EXECUTION COPY

569774

July 29, 2004

Société Générale, New York Branch
1221 Avenue of the Americas
IRD Dept. - 12th Floor
New York, NY 10020

Re: Credit Derivative Transactions -- Class A-1LT-a and CP Notes and Class A-1LT-b Notes

Dear Sir/Madam:

Reference is made to the Credit Derivative Transactions (the "**Transactions**") entered into under two separate Confirmations dated as of July 29, 2004 (the "**Confirmations**") between AIG Financial Products Corp. ("**AIG-FP**") and Société Générale, New York Branch ("**Counterparty**") in respect of the Reference Obligation referenced therein. Capitalized terms that are not defined herein shall have the meanings assigned to such terms in the applicable Confirmation, as the context may require.

In connection with structuring the Confirmations, Counterparty agrees to pay to AIG-FP a structuring fee with respect to each Transaction payable on each Fixed Rate Payer Payment Date with respect to the Class A-1LT-a Notes (as set forth in Annex A attached hereto) and each Payment Date with respect to the CP Notes and Class A-1LT-b Notes (as set forth in Annex B attached hereto) during the term of the Transactions in an amount equal to the Structuring Fee (as defined below) for such Transaction.

As used herein, "**Structuring Fee**" means:

(a) with respect to respect to the Transaction relating to the Class A-1LT-a Notes, on each Fixed Rate Payer Payment Date the product of (i) the Structuring Fee Rate as set forth in Annex A attached hereto, (ii) the aggregate of the Notional Amounts on each date in the Fixed Rate Payer Calculation Period and (iii) the actual number of days from and including the immediately preceding Fixed Rate Payer Payment Date (or in the case of the first Fixed Rate Payer Payment Date, the Effective Date of such Transaction) to but excluding such Fixed Rate Payer Payment Date, divided by 360; and

(b) with respect to the Transaction relating to the CP Notes and Class A-1LT-b Notes, on each Fixed Rate Payer Payment Date, the sum of

(i) the product of (A) the Structuring Fee Rate as set forth in Annex B-1 attached hereto, (B) the aggregate of the Reference Amounts (without giving effect to any optional reduction by Counterparty of the Reference Amount on such date) on each date in the Fixed Rate Payer Calculation Period, divided by the number of days in such period, and (C) the actual number of days from and including the immediately preceding payment date (or in the case of the first payment date, the Effective Date of such Transaction) to but excluding such payment date, divided by 360; and

(ii) the product of (A) the Structuring Fee Rate as set forth in Annex B-2 attached hereto, (B) the aggregate of the Unused Commitment (without giving effect to any optional reduction by Counterparty of the Unused Commitment on such date) on each date in the Fixed Rate Payer Calculation Period, divided by the number of days in such period, and (C) the actual

number of days from and including the immediately preceding payment date (or in the case of the first payment date, the Effective Date of such Transaction) to but excluding such payment date, divided by 360

On the earlier of (x) the date that is the fifth anniversary of the Effective Date and (y) the Early Termination Date on which both Transactions cease to be in effect (such date the "**Required Payment Date**"), Counterparty agrees to pay to AIG-FP on such date, the positive difference if any ("**Minimum Amount**") between (a) $3,846,000 (the "**Minimum Structuring Fee**") and (b) the sum of (i) all amounts previously paid to AIG-FP hereunder through but excluding the Required Payment Date and (ii) all Fixed Payments paid to AIG-FP under the Confirmations through and including the Required Payment Date; provided, however, that, in the event Counterparty shall designate an Early Termination Date pursuant to a Buyer Optional Termination, and such Early Termination Date shall fall on or prior to the Required Payment Date, all Buyer Optional Termination Amounts in respect of such Early Termination Date shall be credited toward and reduce dollar-for-dollar the Minimum Amount. In the event Counterparty pays the Minimum Amount and one or more Transactions remains outstanding, the Minimum Amount paid by Counterparty hereunder, and (to the extent that the Buyer Optional Termination Amounts shall not be credited toward Minimum Amount) the Buyer Optional Termination Amounts, in respect of Early Termination Date(s) on or prior to the Required Payment Date, shall be credited to each Fixed Payment falling due under each such outstanding Transaction after the Required Payment Date in an amount equal to the pro rata allocation of the Minimum Amount to each such Transaction on the basis of the respective Notional Amounts as of the day following such Required Payment Date. Such crediting shall reduce dollar for dollar the Fixed Payment falling due and the Minimum Amount remaining available for crediting on such, or on subsequent, Fixed Rate Payer Payment Date(s) in respect of such Transaction.

The parties agree that payments owed by Counterparty to AIG-FP hereunder which have not been previously paid shall be treated as Unpaid Amounts for purposes of the calculation of any Settlement Amount in respect of (x) the first termination of a Transaction, in the case where the Required Payment Date is the fifth anniversary of the Effective Date, or (y) the termination of the last Transaction (or both Transactions), in the case where the Required Payment Date is due to the designation of an Early Termination Date. For the avoidance of doubt, any portions of the Minimum Amount remaining to be credited for subsequent Fixed Payments scheduled to fall due but for the termination of the last Transaction shall be reduced to zero as of the Early Termination Date and shall not constitute Unpaid Amounts due the Counterparty in respect of such termination.

In addition to the foregoing, the parties agree that this letter agreement:

(i) may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument;

(ii) may be supplemented, modified or amended by written instrument signed on behalf of each of the parties hereto;

(iii) shall be governed by, and construed in accordance with, the law of the State of New York;

(iv) neither party may assign its rights or obligations hereunder without the prior written consent of the other parties hereto, which consent not to be unreasonably withheld;

(v) constitutes the entire agreement among the parties hereto with respect to the matters covered hereby and supersedes all prior agreements and understandings among the parties;

(vi) shall terminate without any further action of the parties hereto upon the termination of the Confirmations.

Very Truly Yours,

AIG FINANCIAL PRODUCTS CORP.

