524615

DATE: December 16, 2003

TO: Société Générale, New York Branch

FROM: AIG Financial Products Corp.

SUBJECT: Credit Derivative Transaction

The purpose of this letter agreement is to confirm the terms and conditions of the Credit Derivative Transaction entered into on the Trade Date specified below (the "Transaction") between AIG Financial Products Corp. ("AIG-FP") and Société Générale, New York Branch ("Counterparty"). The time at which this Transaction was entered into is available on request. If you have any questions regarding this Transaction please contact Jake Sun, Counsel, AIG Financial Products Corp. This letter agreement constitutes a "Confirmation" as referred to in the Swap Agreement specified below.

This Confirmation is subject to and incorporates the 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement to such Definitions (as so supplemented, the "Credit Derivatives Definitions"), as published by the International Swaps and Derivatives Association, Inc. ("ISDA").

This Confirmation supplements, forms part of, and is subject to, the 1987 ISDA Interest Rate and Currency Exchange Agreement, dated as of July 12, 1988, as amended and supplemented from time to time (the "Agreement"), between you and us. Capitalized terms used but not defined in this Confirmation or in the Agreement have the meanings ascribed to them in the Indenture.

The terms of the particular Transaction to which this Confirmation relates are as follows:

1. **General Terms:**

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|---|---|
| Trade Date: | December 16, 2003. |
| Effective Date: | December 16, 2003. |
| Scheduled Termination Date: | (i) January 5, 2034, or (ii) such earlier date designated by Seller upon (5) Business Days notice following the occurrence of an Adverse Program Amendment (as defined herein) or (iii) the date on which the Notional amount has amortized to zero due to repayments of principal on the Reference Obligation, subject, in each case, to the Following Business Day Convention. For the avoidance of doubt, no termination payments shall be due by either party in connection with an early termination of this Transaction pursuant to the preceding |

sentence.

| | |
|---|---|
| Floating Rate Payer: | AIG-FP (the "Seller"). |
| Fixed Rate Payer: | Counterparty (the "Buyer"). |
| Calculation Agent: | Seller. |
| Calculation Agent City: | New York. |
| Business Day(s): | New York; provided that (i) for the purpose of determining the Physical Settlement Date, such date must also be a Business Day in any jurisdiction on which financial institutions must be open in order to effect Settlement of the Deliverable Obligation being Delivered and (ii) for the purpose of determining Fixed Rate Payer Payment Dates for each Transaction, Business Days shall be New York only. |
| Business Day Convention: | Following (which, subject to Section 1.4 and 1.6 of the Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation, that falls on a day that is not a Business Day). |
| Reference Entity: | - Each of South Coast Funding IV, Ltd. and South Coast Funding IV Corp. and any successor to each such entity. |
| Reference Obligation: | USD690,000,000 Class A-1 First Priority Senior Secured Floating Rate Notes issued by Reference entity on December 16,2003_and maturing January 5, 2034 with Cusip 8374343TAA2. |
| Reference Price: | 100% |
| All Guarantees: | Not Applicable. |
| Notional Amount: | Shall equal:<br><br>(i) USD100,000,000 for the initial Calculation Period; and (ii) with respect to any Calculation Period thereafter an amount equal to 100/690 * (the total outstanding principal amount of the Reference Obligation on the first day of the relevant Fixed Rate Payer Calculation Period).<br><br>For purposes hereof the total outstanding principal amount on the first day of a Fixed Rate Payer Calculation Period shall be the total outstanding principal amount on such day after giving effect to any payments on such day in respect of principal on the Reference Obligation whether or not scheduled. |

2. **Fixed Payments:**

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|---|---|
| Fixed Rate Payer Payment Date: | The 5th day of each January, April, July and October in each year during the Term hereof, commencing April 5th, 2004, up to and including the Termination Date. |
| Fixed Rates: | As set forth on Annex A attached hereto. |
| Fixed Rate Day Count Fraction: | Actual/360 |
| Structuring Fee; Additional Payments: | Counterparty shall pay to AIG-FP the structuring fee payable pursuant to the letter agreement between the parties dated the date hereof (the "Structuring Fee Letter") on the dates and in the amounts specified therein. The parties agree that payments under the Structuring Fee Letter shall be treated as payments owed under this Transaction for all purposes under the Swap Agreement and that in the event this Transaction terminates amounts owed by Counterparty to AIG-FP under the Structuring Fee Letter shall be treated as Unpaid Amounts. |

3. **Floating Payments**:

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|---|---|
| Floating Rate Payer Calculation Amount: | As of the Physical Settlement Date, an amount equal to the Notional Amount, on such date. |
| Conditions to Settlement: | Credit Event Notice<br>Notifying Party: Buyer or Seller<br><br>Notice of Physical Settlement<br><br>Notice of Publicly Available Information: Applicable, except as hereinafter provided.<br><br>Public Source(s): Standard Public Sources<br><br>Specified Number: Two<br><br>Notwithstanding anything herein to the contrary, a Trustee Report relating to the Reference Obligation delivered to Seller shall constitute satisfactory notice of the occurrence of a Credit Event. Accordingly, delivery of such a report shall obviate any and all requirements hereunder relating to Publicly Available Information. |
| Credit Events: | |

The following Credit Event shall apply to each Transaction:

Failure to Pay

Grace Period Extension: Not Applicable

Payment Requirement: USD 10,000.

