489228

# CONFIRMATION

Date: June 24, 2003

To: STRIPs III LLC

From: AIG Financial Products Corp.

Re: Remarketing Put Option Transaction – STRIPs III LLC Notes

The purpose of this communication is to set forth the terms and conditions of the remarketing put option transaction entered into on the Trade Date specified below (the "**Transaction**"), between AIG Financial Products Corp. ("**AIG-FP**") and STRIPs III LLC (the "**Counterparty**"). This letter agreement constitutes a "**Confirmation**" as referred to in the Master Agreement specified below.

1. This Confirmation is subject to and incorporates the 2000 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. (the "**Definitions**"). This Confirmation supplements, forms part of and is subject to the ISDA Master Agreement dated as of June 24, 2003 between AIG-FP and the Counterparty that (i) incorporates the Definitions (whether directly or by means of this Confirmation) and (ii) sets forth general terms and conditions applicable to remarketing put option transactions between us (the "**Master Agreement**"). All provisions contained in, or incorporated by reference to, such Master Agreement shall govern this Confirmation except as expressly modified below. Any capitalized terms used but not defined herein, in the Master Agreement or the Definitions shall have the meanings assigned to them in (i) the Indenture (the "**Indenture**") dated as of March 3, 2003 among STRIPs III Ltd. (the "**Issuer**"), STRIPs III Corp. (the "**Co-Issuer**") and LaSalle Bank National Association, as trustee (in such capacity, the "**Trustee**"), as supplemented by the Series 2003-1 Supplement dated as of March 3, 2003 and Amendment No. 1 to the Series 2003-1 Supplement dated as of May 1, 2003 and Amendment No. 2 to the Series Supplement dated as of June 24, 2003, or (ii) the Administration Agreement, dated as of June 24, 2003 (the "**Administration Agreement**") among the Counterparty, LaSalle Bank National Association (the "**Administrator**") and Deutsche Bank AG, New York Branch (the "**Program Advisor**").

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

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| Trade Date: | June 24, 2003. |
| Effective Date: | June 24, 2003. |
| Termination Date: | The earliest of (a) the latest date on which a Settlement Date related to the Payment Date (as defined in the Indenture) occurring in March 2018 could occur or such later date as agreed by AIG-FP in writing, (b) at any time after the date on which the Counterparty first acquires the Class A-1-FLT Notes, the date on which Counterparty no longer holds any Class A-1-FLT Notes (as defined below) |

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| | and (c) at any time after the date on which the Counterparty first acquires the Class A-1-FLT Notes, the date on which Counterparty has no outstanding Subject Securities (as defined below) issued pursuant to the PPM (as defined below) unless Counterparty is simultaneously issuing notes in the aggregate principal amount that correspond to the Subject Securities being redeemed or maturing therefor (**"Replacement Notes"**). |
| Option Type: | Put. |
| Seller: | AIG-FP. |
| Buyer: | Counterparty. |
| Class A-1-FLT Notes: | Up to $320,000,000 (or such higher amount approved by AIG-FP in writing) aggregate principal amount of Class A-1-FLT Floating Rate Notes issued by the Issuer and the Co-Issuer (which may include Series 2003-1 Class A-1-FLT Notes or Class A-1-FLT Notes from any future series). |
| Subject Securities: | $320,000,000 (or such higher amount approved by AIG-FP in writing) Aggregate Calculation Balance (as defined in the Administration Agreement) of STRIPs III LLC Notes, issued from time to time by Counterparty as described in the Private Placement Memorandum dated June 24, 2003 with Deutsche Bank Securities Inc. as placement agent (the **"PPM"**). |
| Settlement Securities: | Either the Class A-1-FLT Notes or newly issued Subject Securities, as specified by Seller in a notice to Buyer not later than 3:00 p.m. New York City time on the Business Day immediately prior to the relevant Settlement Date. If Seller fails to give such notice by such time, then the Settlement Securities shall be the Subject Securities with a maturity as agreed between AIG-FP and the Dealer and that complies with the Maturity and Interest Limitations, or in the absence of such agreement, one year. |
| Partial Exercise: | Applicable. |
| Option Strike Price: | On any Settlement Date, the Aggregate Calculation Balance (or aggregate principal amount in the case of Class A-1-FLT Notes) of the Settlement Securities, plus accrued and unpaid interest, if any. |
| Exercise Period: | The Option Transaction may be exercised on any Remarketing Date, and in no event later than the fifth Business Day immediately following the Remarketing Date |