By: _____
Name:
Title:
Date:

ALAN FROST
MANAGING DIRECTOR

Acknowledged and Agreed:

SOCIÉTÉ GÉNÉRALE, NEW YORK BRANCH, as Counterparty

By: _____
Name: EDOUARD KIEHE
Title: DIRECTOR
Date: 11/10/04

Liliana Gowdie

Liliana Gowdie
Specialist
Derivative Operations

**ANNEX A**

| FIXED RATE PAYER PAYMENT DATE | STRUCTURING FEE RATE |
|---|---|
| Each Fixed Rate Payer Payment Date occurring on or prior to the first anniversary of the initial Fixed Rate Payer Payment Date | 0.09% per annum |
| Each Fixed Rate Payer Payment Date occurring after the first anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the second anniversary of the initial Fixed Rate Payer Payment Date | 0.07% per annum |
| Each Fixed Rate Payer Payment Date occurring after the second anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the third anniversary of the initial Fixed Rate Payer Payment Date | 0.05% per annum |
| Each Fixed Rate Payer Payment Date occurring after the third anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.03% per annum |
| Each Fixed Rate Payer Payment Date occurring after the fourth anniversary of the initial Fixed Rate Payer Payment Date | Zero |

## ANNEX B-1

| FIXED RATE PAYER PAYMENT DATE | STRUCTURING FEE RATE |
|---|---|
| Each Fixed Rate Payer Payment Date occurring on or prior to the first anniversary of the initial Fixed Rate Payer Payment Date | 0.09% per annum |
| Each Fixed Rate Payer Payment Date occurring after the first anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the second anniversary of the initial Fixed Rate Payer Payment Date | 0.07% per annum |
| Each Fixed Rate Payer Payment Date occurring after the second anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the third anniversary of the initial Fixed Rate Payer Payment Date | 0.05% per annum |
| Each Fixed Rate Payer Payment Date occurring after the third anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.03% per annum |
| Each Fixed Rate Payer Payment Date occurring after the fourth anniversary of the initial Fixed Rate Payer Payment Date | Zero |

## ANNEX B-2

| FIXED RATE PAYER PAYMENT DATE | STRUCTURING FEE RATE |
|---|---|
| Each Fixed Rate Payer Payment Date occurring on or prior to the first anniversary of the initial Fixed Rate Payer Payment Date | 0.07% per annum |
| Each Fixed Rate Payer Payment Date occurring after the first anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the second anniversary of the initial Fixed Rate Payer Payment Date | 0.05% per annum |
| Each Fixed Rate Payer Payment Date occurring after the second anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the third anniversary of the initial Fixed Rate Payer Payment Date | 0.03% per annum |
| Each Fixed Rate Payer Payment Date occurring after the third anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.01% per annum |
| Each Fixed Rate Payer Payment Date occurring after the fourth anniversary of the initial Fixed Rate Payer Payment Date | Zero |

EXECUTION COPY

569774

DATE: July 29, 2004

TO: Société Générale, New York Branch

FROM: AIG Financial Products Corp.

SUBJECT: Credit Derivative Transaction – CP Notes and Class A-1LT-b Notes (SGNY REFERENCE NO.: DFP049554)

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, dated as of July 29, 2004 (the "Indenture") among Sierra Madre Funding, Ltd. ("Issuer"), Sierra Madre Funding (Delaware) Corp. ("Co-Issuer") and JPMorgan Chase Bank.

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

**1. General Terms:**

| | |
|---|---|
| Trade Date: | July 29, 2004. |
| Effective Date: | July 29, 2004. |
| Scheduled Termination Date: | August 7, 2039, subject to the Following Business Day Convention. |
| Termination Date: | The earliest to occur of: (a) the Scheduled Termination Date, unless the Conditions to Settlement have been satisfied within the Notice Delivery Period; (b) the Optional Termination Date upon payment of all amounts due in respect thereof; (c) the final Physical Settlement Date, as provided in Section 8.4 of the Credit Derivatives Definitions; and (d) the date on which the outstanding principal balance and/or Face Amount of the |

outstanding principal balance and/or Face Amount of the Reference Obligations is reduced to zero or is no longer outstanding due to repayments of principal of the Reference Obligations.

Section 8.4 of the Credit Derivatives Definitions is modified such that the word "final" is inserted before the words "Physical Settlement Date" wherever they appear in the second sentence of such Section 8.4.

Optional Termination I: Seller shall have the right to terminate the Transaction, in whole only, on the Optional Termination Date following a Materially Adverse Reference Obligation Amendment (which event shall be deemed an Additional Termination Event for purposes of the Transaction only with Counterparty as the sole Affected Party), and no further amounts shall be payable hereunder by either party in connection with a termination under this paragraph, save for accrued but unpaid amounts outstanding as of the Optional Termination Date (which amounts shall, for the avoidance of doubt, include the Minimum Amount (as defined in the letter agreement between the parties dated the date hereof (the "Structuring Fee Letter")) to the extent then unpaid and payable by Buyer to Seller), and except as provided in Optional Termination II below.

For purposes hereof:

A "Materially Adverse Reference Obligation Amendment" shall be deemed to have occurred in either of the following circumstances:

(A) (i) As soon as reasonably practicable after becoming aware thereof, Buyer notifies Seller of a proposed amendment, modification or waiver to (x) the Indenture or, if and to the extent applicable, the CP Issuing Agreement (in any case, other than an Excepted Amendment) in respect of which the Trustee has notified any Holder (as defined in the Indenture) of Reference Obligations or the Put Counterparty, or (y) the Put Agreement, and such amendment, modification or waiver to the Put Agreement could be reasonably expected to have a material adverse effect on the interests of AIG-FP hereunder (the "Proposed Amendment");

(ii) Seller provides to Buyer at least two Business Days prior to the deadline for any applicable vote by Holders of Reference Obligations or the Put Counterparty, (X) a certificate signed by a managing director, or equivalent, stating that the Proposed Amendment will have a material adverse effect on its legal, regulatory, economic, tax or accounting position in respect of this Transaction; and (Y) written notice of its preference in

respect of the Proposed Amendment (the "Adverse Amendment Notice"); and

(iii) the Proposed Amendment becomes effective contrary to the preference indicated in such Adverse Amendment Notice with the Reference Holders or the Put Counterparty, as applicable, not having acted in accordance with the Adverse Amendment Notice,

Or,

(B) (i) An amendment, modification or supplement is made to the Indenture or, if and to the extent applicable, the CP Issuing Agreement (in any case, other than an Excepted Amendment) by the Trustee in breach of the provisions set out in Section 8.1 of the Indenture (a "Purported Amendment");

(ii) Promptly upon becoming aware thereof, Buyer notifies Seller of such Purported Amendment and Seller provides (X) written notice of an objection thereto; and (Y) a certificate signed by a managing director, or equivalent, stating that such Purported Amendment will have a material adverse effect on its legal, regulatory, economic, tax or accounting position in respect of this Transaction;

(iii) As a result of such Purported Amendment, Holders of Reference Obligations and/or the Put Counterparty have the right (in the reasonable opinion of counsel to Seller, a copy of which shall be provided to Buyer) to pursue a claim for breach of trust against the Trustee;

(iv) Seller provides written notice to Buyer to exercise the Reference Holders' right to pursue or direct a claim against the Trustee (and agrees to indemnify Buyer to Buyer's satisfaction in respect thereof); and

(v) Reference Holders fail to act in accordance with such written notice as a result of which the claim for breach of trust fails or lapses.