Obligation:

| | |
|---|---|
| Obligation Category: | Reference Obligation only. |
| Obligation Characteristics: | Not Applicable. |
| Excluded Obligations: | Not Applicable. |

4. **Settlement Terms**:

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| Settlement Method: | Physical Settlement |
| Settlement Currency: | USD. |
| Physical Settlement Period: | As per Section 8.6 of the Credit Derivatives Definitions, provided that such period shall not exceed 30 Business Days. |

Deliverable Obligations:

| | |
|---|---|
| Deliverable Obligation Category: | Reference Obligations only. |
| Deliverable Obligation Characteristics: | Not Applicable. |
| Excluded Deliverable Obligations: | Not Applicable. |
| Partial Cash Settlement of Consent Required Loans: | Not Applicable. |
| Partial Cash Settlement of Assignable Loans: | Not Applicable. |
| Partial Cash Settlement of Participations: | Not Applicable. |
| Escrow: | Not Applicable. |

5. Collateral Terms:

Notwithstanding anything to the contrary in the Credit Support Annex, the definition of "Exposure" for purposes of the Credit Support Annex solely in respect of this Transaction shall be determined in accordance with the following formula:

Exposure = OPB * (Max [0, [100% – MV] – T] + IAP)

Where:

OPB = the outstanding principal balance of the Reference Obligation on the relevant Valuation Date (as defined in the Credit Support Annex).

MV = the market value of the Reference Obligation on the relevant Valuation Date (expressed as a percentage of par) as determined by the Calculation Agent; ; provided, however, that if Counterparty, in good faith, disagrees with Calculation Agent's determination, Seller and Counterparty agree (i) that the determination as to the market value of the Reference Obligation shall be determined by a leading, independent dealer in derivatives selected by agreement between the parties within one Business Day of such disagreement (the "Independent Dealer") whose fees and expenses shall be met equally by both parties, and (ii) if Counterparty and Seller are unable to agree on an Independent Dealer, Counterparty and Seller shall each elect a leading independent dealer in derivatives and such two dealers shall agree on a third dealer, who shall be deemed to be the Independent Dealer, and (iii) to be bound by the determination of the Independent Dealer.

T = the "Threshold Amount Percentage", as set forth in the table below based on the Party A Rating on the relevant Valuation Date and the Bond Rating of the Reference Obligation on such Valuation Date.

IAP = the "Independent Amount Percentage", as set forth in the table below based on the Party A Rating on the relevant Valuation Date and the Bond Rating of the Reference Obligation on such Valuation Date.

| | | Party A Rating[1] | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Aaa/ AAA | Aa1/ AA+ | Aa2/ AA | Aa3/ AA- | A1/ A+ | A2/ A | A3/ A- | Baa1/ BBB+ |
| Reference Obligation Rating[2] | Aaa/ AAA[3] | 12%[4]/ 0%[5] | 8%/ 0% | 8%/ 0% | 6%/ 0% | 4%/ 0% | 2%/ 0% | 0%/ 0% | 0%/ 5% |
| | Aa/ AA[3] | 8%/ 0% | 8%/ 0% | 8%[4]/ 0%[5] | 6%/ 0% | 3%/ 0% | 0%/ 0% | 0%/ 2% | 0%/ 5% |
| | A/A[3] | 7%/ 0% | 6%/ 0% | 6%[4]/ 0%[5] | 3%/ 0% | 0%/ 0% | 0%/ 2% | 0%/ 5% | 0%/10% |
| | Baa1/ BBB+ | 6%/ 0% | 5%/ 0% | 5%[4]/ 0%[5] | 0%/ 0% | 0%/ 2% | 0%/ 5% | 0%/ 10% | 0%/ 25% |

1. The lower of the S&P Rating and the Moody's Rating.
2. The lower of the S&P Rating and the Moody's Rating.
3. The ratings category of Moody's and S&P, respectively.
4. Threshold Amount Percentage.

5. Independent Amount Percentage.

"Moody's Rating": (i) with respect to Party A, the rating then assigned by Moody's to the long-term unsecured and unsubordinated debt obligations of the Credit Support Provider of Party A and (ii) with respect to the Reference Obligation, the ratings then assigned by Moody's to such security.

"S&P Rating": (i) with respect to Party A, the rating then assigned by S&P to the long-term unsecured and unsubordinated debt obligations of the Credit Support Provider of Party A and (ii) with respect to the Reference Obligation, the ratings then assigned by S&P to such security.

6. **Additional Covenants:**

Counterparty will provide AIG-FP with notice of each non-payment of principal and interest by Counterparty with respect to the Reference Obligation (separately identifying the amount of principal and the amount of interest not received) within 5 business days of the date such payment was expected.