to the extent the Administrator has failed to exercise the related Option Transaction on such Remarketing Date as a result of an administrative error, force majeure or other similar event prior to the Termination Date on which the sum of (i) the total amount of funds on deposit in the Collection Account at 2:00 p.m. (New York time) on the Remarketing Date plus (ii) the total amount of funds received by the Depositary on the Counterparty's behalf on such Remarketing Date at or prior to 2:00 p.m. (New York time), in each case to the extent such funds are available to make payments pursuant to Section 3.01(a) of the Administration Agreement on such Remarketing Date, are not sufficient to pay in full all of the amounts set forth in clauses first, second, third and fourth of Section 3.01(a) of the Administration Agreement on such Remarking Date (each such date, an **"Exercise Date"**); *provided* that any exercise may be rescinded by the Administrator by telephonic notice, confirmed by facsimile, to AIG-FP no later than 5:00 p.m., New York time, on the Business Day immediately preceding the Settlement Date; and *provided, further*, that it shall be a condition to AIG-FP's obligation to perform under the Options that (a) no Event of Default (as defined in the Indenture) (i) relating to payment of interest or principal on the Class A-1-FLT Notes pursuant to Section 5.01(i) or 5.01(ii) of the Indenture (other than, in either case, an Event of Default caused solely by a failure on any Payment Date to disburse amounts available on deposit in the Note Account (as defined in the Indenture)) or Section 5.01(iii) of the Indenture, or (ii) pursuant to Section 5.01(v) or 5.01(vi) of the Indenture, has occurred and is continuing on the related Settlement Date, (b) no Program Default (as defined in the Administration Agreement), other than a Program Default resulting solely from the occurrence of an Exercise Date during the grace period set forth above, has occurred and is continuing on the related Settlement Date and (c) AIG-FP shall have received either a Note Valuation Report related to the Payment Date occurring on the related Remarketing Date stating that sufficient funds for the payment of interest on the Class A-1-FLT Notes on the Remarketing Date plus any principal due on the Class A-1-FLT Notes will be on deposit in the Note Account (as defined in the Indenture) or other oral or written evidence to such effect that is reasonably satisfactory to AIG-FP; *provided* that if the Issuer makes full interest (and to the extent due, principal) payments on the Class A-1-FLT Notes on the related

Payment Date (or prior to the expiration of the applicable grace period on the Class A-1-FLT Notes or, if no grace period is applicable on the Class A-1-FLT Notes under the terms thereof, prior to the expiration of a deemed 3 Business Day grace period with respect to such payments on the Class A-1-FLT Notes), notwithstanding the failure of the Counterparty to timely deliver a Note Valuation Report or other evidence satisfactory to AIG-FP as provided in clause (c) above, AIG-FP will perform under the exercised Option Transaction on the Settlement Date following such payment so long as the conditions described in clauses (a) and (b) are satisfied. No failure to exercise the Put on or with respect to any Remarketing Date shall affect the ability to exercise any Put on a subsequent Remarketing Date subject to the satisfaction of the conditions set forth herein. The Counterparty agrees that it shall exercise the Put through the Administrator (or any successor to the Administrator under the Administration Agreement).

Notwithstanding anything to the contrary in this Confirmation, in no event shall AIG-FP be required to purchase Settlement Securities in aggregate outstanding principal amounts greater than the amounts specified in the Administration Agreement relating to Maturity and Interest Limitations.

The "**Remarketing Dates**" shall occur on each Maturity Date for the Subject Securities prior to the Termination Date. If as a result of a change in law or interpretation the Subject Securities are no longer eligible for purchase by money market funds under Rule 2a-7 of the Investment Company Act of 1940, as amended, upon at least 10 Business Days' written notice to the Dealer prior to the next upcoming Remarketing Date, AIG-FP may, at its discretion, elect to change the Remarketing Period commencing any such Remarketing Date by directing the Dealer to remarket such Subject Securities with respect to any subsequent Payment Date (*provided* the Issuer, the Dealer and the Administrator have consented to such change) occurring within one year of such upcoming Remarketing Date. The Dealer shall notify S&P and Moody's of any such change.