"Reference Holders" means, as applicable, holders of the Reference Amount of the Reference Obligations who are either Buyer or its direct or indirect transferees of such Reference Obligations.

"Excepted Amendment" means any amendment, modification or supplement to the Indenture or the CP Issuing Agreement as to which Holders of Reference Obligations and/or the Put Counterparty, as applicable, are not entitled pursuant thereto to vote on.

"CP Issuing Agreement" means the CP Issuing and Paying Agency Agreement, dated as of July 29, 2004, among the Issuer, Co-Issuer, JPMorgan Chase Bank, as issuing and paying agent ("CP Issuing Agent"), and Western Asset Management Company.

For the avoidance of doubt, Buyer's failure to provide notice to Seller of a Proposed Amendment in time for Seller to comply with the requirements set out in (A)(ii) above prior to the date voting instructions need to be submitted shall not prevent Seller from exercising its option to terminate the Transactions if all other requirements are fulfilled.

Both Buyer and Seller agree that they will use their best endeavours to co-operate in good faith by, inter alia, providing timely notifications to each other in accordance with this paragraph, to ensure that voting rights and other rights of action pertaining to Holders of Reference Obligations and/or the Put Counterparty are capable of being exercised.

Optional Termination II: If:

(x) a Materially Adverse Reference Obligation Amendment in respect of the Indenture or CP Issuing Agreement has occurred solely pursuant to Clause (A) of the definition thereof (exclusive of clause (iii) thereof),

(y) Reference Holders have acted in accordance with Seller's Adverse Amendment Notice described in Clause (A)(ii) of the definition of Materially Adverse Reference Obligation Amendment, and Buyer has provided written evidence of Reference Holders' vote, consent or other action in connection with such amendment or waiver, and

(z) despite the action of Reference Holders, the final vote of the Holders of the Reference Obligations in respect of such amendment or waiver is a result that is contrary to the wishes of Seller, then

Seller shall be entitled to declare by notice to the Buyer, within five (5) Business Days of the effective date of such vote, consent or other action, that a Termination Event has occurred with respect to this Transaction and that this Transaction shall be terminated on the Optional Termination Date to be specified in such notice. In the event that such a Termination Event is declared, a termination payment in respect of this Transaction shall be determined pursuant to Section 6(e) of the Agreement with Seller as the Affected Party and Second Method and Market Quotation applying.

| | |
|---|---|
| Optional Termination Date: | Any date specified as such in an irrevocable written notice from Seller to Buyer delivered at least 5 Business Days prior to such date, falling on or after the Effective Date and prior to the Scheduled Termination Date, provided that such designated date shall in no event be more than 10 Business Days following the effective date of the relevant Materially Adverse Reference Obligation Amendment. |
| Buyer Optional Termination: | Buyer may, by at least ten (10) Business Days prior written notice to Seller, terminate this Transaction in whole or in part and designate an Early Termination Date in such notice as if an Additional Termination Event has occurred ("Buyer Optional Termination"). Notwithstanding Section 6(e), the termination payment in respect of a Buyer Optional Termination of this Transaction shall be payable by Buyer to Seller in an amount equal to the present value, reasonably determined by Seller as of the Early Termination Date, of 4 basis points per annum payable on an Expected Amortization Schedule (as shall be agreed on or prior to the Early Termination Date on a commercially reasonable basis by Buyer and Seller) applicable in respect of each respective Fixed Rate Payer Payment Date (such terminated portions, collectively, the "Calculation Amounts") scheduled to occur after the Early Termination Date (and to and including the Expected Maturity (as defined below)) and discounting each such Calculation Amount from the corresponding Fixed Rate Payer Payment Date to the Early Termination Date at a rate equal to LIBOR. Notwithstanding Section 6(d) of the Agreement or any other provision herein to the contrary, such termination payment shall be due and payable by Buyer on the later of such Early Termination Date and the second Business Day after written notice thereof to Buyer is effective.<br><br>"Expected Amortization Schedule" means a schedule of the terminated portion of the Reference Amount for each Fixed Rate Payer Payment Date scheduled to occur after the Early Termination Date up to and including the expected maturity date of the Reference Obligation ("Expected Maturity") based upon the expected cash flows generated by calculators on Bloomberg or Intex using inputs agreed by Seller and Buyer on a commercially reasonable basis, or if neither calculator is available or there is no agreement on such inputs, as determined in a commercially reasonable manner by the Independent Dealer in accordance with the terms of the following paragraph, in respect of expected amortization of terminated portion of the Reference Obligation.<br><br>"Independent Dealer" means Goldman, Sachs & Co., or if it is not willing to perform the calculations/determinations contemplated by this paragraph, a leading independent dealer |

agreed upon by the parties hereto or selected pursuant to clause (B) of the first sentence of the next paragraph.

If the parties are unable to agree on the calculations or determination in respect of first paragraph under "Buyer Optional Termination" above within one (1) Business Day after notice by Buyer of the Buyer Optional Termination is effective, then: (A) such calculation and/or determination shall be determined by the Independent Dealer, the fees and expenses of which shall be borne equally by both parties; (B) if Seller and Buyer do not agree on an Independent Dealer within one (1) Business Day after Goldman, Sachs & Co. indicates it is not willing to be the Independent Dealer for purposes of such calculations or determinations, they shall both select a leading independent dealer in credit derivatives and those two dealers shall select a third leading independent dealer in credit derivatives, which shall be deemed to be the Independent Dealer, and (C) that they will be bound by the determination of the Independent Dealer, which shall be communicated to both parties as soon as reasonably practicable following its appointment as Independent Dealer.