7. **Notice and Account Details:**

Contact Details for Notices:

| | | |
|---|---|---|
| Address: | AIG Financial Products Corp.<br>50 Danbury Road<br>Wilton, CT 06897-4444 | |
| Attention: | Chief Financial Officer<br>(with a copy to the General Counsel<br>at the above address) | |
| Facsimile No.: | (203) 222-4780 | Telephone No.: (203) 222-4700 |

Counterparty: As set out in the Swap Agreement.

Account Details:

AIG-FP:

The Bank of New York, New York
CHIPS ABA 001
ABA#: 021000018
SWIFT IRVTUS3N
A/C: AIG Financial Products
A/C #: 8900416084
UID 298453

Counterparty:

Account for USD Payments:
Federal Reserve Bank of New York
ABA 026-004-226
F/O Societe Generale, New York Branch

AIGFP Settlements:

Carmine Paradiso/Joanne Dulka
Wilton, Connecticut
Tel: 203-221-4805
Fax: 203-222-4780

Counterparty Settlements: Inquiries regarding payments and/or rate resetting only:

Societe Generale, New York Branch
1221 Avenue of the Americas
IRD Dept. - 12th Floor
New York, NY 10020
Attn: IRD Operations Group

Telephone: 212-278-6976 or 7344
Facsimile: 212-278-7136

All other inquiries and Notices send to:

Societe Generale, New York Branch
Attn: Thomas Athan / Edouard Klehe
Telephone: 203-861-5400
Facsimile: 203-861-5458

All inquiries regarding confirmations should be sent to:

Societe Generale, New York Branch
Attn: IRD Documentation Group
Telephone: 212-278-7182 / 7145
Facsimile: 212-278-7650

**8. Additional Provisions:**

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|---|---|
| Governing Law: | New York. |
| Termination Currency: | USD |
| Documentation: | The Swap Agreement. |
| Credit Support Documents: | The Guarantee of the Credit Support Provider of AIG-FP. |
| Additional Representations: | Each of the parties hereto represents and warrants to the other that (i) it is acting for its own account, and it has made its own independent decisions to enter into this Transaction and as to whether this Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary, (ii) it is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into this Transaction, it being understood that information and explanations related to the terms and conditions of this Transaction shall not be considered investment advice or a recommendation to enter into this Transaction, (iii) no communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of this Transaction, (iv) it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms, conditions and risks of the Transaction and it is also capable of assuming, and assumes, the risks of this Transaction, and (v) the other party is not acting as a fiduciary for, or an adviser to, it in respect of this Transaction. |

Definitions:

"Adverse Program Amendment" means any amendment, supplement or other modification of a Transaction Document effected on or after the date hereof that, in the reasonable judgment of Seller, materially adversely affects the Seller's position in respect of this Transaction; provided that if Counterparty in good faith disagrees with Seller's determination, it shall notify Counterparty no later than one (1) Business Day after notice of such determination and if such disagreement is not resolved within one (1) Business Day following such disagreement notice, Seller and Counterparty agree (i) that the determination as to whether Seller's position in respect of this Transaction is materially adversely affected shall be determined by a leading, independent dealer in derivatives selected by agreement between the parties within one Business Day of such disagreement (the "Independent Dealer), whose fees and expenses shall be met equally by both parties, (ii) that if Seller and Counterparty are unable to agree on an Independent Dealer, Seller and Counterparty shall each elect an independent dealer in derivatives and such two dealers shall agree on a third dealer, who shall be deemed to be the Independent Dealer, and (iii) to be bound by the determination of the Independent Dealer.

Please confirm that the foregoing correctly sets forth the terms of our agreement with respect to the Transactions by signing in the space provided below and returning a copy of the executed Confirmation to us by facsimile transmission on 203-222-4780, Attention: Carmine Paradiso or Joanne Dulka; telephone: 203-221-4805.

It has been a pleasure working with you on this Transaction, and we look forward to working with you again in the future.

Yours sincerely,
AIG Financial Products Corp.

By: _____
Name: Steve Hungscheidt
Title: Vice President

Agreed and Accepted:

Société Générale, New York Branch

By: _____
Name: Thomas Athan
Title: Managing Director

Annex A

| FIXED RATE PAYER PAYMENT DATE | FIXED Rate |
|---|---|
| Each Fixed Rate Payer Payment Date occurring on or prior to the first anniversary of the Effective Date | Notional Amount * 0.03% per annum * |
| Each Fixed Rate Payer Payment Date occurring after the first anniversary of the Effective Date and falling on or prior to the second anniversary of the Effective Date | Notional Amount * 0.05% per annum |
| Each Fixed Rate Payer Payment Date occurring after the second anniversary of the Effective Date and falling on or prior to the third anniversary of the Effective Date | Notional Amount * 0.06% per annum |
| Each Fixed Rate Payer Payment Date occurring after the third anniversary of the Effective Date and falling on or prior to the fourth anniversary of the Effective Date | Notional Amount * 0.07% per annum |
| Each Fixed Rate Payer Payment Date occurring after the fourth anniversary of the Effective Date | Notional Amount * 0.11% per annum |