Exercise Procedure: Any exercise of the Put hereunder shall be substantially in the form attached as Exhibit A hereto. Upon any such exercise of the Put, AIG-FP shall, subject to satisfaction of

the conditions to exercise specified in **"Exercise Period"** above, purchase on the related Settlement Date the Settlement Securities with a Calculation Balance equal to the Calculation Balance of the Notes having a Maturity Date on the related Remarketing Date (including any deemed held by the Depositary pursuant to Section 8 X of the Depositary Agreement), after giving effect to all payments to be made on such Remarketing Date from either (i) funds on deposit in the Collection Account at 2:00 p.m. (New York time) on such Remarketing Date or (ii) funds received by the Depositary on the Counterparty's behalf on such Remarketing Date at or prior to 2:00 p.m. (New York time), at the Option Strike Price. In the event that AIG-FP specified that any Settlement Securities will be Subject Securities, the spread applicable to the Subject Securities shall be the spread set forth in Section 2(c) of the side letter, dated the date hereof, among AIG-FP, the Counterparty and the Dealer (the **"Side Letter"**).

The Counterparty, at the direction of the Administrator, shall confirm to AIG-FP the amount of the Option Strike Price for all of the Settlement Securities to be purchased by it.

Settlement: Physical Settlement

Settlement Date: The fourth Business Day immediately following the Exercise Date; *provided, however,* that any notice of exercise of the Options received by AIG-FP after 3:00 p.m., New York time, will be treated as if it had been received on the immediately following Business Day; *provided, further*, where either an Event of Default under Section 5.01(i) or 5.01(ii) of the Indenture caused solely by a failure on any Payment Date to disburse amounts available on deposit in the Note Account (as defined in the Indenture), or a potential Event of Default under Section 5.01(iii), 5.01(v) or 5.01(vi) of the Indenture, has occurred and is continuing with respect to the Class A-1-FLT Notes on the Exercise Date and is thereafter cured, the Settlement Date shall be the later of (a) the fourth Business Day immediately following the Exercise Date and (b) the third Business Day immediately following the date of such cure; provided that AIG-FP has received satisfactory evidence of such cure.

Physical Settlement Terms: On the Settlement Date, Seller shall pay the Option Strike Price to the Administrator (as defined in the Administration Agreement) for credit in the Collection Account (as so defined) identified below. On the Settlement Date,

Counterparty shall cause to be delivered to AIG-FP (or its designee) the Settlement Securities to be delivered as provided above opposite "Exercise Procedure", such delivery to be effected free of payment through the Clearance System to the account specified below.

If there is a Settlement Disruption Event that prevents settlement on a day that but for the Settlement Disruption Event would have been the Settlement Date, then the Settlement Date shall be the first succeeding day on which that settlement can take place through the Clearance System, unless a Settlement Disruption Event prevents settlement on each day that the Clearance System is (or, but for the Settlement Disruption Event, would have been) open for business during the period ending 30 calendar days after the original date that, but for the Settlement Disruption Event, would have been the Settlement Date. If a Settlement Date does not occur during such 30 calendar day period, the party required under this Transaction to deliver the Settlement Securities promptly thereafter in a commercially reasonable manner outside the Clearance System on a delivery versus payment basis.