In the event of a Buyer Optional Termination, as of the applicable Early Termination Date, the "Reference Amount" and the "Total Commitment" shall be reduced by the applicable terminated portions of this Transaction.

| | |
|---|---|
| Floating Rate Payer: | AIG-FP (the "Seller"). |
| Fixed Rate Payer: | Counterparty (the "Buyer"). |
| Calculation Agent: | Seller; provided, however, that if Seller is the Defaulting Party hereunder or under any Hedge Agreement, Buyer. |
| Calculation Agent City: | New York. |
| Business Day(s): | New York and any other city in which the Corporate Trust Office of the Trustee as notified by Buyer; provided that, for the purpose of determining the Physical Settlement Date, a Business Day 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. As of the Effective Date, the Corporate Trust Office is located in Houston, Texas.<br><br>Counterparty shall provide promptly to AIG-FP written notice of any change of the Corporate Trust Office after actual knowledge thereof. |
| 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: | Sierra Madre Funding, Ltd. and Sierra Madre Funding (Delaware) Corp. |
| Reference Obligations: | CP Notes and/or Class A-LT-b Notes, issued from time to time.<br><br>Section 2.30 of the Credit Derivatives Definitions shall not apply to this Transaction. |
| Reference Price: | 100% |
| All Guarantees: | Not Applicable. |
| Total Commitment Amount: | With respect to any date of determination, USD 945,000,000, minus (i) the sum of all principal payments on the Class A-1LT-b Notes then or previously purchased pursuant to the Put Agreement, if any (other than Class A-1LT-b Notes Delivered, on or prior to such date, hereunder to Seller), (ii) the sum of all amounts deposited since the Effective Date to the CP Principal Reserve Account to the extent such amounts are not in respect of CP Notes that correspond to the reductions pursuant to the proviso to the definition of Unused Commitment and (iii) the aggregate outstanding principal amount and/or Face Amount (in each case, as of the respective dates of Delivery) of Reference Obligations Delivered hereunder to Seller after the Conditions to Settlement have been satisfied.<br><br>"Face Amount" means, with respect to Reference Obligations that are CP Notes issued at a discount, the CP Face Amount (as defined in the Indenture). |

2. **Fixed Payments:**

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|---|---|
| Fixed Rate Payer Payment Date: | The 7th day of each month during the Term hereof, commencing in October 2004 and ending on the Termination Date, in each case, subject to the Following Business Day Convention. |
| Fixed Amount I: | On each Fixed Rate Payer Payment Date, the Reference Amount on each date in the Fixed Rate Payer Calculation Period, divided by the number of days in such period, multiplied by (i) the Fixed Rate I and (ii) the Fixed Rate Day Count Fraction.<br><br>"Reference Amount" means, with respect to any date of determination (without giving effect to any optional reduction by Counterparty of the Unused Commitment on such date and after giving effect to payments of principal pursuant to the terms of the Reference Obligations), (a) the sum of (i) the aggregate outstanding principal amount, as of such date, of Class A-1LT-b Notes then or previously purchased pursuant to the Put |

Agreement and (ii) the aggregate outstanding Face Amount, as of such date, of CP Notes owned by Buyer and then or previously purchased with a discount not greater than LIBOR (as defined in the Indenture) plus 0.16% per annum or at par (in the case of LIBOR CP Notes), as shall be notified by Buyer within 1 Business Day of such acquisition, minus (b) the aggregate outstanding principal amount, as of such date, of Class A-1LT-b Notes Delivered pursuant to the terms hereof after the Conditions to Settlement have been satisfied; provided, that, the amount in clause (a)(ii) above may be reduced from time to time by Buyer by at least one Business Day prior written notice; provided, further, that following the initial Physical Settlement Date after the Conditions to Settlement have been satisfied, Reference Amount means (x) the aggregate outstanding principal amount, as of such date, of Class A-1LT-b-1 Notes then or previously purchased pursuant to the Put Agreement, and the aggregate outstanding principal amount, as of such date, of Class A-1LT-b-2 Notes then or previously purchased pursuant to the Put Agreement and for which the Conditions to Exercise (as defined in the Put Agreement) have been satisfied as of the CP Initial Maturity Date (as defined in the Put Agreement) relating to such Class A-1LT-b-2 Notes unless otherwise agreed to by AIG-FP in writing, minus (y) the aggregate outstanding principal amount, as of such date, of Class A-1LT-b Notes Delivered pursuant to the terms hereof after the Conditions to Settlement have been satisfied.

For the avoidance of doubt, the principal amount and the Face Amount with respect to a Reference Obligation shall not be reduced by any principal write-down or write-off other than due to payments of principal pursuant to the terms of the Reference Obligations.

Fixed Rate I: As set forth on Annex A attached hereto.

Fixed Amounts II: On each Fixed Rate Payer Payment Date, the aggregate Unused Commitment (without giving effect to any optional reduction by Counterparty of the Unused Commitment on such date and after giving effect to any payments of principal pursuant to the terms of the Reference Obligations) on each date in the Fixed Rate Payer Calculation Period, divided by the number of days in such period, multiplied by (i) the Fixed Rate II and (ii) the Fixed Rate Day Count Fraction.

"Unused Commitment" means, with respect to any date of determination, the positive difference between the Total Commitment Amount and the Reference Amount as of such date; provided, however, that any positive Unused Commitment may be reduced by such amounts as are designated from time to

time by Counterparty with at least 10 Business Days' prior written notice to Seller.

Notwithstanding Section 2.10 and 5.4 of the Credit Derivative Definitions, for purposes of Fixed Amounts II, the earliest of (i) the Termination Date, (ii) the final Physical Settlement Date and (iii) the Fixed Rate Payer Payment Date as to which Fixed Amount II is zero, shall be the final Fixed Rate Payer Payment Date.

| | |
|---|---|
| Fixed Rate II: | As set forth on Annex B attached hereto. |
| Fixed Rate Day Count Fraction: | Actual/360 |
| Structuring Fee; Additional Payments: | Counterparty shall pay to AIG-FP the structuring fee payable for this Transaction pursuant to the letter agreement between the parties dated the date hereof relating to the Reference Obligations (the "Structuring Fee Letter") on the dates and in the amounts specified therein. The parties agree that payments under the Structuring Fee Letter for this Transaction shall be treated as payments owed under this Transaction for all purposes under the Swap Agreement and that any Minimum Amount (as defined therein) owed by Counterparty to AIG-FP under the Structuring Fee Letter shall be treated as Unpaid Amounts, to the extent not treated as such pursuant to the Confirmation dated the date hereof, relating to the Class A-1LT-a Notes. |

3. **Floating Payments**:

| | |
|---|---|
| Floating Rate Payer Calculation Amount: | As of any Physical Settlement Date, the Reference Amount as of such date (prior to giving effect to Delivery of any Reference Obligations in respect of such Physical Settlement Date). |
| Conditions to Settlement: | Credit Event Notice<br>Notifying Party: Buyer or Seller<br><br>Notice of Physical Settlement: Applicable; provided, that, notwithstanding Section 3.4 of the Credit Derivative Definitions, the Notice of Physical Settlement may specify one or more additional Physical Settlement Dates after the initial Physical Settlement Date as described herein under "Settlement Terms—Physical Settlement Period", which may be changed or supplemented from time to time by at least three Business Days prior written notice from Counterparty to AIG-FP and may designate additional Deliverable Obligations in respect thereof to be determined at a later date. |

Notice of Publicly Available Information: Applicable, except as hereinafter provided.

Public Source(s): Standard Public Sources

Specified Number: Two

Section 3.5 (a)(ii) of the Credit Derivatives Definitions shall be amended by the addition of the following:

"or (C) Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P");"

Notwithstanding anything herein to the contrary, a Payment Report, a Note Valuation Report or a Trustee or CP Issuing Agent report or notice relating to any Reference Obligation delivered to Seller shall constitute satisfactory notice of the occurrence of a Credit Event. Accordingly, delivery of any such report shall obviate any and all requirements hereunder relating to Publicly Available Information or Public Sources.

Credit Events:

The following Credit Event shall apply to this Transaction:

Failure to Pay. "Failure to Pay" shall mean (i) any failure by the Reference Entity to make, when due and payable under the terms of any Reference Obligation after giving effect to any applicable grace period, any interest or principal payment due in respect of such Reference Obligation in an aggregate amount of not less than the Payment Requirement; or (ii) any failure by the Reference Entity to make payments on any Reference Obligation in an aggregate amount equal to the outstanding principal amount and/or Face Amount of such Reference Obligation plus any accrued but unpaid interest thereon after the liquidation of all of the Collateral.

The occurrence of any failure shall be determined without regard to the effect of any provisions in the Reference Obligations, the Indenture or any other document that permit the limitation of due payments or distributions of funds, that provide for limited recourse, the capitalization or deferral of interest on the Reference Obligations or that provide for the extinguishing or reduction of payments or distributions in respect of the Reference Obligations.

Grace Period Extension: Applicable

Payment Requirement: USD 10,000.

Obligation:

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

4. **Settlement Terms**:

| | |
|---|---|
| Settlement Method: | Physical Settlement |
| Settlement Currency: | USD. |
| Physical Settlement Period: | Notwithstanding Sections 8.4 and 8.6 of the Credit Derivatives Definitions, the Notice of Physical Settlement may designate or be supplemented or changed from time to time by Party A to designate one or more Physical Settlement Dates that correspond to settlement date(s) under the Put Agreement (if any) after the initial Physical Settlement Date, if applicable. The initial Physical Settlement Date shall be no later than 30 Business Days following satisfaction of all Conditions to Settlement, each Physical Settlement Date thereafter shall be no later than 5 Business Days (or, if longer, the greatest number of Business Days for settlement in accordance with the current market practice of the applicable Deliverable Obligation) following purchase by the Buyer pursuant to the Put Agreement. |

Deliverable Obligations:

| | |
|---|---|
| Deliverable Obligation Category: | Reference Obligations only; provided, however, following the initial Physical Settlement Date after the Conditions to Settlement have been satisfied, Deliverable Obligations shall be comprised of only Class A-1LT-b-1 Notes purchased pursuant to the Put Agreement and Class A-1LT-b-2 Notes purchased pursuant to the Put Agreement and for which the Conditions to Exercise (as defined in the Put Agreement) have been satisfied as of the CP Initial Maturity Date (as defined in the Put Agreement) relating to such Class A-1LT-b-2 Notes, unless otherwise agreed to by AIG-FP in writing, in respect of each of which, Buyer shall provide written certification that such Deliverable Obligations were so purchased. |
| 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 and/or Face Amount of the Reference Obligations on the relevant Valuation Date (as defined in the Credit Support Annex).

MV = the market value of the Reference Obligations 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 Relevant Notes 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 Relevant Notes 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 Relevant Notes, 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 Relevant Notes, the ratings then assigned by S&P to such security.

"Relevant Notes" means Class A-1LT-b Notes so long as the total outstanding principal amount of such Notes is greater than or equal to USD 400,000,000 and otherwise, Class A-1LT-a Notes.

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 Obligations (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:**

| | |
|---|---|
| Governing Law: | New York. |
| Termination Currency: | USD |
| Credit Support Documents: | The Guarantee of the Credit Support Provider of AIG-FP and the Credit Support Annex executed between AIG-FP and Counterparty. |
| 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.<br><br>If Buyer fails to provide any notice required as and when, under this Transaction, (i) Seller agrees that it will not designate an Early Termination Date pursuant to Section 5(a)(ii) in respect of such failure unless the Seller reasonably believes that such failure materially adversely affects its position in respect of this Transaction and/or the Reference Obligation and (ii) in any event, any such Early Termination Date shall be limited to this Transaction.<br><br>Both Buyer and Seller agree that nothing herein shall be interpreted as a requirement that Buyer own, hold or control any Reference Obligation or any interest therein. |
| Enforcement Rights: | In the event that the Trustee breaches or is in potential breach of the duties of the Trustee under the Indenture or the Trustee fails to take action in respect of any provision of the Indenture or the Reference Obligation as required by the Indenture or such Reference Obligation ("Trustee's Breach"), such Trustee's |

Breach is continuing, Buyer has actual knowledge of Trustee's Breach and Trustee's Breach would be reasonably expected to have a material adverse effect on the interests of Seller under the Transaction, Seller may direct in writing Buyer to provide notice to the Trustee of such Trustee's Breach to the extent Holders of the Reference Amount of the Reference Obligations have the right to pursue such a claim against the Trustee for such Trustee's Breach and to pursue such claim. As a condition precedent to Buyer's obligation to comply with any direction by Seller, (i) such direction shall be clear and provide sufficient time and detail, and (ii) Seller shall indemnify Buyer to Buyer's reasonable satisfaction in respect thereof.

Notwithstanding the foregoing, Buyer shall not be required to take any action if in its view: (i) such action would reasonably be expected to (a) constitute or result in a breach of any contract (including the Indenture or Reference Obligation documents), law, regulation, fiduciary duty or duty of confidentiality or (b) be adversarial or litigious against, or constitute a threat of litigation against, the Trustee or (ii) Seller is a Defaulting Party or sole Affected Party (other than in respect of "Tax Event" or "Illegality"). In the event that Buyer does not comply with Seller's direction pursuant to this "Enforcement Rights" section, regardless of whether such noncompliance results from any of the limitations or conditions set forth above or any other reason, Seller's sole remedy shall be to require (with at least seven but no more than 14 days' prior written notice to Buyer) Buyer to sell to Seller (at par or face plus unpaid accrued interest) Reference Obligations in an aggregate face amount or aggregate outstanding principal amount of 100% of the then Reference Amount, such notice to specify the date of purchase, the Reference Obligations and the aggregate face amount or outstanding principal amount thereof to be purchased by Buyer, as applicable, and may request Buyer to arrange for financing of such purchase by Seller with economic terms that are substantially equivalent to those of this Transaction. Such economic terms shall include the amounts that otherwise would be payable (including Minimum Amounts (as defined in the Structuring Fee Letter)) under the Structuring Fee Letter as a result of the reduction in Reference Amount described in the last sentence hereof. If so requested, Buyer shall use its reasonable efforts to arrange for such financing on terms mutually agreed to by all relevant parties thereto, which financing is fully guaranteed by Seller's Credit Support Provider and secured by the financed Reference Obligations. Nothing herein constitutes a commitment by Buyer or any affiliate thereof to provide any such financing. With respect to each such purchase, the terms of this Confirmation shall be modified such that the Reference Amount shall be reduced by the aggregate outstanding principal amount of the purchased Reference Obligations, and the Minimum Amount (as defined in the Structuring Fee Letter)

shall be reduced proportionately based on the aggregate outstanding principal amount of the purchased Reference Obligations.

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:
Title:

ALAN FROST
MANAGING DIRECTOR

Agreed and Accepted:

SOCIÉTÉ GÉNÉRALE, NEW YORK BRANCH

By: _____
Name: EDOUARD VIEHE
Title: DIRECTOR

Liliana Gowdie
Liliana Gowdie
Specialist
Derivative Operations

Annex A

| FIXED RATE PAYER PAYMENT DATE | FIXED RATE I |
|---|---|
| Each Fixed Rate Payer Payment Date occurring on or prior to the first anniversary of the initial Fixed Rate Payer Payment Date | 0.02% per annum |
| Each Fixed Rate Payer Payment Date occurring after the first anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the second anniversary of the initial Fixed Rate Payer Payment Date | 0.04% per annum |
| Each Fixed Rate Payer Payment Date occurring after the second anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the third anniversary of the initial Fixed Rate Payer Payment Date | 0.06% per annum |
| Each Fixed Rate Payer Payment Date occurring after the third anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.08% per annum |
| Each Fixed Rate Payer Payment Date occurring after the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.11% per annum |

Annex B

| FIXED RATE PAYER PAYMENT DATE | FIXED RATE II |
|---|---|
| Each Fixed Rate Payer Payment Date occurring on or prior to the first anniversary of the initial Fixed Rate Payer Payment Date | 0.02% per annum |
| Each Fixed Rate Payer Payment Date occurring after the first anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the second anniversary of the initial Fixed Rate Payer Payment Date | 0.04% per annum |
| Each Fixed Rate Payer Payment Date occurring after the second anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the third anniversary of the initial Fixed Rate Payer Payment Date | 0.06% per annum |
| Each Fixed Rate Payer Payment Date occurring after the third anniversary of the initial Fixed Rate Payer Payment Date and falling on or prior to the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.08% per annum |
| Each Fixed Rate Payer Payment Date occurring after the fourth anniversary of the initial Fixed Rate Payer Payment Date | 0.09% per annum |

569774

**CONFIRMATION**

Date: July 29, 2004

To: Société Générale, acting through its New York Branch
1221 Avenue of the Americas
IRD Department, 12th floor
New York, New York 10020

Ladies and Gentlemen:

The purpose of this letter agreement is to set forth the terms and conditions of the transactions entered into between Societe Generale, New York Branch ("Party A") and Sierra Madre Funding, Ltd. (the "Issuer" or "Party B") on the Trade Date referred to below (each a "Transaction" and, together, "Transactions"). This letter agreement constitutes the "Confirmation" referred to in the Master Agreement specified below.

The definitions and provisions contained in the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. ("ISDA")) (the "Definitions") are incorporated into this Confirmation. Any capitalized terms used but not defined herein, in the Master Agreement or in the Definitions shall have the respective meanings assigned to them in the Indenture dated as of July 29, 2004 (the "Indenture") among the Issuer, Sierra Madre Funding (Delaware) Corp. and JPMorgan Chase Bank, as Trustee (the "Trustee). In the event of any inconsistency between the Definitions, the Indenture and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms part of, and is subject to, the 1992 Master Agreement dated as of July 29, 2004, and as amended and supplemented from time to time (the "Agreement"), between Party A and Party B. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

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

| | |
|---|---|
| Notional Amount: | An amount equal to USD 945,000,000, minus the aggregate original principal amount of all Class A-1LT-b Notes purchased by Party A since the Effective Date, *minus* the sum of all amounts deposited since the Effective Date to the CP Principal Reserve Account. |
| Trade Date: | July 29, 2004. |
| Effective Date: | July 29, 2004. |
| Payment Dates: | Each Payment Date (as defined in the Indenture). |
| Termination Date: | The earliest of (i) the Payment Date in August 2039, (ii) the date on which the CP Notes are paid or Defeased in full and (iii) the date on which the Notional Amount equals zero. |
| Time of Payment: | Any payment under this Confirmation required to be made by Party A shall be made by 12:00 p.m. (New York time) |

| | |
|---|---|
| | on the Settlement Date. Any payment under this Confirmation required to be made by Party B shall be made by 2:00 p.m. (New York time) on the related Payment Date. If a Settlement Date occurs on a Payment Date, the parties may agree to net the payments required to be made on such date. |
| Option Style: | American. |
| Option Type: | Put. |
| Seller: | Party A. |
| Buyer: | Party B. |
| Securities: | (i) If the Option is being exercised under clause (i)(C) of the Conditions to Exercise, Class A-1LT-b-2 Notes and<br><br>(ii) in all other cases, Class A-LT-b-1 Notes. |
| Number of Options: | On any Exercise Date and the related Settlement Date, an amount equal to the Option Strike Price divided by 1000, expressed as a number (equal to the applicable number of dollars) and not as a dollar amount. |
| Securities Entitlement: | USD 1,000 of face amount of the Securities per option. |
| Multiple Exercise: | Applicable. |
| Premium: | On each Payment Date, the Buyer shall pay to the Seller the Put Premium for such Payment Date. |
| Put Premium: | For any Payment Date, an amount equal to the product of (A) the daily average, determined for each day during the related Due Period, of the Notional Amount on such day, (B) the Put Premium Rate for such Payment Date and (C) the Premium Day Count Fraction. |
| Put Premium Rate: | With respect to any Payment Date, 0.20% per annum from the first Payment Date to (and including) the Payment Date in September 2009 and 0.24% per annum on any Payment Date thereafter. |
| Put Premium Day Count Fraction: | Actual/360. |
| Option Strike Price: | As of any Exercise Date and the related Settlement Date, the CP Shortfall Amount on the related CP Initial Maturity Date, minus, the aggregate amount on deposit in the CP Principal Reserve Account on the related CP Initial Maturity Date (before giving effect to any application on such CP Initial Maturity Date of any such amounts on |

deposit); *provided that* the Option Strike Price may not exceed the Notional Amount.

| | |
|---|---|
| Exercising Party: | The Collateral Manager on behalf of Party B. |
| Business Day: | Has the meaning set forth in the Indenture. |
| Automatic Exercise: | Inapplicable. |
| Exercise Date: | Any Business Day prior to the Termination Date on which the Trustee or the Collateral Manager delivers a notice (an "Exercise Notice") to Party A, the CP Issuing and Paying Agent and the Calculation Agent stating that the Conditions to Exercise will be satisfied as of a particular CP Initial Maturity Date; *provided that* such Exercise Notice shall be delivered no later than 11:00 a.m. (New York time) on such CP Initial Maturity Date or on any of the three Business Days preceding such CP Initial Maturity Date or, in the case of an occurrence of a CP Settlement Failure, no later than 5:00 p.m. (New York time) on the CP Initial Maturity Date. Such Exercise Notice shall state whether the satisfaction of the Conditions to Exercise results solely from a Maximum Rate Event (such notice, a "Party A Deposit Notice"). |
| Party A Deposit: | If Party A receives a Party A Deposit Notice, Party A may, at its option, deposit funds to the CP Interest Reserve Account sufficient to permit Party B to issue CP Notes on such CP Initial Maturity Date having a discount rate that is less than or equal to the discount equivalent of the Maximum Put Option Strike Rate (the "Party A Deposit Amount"). The Calculation Agent shall determine the Party A Deposit Amount and shall provide notice thereof (via e-mail or facsimile) to Party A as soon as practicable after receipt of a Party A Deposit Notice. Within one Business Day of receipt of such information from the Calculation Agent and if Party A elects to make such deposit, Party A shall deposit the Party A Deposit Amount to the CP Interest Reserve Account. |

2.1 Settlement Terms

| | |
|---|---|
| Settlement: | Physical Settlement. |
| Settlement Date: | For any Exercise Date (i) which is three Business Days prior to the related CP Initial Maturity Date, such CP Initial Maturity Date, (ii) which is one or two Business Days prior to the related Initial CP Maturity Date or on the related Initial CP Maturity Date, two Business Days after the related Initial CP Maturity Date and (iii) if the Option is being exercised under clause (i)(F) of the Conditions to |

Exercise, two Business Days after the related Initial CP Maturity Date; *provided that*, in each case, a one Business Day grace period for the obligation of Party A to make payments hereunder shall apply and shall be considered the "Settlement Date" if Party A makes payment on such later date.

Notwithstanding anything herein to the contrary, if a payment obligation of Party A has arisen because the Option was exercised under clause (i)(A) or (F) of the Conditions to Exercise, such obligation shall be terminated if the CP Issuing and Paying Agent or the Calculation Agent notify Party A before 9:00 a.m (New York time). on the related Settlement Date that Party B has been able to issue and place new CP Notes.

Physical Settlement Terms:

Physical Settlement: On the Settlement Date, Party A shall pay to Party B the Option Strike Price, and Party B shall deliver to Party A the Securities to be Delivered, through the Clearance System.

Securities to be Delivered: (i) If the Option is being exercised under clause (i)(C) of the Conditions to Exercise, Class A-1LT-b-2 Notes in an aggregate outstanding principal amount equal to the Option Strike Price, and

(ii) in all other cases, Class A-1LT-b-1 Notes in an aggregate outstanding principal amount equal to the Option Strike Price.

Clearance System: Depository Trust Company.

3. Conditions to Exercise: Each of the following shall be a condition to the exercise of this Option (together, the "Conditions to Exercise"):

   (i) Any of the following shall have occurred (it being acknowledged that upon the occurrence of any of the following, Party B will be obligated pursuant to Section 7.18 of the Indenture to exercise this Option):

      A. Party B is not able to issue, sell or place new CP Notes having a tenor not exceeding nine months with an interest rate or a discount rate less than or equal to the Maximum Put Option Strike Rate, including by reason of a general failure of the CP market or it becoming unlawful for Party B to obtain funds in the commercial paper market, in an amount at least equal to the Face Amount of Maturing CP Notes less any amounts in the CP Interest Reserve Account (including any Party A Deposit Amount but excluding any withdrawals made or to be made therefrom on the CP Initial Maturity Date) and the CP Principal Reserve Account on such CP Initial Maturity Date;

B. An Event of Default under Section 5.1(a) or (b) of the Indenture has occurred and is continuing with respect to the Class A Notes, the CP Notes or the Class B Notes solely as a result of a failure by AIGFPC to make a payment required to be made by it under any Hedge Agreement;

C. On or after August 7, 2005, Party A notifies Party B in writing that it has elected to terminate this Transaction in whole or in part;

D. A Downgrade Condition has occurred;

E. An Early Termination Condition exists; or

F. A CP Settlement Failure has occurred.

(ii) None of the following shall have occurred:

A. Any event described in either of Sections 5.1(f) or (g) of the Indenture shall have occurred;

B. Amounts due to be paid to the Put Counterparty under this Agreement prior to the Exercise Date (assuming that Party A has paid all amounts due from it pursuant to this Agreement) shall not have been paid to Party A when due, including amounts due prior to the applicable Exercise Date; and

C. Any event described in Section 5.1(a) or (b) of the Indenture shall have occurred and is continuing with respect to the Class A Notes, CP Notes or the Class B Notes, unless such event is due solely to a failure by AIGFPC to make payments required to be made by it under any Hedge Agreement.

4. Certain Definitions: For purposes of these Transactions:

"***AIGFPC***" means AIG Financial Products Corporation, a Delaware corporation.

"***CP Initial Maturity Date***" means any date on which CP Notes initially become due and payable, not taking into account any extensions thereof.

"***CP Extended Maturity Date***" means the Settlement Date for any CP Note.

"***CP Principal Proceeds***" means, on any date, the initial issuance proceeds to be received by Party B from the issuance by Party B on such date of CP Notes having a tenor not exceeding nine months.

"***CP Settlement Failure***" means, on any CP Initial Maturity Date, a prospective purchaser of CP Notes to be placed on such date defaults in its obligation to pay the cash purchase price in immediately available funds on such date for the CP Notes such purchaser was obligated to purchase on such CP Initial Maturity Date.

"***CP Shortfall Amount***" means, on any date an amount equal to the excess, if any, of the Face Amount of Maturing CP Notes over the CP Principal Proceeds on such date.

"***Downgrade Condition***" means, with respect to Party A, that the short-term rating of Party A from S&P or Moody's shall have been lowered below "A-1" or "P-1", respectively (a "Downgrade Event") and by the 30th day following the date of occurrence of such Downgrade Event Party A has not

provided an Effective Credit Support Commitment, no Replacement Counterparty has assumed Party A's rights and obligations under the Agreement in accordance with Part 5(p) of the Schedule to the Agreement and Goldman, Sachs & Co. is a CP Note Placement Agent (it being acknowledged and agreed that Party A shall have no obligation to provide an Effective Credit Support Commitment or to obtain a Replacement Counterparty).

"***Effective Credit Support Commitment***" means, following the occurrence of a Downgrade Event with respect to Party A, an irrevocable and binding commitment of Party A to enter into a credit support arrangement which would cause the short-term rating of Party A solely for the purposes of its obligations under this Agreement, taking into account such Effective Credit Support Commitment, to be at least "A-1" or "P-1" by S&P and Moody's, respectively (it being acknowledged and agreed that Party A shall have no obligation to provide an Effective Credit Support Commitment).

"***Face Amount of Maturing CP Notes***" means, on any CP Initial Maturity Date, the portion of the face amounts of all CP Notes (including, for the avoidance of doubt, CP Notes held by Party A maturing on such date) maturing on such date.

"**LIBOR**" has the meaning set forth in the Indenture.

"***Maximum Put Option Strike Rate***" means a discount rate equal to LIBOR for a designated maturity of CP Notes of applicable maturity plus 0.16% per annum or, with respect to LIBOR CP Notes, an interest rate equal to LIBOR for a designated maturity of CP Notes of applicable maturity plus 0.11% per annum.

"**Maximum Rate Event**" means that Party B is not able to issue new CP Notes having a discount rate that is less than or equal to the discount equivalent of the Maximum Put Option Strike Rate.

5. Payment Instructions:

Accounts for Payments to Party B:

JPMorgan Chase Bank-Texas
Houston, Texas
ABA # 113000609
A/C: 00102619468
BNF Name: Asset Backed Structured # 2
BNFAddress: JPMorgan ChaseTower, Houston, TX
FC: Sierra Madre Funding, Ltd.
A/C#10208774
OBI: David White / description

Account for Payments to Party A:

Societe Generale, New York Branch
ABA No: 026-004-226
Account No: 9041988
(Credit Derivatives)
Reference: Sierra Madre Funding

6. (a) The parties acknowledge and agree that the Calculation Agent shall be responsible for calculating

amounts due under this Confirmation only and shall have no responsibility to calculate any other amounts specified in the Agreement. The Calculation Agent in performing its duties hereunder shall act in good faith and in a commercially reasonable manner. The Calculation Agent shall not be liable for taking any action or for refraining from taking any action in good faith pursuant to this Agreement; provided, however, that this provision shall not protect the Calculation Agent from any liability that would otherwise be imposed by reason of its willful misfeasance, bad faith or gross negligence in the performance of duties. The parties acknowledge and agree that the calculations and amounts to be provided by the Calculation Agent, contain information supplied to the Calculation Agent by third parties (e.g., information regarding the principal amounts and accrued interest on the CP Notes supplied by agents of Party B) and that the Calculation Agent shall have no responsibility for the accuracy of the information so supplied.

(b) Except as otherwise provided herein, the Calculation Agent shall provide notice (via (i) e-mail and facsimile or (ii) facsimile) to Party A and Party B (with a copy to the Collateral Manager) of the amount of payments and deliveries to be made by such party (including a breakdown of the component of each payment) under this Confirmation on each (i) Payment Date no later than 12:00 noon (New York time) on the second Business Day prior to such Payment Date and (ii) Settlement Date no later than 12:00 noon (New York time) on the Business Day following the Exercise Date related to such Settlement Date, as applicable. Party A shall be entitled to reasonably rely on the Calculation Agent's calculations as delivered to Party A in accordance with the terms hereof absent manifest error; provided that, no such reliance shall relieve Party A of its obligations to pay the accurate amount of all payments due hereunder.

(c) The Calculation Agent shall, upon the reasonable request of either Party provide a statement to such Party showing in reasonable detail such calculations, specifying the source of such calculations and providing copies of all material documents and information relied upon by the Calculation Agent in performing its obligations hereunder. In the event that either Party acting in good faith disputes any calculation of the Calculation Agent the Parties shall use reasonable efforts to resolve any disputes concerning such calculations prior to 4:00 p.m. (New York time) on the Business Day prior to the related Payment Date or Settlement Date, as applicable. If the Parties are unable to agree prior to such time, the Parties shall pay the amounts specified in the reports prepared by the Calculation Agent. Notwithstanding the foregoing, the Parties agree that the calculations of the Calculation Agent shall not be binding in the case of manifest error, and in the event that either Party is able to demonstrate to the other such manifest error with respect to a payment that has been made, the Parties shall within five (5) Business Days make such payment or payments as shall return the Parties to the position they would have been in had no such error been made. The Parties agree that in paying the amounts specified by the Calculation Agent, they are acting pursuant to their mutual agreement under this Agreement and not at the direction of the Calculation Agent.

(d) Notice to Party A for payments and amounts calculated shall be (i) e-mailed as instructed by Party A and sent by facsimile as described herein or (ii) sent by facsimile to Societe Generale, New York Branch, Attn: IRD Operations (Swaps), Telephone: (212) 278-7344/6976/7052, Facsimile: (212) 278-7136 with a copy to Societe Generale, New York Branch, Attn: Tom Athan, Edouard Klehe and Vadim Bagatouria, Telephone: (203) 861-5400, Facsimile: (203) 861-5458/5459.

7. Party A shall give notice to the Collateral Manager and the Issuer if the short-term ratings of Party A by S&P or Moody's are downgraded by S&P or Moody's to a rating below "A-1" or "P-1", respectively.

8. THE AGREEMENT AND THIS CONFIRMATION REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR OR CONTEMPORANEOUS WRITTEN OR ORAL AGREEMENTS BETWEEN THE PARTIES OR

SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by returning an executed copy of this Confirmation to us.

Yours sincerely,

SIERRA MADRE FUNDING, LTD.,
as Party B,

By: _____
Name: Wendy Ebanks
Title: Director

Confirmed as of the date first written:

SOCIÉTÉ GÉNÉRALE, acting through its New York Branch,
as Party A

By: _____
Name:
Title:

Agreed for purposes of Paragraph 6:

GOLDMAN, SACHS & CO.,
as Calculation Agent

By: _____
Name:
Title:

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by returning an executed copy of this Confirmation to us.

Yours sincerely,

SIERRA MADRE FUNDING, LTD.,
as Party B,

By: _____
Name:
Title:

Confirmed as of the date first written:

SOCIÉTÉ GÉNÉRALE, acting through its New York Branch,
as Party A

By: _____
Name: Edouard KLEHE
Title: Director

Liliana Gowdie
Specialist
Derivative Operations

Agreed for purposes of Paragraph 6:

GOLDMAN, SACHS & CO.,
as Calculation Agent

By: _____
Name:
Title: