "nonadmitted" assets, such as prepaid expenses, agents balances over ninety days, furniture, fixtures, leasehold improvements and purchased software, are excluded from the statutory balance sheet, and the change in nonadmitted assets is recorded directly to unassigned surplus. These same assets are reported in the GAAP balance sheet, net of an allowance for uncollectible amounts or depreciation, as appropriate.
- (vi) *Interest Maintenance Reserve.* Under Arizona SAP, an additional liability line item, the Interest Maintenance Reserve ("IMR") is calculated based on methods prescribed by the NAIC. The IMR requirement was established to prevent large fluctuations in investment gains and losses resulting from sales of interest-sensitive securities. Realized gains and losses, which result from changes in interest rates, on fixed income investments (such as notes, bonds, preferred stock and mortgages) sold prior to maturity are deferred into the IMR and amortized into income using the

group method over the remaining contractual lives of the securities sold. GAAP does not provide for IMR.

- (vii) *Asset Valuation Reserve.* Under Arizona SAP, the Asset Valuation Reserve ("AVR") provides a standardized reserve process for realized and unrealized losses due to the default and equity risks associated with invested assets. The AVR is recorded as a liability and is provided for all invested assets, including mortgage loans, real estate and other invested assets, based on methods prescribed by the NAIC. Changes in the AVR are reflected in unassigned surplus. GAAP does not provide for AVR.
- (viii) *Recognition of Premiums.* Under Arizona SAP, premiums for universal life, interest-sensitive life insurance products and annuity considerations are reported on a cash basis and treated as revenue. Premiums for deposit-type funds and contracts without life contingencies are reflected as direct credits to the reserves for fixed annuities, life insurance or separate account liabilities without any direct income statement effect. Under GAAP the receipt of premiums and the related increase in reserves from sales of fixed annuities, GICs and other investment-oriented products are not reported as revenue. Such premium receipts are reflected as direct credits to the reserves for fixed annuities, life insurance or separate account liabilities.
- (ix) *Recognition of Benefit Payments.* Under Arizona SAP, annuity, universal life, interest-sensitive life benefits, supplementary contracts with life contingencies, surrenders and withdrawals are reported on a cash basis and payments are treated as expenses. Benefit payments for deposit-type funds and investment-oriented products are reflected as direct charges to the reserves or separate account liabilities without any direct income statement effect. Under GAAP the payment of benefits and the related decrease in reserves are not treated as expenses. Such benefit payments are reflected as direct charges to the reserves for fixed annuities, life insurance or separate account liabilities.
- (x) *Premium Deficiency Reserves.* Under Arizona SAP, premium deficiency reserves are established using statutorily mandated tables, without consideration of actual experience or possible withdrawals. GAAP requires a premium deficiency reserve where actual experience may indicate that existing contractual liabilities, together with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits or to recover unamortized acquisition or origination costs.
- (xi) *Investments.* Under Arizona SAP, bonds are carried at the lower of amortized cost or NAIC value, and preferred stocks are carried at the lower of cost or NAIC value. Unrealized net capital gains and losses on equity investments are credited or charged to unassigned surplus. Under GAAP, bonds and preferred stock available for sale are carried at their estimated fair value, and changes in unrealized net gains and losses, net of taxes, of all investments are credited or charged to shareholder's equity.
- (xii) *Separate Accounts.* Under Arizona SAP, all separate account assets and liabilities are reported separately from general account assets and liabilities. Under GAAP, non-unitized separate account assets and liabilities are combined with general account assets and liabilities for reporting purposes.

## GENERAL INFORMATION

1. There are no legal, arbitration or administrative proceedings against or affecting either Issuer (and, so far as such Issuer is aware, having made due inquiry, no such proceedings are pending or threatened) which have or may have or have had during the twelve months prior to the date of this document, individually or in the aggregate, a significant effect on the financial position of such Issuer; and there has been no significant change in the financial or trading position nor any material change in the respective financial position or prospects of either Issuer since the date of the most recent audited financial statements.

2. Since December 31, 2003, the last day of the financial period in respect of which the most recent audited financial statements of SALIC have been prepared, there has been no significant change in the financial or trading position nor any material change in the respective financial position or prospects of SALIC and its subsidiaries, in each case taken as a whole, except as noted previously under the caption "SunAmerica Life Insurance Company—Recent Developments.

3. PRICEWATERHOUSECOOPERS LLP, 21650 Oxnard Street, Suite 1900, Woodland Hills, California 91367-4901, serves as the independent accountants for SALIC. The statutory financial statements of SALIC as of December 31, 2002 and 2001 and for the years then ended incorporated by reference in this Information Memorandum have been audited by PRICEWATERHOUSECOOPERS LLP, independent accountants, as stated in their report incorporated by reference in this Information Memorandum.

4. The date of the last audited financials of each of ASIF II and ASIF III is December 31, 2003.

5. For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected and, in the case of (b), (e) and (f) below, copies will be obtainable, during normal business hours at the specified office of any relevant Paying Agent, namely:

(a) the constitutional documents of each Issuer and SALIC;

(b) the Information Memorandum and any document incorporated by reference therein;

(c) the relevant Indenture (including any Supplemental Indenture);

(d) the relevant Placement Agreement;

(e) the most recent audited financials of SALIC for the year ended December 31, 2003, all future publicly available audited annual statutory financial statements of SALIC, respectively, filed with the Arizona Department of Insurance, the audited financial statements of SALIC for the years ended December 31, 2001 and December 31, 2002, and the most recent and all future publicly available unaudited quarterly statutory financial statements of SALIC, respectively, filed with the Arizona Department of Insurance beginning with such financial statements for the quarter ended March 31, 2004;

(f) any Pricing Supplement relating to Notes which are listed on any stock exchange. (In the case of any Notes which are not listed on any stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of such Notes); and

(g) in the case of ASIF II and ASIF III, interim financial statements are not available, however, audited accounts are prepared and made available on an annual basis and shall be obtainable at the registered office of the Paying Agent in Luxembourg for collections beginning with such financial statements for the years ended December 31, 1997, December 31, 1998, December 31, 1999, December 31, 2000, December 31, 2001, December 31, 2002 and December 31, 2003 for ASIF II and for the years ended December 31, 1996, December 31, 1997, December 31, 1998, December 31, 1999, December 31, 2000, December 31, 2001, December 31, 2002 and December 31, 2003 for ASIF III.

## **ISSUERS**

### **ASIF II**

P.O. Box 1093 GT  
Queensgate House  
113 South Church Street  
George Town, Grand Cayman  
Cayman Islands

### **ASIF III (Jersey) Limited**

22, Grenville Street  
St. Helier, Jersey JE4 8PX  
Channel Islands

## **ARRANGER**

### **Merrill Lynch International**

Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ

## **CAYMAN TRUSTEE**

**JP Morgan Chase Bank**

## **JERSEY TRUSTEE**

**JP Morgan Chase Bank**

660 S. Mill, 4th Floor  
Tempe, Arizona 85281

## **PRINCIPAL PAYING AGENT AND CALCULATION AGENT**

### **JP Morgan Chase Bank, London Branch**

Crosby Court  
38 Bishopsgate  
London, EC2N 4AJ  
England

## **LISTING AGENT IN LUXEMBOURG**

### **Banque Générale du Luxembourg S.A.**

50, Avenue J.F. Kennedy  
L-2951 Luxembourg

## **PAYING AGENT**

### **Banque Générale du Luxembourg S.A.**

50, Avenue J.F. Kennedy  
L-2951 Luxembourg

## **LEGAL ADVISORS TO SUNAMERICA LIFE INSURANCE COMPANY**

### **O'Melveny & Myers LLP**

400 South Hope Street  
Los Angeles, California  
90071-2899 U.S.A.

## **LEGAL ADVISORS TO THE ARRANGER AND THE PLACEMENT AGENTS**

### **Clifford Chance Rogers & Wells LLP**

200 Park Avenue  
New York, New York  
10166 U.S.A.

## **LEGAL ADVISORS TO ASIF II AS TO CAYMAN ISLANDS LAW**

### **Maples and Calder**

P.O. Box 309 GT  
Ugland House,  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

## **LEGAL ADVISORS TO ASIF III (JERSEY) LIMITED AS TO JERSEY LAW**

### **Mourant du Feu & Jeune**

22, Grenville Street  
St. Helier, Jersey JE4 8PX  
Channel Islands