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| Clearance System: | DTC. |
| Settlement Disruption Event: | An event beyond the control of the parties as a result of which the Clearance System cannot clear the transfer of the Settlement Securities. |
| Fixed Amount Payer: | Counterparty. |
| Fixed Amount Payer Payment Date: | Each of the Payment Dates for the Subject Securities, and to the extent specified in the Administration Agreement, any Additional Payment Date or Legal Payment Date for the Subject Securities. |
| Notional Amount: | For any Calculation Period, the amount equal to the weighted average outstanding principal amount of Subject Securities during such Calculation Period. |
| Calculation Period: | The same period as the "Interest Accrual Period", as defined in the Administration Agreement |
| Fixed Rate: | As set forth in the Side Letter. |

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| Fixed Rate Day Count Fraction: | Actual/360. |
| Calculation Agent: | AIG-FP. |
| Business Days: | As defined in the Administration Agreement. |
| Instructions for Payments to AIG-FP: | CHIPS ABA 001<br>ABA No. 021000018<br>SWIFT IRVT U53N<br>A/C AIG Financial Products Corp.<br>A/C #8900416084<br>UID 298453 |
| AIG-FP Settlements: | |
| Instructions for Payments to the Counterparty: | LaSalle Bank National Association<br>Chicago, IL<br>ABA: 071000505<br>Acct: 2090067<br>FFC Trust Acct: 67-9242-00-8<br>Acct. Name: STRIPs LLC Collection Account<br>Attn: Alice Pacthod 904-2498 |

3. Other Terms:

(a) Additional Representations and Agreement. AIG-FP represents and warrants that it is a Qualified Institutional Buyer (as defined in Rule 144A under the Securities Act of 1933 as amended), and a Qualified Purchaser (for purposes of Section 3(c)(7) of the Investment Company Act of 1940, as amended).

(b) Termination of Agreements; Performance by Parties. Notwithstanding anything to the contrary in the Master Agreement, no termination of the Dealer Agreement, the Administration Agreement, the Depositary Agreement, the Dealer, the Administrator, the Depositary or the Program Advisor and no failure to have a Dealer Agreement, an Administration Agreement or a Depositary Agreement in effect and no action taken or not taken by the Dealer, the Administrator, the Depositary or the Program Advisor, including any failure of the Dealer, the Administrator, the Depositary or the Program Advisor to perform their obligations, shall operate to release AIG-FP from its obligations hereunder subject to the satisfaction of the express conditions set forth herein, and without prejudice to AIG-FP's right to assert any claim against any of the foregoing parties.

(c) Voting Rights. Within one Business Day after receipt of notice of any meeting of, or other occasion for the exercise of voting rights or the giving of consents ("**voting rights**") by, owners of any of the Class A-1-FLT Notes (whether as Controlling Class or otherwise), Counterparty shall give notice to AIG-FP, setting forth (i) such information as is contained in

such notice to owners of Class A-1-FLT Notes, (ii) a statement that AIG-FP will be entitled to instruct Counterparty as to the exercise of voting rights, if any, pertaining to such Class A-1-FLT Notes and (iii) a statement as to the manner in which instructions may be given to Counterparty to give a discretionary proxy to a person designated in the notice received by Counterparty. Upon the written request of AIG-FP, received on or before the date established by Counterparty for such purpose, Counterparty shall, insofar as permitted under any applicable provision of law and any applicable provision of or governing the Class A-1-FLT Notes, vote in accordance with any nondiscretionary instruction set forth in such written request. Counterparty shall not exercise such voting rights except as specifically authorized and directed in written instructions from AIG-FP. Notwithstanding the foregoing, in no event may AIG-FP direct the Counterparty to consent to or direct the acceleration of the Underlying Securities so long as an Event of Default under Section 5.01(i) or 5.01(ii) of the Indenture shall be deemed to be caused solely by a failure on any Payment Date to disburse amounts available on deposit in the Note Account (as defined in the Indenture).

(d) Early Termination Settlement Terms: Prior to any termination following a Termination Event described in Section 5(b)(i) or Section 5(b)(ii) (where AIG-FP is the sole Affected Party or both AIG-FP and Counterparty are Affected Parties) or Part 1(f) where AIG-FP is the sole Affected Party or an Event of Default where AIG-FP is the Defaulting Party, AIG-FP shall provide not less than ten (10) Business Days notice to the Holders of the Subject Securities, the Administrator and the Dealer specifying (x) that new Subject Securities will be marketed and sold without the benefit of this Agreement, with a maturity of the stated maturity of the Class A-1-FLT Notes and at an interest rate of LIBOR plus the Termination Marketing Spread (as set forth in the Side Letter) per annum for each Interest Accrual Period through the stated maturity and (y) the date (the **"Termination Marketing Date"**, which Termination Marketing Date must be on or prior to the termination date of this Agreement) on which AIG-FP will deposit to the Collection Account for the benefit of the maturing Subject Securities the difference between the price received from such sale and par plus accrued interest until the maturity date of such Subject Securities for all maturing Subject Securities on the date of such sale (the **"Termination Make-Up Amount"**); *provided* that, in AIG-FP's sole discretion in lieu of such a marketing or after receipt of all of the bids provided in such marketing, AIG-FP may purchase all of the Class A-1-FLT Notes underlying the Subject Securities at par plus accrued interest on the date set forth in the notice, in accordance with the Administration Agreement. For the avoidance of doubt, in the event the Dealer fails to market and sell such new Subject Securities, the Termination Make-Up Amount will equal par plus accrued interest until the maturity date of such Subject Securities for all maturing Subject Securities.

(e) Determinations regarding Events of Default: For all purposes of this Confirmation, whether or not an Event of Default under Section 5.01(i) or 5.01(ii) of the Indenture was caused solely by a failure on any Payment Date to disburse amounts available on deposit in the Note Account (as defined in the Indenture) will be determined pursuant to Section 3.04 of the Administration Agreement.

Please confirm that the preceding correctly sets forth the terms of our agreement with respect to the Transaction by signing in the space provided below and sending a copy of the executed Confirmation to us.

Very truly yours,

AIG Financial Products Corp.

By: _____
Name:
Title: Kathleen M. Furlong
Vice President, Chief Financial Officer
and Treasurer

Agreed and accepted by

STRIPs III LLC

By: _____
Name:
Title:

Please confirm that the preceding correctly sets forth the terms of our agreement with respect to the Transaction by signing in the space provided below and sending a copy of the executed Confirmation to us.

Very truly yours,

AIG Financial Products Corp.

By:_____
Name:
Title:

Agreed and accepted by

STRIPs III LLC

By:_____
Name: Orlando Figueroa
Title: Vice President

**EXHIBIT A**

**Form of Notice of Exercise of the Put**

(Letterhead of Administrator)

AIG Financial Products Corp.
50 Danbury Road
Wilton, CT 06897-4444

Re: STRIPs LLC Notes

Reference is made to the ISDA Master Agreement, dated as of June 24, 2003, as supplemented by the Schedule attached thereto, dated as of June 24, 2003 and the Confirmation, dated as of June 24, 2003 (collectively, the "**Put Agreement**"), between STRIPs LLC (the "**Company**") and AIG Financial Products Corp. ("**AIG-FP**") and the Administration Agreement, dated as of June 24, 2003 (the "**Administration Agreement**"), among the Company, Deutsche Bank AG, New York Branch (the "**Program Advisor**") and LaSalle Bank National Association (the "**Administrator**"), each in respect of the STRIPs LLC Notes (the "**Notes**").

The undersigned, a duly authorized officer of the Administrator, hereby certifies to AIG-FP that:

(A) The necessary conditions specified in the Program Documents for the exercise of the Put for the Remarketing Date occurring on [Specify Date] have been met.

(B) Accordingly, the Put is exercisable under the Put Agreement and we hereby exercise the Put.

(C) The Calculation Balance of the Notes having a Maturity Date on the related Remarketing Date (including any Notes deemed held by the Depositary pursuant to Section 8 X of the Depositary Agreement), after giving effect to all payments to be made on such Remarketing Date from either (i) funds on deposit in the Collection Account at 2:00 p.m. on the Remarketing Date (New York time) on the Remarketing Date or (ii) funds received by the Depositary on the Counterparty's behalf on such Remarketing Date at or prior to 2:00 p.m. (New York time), will be $_____.

Unless the context otherwise requires, capitalized terms used in this Notice of Exercise of the Put and not defined herein shall have the meanings provided in the Put Agreement or if not defined therein, in the Administration Agreement.

IN WITNESS WHEREOF, the Administrator has executed and delivered this Notice of Exercise of the Put as of the _____ day of _____, _____.

LASALLE BANK NATIONAL ASSOCIATION,
as Administrator

By:_____
Name:
Title: